



GAMMON

Builders to the nation

Annual Report 2006 - 2007

Laying Tracks of perfection

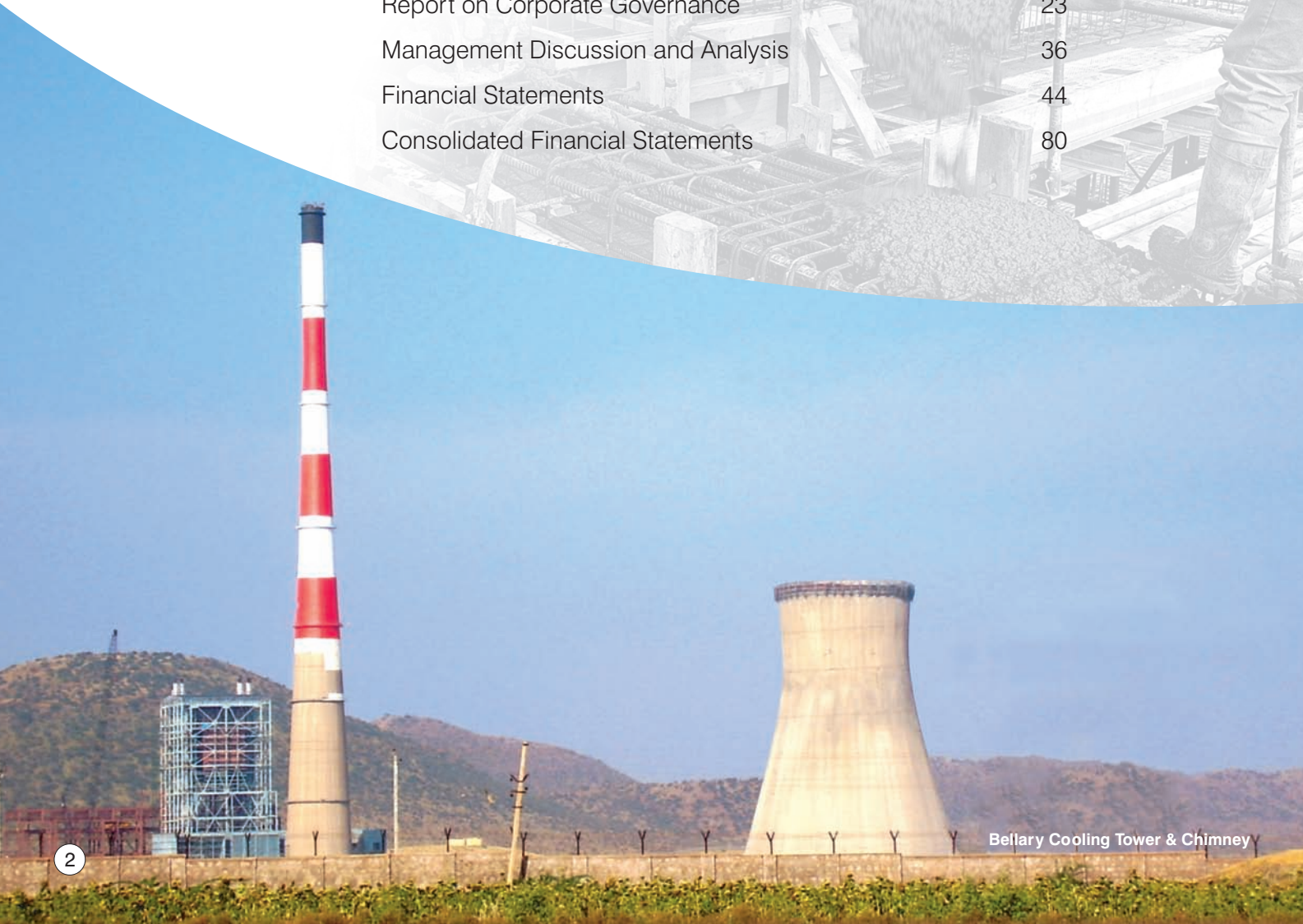


Tunnel boring machine (Parbati Tunnel)



C o n t e n t s

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Bellary Cooling Tower & Chimney

C h a i r m a n ' s l e t t e r

Dear Shareholders,

We have completed one more eventful year and recorded 57 % growth in our revenue coupled with 20% growth in profit for the year 2006-07.

The year gone by has also been one of unique achievements on the technology front for your Company. We could successfully complete two inclined pressure shaft at 30 degree incline to the horizontal, which is the first in the world at the Parbati Hydroelectric Project for NHPC Ltd. We also completed India's first extra dosed bridge for the Delhi Metro Rail Corporation.

Public and Private sector emphasis on different segments of infrastructure viz, mass urban transportation, the golden quadrilateral, power, ports and water ways, airports etc continues to have a salutary effect on the Company's fortunes. There is also an increasing emphasis on shortening the execution period to global standards which augurs well for construction Companies in general but at the same time puts increasing demands on resources without commensurate margins due to inference competition. This undergoes the need for equitable and internationally accepted conditions of contract and contract management processes both of which continue to lag behind in the country. Urgent remedial measures are necessary in this regard to protect the interests of all stakeholders.

Having said that, the Company looks forward to the coming years with optimism. It continues its focus on Overseas markets especially in Middle East, North & West Africa & Saarc Countries. The Company is also expanding its presence in the Realty segment to reinforce top and bottom line growth. The Company is also evaluating options for inorganic growth in areas of its core and allied competencies. By way of diversification, the Company has entered into Hydrocarbon exploration business through a joint venture in the US and will also be participating in the Nelp-VII program of the Government of India.

The current order book of the Company is over Rs. 7,000 Crores and continues to grow. With the economy on the upswing, I am confident that the pace of the growth in the current year will remain healthy.

I take this opportunity to thank you, our shareholders, all our stakeholders and supporters and our entire dedicated team for their unlimited support in concluding another successful year and looking forward to another eventful year.



Abhijit Rajan
Chairman & Managing Director



B o a r d o f D i r e c t o r s

Abhijit Rajan

Chairman & Managing Director

Peter Gammon

Chairman Emeritus

Himanshu Parikh

Executive Director

Rajul A. Bhansali

Executive Director

C. C. Dayal

Director

S. K. Guha Thakurta

Director

Atul Dayal

Director

Dr. Naushad Forbes

Director

Registered office

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Umrong Dam

C o n s o r t i u m B a n k e r s

Canara Bank

Punjab National Bank

Allahabad Bank

ICICI Bank

Syndicate Bank

IDBI Bank

ING Vysya Bank

Auditors

Natvarlal Vepari & Co.

Consolidating position as an industry leader

Balance Sheet (Rs. In Crores)

Particulars	As at 31st March 2007	As at 31st March 1998	Particulars	As at 31st March 2007	As at 31st March 1998
SOURCES OF FUNDS:			APPLICATION OF FUNDS:		
Own Funds	897.47	39.52	Fixed Assets	448.68	46.22
Borrowed Funds	371.49	36.66	Investments	150.44	7.24
Deferred Tax Liability	37.92	-	Working Capital	707.76	22.72
	1306.88	76.18		1306.88	76.18

Profit & Loss Account (Rs. In Crores)

Particulars	2006-2007	Jan. 05 to Mar. 06 (15 Months)	Apr.04 to Dec.04 (9 Months)	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
Turnover	2084.33	1645.69	866.60	1119.72	726.65	513.99	503.76	451.67	327.68
Profit Before Tax	143.06	111.16	51.59	54.46	35.28	31.58	20.16	18.20	12.41

Strong Financial Ratings

CARE has assigned the following ratings:

	TENURE (Months)	AMOUNT (Rs. In Crores)	RATINGS
Short Term	12	225	PR1 +
Long Term	120	40	AA+
Long Term	120	100	AA+

CRISIL has assigned "AA, stable rating" for Non Convertible Debenture of Rs. 50 Crores.

Projects being executed as on 31st March, 2007

Areas of Specialization	North	South	East	West	Foreign	Total
Transport Engineering	11	4	10	4	-	29
Energy Projects & High-rise Structures	4	5	4	2	-	15
Hydro Power/ Tunnel/ Irrigation Projects	5	4	1	-	-	10
Building Works	1	-	-	3	-	4
Ground Engineering & Environment Protection	-	-	-	1	-	1
Pipelines	-	1	1	2	1 #	5
Total	21	14	16	12	1	64

#Offshore Project



Ten years

Financial Highlights

	1997-98	1998-99	1999-00
A. FINANCIAL POSITION :			
LIABILITIES :			
Share Capital	2.16	6.30	6.31
Reserves & surpluses (Excluding Revaluation of Assets)	37.36	58.46	69.36
Revaluation Reserve	-	78.60	76.75
SHAREHOLDERS' FUNDS	39.52	143.36	152.42
Loan Funds	36.66	39.10	65.58
Deferred Tax Liability	-	-	-
TOTAL CAPITAL EMPLOYED	76.18	182.46	218.00
ASSETS:			
Fixed Assets (Net) (Excluding Revaluation of Assets)	46.22	58.91	82.13
Amount of Revaluation	-	78.60	76.75
Total Net Fixed Assets (Including Revaluation of Assets)	46.22	137.51	158.88
Current Assets (Net)	22.72	28.32	41.37
Investments	7.24	16.63	17.75
TOTAL ASSETS	76.18	182.46	218.00
B. OPERATING RESULTS:			
TURNOVER	215.01	327.68	451.67
Other Income	2.52	2.96	5.09
TOTAL INCOME :	217.53	330.64	456.76
Net Profit After Tax	7.01	10.01	13.98
Dividend Distributed	0.76	0.95	1.17
Tax on Dividend	0.08	0.10	0.13
Cash Profits	10.92	14.92	20.69
C. EQUITY SHARE DATA:			
Earning Per Share (Rs) (On Base Capital 1997-98)	32.00	46.00	65.00
Earning Per Share (Rs) (On Weighted Average Capital)	32.00	25.00	22.00
D. IMPORTANT RATIOS:			
Debt Equity Ratio	0.93	0.60	0.87
Sales / Average of Net Fixed Assets (Number of Times)	5.19	6.23	6.40
Sales / Average of Net Working Capital (Number of Times)	8.27	12.84	12.96
Book Value of Share (Without Revaluation Reserve)	-	-	-
Book Value of Share (With Revaluation Reserve)	-	-	-

Agra
Makhanpur
Road



DDA Housing



(Rs. In Crores)

2000-01	2001-02	2002-03	2003-04	Apr 04 -Dec 04 (9 Months)	Jan 05 -Mar 06* (15 Months)	2006-07
6.57	12.84	12.84	12.84	15.58	17.69	17.69
81.19	98.31	113.55	139.25	309.62	840.79	879.78
74.99	73.32	71.73	70.22	69.13	67.34	252.80
162.75	184.47	198.12	222.31	394.33	925.82	1150.27
88.85	149.17	188.26	218.18	303.10	170.59	371.49
-	17.46	26.61	31.98	36.59	34.53	37.92
251.60	351.10	412.99	472.47	734.02	1130.94	1559.68
102.98	167.87	215.17	225.09	253.33	309.70	448.68
74.99	73.32	71.73	70.22	69.13	67.34	252.80
177.97	241.19	286.90	295.31	322.47	377.04	701.48
56.38	94.21	49.19	96.66	321.92	637.71	707.76
17.25	15.70	76.90	80.50	89.63	116.19	150.44
251.60	351.10	412.99	472.47	734.02	1130.94	1559.68
503.76	513.99	726.65	1119.72	866.60	1645.69	2084.33
7.01	6.61	9.62	9.97	16.03	33.20	55.15
510.77	520.60	736.27	1129.69	882.63	1678.89	2139.48
14.86	19.67	20.93	34.09	42.90	102.83	98.36
2.53	1.26	3.16	3.16	3.85	5.25	4.37
0.26	-	0.40	0.40	0.55	0.73	0.64
23.85	35.83	47.00	59.40	63.96	137.86	136.98
69.00	91.00	97.00	158.00	199.00	476.00	455.00
24.00	25.00	15.00	23.00	30.00	13.00	11.00
1.01	1.34	1.49	1.43	0.93	0.20	0.41
5.44	3.80	3.79	5.09	3.62	5.89	5.49
10.31	6.83	10.13	15.35	4.14	3.46	3.10
-	-	-	-	208.74	98.97	103.46
-	-	-	-	253.12	106.72	132.60

* Figures of the period have been regrouped / rearranged whenever necessary.

Kaiga Nuclear Power Project Unit 3 & 4



Karbi Langpi Dam





Ranganadi Dam



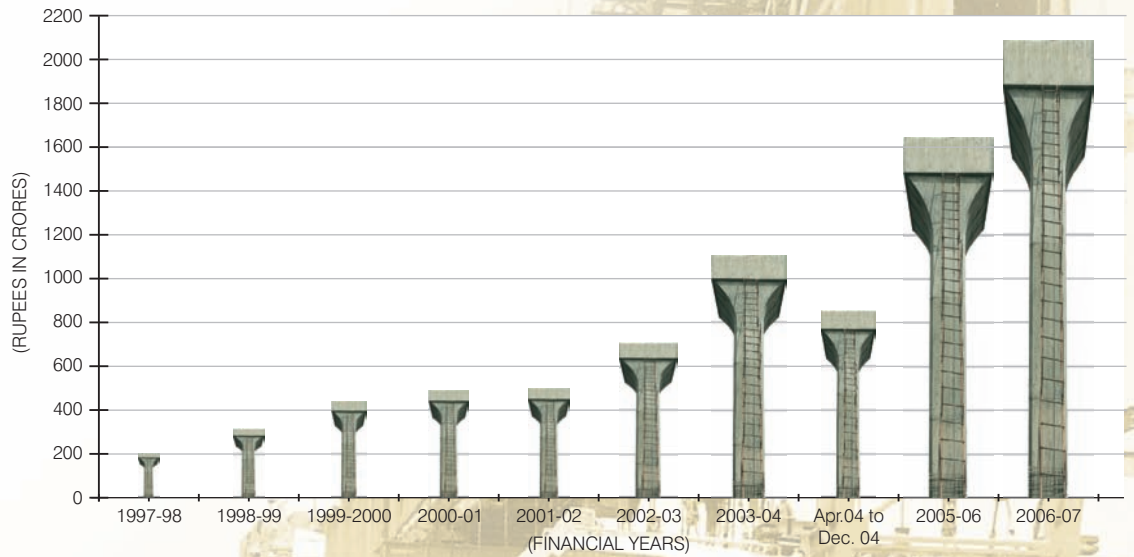
J J Flyover



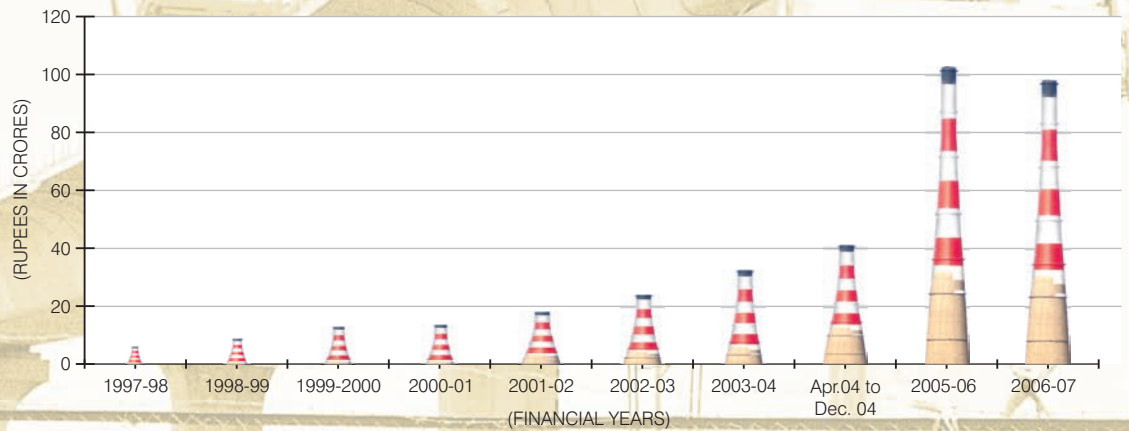
Gujarat Pipeline

Performance highlights

Turnover



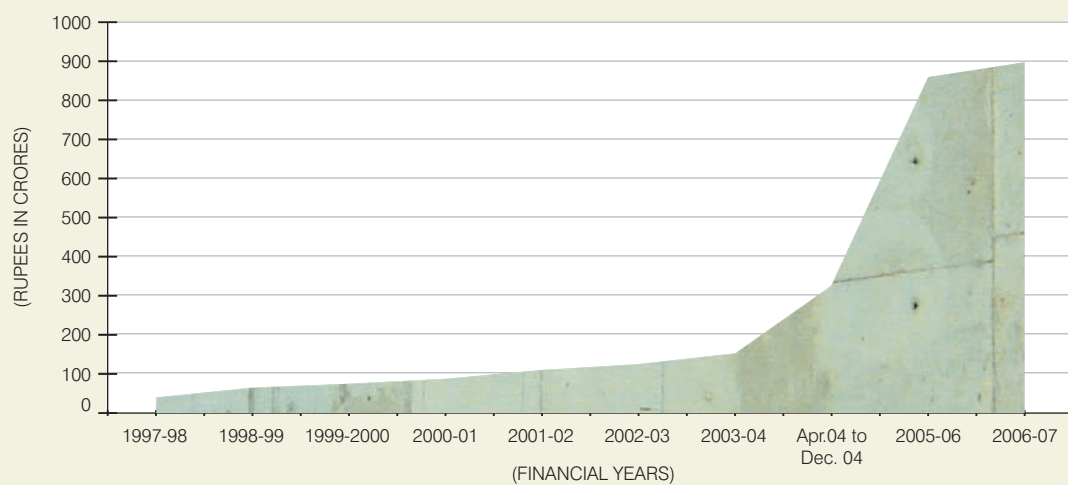
Net Profit After Tax



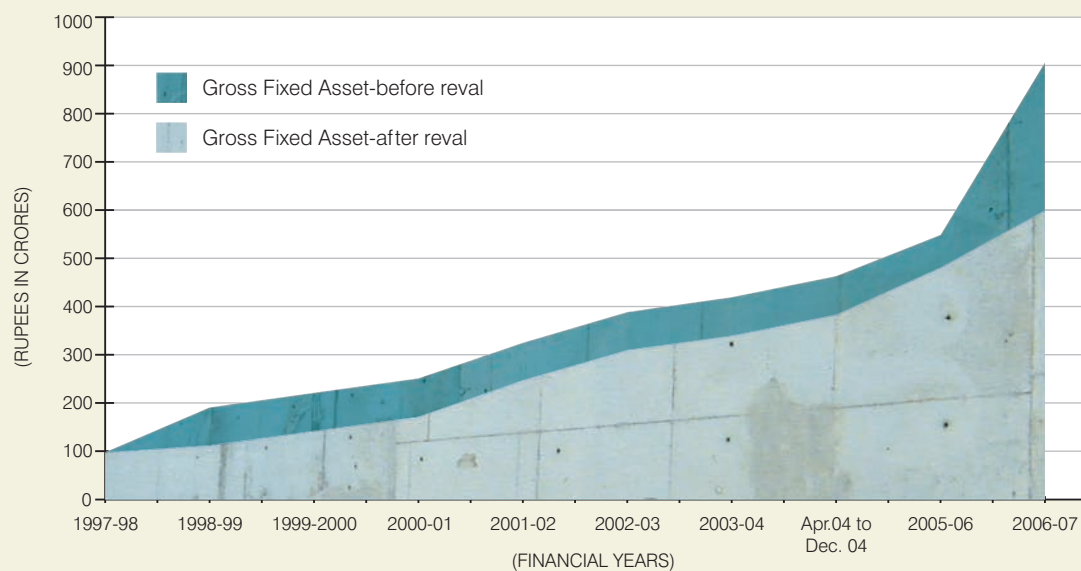


Haldia Cooling Towers

Net Worth (excluding revaluation reserve)



Fixed Assets (gross)





Parbati Tunnel

Top Projects Under Execution

Name of the Project **VADAPE-GONDE ROAD (99.5KM) NH-3**
 Client National Highway Authority of India
 Project Profile Improvement, operation and maintenance of rehabilitation and strengthening of existing 2 lane road and widening to 4 lane divided carriageway from km 539.500 to km 440.000
 Cost **Rs. 621 crs.** ←

Name of the Project **PARBATI HYDROELECTRIC PROJECT-LOT PB3**
 Client National Hydroelectric Power Corporation Limited
 Project Profile Construction of Part Head Race Tunnel, Surge Shaft, Pressure Shaft, Under Ground Power House and Tail Race Tunnel
 Cost **Rs. 325 crs.** ←

Name of the Project **RAMPUR HYDROELECTRIC PROJECT PACKAGE 1 & 2**
 Client Satluj Jal Vidhyut Nigam Limited
 Project Profile Construction of Civil Works for Head Race Tunnel inclusive cut & cover Section, River Diversion Works, Adits, Surge Shaft, Pressure Shafts, Valve House, Power House Complex, Tail Race Tunnel Adits And Hydro Mechanical Works
 Cost **Rs. 403. 50 crs.** ←

Name of the Project **WEST BENGAL CORRIDOR PROJECT**
 Client Government of West Bengal - PW road Directorate
 Project Profile State Highway & Rural Access Roads Component - Improvement of Gajol Hilli Section of SH-10 With a Link From Patiram to Balurghat Contract Package- D - SH-10 (97.428 km)
 Cost **Rs. 223 .09 crs.** ←

Name of the Project **BRAMHAPUTRA BRIDGE**
 Client National Highway Authority of India
 Project Profile Construction of new Bramhaputra Bridge near Guwahati on NH-31 in the State of Assam - Civil Package (AS-28)
 Cost **Rs. 238. 40 crs.** ←

Name of the Project **CONTRACT- BC- 12 & BC- 13**
Client Delhi Metro Rail Corporation Limited
Project Profile Part Design and Construction of Viaduct & structural work of 3 elevated stations each for BC-12 & BC-13 of Phase II Delhi MRTS Project
Cost **Rs. 195.38 crs.** ←

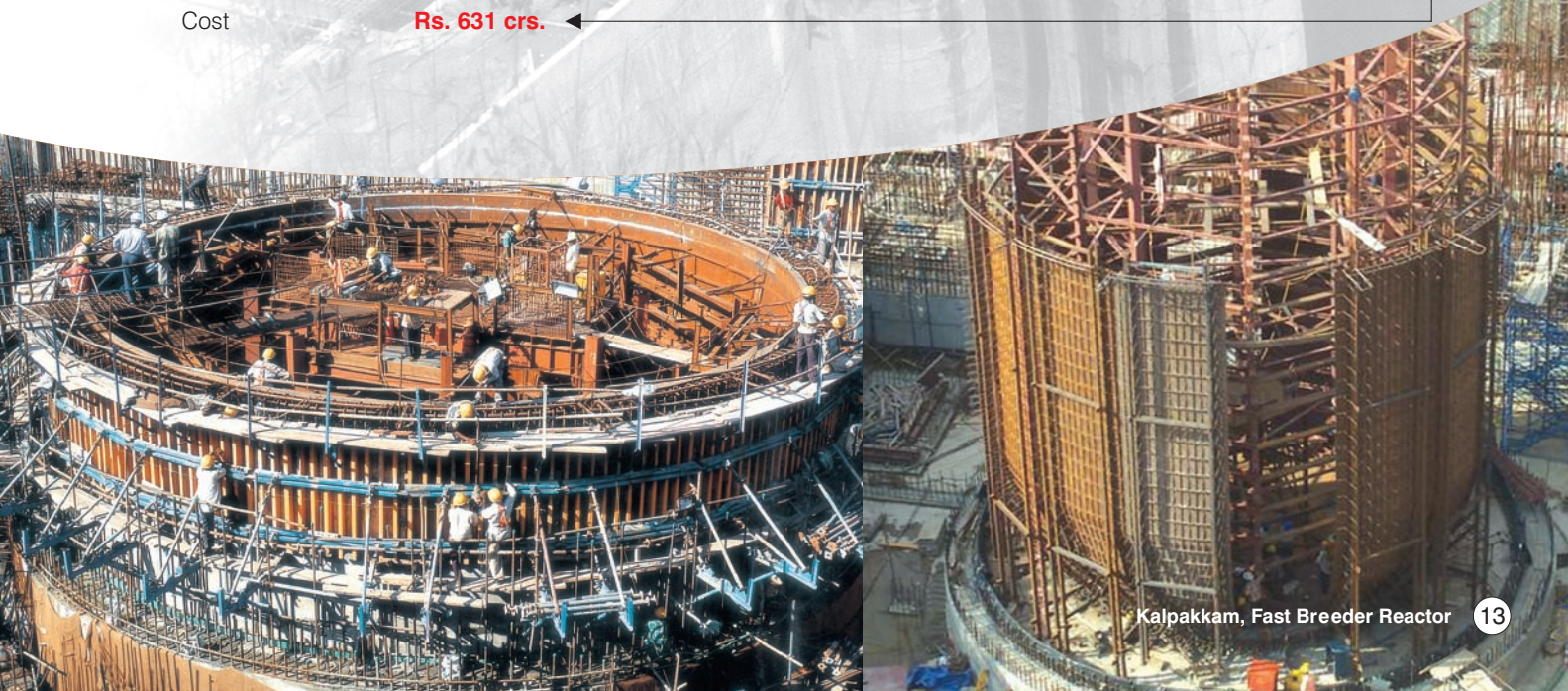
Name of the Project **GORAKHPUR BYE PASS**
Client Gorakhpur Infrastructure Company Limited
Project Profile Design, Construction, Finance , Operation and Maintenance of km 0.00 to km 32.27 of Gorakhpur Bypass on NH-28 in the State of Uttarpradesh on Annuity Basis
Cost **Rs. 551.90 crs.** ←

Name of the Project **KOSI BRIDGE**
Client Kosi Bridge Infrastructure Company Limited
Project Profile Design, Construction, Finance , Operation and Maintenance of 4 lane Bridge Across river Kosi, including approaches, Guide Bund & Afflux Bund from KM 155.00 to KM 165.00 on NH-57 in the state of Bihar on annuity basis
Cost **Rs. 347.05 crs.** ←

Name of the Project **DAHEJ URAN PIPELINE PROJECT SPREAD -3**
Client GAIL (India) Limited
Project Profile Pipeline -30" OD- 108 km ; 24" OD-75 kms, 18"OD- 15 Km
Completion Period 11 months
Cost **Rs. 196 crs.** ←

Name of the Project **GANDIKOTA -PACKAGE 2, ANDHRA PRADESH IRRIGATION WORKS**
Client Government of Andhra Pradesh, Irrigation and CAD Department
Project Profile Earthwork excavation of GNSS Main Canal including construction of CM & CD works from KM 24.330 to KM 32.640 and formation of earthen bund for Vamikonda Sagar Reservoir and Sarvaraja Sagar Reservoir and leading channels to reservoirs and its distributory System, minors, sub minors including investigation preparation of hydraulic particulars design and drawings etc.
Cost **Rs. 294 crs.** ←

Name of the Project **KALWAKURTHY LIFT IRRIGATION SCHEME**
Client Government of Andhra Pradesh, Irrigation and CAD Department
Project Profile Execution of Stage-3 Pumping station (5 x 30 MW) of Kalwakurthy Lift Irrigation Scheme, Mahboobnagar, Dist. Andhra Pradesh
Cost **Rs. 631 crs.** ←



Our Presence in Public Private Partnership Projects



Rajahmundry Expressway Ltd.

- 53 Km. road stretch connecting Rajahmundry to Dharmavaram.
- Client-National Highways Authority of India
- Annuity road project with Total project cost of Rs. 256 crores.
- Concession period-17.5 years with 2.5 years of construction.
- Commercial Operations started from September 20, 2004, 70 days ahead of schedule.
- Project SPV already in receipt of fifth annuity.



Vizag Seaport Private Ltd.

- Two multipurpose berths (EQ-8 & EQ-9) at the port of Visakhapatnam
- Client- Visakhapatnam Port Trust
- Berths designed for fully mechanized integrated cargo handling systems capable of handling upto 7 MTPA
- Total project cost of Rs 325 crores.
- License period of 30 years.
- Commercial operations started
- Project SPV has a "Take or Pay" agreement with SAIL for upto 3 MTPA.
- Successfully completed 3 years of commercial operations

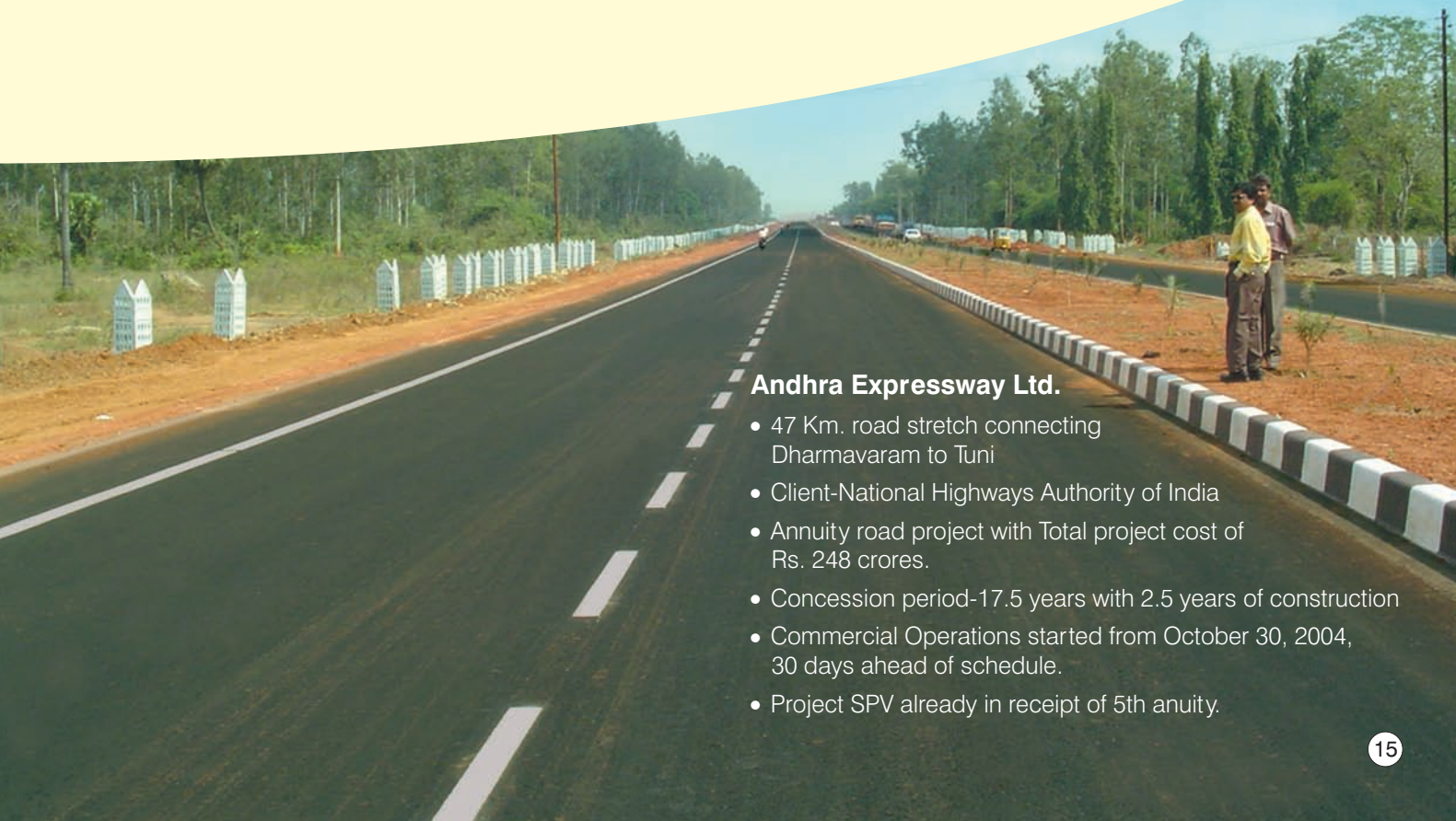


Cochin Bridge Infrastructure Company Ltd.

- 700 m long bridge at Cochin connecting Fort Kochi to Willingdon island.
- Client- Government of Kerala
- Tolling + Annuity bridge project with Total project cost of Rs. 25.7 crores.
- Concession period of 19 years and 9 months
- Successfully completed 5 years of commercial operations

Mumbai Nasik Expressway Limited

- Client - National Highways Authority of India (NHAI)
- Largest BOT road project from NHAI at the time of award
- 99.5 km road stretch connecting Vadape (towards Mumbai) and Gonde (towards Nasik) on NH-3
- Total project cost - Rs. 753 crores.
- Concession period 20 years (including 3 years of construction)
- 25% of construction works completed



Andhra Expressway Ltd.

- 47 Km. road stretch connecting Dharmavaram to Tuni
- Client-National Highways Authority of India
- Annuity road project with Total project cost of Rs. 248 crores.
- Concession period-17.5 years with 2.5 years of construction
- Commercial Operations started from October 30, 2004, 30 days ahead of schedule.
- Project SPV already in receipt of 5th annuity.

G a m m o n ' s P r o j e c t s



Residential Apartments "Bearys Lakeside Habitat" at Bangalore



Saharanpur pipeline



Hebbal Interchange Bridge



Kandla jetty

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 85th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

1. FINANCIAL PERFORMANCE:

	Current Year Rs. in Crores 12 Months	Previous Period Rs. in Crores 15 Months
The Profit for the year before providing Depreciation and Taxation amounted to:	178.28	148.26
From which is to be deducted:		
Depreciation	35.22	37.10
Profit Before Taxation	143.06	111.16
Provision for Taxation:		
– Current Tax	40.10	9.25
– Deferred Tax	3.40	(2.07)
– Fringe Benefit Tax	1.20	1.15
	44.70	8.33
Profit After Tax	98.36	102.83
<i>Add/(Less)</i>		
Excess/(Short) Provision of taxation for earlier years	(53.88)	1.41
Net Profit After Prior Year Tax Charge	44.48	104.24
Profit Brought Forward from last year	102.82	42.40
Profit Available for Appropriation	147.30	146.64
<i>Less:</i>		
Amount Transferred to General Reserve	(10.00)	(25.00)
Amount Transferred from Debenture Redemption Reserve	–	17.16
Amount Transferred to Debenture Redemption Reserve	(10.71)	(10.00)
Amount Transferred to Special Contingency Reserve	(10.00)	(20.00)
Proposed Dividend	(0.87)	(5.25)
Interim Dividend	(3.50)	–
Tax on Dividend	(0.64)	(0.73)
	(35.72)	(43.82)
Balance Carried to Balance Sheet	111.58	102.82

Your Company achieved a Turnover of Rs. 1844.84 crores (excluding company's share of turnover in Joint Venture aggregating to Rs. 239.49 crores) during the year ended 31st March, 2007 as compared to a Turnover of Rs. 1454.44 crores (excluding company's share of turnover in Joint Venture aggregating to Rs. 191.25 crores) for the previous period ended 31st March, 2006 (of 15 months) thereby registering an increase of 57% on annualized basis.

Profit before tax (after providing for deprecation) for the year ended 31st March, 2007 stood at Rs. 143.06 crores compared to Profit before tax of Rs. 111.16 crores in the previous period indicating an increase of 60.87% on an annualized basis.

2. DIVIDEND:

The Board of Directors at its meeting held on June 30, 2007 has, subject to the shareholders' approval recommended a final dividend of 5% (Rs. 0.10 per share of Rs. 2/- each) for the year 2006-07. The total dividend for the year under review together with the interim dividend of 20% (Rs. 0.40 per share) paid on 30th March, 2007 works out to 25%, amounting to Rs. 4.37 crores. Dividend Distribution Tax aggregates to Rs. 0.64 crores.

3. FINANCE:

Your company has not raised any funds from the capital markets either by way of issue of equity shares/ ADRs/GDRs. However to meet its working capital requirements it has obtained financial assistance from its consortium bankers.

As on 31st March, 2007, total amount outstanding towards issue of Non-Convertible Debentures on private placement basis to banks and financial institutions stood at Rs. 100 crores. CRISIL has assigned AA rating for the same.

The following credit ratings from CARE continue:

- (i) PR1+ for short-term commercial paper of Rs. 225 crores
- (ii) AA+ for Non-Convertible Debentures of Rs. 140 crores

The proceeds of debentures were utilised for the purposes for which they were raised.

Capital expenditure on plant and machinery during the year amounted to Rs. 147.25 crores which was financed from internal accruals, short term funding and External Commercial Borrowings.

4. FIXED DEPOSITS:

Your Company did not invite or accept deposits from public during the year under review. 174 deposits (pertaining to previous year) aggregating to Rs. 0.22 crores remained unclaimed as on 31st March, 2007.

5. BUSINESS PROSPECTS:

There is a strong linkage between infrastructure development on one hand and economic growth on the other hand. If the Growth rate of the economy is to be maintained at 9% or higher, the emphasis will certainly be on infrastructure. This has induced governments to increase its spending on infrastructure activities within the country.

Indian cities as well as the Middle East and Africa continue to grow at a fast pace. Transportation projects, Metro projects, Hydro and Thermal Power Projects, Water Supply projects and Real estate development will continue to offer good business prospects. Your company has already made a mark in the Middle-East and hopes to expand in West Africa and North in its areas of expertise. By way of diversification, the Company has entered into a Joint Venture with Joshi Technologies Inc., U.S.A. for hydrocarbon exploration in India and overseas.

Your Company being involved in practically all fields of Civil Engineering will continue to bid for and construct larger and complex projects in the years to come.

6. INVESTMENTS IN INFRASTRUCTURE ACTIVITIES:

Your Company enhanced its presence in the development of infrastructure projects on Public Private Partnership (PPP) basis, through its subsidiary, Gammon Infrastructure Projects Limited ("GIPL").

GIPL continues to be one of the leading infrastructure development companies in the country. Currently, four of its Special Purpose Vehicles (SPVs) are in operation while five others are under implementation, two of which, viz. Gorakhpur Infrastructure Company Ltd. and Kosi Bridge Infrastructure Company Ltd., have recently achieved financial closure. In addition, the prestigious project for implementation of the Mumbai Container Terminal has been awarded to GIPL and its Consortium Partner.

Today, GIPL is hollistically present in the 'Project Development Process', including development, investment, advisory services and sector specific operation and maintenance services.

7. TRADE MARK:

Your Company greatly values the “Gammon” brand, which is the hallmark of quality construction. With a view to protecting its brand, the Gammon Logo and the word “Gammon” with the Logo, have been registered with the Registrar of Trade Marks, Mumbai, on 5th October, 2006 and 11th October, 2006, respectively.

8. SUBSIDIARY COMPANIES:

At the commencement of the year the Company had 9 (Nine) subsidiaries. It has further incorporated the following subsidiaries during the year:

- (1) Gorakhpur Infrastructure Company Limited
- (2) Kosi Bridge Infrastructure Company Limited
- (3) Gammon Realty Limited
- (4) Marine Projects Services Limited

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

Pursuant to the approval granted by the Government of India vide its letter No. 47/323/2007-CL-III dated July 09, 2007 the Company has been granted exemption under 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 year ended 31st March, 2007.

However information such as capital, reserves, assets etc. about each subsidiary as on 31st March, 2007 has been separately disclosed.

The Annual Accounts of subsidiary companies and the detailed related information are available for inspection by the shareholders at the registered office of the Company and at the offices of the respective subsidiary company.

9. CONSOLIDATED FINANCIAL STATEMENTS:

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

10. REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS:

Report on Corporate Governance is attached to this Annual Report as also a Management Discussion and Analysis statement.

11. DIRECTORS:

Mr. Atul Dayal and Mr. S. K. Guha Thakurta retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Brief resumes of these directors are included in the notice of the Annual General Meeting.

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 year ended 31st March, 2007;
2. the Directors have selected accounting policies and applied them consistently and made judgments 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 year ended 31st March, 2007; and of the Profit of the Company for the said year ended 31st March, 2007;
3. the Directors 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 frauds and other irregularities;
4. the annual accounts are prepared on a going concern basis.

13. HEALTH, SAFETY & ENVIRONMENT:

Your Company is committed to provide a safe and healthy working environment as per Company's safety policy. Safety training is being imparted across the Company. During the year under review, a "Safety Action Plan" was designed for the sites featuring Three Question Meeting, Job Safety Analysis and Safety Promotional Activities. The said plan is under implementation. Safety track record of all sites remains under active focus of the management for continuous improvement.

14. RESEARCH & DEVELOPMENT:

With high priority for infrastructure development, there is a tremendous boom in the construction sector. There is a quantum jump in the volumes and at the same time construction periods are drastically reduced to achieve the expected pace of development. To meet these challenges a lot of emphasis is required on R & D to evolve innovative construction techniques. Some of the noteworthy development work done by your company during the year under review are:

- Pressure shaft constructed at 30% incline to the horizontal, achieved for the first time in the world.
- Development of pre-casting & segment launching system for construction of the first extra-dosed bridge in India for Delhi Metro Project.
- Development of High Volume Fly Ash Self Compacting Concrete (HVFASCC) for Nuclear Power Projects.
- Concreting of annular space behind steel liner using high pressure concrete pumps for 1530 m long pressure shafts, with a level difference of more than 750 m, being done for the first time in the world.

Various such techniques have been developed & sustained efforts are made to improve upon existing techniques and 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.

The Board has appointed M/s. Natvarlal Vepari & Co., Chartered Accountants, Statutory Auditors of the Company also as the Branch Auditors for its Muscat, Oman Branch subject to members' approval.

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 as "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:

Timely completion of the projects as well as meeting the budgetary requirements are the two critical areas where different techniques help to a great extent. Many innovative techniques have been developed and put to effective use in the past and the efforts to develop new techniques continue unabated.

C. Foreign Exchange earnings and outgo:

Total foreign exchange used and earned during the year.

	(Rupees in crores)	
	Current Period	<i>Previous Period</i>
Foreign Exchange used	120.30	70.94
Foreign Exchange earned	40.92	39.99

19. ACKNOWLEDGMENTS:

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 wish to 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 : 31st July, 2007

**ANNEXURE “A” TO THE DIRECTORS REPORT**

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

Sr. No.	Name of the Employee	Age	Designation	Gross Remuneration (Rs.)	Qualification	Total Experience (No. of years)	Date of commencement of employment in Gammon	Last Employment held		
								Name of the Company	Position held	Period of Service (No. of years)
1.	Abhijit Rajan	46	Chairman & Managing Director	1,34,03,468/-	Commerce Graduate, LSE (London)	27	17-05-1991	IPCA Laboratories Ltd.	Whole-Time Director	5
2.	Himanshu V. Parikh	47	Executive Director	26,29,360/-	Commerce Graduate	27	02-08-2004	Vizag Seaport Pvt. Ltd.	Managing Director	2
3.	Rajul A. Bhansali	51	Executive Director	25,17,175/-	Commerce Graduate and Chartered Accountant	29	30-03-2003	Afcons Infrastructure Limited	Deputy Managing Director	13
4.	Virendra Kumar Sharma	66	President – Operations	26,45,043/-	B.Sc. (Engg.) (Mech.)	43	03-03-2005	NPCIL	Sr. Executive Director	40
5.	Rammohan Nilkanth Bhawe	50	Sr. Vice President – Finance	25,64,815/-	B.Com, LL.B., FCA FICWA, FCS	25	21-04-2006	JACOBS	Director – Finance	1
6.	C. Bhattacharjee	56	Chief Executive – Nuclear & Heavy Engineering Projects	30,62,875/-	BE – DFM	35	08-02-1987	Amiantit Oman S.A.O.	Manager	1
7.	R. K. Malhotra	54	Chief Executive – Bridges & Flyovers	27,40,239/-	BE M.Tech.	29	08-01-1979	–	–	–
8.	A. B. Desai	50	Chief Executive – Power Structures	25,82,546/-	BE	28	01-09-1979	G. L. Raheja & Associates	Jr. Engineer	1
9.	Subodh V. Kamat	52	Chief Executive – Roads	27,25,324/-	BE	32	15-04-2004	Patel Engineering Ltd.	Vice President – Projects	1
10.	A. L. Bhatia	61	Vice President – Marketing	27,65,641/-	BE	39	01-12-1971	Bombay Road Development Design Division	Jr. Engineer	3
11.	A. D. Alawani	62	Vice President – Marketing	26,77,977/-	BE	40	13-08-1966	–	–	–
12.	Ramkrishna L. Telang	60	Vice President – Marketing	25,39,322/-	B.Tech. M.S.	35	20-09-2000	Kvaerner Cementation	Vice President	28
13.	M. V. Jatkar	52	Vice President – Construction Systems	25,62,500/-	BE ME	27	01-07-1980	–	–	–
14.	P. M. Jakkal	61	President – Pipelines	9,75,000/-	Dip. Civil Eng.	27	–	Aban Constructions	VP – Pipeline	1

Notes:

1. Gross Remuneration includes salary, allowances, contribution to Provident, Superannuation Fund, Gratuity and taxable value of perquisites.
2. The nature of employment is contractual.
3. None of the above hold more than 2% of paid up capital of the Company.
4. Designation denotes nature of duties also.

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai

Dated : 31st July, 2007

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Corporate Governance broadly refers to a set of rules and practices designed to govern the behaviour of corporate enterprises. It refers to a system by which Companies are governed, controlled and managed. Your Company's philosophy on Corporate Governance envisages accountability, responsibility and transparency in the conduct of the Company's business and its affairs vis-à-vis its employees, shareholders, bankers, lenders, government, suppliers, dealers etc. and accordingly lays great emphasis on regulatory compliances. Your Company firmly believes that Corporate Governance is a powerful tool to subserve the long-term growth of the Company. Your Company continues to give high priority to the principles and practice of Corporate Governance and has accordingly benchmarked its practices with the existing guidelines of corporate governance as laid down in the Listing Agreement.

2. BOARD OF DIRECTORS (BOARD) :

(a) Composition :

The Company has an optimum combination of Executive and Non-Executive Directors and is in accordance with Clause 49 of the Listing Agreement. The Board is headed by an Executive Chairman, Mr. Abhijit Rajan. The present strength of the Board is 8 (Eight) members. 50% of the Board members are non-executive and independent directors. All the members of the Board are persons with considerable experience and expertise in industry, finance, technology, management and law.

None of the Directors on the Board is a member of more than 10 (Ten) committees and Chairman of more than 5 (Five) committees as per clause 49(I)(C)(ii) across all companies in which they are Directors.

(b) Number of Board Meetings held and dates on which held :

During the year under review the Company held 7 (Seven) Board Meetings on 08/05/2006, 29/06/2006, 31/07/2006, 11/08/2006, 31/10/2006, 31/01/2007 and 21/03/2007 and the gap between two meetings did not exceed four months.

(c) Details of Directors, their attendance at Board Meetings and the last Annual General Meeting and details of other directorships :

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 (01.04.2006 to 31.03.2007)	Whether attended last A.G.M. (held on 26 th September, 2006)	No. of Directorships in other Public Companies	No. of Chairmanship and Membership of Committees of other public companies	
					Chairman	Member
Mr. Abhijit Rajan, Chairman & Managing Director	Promoter/ Executive/NI	6	Yes	7	0	0
Mr. Peter Gammon Chairman Emeritus	Promoter/Non-Executive/NI	0	No	0	0	0
Mr. Rajul A. Bhansali Executive Director	Executive/NI	7	Yes	1	0	0
Mr. C. C. Dayal Director	Non-Executive/I	7	Yes	9	1	4
Mr. S. K. Guha Thakurta Director	Non-Executive/I	3	Yes	9	1	4
Mr. Himanshu Parikh Director	Executive/NI	7	Yes	9	1	1



Name and Designation of Director	Category of Directors	No. of Board Meetings attended (01.04.2006 to 31.03.2007)	Whether attended last A.G.M. (held on 26 th September, 2006)	No. of Directorships in other Public Companies	No. of Chairmanship and Membership of Committees of other public companies	
					Chairman	Member
Mr. Atul Dayal Director	Non-Executive/I	6	No	4	0	1
Mr. Kunal Shroff* Director	Non-Executive/I	0	N.A.	N.A.	N.A.	N.A.
Dr. Naushad Forbes@ Director	Non-Executive/I	0	No	3	1	1
Mr. W. Paul Harriman*** Director	Non-Executive/I	0	N.A.	N.A.	N.A.	N.A.
Mr. Shobhit Rajan** Director	Promoter/Non-Executive/NI	0	N.A.	N.A.	N.A.	N.A.

Note :

- (i) I – Independent, NI- Non- Independent.
- (ii) Other directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and companies incorporated out side India.
- (iii) Chairmanship/Membership of Board Committees includes only Audit and Shareholders/Investors Grievance Committee.
- (iv) With effect from 11/08/2006
 - * Mr. Kunal Shroff ceased to be Director
 - ** Mr. Shobhit Rajan ceased to be Director
 - *** Mr. Paul Harriman ceased to be Director
 - @ Dr. Naushad Forbes appointed as Director

The Board meetings are held at the registered office of the Company.

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

Code of Conduct

The Company has adopted a Code of Conduct for all its members of the Board and the Senior Management Team, including the Company Secretary. The Code of Conduct is posted on the Company's Web site. Further all the Board Members and Senior Managers have affirmed Compliance with the Code of Conduct. A declaration to this effect signed by the Chairman & Managing Director forms part of this Report.

(d) Details of Remuneration paid to Directors during the year ended 31st March 2007 :

REMUNERATION POLICY :

Payment of remuneration to the Managing Director and the Executive Directors is governed by an Agreement entered into between the company and the Managerial personnel, the terms and conditions of which have been duly approved by the Board and the shareholders of the Company.

The Remuneration (including perquisites and benefits) paid to the Executive Directors during the year ended 31st March, 2007 is as follows :

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Commission (Rs.) ##	Total (Rs.)
Mr. Abhijit Rajan	1,34,01,180	2288	10,00,000	1,44,03,468
Mr. Himanshu Parikh	25,77,150	52,210	10,00,000	36,29,360
Mr. Rajul Bhansali	23,75,730	1,41,445	10,00,000	35,17,175
Total	1,05,60,000	79,90,003	30,00,000	2,15,50,003

Payable for the year 2006-07.

Service Contract/Severance Fees

Mr. Abhijit Rajan has been re-appointed as Chairman & Managing Director for a period of 5 (Five) years with effect from 17th May, 2006 to 16th May, 2011.

Mr. Himanshu Parikh was re-appointed as an Executive Director for a period of three years with effect from 1st May, 2005 to 30th April, 2008.

Mr. Rajul A. Bhansali has been re-appointed as Executive Director for a period of three years with effect from 30th March, 2006 to 29th March, 2009.

Notice Period

Notice period for termination of appointment of Chairman & Managing Director and Executive Directors is three months on either side.

The Chairman & Managing Director and Executive Directors shall be entitled for compensation for loss of office to the extent permissible under the Companies Act, 1956, if, during the currency of the Agreement their tenure of office is determined for reasons other than those specified in sub-section (3) of Section 318 or any other applicable provisions of the Companies Act, 1956. There is no other provision for payment of severance fees.

NON-EXECUTIVE DIRECTORS :

The Non-Executive Directors of the Company do not draw any remuneration from the Company other than sitting fees for attending Board and Committee meetings.

Details of Sitting Fees paid to Non-Executive Directors for attending Board and Committee Meetings during the year 2006-07 are as follows :

Name	Board Meeting (Rs.)	Committee Meeting (Rs.) ***	Total (Rs.)
Mr. C. C. Dayal	NIL	NIL	NIL
Mr. S. K. Guha Thakurtha	1000	NIL	1000
Mr. Atul Dayal	3000	NIL	3000

Note: (***) Includes, Audit Committee Meeting.

3. BOARD COMMITTEES :

The Board has constituted the following committees of Directors.

(a) AUDIT COMMITTEE :

The Audit Committee of the Company is constituted in line with the Provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956. As on 31st March, 2007, the Audit Committee comprised of three Non-Executive Independent Directors viz.: Mr. C. C. Dayal (Chairman), Mr. S. K. Guha Thakurta and Mr. Atul Dayal.

The Audit Committee meetings are held at the Registered Office of the Company and attended by invitation by Chief Financial Officer, Senior Vice President – Finance, representatives of the Statutory Auditors and the Internal Auditors of the Company.

The Company Secretary acts as Secretary to the Audit Committee.

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

- (a) 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.
- (b) 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 judgements 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, and 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.

During the period under review, the Audit Committee met 5 times and the dates of such meetings are: 29/06/2006, 31/07/2006, 31/10/2006, 31/01/2007 and 21/03/2007.

The Composition of the Audit Committee and the details of meetings attended by the Directors are given below :

Name of the Member	Category	No. of Audit Committee Meetings attended
Mr. C. C. Dayal	Non-Executive – Independent	5
Mr. S. K. Guha Thakurta	Non-Executive – Independent	2
Mr. Atul Dayal	Non-Executive – Independent	5

Mr. C. C. Dayal, Chairman of the Audit Committee was present at the previous Annual General Meeting held on 26th September, 2006.

(b) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

As on 31st March, 2007 the Shareholders/Investors Grievance Committee comprised of three members i.e. two Non-Executive Directors and one Executive Director. Mr. C. C. Dayal, Non-Executive Director is the Chairman of the Committee.

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.

During the year 2006-07 the Committee held 21 (Twenty One) meetings on 15/04/2006, 29/04/2006, 15/05/2006, 30/05/2006, 30/06/2006, 15/07/2006, 31/07/2006, 14/08/2006, 30/08/2006, 15/09/2006, 18/09/2006, 30/09/2006, 30/10/2006, 15/12/2006, 30/12/2006, 15/01/2007, 31/01/2007, 15/02/2007, 28/02/2007, 15/03/2007 and 29/03/2007.

The Composition of the Shareholders/Investors Grievance Committee and the attendance of each member during the year 2006-2007 are detailed below :

Name of the Director	Executive/Non-Executive	No. of Committee Meetings attended
Mr. C. C. Dayal	Non-Executive – Chairman	19
Mr. S. K. Guha Thakurta	Non-Executive	12
Mr. Himanshu Parikh	Non-Executive	18

The status of Shareholders' complaints received upto 31st March, 2007 is as stated below :

No. of Complaints received during the Twelve months period ended 31 st March, 2007	69
No. of Complaints resolved to the satisfaction of shareholders during the said period	69
No. of Complaints pending as on 31 st March, 2007	Nil
No. of pending share transfers as on 31 st March, 2007	Nil

Name, Designation and address of Compliance Officer :

Mrs. Gita Bade
Company Secretary
Gammon India Limited
Gammon House, Veer Savarkar Marg,
Prabhadevi, Mumbai 400 025.
Telephone : 022-6661 4000
Facsimile : 022-2430 0529

In addition to the above Committees the Company has also constituted a Financial Review Committee with two Directors as members viz. Mr. C. C. Dayal and Mr. Rajul Bhansali – Executive Director and Chief Financial Officer. The Committee reviews all financial matters, budgets and performances, as well as compliances. Mr. C. C. Dayal is paid sitting fee.

4. GENERAL BODY MEETINGS :

(a) Location, date and time of General Meetings held during the last 3 years :

Annual General Meeting (AGM)

AGM	Financial Year	Location	Date & Time
84 th	Fifteen Month ended 31 st March, 2006	Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Mumbai - 400 034.	26 th September, 2006 at 3.00 p.m.
83 rd	Nine Months ended 31 st December, 2004		28 th June, 2005 at 3.00 p.m.
82 nd	2003-2004		29 th September, 2004 at 3.00 p.m.

(b) Special Resolutions passed in the previous three Annual General Meetings :

Date of AGM	Particulars of Special Resolutions passed
26 th September, 2006	(i) for Alteration of Articles of Association of the Company by deleting Articles Nos. 235 to 244. (ii) for making loans, Investments, giving guarantees etc. to various bodies corporate and for ratification of the issue of Counter/Corporate Guarantees issued by the Company on behalf of other body Corporate under Section 372A of the Companies Act, 1956 which was passed by postal ballot.
28 th June, 2005	(i) for keeping the Register of Members and debentures and other related documents at the office of M/s Intime Spectrum Registry Limited, Registrar and Share Transfer Agent. (ii) for making of loans, investments, giving guarantees etc. to various bodies corporate under Section 372A of the Companies Act, 1956 which was passed by postal ballot.
29 th September, 2004	(i) for making of loans, investments, giving guarantees etc. to various bodies corporate and for ratification of the issue of Counter/Corporate Guarantees issued by the Company on behalf of other body Corporate under Section 372A of the Companies Act, 1956 which was passed by postal ballot.

**(c) Resolutions Passed by Postal Ballot during 2006-07**

- (1) Special Resolution: 84th AGM held on 26th September, 2006. Approval of the Members sought pursuant to Section 372A of the Companies Act, 1956 for making loans, Investments, giving guarantees etc. to various bodies corporate and for ratification of the issue of Counter/Corporate Guarantees issued by the Company on behalf of other body Corporate. Mr. Haresh B. Purohit of M/s. Chaitanya C. Dalal & Co., Chartered Accountants was appointed as the Scrutinizer for conducting the Postal Ballot process. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	2,46,06,415	99.82
Against the Resolution	45,508	0.18
Total	2,46,51,923	100

The Resolution was passed by requisite majority.

- (2) Special Resolution: Approval of the Members sought pursuant to Section 372A of the Companies Act, 1956 for making Loans, Investments, giving guarantees etc. to various bodies corporate. Mr. Chaitanya Dalal of M/s. Chaitanya C. Dalal & Co., Chartered Accountants was appointed as the Scrutinizer for conducting the Postal Ballot process. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	2,88,56,271	99.98
Against the Resolution	5,089	0.02
Total	2,88,61,360	100

The Results of the Postal Ballot were declared on 27th March, 2007. The Resolution was passed by requisite majority.

(d) Special Resolution proposed to be conducted through postal ballot at the ensuing AGM

At the ensuing AGM the following resolutions are proposed to be conducted through Postal Ballot:

- for making of loans, investments, giving guarantees etc. to various bodies corporate pursuant to Section 372A of the Companies Act, 1956.
- For alteration of the Object Clause of the Memorandum pursuant to Section 17 of the Companies Act, 1956.
- For according consent to the Board for mortgaging and/or charging movable and immovable properties of the company and sale of whole or substantially whole of any of the undertaking of the Company pursuant to Section 293(1)(a) of the Companies Act, 1956.

Procedure for Conducting Postal Ballot

After receiving the approval of the Board of Directors, Notice of the General Meeting containing text of the Resolution and Explanatory Statement to be passed through postal ballot, Postal ballot Form and self addressed postage pre-paid envelopes are sent to the shareholders to enable them to consider and vote for or against the proposal within a period of 30 days from the date of dispatch. The calendar of events containing the activity chart is filed with the Registrar of Companies within 7 days of the passing of the Resolution by the Board of Directors. After the last date of receipt of ballots, the Scrutinizer, after due verification, submits the result to the Chairman. Thereafter, the Chairman declares the result of the postal ballot and the same are published in one English newspaper and also posted on the Company's website.

5. OTHER DISCLOSURES :

(i) 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.

(ii) Strictures Imposed by SEBI :

The Securities And Exchange Board of India (SEBI) on 21st December, 2006 passed an order under section 11 and 11B of SEBI Act, 1992 directing the Company.

(a) Not to divest, transfer, sell or alienate in any way its shareholding in Gammon Infrastructure Projects Ltd. ("The Company's subsidiary) for a period of 3 years from the date of the allotment in the public issue of GIPL, and

(b) Not to access the capital market directly or indirectly for a period of one year from the date of the Order.

The Company has preferred an appeal on the aforementioned SEBI Order to the Securities & Appellate Tribunal on 5th February, 2007. The Appeal is pending before the Tribunal.

Except for the above strictures no other penalties, strictures have been imposed on the Company by the Stock Exchange or any other Statutory Authority on any matter related to capital markets, during the last three years.

(iii) A qualified practicing Company Secretary carries out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/ paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

(iv) The Chairman and Managing Director and the Chief Financial Officer have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO Certification for the year ended 31st March, 2007.

6. MEANS OF COMMUNICATION :

The Annual Report is the main source of information to the shareholders. In addition the Company also posts its results and other information, press releases etc on its website viz: www.gammonindia.com

As required under the listing agreement, Quarterly and Half-Yearly results of the Company are published 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 the Economic Times and Maharashtra Times.

The Management Discussion & Analysis forms part of the Directors Report.

7. MANDATORY REQUIREMENT

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

8. NON-MANDATORY REQUIREMENTS

The Company has not adopted Non-mandatory requirements such as Remuneration Committee, Whistle Blower Policy etc.

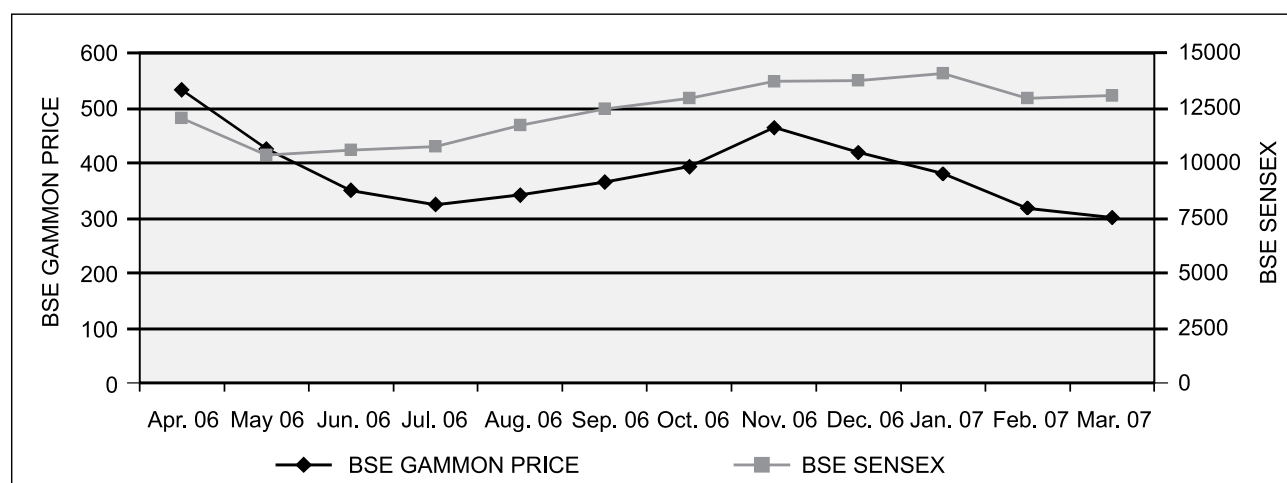
9. GENERAL SHAREHOLDER INFORMATION :

Date, Time and Venue of the 85 th Annual General Meeting	Tuesday, 18 th day of September, 2007 at 3.00 p.m. at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Mumbai 400 034
Financial Calendar for the year 2007-08 (Tentative)	Results for the quarter ending 30 th June, 2007 – 31 st July, 2007 Results for the Half year ending 30 th September, 2007 – Last week of October, 2007 Results for the quarter ending 31 st December, 2007 – Last week of January, 2008 Results for the year ending 31 st March, 2008 – Last week of June, 2008
Date of Book Closure	Wednesday, 12 th September, 2007 to Tuesday, 18 th September, 2007 (Both days inclusive)
Dividend payment date	On or before 17 th October, 2007
Listing on Stock Exchanges ➤ Equity Shares	Bombay Stock Exchange Limited 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)
➤ Global Depository Receipts	Luxembourg Stock Exchange 11, Avenue de la Porte-Neuve B.P.165 L-2011 Luxembourg Telephone : +352 47 79 36-1 Telefax : +352 47 32 98 Cusip No. : 36467M200 Common Code : 20772565
Listing Fees	Paid to the above Stock Exchanges for the Financial Year 2007-2008
International Securities Identification No. (ISIN)	Equity : INE 259B01020 GDR : US36467M2008
Registrar & Share Transfer Agents	M/s. Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400 078 Telephone : 022 – 25963838 Facsimile : 022 – 25946969 e-mail : ISRL@INTIMESPECTRUM.COM
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 lodgment provided the necessary documents are in order.

MARKET PRICE DATA : High and low (in Rs.) during each month in the last financial period on the Stock Exchanges.

MONTH	BSE		NSE	
	High	Low	High	Low
April, 2006	574.70	467.55	574.90	436.00
May, 2006	565.90	425.00	570.00	420.00
June, 2006	440.95	309.00	438.45	309.00
July, 2006	368.00	276.00	364.40	271.55
August, 2006	382.80	303.00	382.50	303.00
September, 2006	421.70	340.00	422.90	337.50
October, 2006	414.00	356.55	414.35	355.25
November, 2006	474.70	393.50	474.50	393.00
December, 2006	487.00	369.50	486.60	370.00
January, 2007	435.70	377.00	443.65	374.40
February, 2007	425.95	317.45	426.80	316.75
March, 2007	350.50	258.00	352.00	255.25

STOCK PERFORMANCE IN COMPARISON TO BSE SENSEX



10. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2007

Shareholding of Nominal Value (Rs.)	No. of Shareholders	% of Total	Share Capital Amount (Rs.)	% of Total
Upto – 5000	27460	98.5040	8082454	4.6200
5001 – 10000	190	0.6820	1326536	0.7580
10001 – 20000	80	0.2870	1131548	0.6470
20001 – 30000	12	0.0430	294614	0.1680
30001 – 40000	12	0.0430	418950	0.2390
40001 – 50000	6	0.0220	278142	0.1590
50001 – 100000	17	0.0610	1261736	0.7210
100001 – and above	100	0.3590	162146960	92.6870
TOTAL	27877	100	174940940	100

11. DEMATERIALISATION OF SHARES AS ON 31ST MARCH, 2007.

Particulars	No. of Equity Shares	% to Share Capital
NSDL	8,12,82,764	92.93
CDSL	30,55,234	3.49
Physical	31,32,472*	3.58
Total	8,74,70,470	100

(* 7,25,800 Equity Shares held in abeyance are included).

12. OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY :

The Company issued 91,86,900 Depository Receipts at a price of USD 9.47 each (approx. Rs. 420/- per share) underlying 91,86,900 equity shares of Rs. 2/- each on 27th January, 2006. 13,72,700 Depository Receipts were issued at the same price underlying 13,72,700 equity shares of Rs. 2/- each on 7th February, 2006. 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. 2,11,19,200/- consequent to the said issue. 14,33,592 GDRs were outstanding as on 31st March, 2007.

13. PLANT LOCATIONS : (Project size – more than Rs. 200 Crores)

1.	Kaiga Power Projects Nuclear Power Corporation India Ltd. Kaiga Unit 3 & 4, Kaiga Proj. Plant Site. P.O. – Kaiga. Dist. – Kannad (N). Karnataka 581 400.
2.	Kalapakkam Reactor Building Salai Street, Meyyur, Sadras, Kalpakkam – P.O. Kanchipuram (Dist.) Tamil Nadu, Pin: 603 102.
3.	Brahmaputra Bridge New Brahmaputra Bridge, Sadilapur, Ward No. 1, Guwahati - 781 012
4.	Teesta Head Race Tunnel Stage 5, Makha Village, Near Singtam, East Sikkhim, P.O. Singtam, Pin 737134.
5.	Prabati H.E. Project Post & Village: Sainj Dist. Kullu Sainj, Himachal Pradesh 175134
6.	Prabati H.E. Project – Stage – III C/o. Bhagat Singh & Sons, V.P.O. Larji, Dist. – Kullu, Himachal Pradesh.
7.	Sewa Hydroelectric Project Stage – II Vill: Gatti, Po: Bani, Tehsil: Basoli, Dist.: Kathua (J&K)

8.	Anji Khad Bridge Project Post Granmore, Gita Nagar, Dist. Reasi, Jammu, Pin 182 311
9.	DMRC Noida – BC 12 & BC 13 Adjacent to Noida Sarita Vihar Road, Plot No. 4, Sector 94, Noida, Uttar Pradesh
10.	Bihar Corridor – Phase II Camp Madhubani, At Village & Post: Madhubani, (12 KM from Pratapganj, Via Pratapganj) Dist. – Supoul, Bihar

14. NAME AND ADDRESS FOR CORRESPONDENCE :**Registered Office :**

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

Telephone : 022 – 6661 4000

Facsimile : 022 – 2430 0529

15. CATEGORIES OF SHAREHOLDERS : (AS ON 31ST MARCH, 2007)

Category	No. of shares	Percentage
Promoters Holdings		
Resident	2,41,26,840	27.58
Non-resident	30,86,435	3.53
Non-Promoter Holdings		
Indian Public	56,67,590	6.48
Indian Public & Others		
Mutual Fund & UTI	1,19,99,042	13.72
Corporate Bodies	77,44,833	8.85
Banks, Financial Institutions, State & Central Govt.	8,78,539	1.00
Foreign Institutional Investors	2,69,52,185	30.81
NRIs/OCBs/Foreign Nationals/ GDRs	70,15,006	8.02
GRAND TOTAL	8,74,70,470	100

For GAMMON INDIA LTD.

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai

Dated : 31st July, 2007

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 financial year ended on 31st March, 2007 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 information 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 for the period from 1st April, 2006 to 11th August, 2006, being the date on which Mr. Naushad Forbes was appointed as Independent Director and Mr. Kunal Shroff resigned as director, we certify that the Company has complied with the other 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

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated : 31st July, 2007

DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To
The Members of
GAMMON INDIA LIMITED

I, Abhijit Rajan, Chairman & Managing Director of Gammon India Limited hereby declare that all the members of the Board of Directors and the senior management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2007.

For **GAMMON INDIA LIMITED**

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai
Date : 31st July, 2007

CEO/CFO CERTIFICATION

To
The Board of Directors
Gammon India Limited.

We, Abhijit Rajan, Chairman & Managing Director and Rajul A. Bhansali, Executive Director and Chief Financial Officer of Gammon India Limited, to the best of our knowledge and belief, certify that :

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2007 and that to the best of our knowledge and belief :
 - (i) these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee
 - (i) significant changes in internal control during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they have become aware and that the involvement therein, if any, of the management or an employee having a significant role in the company's internal control systems.

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director & Chief Financial Officer

Place : Mumbai
Date : 30th June, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Development :

The Indian Economy is in the fulcrum of an increasing growth curve with positive indicators of 9% GDP, rising foreign exchange reserves, a booming capital market and increased FDI inflows in all sectors of the economy. This high rate of economic growth in India and parts of the world especially the Middle East has led to overall growth in the Construction Industry/Infrastructure projects. Further Infrastructure development in India has set off in a major way in the last two years and is witnessing impressive growth across various segments. This has led to high standards of execution of work, fast track completion, quality and safety. Road Projects and Hydro Projects continue to be on private sector participation and is an integral part of the business model of the Company for continuing growth.

2. Opportunities and Threats :

The growth in the infrastructure sector is being driven by a host of factors, which include political will and policies to enhance the quantum of investments in the infrastructure segment. Multi-lateral agencies such as the World Bank and the Asian Development Bank (ADB) are funding various infrastructure projects on a large scale in India. Various State Governments are mobilising funds from these agencies to support the various projects. To encourage private sector participation in the sector, the Government has announced several tax breaks for investments. It has also devised return schemes that are attractive for the private participants, such as annuity payments and capital grants for road projects. Laws have been enacted to improve the finances of utilities and make their management more transparent, so as to improve returns on these facilities.

Your Company is one of the leaders in the Construction Industry involved in practically all fields of Civil Engineering projects of large magnitude and continues to bid for larger and complex projects in the years to come.

Indian cities as well as the Middle East and Africa continue to grow at a fast pace. Transportation projects, Metro Projects, Hydro and Thermal Power Projects and Water Supply projects continue to offer major opportunities. Your Company has a strong presence and possesses the experience, expertise and resources and is well equipped to tap the same.

Your Company already has a presence in the Middle East and hopes to expand its presence in the African countries. However with the emphasis on infrastructure development both in India as well as globally and the increasing opportunities in almost all sectors of construction and civil engineering, your Company has been facing competition. There is strong competition not only from Indian construction companies but also from foreign construction companies thereby putting pressure on profit margins. The future outlook in infrastructure will also depend on Government policy framework as well as how investment in infrastructure is facilitated.

3. Spectrum of Activity and Review of Performance :

a. Transportation Engineering

India has one of the largest Road Networks in the world consisting of Expressways, National and State Highways and other District Roads. Your Company has successfully completed a novel extra dosed bridge for Delhi Metro Rail Corporation (DMRC), which is a new technique and first of its type to have been implemented in India. Your Company has been awarded a contract valued at Rs. 173 Crores for the Design and Construction of elevated road at Golden Temple for the Municipal Corporation of Amritsar. The Roads Directorate, Government of West Bengal has awarded Gajol Hilli Road Works valued at Rs. 225 crores. During the financial year 06-07, we have successfully completed the concrete road project at Gaya, Bihar for Rs. 133 crores. Further, Khurda-Bhubaneswar Road project has also been completed. The Total turnover achieved by the road project division is Rs. 226 crores.

Once again, the Company has been awarded two contracts of elevated viaducts by Delhi Metro Rail Corporation cumulatively valued at Rs. 195 crores. The Company has also secured construction of Gurupriya Bridge valued at Rs. 48 crores and Vynetheya Project at Rs. 56 crores.

b. Hydro Electric Projects

The Hydro Sector continues to grow at a much faster pace, since the Government has announced an ambitious plan of completing 50000 MW Hydropower Projects by 2012. In addition to conventional contracting various state governments have also announced hydropower projects on BOT Basis. This Financial year we have been awarded two contracts for civil works at Rampur for Sutlej Jal Vidyut Nigam Limited valued at Rs. 800 crores in Joint Venture with Patel Engineering Limited, Mumbai. Your Company has secured two hydropower projects on BOT Basis through its subsidiary company. Some of the Hydro Power projects being executed by Gammon include :

1. Teesta HRT

This is a long and large diameter tunnel for Teesta V Project of NHPC having installed capacity of 510 MW. The 14 km long with 9.5m diameter horse shoe shaped tunnel is nearing completion.

2. Parbati Stage II

Gammon is executing package - 3 of Parbati Hydroelectric Project, Stage II which is valued at Rs. 603.5 crores. The work is in advanced stage of construction and about 70% of the work has been completed. An outstanding feature of this project are the two inclined pressure shafts at 30° having excavated diameter of 4.8m are bored by Double Shield Tunnel Boring Machine (TBM) with precast segmental lining and the inclined tunnel of this length has been done for the first time in India.

3. Parbati Stage III

The work at Parbati Stg. III for installed capacity of 540 MW was started last year and is progressing well. The major components of this project are HRT having 7.25m finished diameter and length of 2 km having underground powerhouse, underground transformer cavern, tail race tunnel of 8.1m diameter and 2.7 km length, two vertical pressure shafts of 300m depth each having finished diameter of 4.5m and a surge shaft of 134m deep and diameter of 13m.

4. Sewa HEP

Sewa HEP is for 120 MW installed capacity. The work on the dam is nearing completion and tunnel boring is almost 72% complete.

5. Kol Dam

The work at Kol Dam is having installed capacity of 800 MW and is in progress and 60% of the work has been completed.

6. Rampur HEP

The Project has river diversion 224m long and 10m dia horseshoe shaped Diversion Tunnel and Cofferdams, Head Race Tunnel 12900m long and 10.5m dia circular including 43m long cut and cover at river crossing, spill tunnel 335m long and 10.15m dia horse shoe shaped, surge tunnel 400m long and 10m dia horse shoe shaped and Adit Plug 3 numbers and 1 number of Bulkhead Gate.

7. Karbi Langpi Dam

Your Company has successfully completed another major project i.e. the Karbi Langpi Dam in the state of Assam for Assam State Electricity Board.

c. Nuclear Power Plants

Construction of Nuclear Power Plants appears uncertain due to an acute shortage of nuclear fuel and uncertainty of imports. However the Government has planned to produce 60000 MW by the year 2020. The Government of India is also in talks with several countries such as Russia, France, Japan and USA for its nuclear power programme. Though these countries have shown interest in getting associated, it is characterized by uncertainty due to delay in clearance of Indo-US agreement on Nuclear energy. However it is expected that this issue is likely to be sorted out some time in October 2007 after which it is expected that the Nuclear Supply group will start supplying India's requirement and this will create and give a fillip to the activity in this segment.



Presently your Company has successfully completed the civil works for a value of Rs. 420 Cr. for NPCIL – Kaiga Power Plant – Units 3 & 4. Your Company is also doing the major part of the work for the first fast breed Reactor Unit at Kalpakkam where the work is going on in full swing with the satisfaction of the Atomic Energy Dept. Though Gammon has the experience and expertise in this area, there is dearth of skilled manpower in this segment. Hence there is an urgent need to train manpower in this segment.

d. Chimneys & Cooling Towers

Cooling Tower industry is technology sensitive and highly specialized. Very few companies in the world possess this technology and Gammon is one of them. Today your Company is a leading player in this industry with expertise in Natural Draft towers and in Mechanical Draft Towers. Almost 90% of the Natural Draft Cooling Towers contracts in India have been executed by Gammon. Your Company is executing various large size contracts for refineries, power plants and steel plants in India and abroad.

e. Irrigation Projects

Your Company has also undertaken several irrigation projects. Progress on Irrigation projects being executed by the Company in Andhra Pradesh continues to be satisfactory. During this year, your Company has participated in other irrigation Projects and will continue to participate as and when they are announced.

f. Tunnel Engineering

At Teesta Hydroelectric project, the tunnel works awarded to the Company have been substantially completed. The Clients have increased the scope of tunnelling works and we expect to complete this by September 2007. At Parbati II, your Company has successfully completed the second inclined pressure shaft of diameter 4.88 meters and of length 1540 meter (inclination 30 degrees to horizontal) using Tunnel Boring Machine (TBM). This is first of its kind in Asia and steepest inclination in the World. Tunnelling works at Parbati II, Parbati III, Sewa and Kol Dam continue to progress satisfactorily.

g. Bridges & Flyovers

During the year under review your Company has secured Projects worth Rs. 1100 Crores (Approx) for Bridges and Flyovers. India's first Extra dosed Bridge was completed for the Delhi Metro Project at Indraprasth. Construction of Extra dosed bridge was a very challenging job, due to fact that execution was required to be carried out over one of the busiest sections of Northern Railways having five tracks with nearly 200 trains passing every day and work was carried out successfully without any disruption to train movements.

During the year the Company completed a job of Major River Bridge (750 Meter long) over river Bidyadhary at Chaital Ghat, West Bengal, constructed for West Begal PWD worth Rs. 28.81 Crores. It also completed the job of constructing longest balance cantilever bridge over river Balason for Darjeeling Gorkha Hill Council worth Rs. 22.70 Crores.

h. Underground Works

The Company has bagged the project for construction of Diaphragm Wall on Sabarmati River from Sabarmati River Front Development Corporation Limited, Ahmedabad worth Rs. 94.83 Crores. The project is planned to be completed by March 2008. The total length of the wall is 15 kms out of which approximately 7 kms have been completed; which is the longest underground Diaphragm Wall work done by the Company as of date.

i. Water and Environment

The Government of India is according high priority to water supply Sector in the country. Under the Jawaharlal Nehru Urban Renewal Mission (JNURM) scheme, funds aggregating more than Rs. 40000 Crores have already been sanctioned and several other projects are under active consideration. Besides this, under other schemes also a massive outlay has been provided for this sector. The future of this sector seems to be promising. During the year under review, your Company has successfully completed the project for 3 MLD Water Supply Scheme at Guwahati, Assam. Further Surendranagar Dist. Water Supply is nearing completion. It is under Commissioning and shall be completed in this Financial Year.

j. Pipelines

Your Company has been awarded the prestigious Dahej Uran Gas Pipeline work for Gas Authority of India Limited ("GAIL") valued at Rs. 196 crores. Other Pipeline projects like Sohar Water Transmission line project, the Numaligarh Pipeline Project and the Koyali-Ratlam Project continue to progress satisfactorily.

k. Multistoried Buildings

There has been an overall increase in the housing and commercial building works. Your Company has secured Knowledge Park building works in Bangalore valued at Rs. 101 crores. Progress on works for Godrej Properties, Neelkanth Realty continues to be satisfactory.

l. Overseas Projects/Ventures

Your Company has already undertaken several projects in the Middle-East and other countries and is seeking out new business opportunities overseas. Your Company is executing an Independent Water and Power Project at Sohar – Water Transmission System Project for Ministry of Housing, Electricity and Water, Sultanate of Oman.

In continuing with its overseas ventures, your Company has entered into Joint Venture with a U.S. Company for hydrocarbon exploration in India and overseas.

Your Company has also incorporated "Gammon International LLC., Oman in joint venture with Oman Holdings International Company. S.A.O.G. (OHI) (Gammon – 69% and OHI – 31%) for undertaking and executing constructions contracts in the Sultanate of Oman. Further your Company is also in the process of setting up a Company in Nigeria and another Wholly-owned subsidiary Company "Gammon International FZE" in the Hamriyah Free Zone at Sharjah.

4. Presence in Public Private Partnership Projects :

The Government is actively pursuing Public Private Partnerships (PPPs) to bridge the infrastructure deficit in the country. Several initiatives have been taken during the last three years to promote PPPs in sectors like Ports, highways, power, roads, bridges etc. Having been in the field of Infrastructure project contracting for a number of years, it was natural that Gammon group moved into the business of Infrastructure Projects Development. The resources constraint with the Government and an immediate need of developing Infrastructure in the Country were the primary drivers in Gammon group reaching this logical conclusion. Gammon Infrastructure Projects Limited (GIPL), a subsidiary Company of Gammon India Limited, has been leading Gammon Group's forays into development of infrastructure projects on Public Private Partnership (PPP) format. GIPL is among the first companies in India to be modeled as an infrastructure development company and currently develops roads, bridges, ports and hydro power and have also identified the following areas for project development and infrastructure investment; urban infrastructure; airports; special economic zones; water and waste water management; railways; power transmission lines; and agricultural infrastructure. GIPL also offers services in other areas of project development, such as project advisory services and sector specific O&M activities.

The present BOT project basket of GIPL consists of the following Thirteen (13) projects wherein GIPL has been awarded or is the preferred bidder:

a. Two multipurpose berths at Visakhapatnam Port

A joint venture of Gammon and a reputed International Port Operator, Portia Management Services, UK has been awarded the concession by Visakhapatnam Port Trust (VPT) for developing, constructing, operating and managing two multi purpose berths in the Northern arm of the inner harbour at Visakhapatnam Port on a Build Operate and Transfer (BOT) basis. A special purpose vehicle company – Vizag Seaport Private Limited (VSPL) has been formed to implement the project. The total project cost is about Rs. 325 Crores.

b. Rajahmundry – Dharmavaram Annuity Road Project

A Special Purpose Vehicle 'Rajahmundry Expressway Limited' has been set up for development and maintenance of this project. The project includes widening of a 53 kms of two-lane road into four lanes and strengthening of the same. The project cost is about Rs. 256 Crores. The project has concession period of 17.5 years which includes 2.5 years of construction period. The Project has achieved its Commercial Operations Date notification well ahead of schedule and is operational since the last 3 years.



c. Dharmavaram – Tuni Annuity Road Project

A Special Purpose Vehicle 'Andhra Expressway Limited' has been set up for development and maintenance of this project, which is a 47 km long road project that involves four laning of existing two lane project and strengthening of the same. Total cost of this project is about Rs. 248 Crores and the concession period is 17.5 years including 2.5 years of construction period. The project is well ahead of schedule and is operational since the last 3 years.

d. New Mattancherry Bridge Project in Kerala

The first BOT project in the state of Kerala this bridge connects Fort Kochi (the heritage town and a famous tourist place) to Willingdon island in Cochin Port Trust area and has completed 3 years of stable operations. This 700 meter long bridge provides a two-lane link across the Mattancherry Channel. The project has a concession period of 13 years and nine months, including 28 months of construction period. Gammon, with its civil engineering excellence, completed the construction in 18 months, i.e. 10 months ahead of schedule, which has resulted in early commencement of toll revenues. In addition to the tolls, the project company is also entitled to receive income in form of annuity from Government of Kerala.

e. Rangit II Hydroelectric project in Sikkim

This is a 40 year concession wherein the project company is developing a 60 MW hydro-power project in the north eastern Indian state of Sikkim. The estimated project cost is about Rs. 350 crores.

f. Mumbai-Nasik Expressway Project

This Project is for the four laning of the Mumbai-Nasik section of National Highway 3 under the National Highways Development Project Phase III. This is amongst the most important gateways to connect Mumbai to northern, central & eastern part of India. It is the largest BOT road project in India with the total project cost estimated at over Rs. 750 Crores. The concession period for the project is 20 years including 3 years of construction. The project has achieved its Financial Closure and is currently under implementation.

g. Bio-mass based Power project in Punjab

Gammon has secured alongwith its 50% consortium partner a right to set up biomass fuel based power projects in the state of Punjab. Each of the projects would be in the range of approximately 12 MW each. Currently, it is in the process of setting the first 2 such projects through an SPV "Punjab Biomass Power Limited." Each of these projects is expected to cost about Rs. 50 Crores. Land acquisition has already been completed & Financial Closure is underway. The construction is expected to begin shortly.

h. Gorakhpur By-pass road project

This project involves design, construction, finance, operation and maintenance of km 0.00 to km 32.27 of Gorakhpur Bypass on NH-28 in the State of Uttar Pradesh, India on Annuity Basis on behalf of the National Highways Authority of India (NHAI). The concession period is 20 years (including Construction Period of 30 months). The project is presently under implementation.

i. Kosi river bridge project

The project involves design, construction, finance, operation and maintenance of 4-lane bridge across river Kosi including its approaches, and Guide Bund & Afflux Bund from km 155.00 to km 165.00 on NH-57 in the State of Bihar, India on Annuity Basis. The total length of the project stretch is 10.635 Km. The concession period is 20 years (including Construction Period of 3 years). The project is presently under implementation.

j. Adityapur SEZ Project

The consortium of Gammon alongwith Jamshedpur Utilities & Services Company Limited (JUSCO) (a TATA Group Company) has received the Letter of Intent for Development of Adityapur SEZ in Jharkhand from Adityapur Industrial Area Development Authority. The project involves design, construction, finance, operation and maintenance of SEZ Adityapur Limited. This SEZ will provide state of the art industrial infrastructure including utilities and logistic infrastructure and maintained by developers for 90 years. The project cost is Rs. 150 Crores.

k. Bio-mass based Power project in Haryana

Gammon in a consortium with Bermaco Energy Systems Limited has been awarded 8 biomass based Power Projects in various districts in Haryana state. Each of these projects involve the development of approximately 12 MW power projects based on biomass fuel of rice straw. The total project installed capacity would be in the range of 55-60 MW and the total project cost for all 8 projects together would be about Rs. 450 Crores.

l. Mumbai Offshore Container Terminal

Gammon in consortium with Dragados S.P.L. (a port operator from Spain) is the preferred bidder for the container terminal project involving operations and management of the existing Mumbai Port container terminal for initial 5 years and development, including construction, equipping, operations and management of the offshore container terminal, comprising at least two berths. The estimated Project cost is about Rs. 800 crores in the initial phase of 3 years and another possible Rs. 400 crores subsequently, thus aggregating about Rs. 1200 crores. The Project is on a BOT basis for 30 years, including 3 years of construction & equipping period. This is the first container privatisation at the Mumbai Port and the single largest privatization project bagged by Gammon.

m. Tidong II Hydropwer generation project in Himachal Pradesh

This is a 40 year concession excluding construction wherein Gammon is the preferred bidder and has received the LOI recently for developing a 60 MW hydro-power project in the state of Himachal Pradesh. The estimated project cost is about Rs. 350 crores. The project is in partnership with Torrent Power.

5. Financial and Operational Performance :

The Turnover of the Company stood at Rs. 2084.33 Crores for the year ended 31st March, 2007. Operating profit (PBDIT) amounted to Rs. 191.85 Crores (Rs. 195.36 Crores). After providing Rs. 35.22 Crores (Previous Year – Rs. 37.10 Crores) towards Depreciation and Rs. 44.70 Crores (Previous Year – Rs. 8.33 Crores) towards tax for current and deferred taxation, the net profit amounted to Rs. 98.36 Crores (Rs. 102.83 Crores). The annualised percentage increase in net profit over previous year amounted to 20%. The order book position of your company as on 31st March, 2007 was over Rs. 7000 crores. Some important financial statistics and ratios are stated below :

Debt Equity Ratio	0.41:1
Face Value of Share	Rs. 2/- per share
Book Value of Share (Without Revaluation Reserves)	Rs. 103.46 per share
Earnings Per Share :	
Basic	Rs. 11.34
Diluted	Rs. 11.24

6. Risk Management :

The core business of the Company is infrastructure and includes engineering, procurement & construction of Projects. Typically the duration for completion of these projects ranges between 1-4 years. Also many of these projects are on lump sum basis while the others are on fixed item basis and geographically wide spread. In light of these features management of risk assumes great significance and the Company has in place a frame work for the same.

Key risks that the Company manages proactively are listed here below :

1. Given the duration of execution, which as mentioned above typically ranges from 1-4 years, the costs increase due to inflationary pressures. To the extent that the contract provides for escalation the impact of these cost increases gets mitigated. In case, the contract does not have an escalation clause, increases are extrapolated in the estimates at tender stage to cater for the same should they arise. In both the situations, nevertheless, the key to manage the risk is in timely execution, which would not only ensure that costs are contained but also that penalties are obviated. To this end, the Company continuously reviews its business processes to strengthen its project management capabilities, tighten contract management, improve information flow and manpower retentions and enhance client relationship.



In addition, the process of estimation is continuously reviewed with a view to make the bid realistic. This is of special significance in light of the severe competition prevailing in the Industry today which is exerting immense pressure on margins.

2. Defaults in payment of running bills and retention money by some of the clients put pressure on the working capital requirements of the Company and pushes up the financial costs. The Company evaluates client risks and would generally seek payment comfort through instruments like Letter of Credit, Bank Guarantee etc. where risk perception is high.
3. The Company is increasingly focusing on the International markets as a strategic initiative. This is a new dimension to the risk which the Company is subjected to and in addition to better bidding and project management processes a deep understanding of local complexities is essential to succeed in these markets. The Company addresses these risks by secondment of trained and competent personnel, engaging specialized agencies locally for proactive guidance and partnering with local business groups of repute in Joint Ventures.
4. The Company has in place adequate and comprehensive insurance covers for all its assets and projects to deal with calamities.
5. The Company has been consistently rated with AA+ in debt markets for its long-term borrowings. This facilitates quick access to the financial markets at competitive rates as and when required. The Leveraging of the Company is comfortable to meet its obligations.
6. The Company has inflows and outflows in foreign currency related to its Projects. In addition, it has foreign currency denominated borrowings. To the extent that the overall position exceeds the natural hedge, the Company evaluates and puts in place a hedging strategy, for which it is adequately equipped with necessary mandates at the operating level.
7. The internal audit cell of the Company has in place a comprehensive program across the Company. The internal controls of the Company are robust to quickly detect and minimize the risks of fraud and misreporting. The reports of the Internal Audit Cell and the internal controls are regularly reviewed by Audit Committee of the Board and their recommendation for better effectiveness implemented.

7. Internal Control Systems and their Adequacy :

Extensive and time tested internal control systems are followed by the Company across the entire gamut of its activities.

Financial controls operate through in-house and continuous internal audit, ERP System and distribution of functional responsibilities. Wherever necessary assistance is taken from independent professional firms to augment the system controls.

Operational controls exist through well laid out systems of checks and balances and hierarchy of reporting from site-level to central management groups to the senior management and the Directors.

Monitoring group gives timely and periodical information on actual performance as compared to estimates to the senior management and supports performance appraisals.

8. Technology Upgradation :

Your company views IT as a strategic tool to enhance its business values and enable new ways of doing business. Your company has continued to leverage information technology for business values and to create capabilities for the future.

Your company is in the midst of strengthening its IT infrastructure in terms of WAN (VSAT & Broadband). It has successfully implemented a VSAT Network as a CUG (closed user group) to bring IT to the most remote of project sites. The Company now has a core virtual private network using high bandwidth VSATs supplemented by MPLS technology for the remote locations.

Gammon is in the midst of a significant initiative of adopting ERP based transaction systems. It has implemented ERP in all its project sites and at the head office.

Your Company continues to leverage IT to realize greater value in Newer projects. End-to-end project planning & optimization have helped to improve performance levels, availability while reducing operational costs. The Company has planned Information Management Systems & Dashboards to help provide visibility across the Company.

All key deliverables, procurement and financial processes are carried out through fully IT-enabled Shared Service Centers. This has helped us improve service levels to stakeholders, while ensuring controls & improving productivity.

Your company continues to invest in IT infrastructure to support business applications. We are also enhancing computing server infrastructure, especially to power the NEW initiatives.

Through all these initiatives information security & a reliable disaster recovery management have been ensured. The Company also carries out regular exercises to identify vulnerabilities & plug them systemically.

9. Human Resources :

At Gammon we bring the best in our employees because we firmly believe that “Customer Satisfaction is contingent on employee satisfaction and an employee will prefer a company where they feel they are being respected for who they are.” This belief of management has always attracted and retained the best talent around the nation and that’s the cornerstone of our success story. We have assembled a highly talented group of 1820 employees, constituting more than 85% technical and 15% supporting staff. Apart from this we are also strengthened by around 7200 skilled manpower scattered across the nation. During 2006 we added to the strength and agility of Gammon by deep rooting the roster of our work force by around 400 employees out of which 75% are technical.

We support a broad range of efforts to provide training that can give Gammonites the skill they need to thrive in today’s economy. This year we conducted around 50 training programs.

During the year under review your Company established an unbiased on line employee appraisal system that ensures that opportunities of advancement are governed by individual merits.

To spur continuous growth and innovation, Gammon has also implemented online HRIS system. This system will shorten the selection process and will help in reducing manpower costs .

The Company’s endeavor to ensure that the vast pool of talents is nurtured and fine tuned with essential life skills, thereby empowering the employees to perform at their optimal at any pressure level, has created a very strong bond of trust transparency and team-work.

10. Cautionary Statement :

Statements in the 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 and political developments, market conditions etc.

For GAMMON INDIA LIMITED

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai

Dated : 31st July, 2007



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

1. We have audited the attached Balance Sheet of Gammon India Limited as at 31st March 2007 and the Profit and Loss Account of the Company and the Cash Flow Statement for the year 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.
2. 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.
3. 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.
4. 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 March 2007 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 note 35(a) relating to profit from the company's Joint venture in Oman of Rs. 13.29 crores, note no. 12 relating to change in the method of charging depreciation on the assets of Oman branch and its consequent effect resulting in the profits for the year being higher by Rs. 5.53 crores, note no. 14 of the notes to accounts relating to variation and escalation claims of certain road projects and its inclusion in the works in progress and the other 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 March 2007 and
 - (b) in the case of Profit and Loss Account of the year ended on 31st March 2007.
 - (c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated : June 30, 2007

**ANNEXURE TO THE AUDITORS' REPORT
(REFERRED TO IN PARAGRAPH 4 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 program 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 3 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) The Company has granted unsecured loans to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 41 crores and at the end of the year balance of loans granted to such party was Rs. 41 crores.
- (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 March 2007 was Rs. 0.04 crores.
- (d) The Company has not taken any loans from the parties listed in the register maintained under section 301 of the Company.
- (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 is generally regular in depositing Provident Fund, Employees State Insurance, Income tax, wealth tax and sales tax dues with the appropriate authorities observed on a test check basis. 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 Rs. 0.03 Crores to be deposited with Investor Education and Protection Fund.

- (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 Crores)	Period to which the amount relates	Forum where dispute is pending
Sales Tax	Want of E-1 Forms	0.13	1987-88	DC–Appeals
Sales Tax	Sales – tax Set off	0.02	1985-86	Tribunal
Sales Tax	Entry Tax	0.01	1992-93/1993-94	AC–Appeals
Sales Tax	Disallowance of Labour Charges	0.11	01.04.92 to 31.03.96 01.04.98 to 31.03.03	AC–Appeals
Sales Tax	Disallowance of Labour Charges	0.29	2001-02	Tribunal
Sales Tax	Disallowance of Form G	1.78	2001-02 to 2004-05	DC–Appeals
Sales Tax	Reassessment	0.46	1999-2000	Tribunal
Sales Tax	Disallowance of Stock Transfer	0.67	2002-03	DC–Appeals
Sales Tax	Wrong estimation of Gross Contractual Transfer price	0.64	01.04.94 to 31.03.03	Tribunal
Sales Tax	Benefit of Exemption on pre-cast component	0.06	1993-94/1994-95	Tribunal
Sales Tax	Benefit of Exemption on pre-cast component	0.73	01.04.95 to 31.03.98	AC–Appeals
Sales Tax	Disallowance of labour charges	4.72	2002-03	Tribunal
Sales Tax	Disallowance of labour charges	2.50	2003-04	Tribunal
Sales Tax	Various Disallowance	0.52	2001-02 to 2003-04	AC–Appeals
Sales Tax	URD Purchases	0.21	2002-03	AC–Appeals
Sales Tax	Form F	0.04	2001-02	C T
Sales Tax	Lease	0.20	1998-99 to 2000-01	AC–Appeals
Sales Tax	Re-Opening of Levy of Iron & Steel	0.27	2003-04	Tribunal
Sales Tax	Disallowances of Claims	7.67	1998-99 to 2001-02	Jt. Appeals
Service Tax	Disputed Demands of Sabarmati & Sipat Job	3.66	2005-06	Dept. of Revenue
Excise Duty	Disputed demand of Ratnagiri Job	0.17	1994-95	CESTAT, Mumbai.
Custom Duty	Disputed demand of NHAI Project	0.32	2001-02	Supreme Court
ESIC Matter	Old disputed demands	0.21	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 maintained adequate records for loans granted on the basis of security by way of pledge of shares.
- (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 except in case of certain shares where the company holds beneficial interest as mentioned vide note 37 to the notes to accounts.
- (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 have been applied towards long term application.
- (xviii) The Company has not 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 not raised any debenture and accordingly clause (xix) of Companies (Auditors' Report) Order, 2003 is not applicable.
- (xx) The Company had in the previous year raised money by way of Global Depository Receipts on the Luxemburg Stock Exchange. The management has disclosed the use of proceeds for the issue vide note 9 of the notes to accounts.
- (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 : June 30, 2007

**BALANCE SHEET AS AT 31st MARCH, 2007**

	Schedule No.	As at 31st March, 2007		As at 31st March, 2006	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SOURCES OF FUNDS :					
Shareholders' Funds					
Capital	1	17.69		17.69	
Reserves & Surplus	2	1,132.58		908.13	
			1,150.27		925.82
Loan Funds					
Secured Loans	3	230.32		144.01	
Unsecured Loans	4	141.17		26.58	
			371.49		170.59
Deferred Tax Liability			37.92		34.53
TOTAL			1,559.68		1,130.94
APPLICATION OF FUNDS :					
Fixed Assets					
Gross Block	5	896.21		542.00	
Less : Depreciation & Impairment		205.10		172.27	
Net Block		691.11		369.73	
Add : Capital Work-in-progress		10.37		7.31	
			701.48		377.04
Investments	6		150.44		116.19
Current Assets, Loans and Advances					
Interest Accrued Receivable		6.42		2.08	
Inventories	7	529.00		470.59	
Sundry Debtors	8	303.35		238.02	
Cash & Bank Balances	9	95.99		134.26	
Loans & Advances	10	545.68		331.64	
		1,480.44		1,176.59	
Less : Current Liabilities and Provisions	11				
Current Liabilities		657.11		497.03	
Provisions		115.57		41.85	
		772.68		538.88	
			707.76		637.71
TOTAL			1,559.68		1,130.94
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 Natvarlal Vepari & Co.
Chartered AccountantsN. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated : June 30, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing DirectorRAJUL A. BHANSALI
Executive DirectorGITA BADE
Company Secretary

Mumbai, Dated : June 30, 2007

C. C. DAYAL
DirectorHIMANSHU PARIKH
Executive Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	Schedule No.	12 months April 06 - March 07		15 months January 05 - March 06	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
INCOME :					
Turnover	12	2,084.33		1,645.69	
Less : Company's Share of Turnover in JV		239.49		191.25	
		<u>1,844.84</u>		<u>1,454.44</u>	
Other Operating Income	12A	6.85		8.53	
Company's Share in Profit of Joint Venture [Refer Note - 33(b)]		13.05		8.63	
Other Income	12B	6.64		2.15	
			<u>1,871.38</u>		<u>1,473.75</u>
EXPENDITURE :					
Expenditure on Contracts	13	1,636.17		1,238.64	
Establishment Expenses	14	43.36		39.75	
Financial Cost	15	13.57		47.10	
Depreciation		35.22		37.10	
			<u>1,728.32</u>		<u>1,362.59</u>
PROFIT BEFORE TAX			143.06		111.16
Provision for Taxation :					
– Current Tax		40.10		9.25	
– Deferred Tax		3.40		(2.07)	
– Fringe Benefit Tax		1.20		1.15	
			<u>44.70</u>		<u>8.33</u>
PROFIT AFTER TAX			98.36		102.83
Add/(Less):					
Excess/(Short) Provision of taxation for earlier years			(53.88)		1.41
NET PROFIT AFTER PRIOR YEAR TAX CHARGE			44.48		104.24
Profit Brought Forward from last year			102.82		42.40
PROFIT AVAILABLE FOR APPROPRIATION			147.30		146.64
Amount Transferred to General Reserve		(10.00)		(25.00)	
Amount Transferred from Debenture Redemption Reserve		–		17.16	
Amount Transferred to Debenture Redemption Reserve		(10.71)		(10.00)	
Amount Transferred to Special Contingency Reserve		(10.00)		(20.00)	
Proposed Dividend		(0.87)		(5.25)	
Interim Dividend		(3.50)		–	
Tax on Dividend		(0.64)		(0.73)	
			<u>(35.72)</u>		<u>(43.82)</u>
Balance Carried to Balance Sheet			<u>111.58</u>		<u>102.82</u>
Earnings Per Share (Refer Note 23)					
Before Prior Year Tax Charge					
Basic			11.34		13.25
Diluted			11.24		13.12
After Prior Year Tax Charge					
Basic			5.12		13.43
Diluted			5.06		13.30
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 Natvarlal Vepari & Co.
Chartered Accountants

N. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated : June 30, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

GITA BADE
Company Secretary

Mumbai, Dated : June 30, 2007

C. C. DAYAL
Director

HIMANSHU PARIKH
Executive Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

	12 Months April 2006 – March 2007 Rs. in Crores	15 Months January 2005 – March 2006 Rs. in Crores
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	143.06	111.17
Adjustments for :		
Depreciation	35.22	37.10
Profit/Loss on Sale of Assets	0.20	0.06
Profit/Loss on Sale of Investments	(4.74)	–
Dividend Income	(0.75)	(0.25)
Interest (Net)	13.57	47.09
Foreign Exchange loss/gain	0.10	0.12
Write off against Leasehold Land	0.02	–
Bad Debts Written off	3.18	0.47
	46.80	84.59
Operating Profit before Working Capital Changes	189.86	195.76
Adjustments for :		
Trade and Other Receivables	(68.51)	(4.95)
Inventories	(58.41)	(121.15)
Trade Payables & Working Capital Finance	162.63	10.26
Loan and Advances	(203.13)	(121.36)
	(167.42)	(237.20)
CASH GENERATED FROM THE OPERATIONS	22.44	(41.44)
Direct Taxes paid (Net)	(26.86)	(22.16)
NET CASH FROM OPERATING ACTIVITIES	(4.42)	(63.60)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	(176.63)	(94.36)
Sale of Fixed Assets	2.21	0.87
Share Application Money Pending Allotment	(0.06)	14.47
Purchase of Investments :		
– Subsidiary, Joint Ventures & Associates	(34.63)	(85.75)
– Deposit paid on acquisition of shares	–	(5.66)
– Others	(89.14)	(113.00)
Sale of Investments :		
– Subsidiary, Joint Ventures & Associates	5.16	17.54
– Deposit received on transfer of beneficial interest	–	32.84
– Others	89.16	113.00
Interest received	24.27	14.43
Dividend received	0.75	0.25
	(178.91)	(105.37)
NET CASH AFTER INVESTMENT ACTIVITIES	(183.33)	(168.97)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(45.28)	(67.53)
Proceeds from issue of Share Capital & Security Premium	–	434.90
Foreign Currency Translation Reserve	(0.48)	0.07
Proceeds from/(Repayment of) borrowings	200.90	(132.51)
Proposed Dividend (Including Tax)	(9.98)	(4.38)
	145.16	230.55
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38.17)	61.58
Balance as on 31.03.2006	134.28	72.70
Balance as on 31.03.2007	96.11	134.28
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38.17)	61.58

Note: – Figure in brackets denote outflows

– Cash and Cash Equivalents include Rs. 3.15 crores as on 31.03.2007 (Previous Year – Rs. 1.99 crores as on 31.03.2006) with Bank Branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the Company.

	As At 31.3.2007	As At 31.3.2006
Cash and Cash Equivalents	95.99	134.26
Effect of Exchange Rate Charges	0.12	0.02
Balance Restated above	96.11	134.28

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered AccountantsN. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated : June 30, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing DirectorRAJUL A. BHANSALI
Executive DirectorGITA BADE
Company Secretary

Mumbai, Dated : June 30, 2007

C. C. DAYAL
DirectorHIMANSHU PARIKH
Executive Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 1				
SHARE CAPITAL				
AUTHORISED				
25,00,00,000 Equity Shares of Rs 2/- each. (Previous Year 25,00,00,000 Equity Shares of Rs. 2/- each)		<u>50.00</u>		<u>50.00</u>
ISSUED				
8,83,25,210 Equity Shares of Rs.2/- each fully paid (Previous Year 8,83,25,210 Equity Shares of Rs. 2/- each)		<u>17.67</u>		<u>17.67</u>
SUBSCRIBED AND PAID-UP				
8,67,44,670 Equity Shares of Rs 2/- each. (Previous Year 8,67,44,670 Equity Shares of Rs. 2/- each)		17.35		17.35
Of the above 2,64,000 Shares are issued for consideration other than Cash 58,06,700 Shares are issued as fully paid Bonus Shares by Capitalisation of Rs 0.70 Crores from Reserves and Rs. 0.45 Crores from Security Premium Account				
SHARE FORFEITURE ACCOUNT				
Money received in respect of 1,70,948 Rights shares of Rs. 10/- each forfeited		<u>0.34</u>		<u>0.34</u>
		<u>17.69</u>		<u>17.69</u>
SCHEDULE 2				
RESERVES AND SURPLUS				
FOREIGN PROJECTS RESERVE				
As per last Balance Sheet		0.32		0.32
GENERAL RESERVE				
As per last Balance Sheet	100.05		75.00	
Add : Transferred from Profit & Loss A/c	10.00		25.00	
Add : Impairment Charge Reversed	-		0.05	
		<u>110.05</u>		<u>100.05</u>
SECURITY PREMIUM				
As per last Balance Sheet	594.63		161.84	
Add : On account of further Issue of Shares	-		441.39	
	<u>594.63</u>		<u>603.23</u>	
Less : Expenses in connection with GDR / Preferential Issue of shares	-		8.60	
		<u>594.63</u>		<u>594.63</u>
REVALUATION RESERVE				
As per last Balance Sheet	67.34		69.13	
Add : On A/c of Revaluation (Refer Note 4 of Schedule 5)	186.90		-	
Less : Depreciation on Revalued Assets	1.44		1.79	
	<u>252.80</u>		<u>67.34</u>	
Carried forward		<u>957.80</u>		<u>762.34</u>



	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Brought forward		957.80		762.34
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	22.90		30.06	
Add : Transferred from Profit and Loss A/c	10.71		10.00	
Less : Transferred to Profit and Loss A/c on repayment of Debentures	—		17.16	
		33.61		22.90
SPECIAL CONTINGENCY RESERVE				
As per last Balance Sheet	20.00		—	
Add : Transferred from Profit and Loss A/c (Refer Note 14)	10.00		20.00	
		30.00		20.00
FOREIGN CURRENCY TRANSLATION RESERVE		(0.41)		0.07
Arising out of current year				
PROFIT AND LOSS ACCOUNT		111.58		102.82
		1,132.58		908.13

SCHEDULE 3

SECURED LOANS

Non Convertible Debentures placed with Banks and Financial Institutions (Refer Note 2)

100.00

100.00

From Canara Bank Led Consortium:

Short term loan secured by a charge over all the Company's Assets in India (excluding Leasehold Property, Freehold Property and Plant & Machinery hypothecated to the bankers and Financial Institutions under various Asset Financing Schemes)

130.25

33.81

Loans (Secured by hypothecation of assets purchased under various financing schemes) :

Ford Credit Kotak Mahindra Ltd.

0.03

0.12

Kotak Mahindra Primus Ltd.

—

0.02

ICICI Bank Ltd.

0.04

0.05

(Out of the above loans Rs. 0.07 Crores are due for repayment within one year, Previous year Rs. 0.13 Crores)

Term Loan from Bank Muscat secured by assets financed under the facility (Amount repayable within one year NIL, Previous Year Rs.10.01 Crores)

—

10.01

230.32

144.01

SCHEDULE 4

UNSECURED LOANS

External Commercial Borrowings

91.17

26.58

(Secured by Guarantee of Consortium Bankers)

(Amount repayable within one year Rs. 91.17 Crores, Previous Year Rs. 26.58 Crores)

Other Short Term Loans from Banks

50.00

—

141.17

26.58

**SCHEDULE 5
FIXED ASSETS**

Rs. in Crores

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	AS AT 01.04.2006	ADDITIONS	REVALUATION	DEDUCTIONS / ADJUSTMENTS	AS AT 31.03.2007	AS AT 01.04.2006	FOR THE YEAR	DEDUCTIONS/ ADJUSTMENTS	IMPAIRMENT	AS AT 31.03.2007	AS AT 31.03.2007	AS AT 31.03.2006
LEASEHOLD LAND	0.04	0.78	-	0.02	0.80	-	-	-	-	-	0.80	0.04
FREEHOLD PROPERTY	86.72	1.28	186.90	-	274.90	13.24	1.58	-	-	14.82	260.08	73.48
PLANT AND MACHINERY	379.32	147.25	-	6.27	520.30	127.42	29.05	5.79	-	150.68	369.62	251.90
MOTOR VEHICLES	65.69	23.27	-	0.55	88.41	27.26	7.81	0.70	-	34.37	54.04	38.43
OFFICE EQUIPMENTS	10.23	1.58	-	0.01	11.80	4.35	0.88	-	-	5.23	6.57	5.88
TOTAL	542.00	174.16	186.90	6.85	896.21	172.27	39.32	6.49	-	205.10	691.11	369.73
PREVIOUS YEAR	450.48	99.85	-	8.33	542.00	140.82	38.90	7.40	(0.05)	172.27	369.73	-
Add : CAPITAL WORK IN PROGRESS INCLUDING CAPITAL ADVANCES												
											10.37	7.37
											701.48	377.04

NOTES :

- Total of Gross Block of Fixed Assets includes cost of Fixed Assets at Foreign Sites Rs. 25.05 Crore (Previous Period Rs. 24.72 Crore).
- Freehold Property includes cost of Freehold Land Rs. 3.56 Crore. (Previous Period Rs. 3.56 Crore).
- Leasehold Land is at cost less amount written off.
- The Company has once again revalued on 31st March, 2007 all its Freehold Property, most of which were revalued earlier on 31st March, 1999 by Approved valuers. The consequent increase in the value of Fixed Assets pursuant to the second revaluation amounted to Rs. 186.90 Crore and has been credited to the Revaluation Reserve A/c.
- Depreciation for the Year Ended 31st March, 2007 amounts to Rs. 39.32 Crore (Previous Period Rs. 38.90 Crore) from which has been deducted a sum of Rs.1.44 Crore (Previous Period Rs. 1.79 Crore) 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. (1.60) Crore (Previous Period Rs. (0.22 Crore)).
- Exchange Difference in respect of translation of Oman Fixed Assets Rs. 0.55 Crore (Previous Period Rs. (0.03 Crore)) which is transferred to Foreign Currency Translation reserve.
- Borrowing cost capitalised to Capital Work In Progress is Rs. 0.21 Crores (Previous Period Nil).



	Face Value Rupees	Nos. as on 31.03.2007	Nos. as on 31.03.2006	31.03.2007 Rs. in Crores	31.03.2006 Rs. in Crores
SCHEDULE 6					
INVESTMENTS					
INVESTMENTS (AT BOOK VALUE) (Long term unless otherwise stated)					
1. INVESTMENT IN GOVERNMENT SECURITIES :					
(a) 6.75% Tax Free US64 Bonds	100	17,775	17,775	0.18	0.18
MKVDC Bonds	100,000	98	98	0.98	0.98
(b) Other Government Securities lodged with Contractees as Deposit:					
Unquoted :					
Sardar Sarovar Narmada Nigam Ltd – Bonds				0.10	0.10
Others				0.12	0.12
Government Securities Others – Unquoted (Indira Vikas Patras and National Savings Certificates)				0.01	0.01
(A)				1.39	1.39
2. INVESTMENT IN SHARES & DEBENTURES :					
(a) TRADE INVESTMENTS (FOREIGN)					
Ordinary Shares: (Unquoted, fully paid up) Gammon Mideast Ltd., Dhs. 1,000 each Dhs. 7,85,000 (Under Liquidation) (Fully Provided)		1,142	1,142	0.18	0.18
Finest SPA, Italy	1 Euro	780,000	–	19.52	–
(B)				19.70	0.18
(b) TRADE INVESTMENTS: (INDIAN) (Fully paid-up unless otherwise stated)					
Ordinary Shares: (Unquoted)					
Shah Gammon Ltd.	100	835	835	0.01	0.01
STFA Piling (India) Ltd. (Fully Provided)	10	217,321	217,321	0.22	0.22
The Freyssinet Prestressed Concrete Co. Ltd. (FPCC)	10	–	444,744	–	0.44
Gammon Turnkeys Ltd.	100	600	600	0.01	0.01
Ordinary Shares: (Quoted)					
Associated Transrail Structures Ltd.	10	2,902,340	2,902,340	1.69	1.69
Sadbhav Engineering Ltd.	10	1,100,000	1,100,000	6.60	6.60
(C)				8.53	8.97
(c) INVESTMENT IN SUBSIDIARY COMPANIES (Fully paid-up unless otherwise stated)					
Ordinary Shares: (Unquoted)					
Gammon Infrastructure Projects Ltd.	10	105,600,000	105,600,000	105.60	105.60
Gammon Cooling Towers Ltd.	10	49,940	49,940	0.05	0.05
Gammon & Billimoria Ltd.	10	50,940	50,940	0.05	0.05
Gorakhpur Infrastructure Co. Ltd.	10	25,500	–	0.03	–
Kosi Bridge Infrastructure Project Ltd.	10	25,500	–	0.03	–
Gammon Realty Ltd.	10	15,049,940	–	15.05	–
Rajahmundry Expressway Ltd. (Refer Note 34 & 37)	10	11,092,500	11,092,500	13.53	13.53
Andhra Expressway Ltd. (Refer Note 34 & 37)	10	11,092,500	11,092,500	13.65	13.65
				147.99	132.88
Add : Acquisition of Beneficial Interest in REL & AEL in lieu of Deposit paid (Refer Note 37)				5.66	5.66
				153.65	138.54
Less : Transfer of Beneficial Interest in REL & AEL in lieu of Deposit received (Refer Note 37)				(32.84)	(32.84)
Carried forward (D)				120.81	105.70

	Face Value Rupees	Nos. as on 31.03.2007	Nos. as on 31.03.2006	31.03.2007 Rs. in Crores	31.03.2006 Rs. in Crores
Brought forward (D)				120.81	105.70
(d) Other Investments (Fully paid-up unless otherwise stated) – Current					
Modern Flats Ltd. (Unquoted)		–	–	–	–
Ordinary Shares:(Quoted)					
Housing Development Finance Corporation Ltd.	10	8,000	8,000	0.18	0.18
HDFC Bank Ltd.	10	1,000	1,000	0.02	0.02
ICICI Bank Ltd.	10	2,500	2,500	0.04	0.04
Infosys Ltd.	5	200	200	0.03	0.03
Larsen & Toubro Ltd.	2	2,000	2,000	0.05	0.05
Ultratech Cement Ltd.	10	1,600	1,600	0.04	0.04
	(E)			0.36	0.36
(e) Share Application Money pending Allotment	(F)			0.06	–
GRAND TOTAL	(A+B+C+D+E+F)			150.85	116.60
Less : Provisions for Diminution in the value of Investment				0.41	0.41
				150.44	116.19
SUMMARY OF INVESTMENTS:					
Unquoted					
Aggregate Book Value of Foreign Investments				19.70	0.18
Aggregate Book Value of Indian Investments (including Share Application money)				122.50	107.77
				142.20	107.95
Quoted					
Aggregate value of Indian Investments				8.65	8.65
GRAND TOTAL				150.85	116.60
Market Value of Quoted Investments				46.31	44.92

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 7				
INVENTORIES				
Stores and Construction Materials at or below Costs as verified and valued by Site Auditors		198.33		128.54
Less : Value of Materials drawn from Contractees Contra – Refer Schedule 11		3.53		5.64
		194.80		122.90
Expenditure on Contracts including estimated Profits		334.20		347.69
		529.00		470.59

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 8				
SUNDRY DEBTORS				
Unsecured Considered Good				
Outstanding for over six months (including Retention Money Rs. 62.27 Crores, Previous Year Rs. 41.40 Crores)		79.85		64.94
Other Debts (including Retention Money Rs. 23.33 Crores, Previous Year Rs. 24.87 Crores)		223.50		173.08
		303.35		238.02



	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
		Maximum due at any time during the year	Maximum due at any time during the year	
SCHEDULE 9				
CASH AND BANK BALANCES				
Cash on Hand (Including at Foreign Sites Rs. 0.004 Crores, Previous Year Rs 0.037 Crores)		1.35		0.56
Funds-in-Transit and in hand		3.41		4.22
With Scheduled Banks:				
(a) On Current Accounts		24.01		35.99
(b) Unpaid Dividend Bank Account		3.76		0.29
(c) On Fixed Deposit Account *		60.13		91.18
With Non-Scheduled Banks:				
(a) On Current Accounts:				
Rafidian Bank, Baghdad	0.06	0.06	0.06	0.06
Nabil Bank US \$ Account	0.01	0.01	0.01	0.01
Affairs of the USSR	1.83	1.83	1.83	1.83
Standard Chartered Bank, Bangladesh	1.16	1.16	0.55	0.01
Allahabad Bank, Dolphin Jetty	0.02	0.02	0.01	0.01
HSBC, Abu Dhabi	0.19	0.15	0.01	-
(b) On Call Deposits:				
UCO Bank, London	0.02	0.02	0.02	0.02
(c) On Fixed Deposits:				
UCO Bank, London	0.08	0.08	0.08	0.08
		95.99		134.26

* Out of this Rs. 60 Crores represents the unutilised amount out of the GDR issue made in the previous year (Previous Year Rs. 75 Crores)

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 10				
LOANS AND ADVANCES				
(Unsecured, considered good, unless otherwise stated)				
Project Advances	187.09		159.78	
Other Advances recoverable in cash or in kind for value to be received	32.01		40.28	
Less : Provision made	0.96		0.96	
		218.14		199.10
Dues from/loans to Subsidiary Companies :				
Gammon & Billmoria Limited	9.10		13.55	
Gammon Infrastructure Projects Limited	2.37		2.35	
Gammon Realty Ltd.	41.02		-	
Sikkim Hydro Power Ventures Ltd.	0.28		-	
Andhra Expressway Ltd.	-		0.29	
Rajahmundry Expressway Ltd.	-		0.04	
Gammon Cooling Towers Ltd.	0.04		-	
		52.81		16.23
Dues from Gammon Al matar J V		83.66		-
Direct Taxes Paid		76.70		65.79
Tender Deposits		19.82		21.90
Other Deposits		21.03		11.47
Deposits with Joint Stock Companies :				
Secured (Refer Note 8)	50.00		-	
Unsecured				
Considered Good	23.52		17.15	
Considered doubtful (including interest)	6.40		6.40	
Less : Provisions made	(6.40)		(6.40)	
		73.52		17.15
		545.68		331.64

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 11				
CURRENT LIABILITIES				
Sundry Creditors		306.56		253.03
Due to Gammon Al Matar J V		23.69		3.03
Advances from Clients	304.64		221.04	
Less : Value of Materials drawn from Contractees				
Contra – Refer Schedule 7		3.53		5.64
		<u>301.11</u>		<u>215.40</u>
Interest accrued but not due on Loans		21.75		24.85
Unpaid Dividends (Refer Note 26)		3.77		0.29
Unpaid Matured Fixed Deposits		0.23		0.43
		<u>657.11</u>		<u>497.03</u>
PROVISIONS				
Proposed Dividend		0.87		5.25
Provision for Taxation		108.89		29.65
Provision for Tax on Dividend		0.15		0.74
Provision for Staff Benefits		5.66		6.21
		<u>115.57</u>		<u>41.85</u>

SCHEDULES ATTACHED FORMING PART OF THE PROFIT & LOSS ACCOUNT

	12 months		15 months	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 12				
TURNOVER				
Construction Contract Revenue		1,820.57		1,450.12
Other Contractual Revenue	38.61		17.82	
Less : Sub- contract Cost	14.34		13.50	
(Refer Note 19)		<u>24.27</u>		<u>4.32</u>
Company's share in turnover of Joint Venture (Refer Note 33(b))		239.49		191.25
		<u>2,084.33</u>		<u>1,645.69</u>
SCHEDULE 12A				
OTHER OPERATING INCOME				
Fees & Miscellaneous receipts		6.85		8.53
		<u>6.85</u>		<u>8.53</u>
SCHEDULE 12B				
OTHER INCOME				
Dividend Income		0.75		0.26
Miscellaneous Income		1.15		1.89
Profit on Sale of Investments		4.74		–
		<u>6.64</u>		<u>2.15</u>



	12 months April 2006 - March 2007		15 months January 2005 - March 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 13				
EXPENDITURE ON CONTRACTS				
Opening Works-in-progress :				
Stores and Construction Material at Sites and Godowns		128.54		118.84
Expenditure on Contracts		347.69		235.54
		476.23		354.38
Add :				
Purchases of Materials		606.30		560.99
Sub Contract Expenses		661.67		478.16
Plant Hire Charges		26.16		14.40
Consumption of Spares		28.49		22.60
Sales Tax		28.75		29.38
Service Tax		19.13		11.50
Power and Fuel		77.09		67.96
Fees and Consultations		39.43		38.01
Insurance		16.46		3.32
Site Personnel Expenses		119.46		65.89
Sundry Expenses (As per schedule 13A annexed)		69.53		68.28
		1,692.47		1,360.49
Less :				
Closing Stock of Stores & Construction Materials including Materials drawn from Contractees Rs. 3.53 Crores (Previous Year Rs. 5.64 Crores)		198.33		128.54
Closing Work-in-progress including estimated profits		334.20		347.69
		532.53		476.23
		1,636.17		1,238.64
SCHEDULE 13A				
SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE OF CONTRACTS				
Plant Repairs		10.17		10.60
Rent		7.70		6.17
Staff Welfare		6.70		5.01
Rates and Taxes		2.82		0.24
Travelling Expenses		8.60		14.23
Guarantee Bond Commission and Bank Charges		6.38		6.28
Other Site Expenses *		27.16		25.75
		69.53		68.28

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

	12 months April 2006 - March 2007		15 months January 2005 - March 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 14				
ESTABLISHMENT EXPENSES				
Electricity Charges		0.71		0.88
Rent		0.05		0.03
Salaries including Provision for Commission and Bonus		19.03		16.94
Contribution to Employees' Provident Fund, ESIS & Other Funds		2.83		3.18
Contribution to Gratuity Fund		0.65		0.86
Staff welfare expenses		0.38		0.43
Insurance		3.62		2.34
Rates and Taxes		0.63		0.42
Communication Expenses		1.87		1.92
Travelling, Leave Passage and Motor Car Expenses		1.93		1.53
Professional Fees		3.97		4.65
General Charges		1.05		2.00
Repairs & Maintenance		2.60		1.75
Auditors Remuneration :				
– Audit Fees including Tax Audit Fees & Consolidation	0.31		0.24	
– Limited Review	0.03		0.02	
– Certification	0.01		0.01	
– Managerial Services	–		0.01	
		0.35		0.28
Write off against Leasehold Land		0.02		–
Bad Debts written off		3.18		0.47
Foreign Exchange Loss		0.29		2.01
Loss on Sale of Assets		0.20		0.06
		<u>43.36</u>		<u>39.75</u>

	12 months April 2006 - March 2007		15 months January 2005 - March 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 15				
FINANCIAL COST (NET)				
INTEREST EXPENSED ON				
Fixed Period Loans	12.46		26.48	
Other Loans	28.65		32.61	
Other Finance Charges	1.07		1.90	
		42.18		60.99
Less : INTEREST EARNED ON				
Fixed Deposits with Banks (TDS Rs. 1.53 Crores; Previous Year Rs. 0.04 Crores)	7.17		0.33	
Fixed Deposits with Joint Stock Companies (TDS Rs. 1.88 Crores; Previous Year Rs. 1.39 Crores)	8.31		6.43	
Others (TDS Rs. 0.53 Crores; Previous Year Rs. 0.44 Crores)	13.13		7.13	
		28.61		13.89
		<u>13.57</u>		<u>47.10</u>



SCHEDULE 16

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of preparation of Financial Statements:

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, Provisions of the Companies Act, 1956 and in compliance with mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

2. Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known.

3. 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.

4. 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.

5. Joint Venture:

(a) Joint Venture Contracts under Consortium are accounted as independent contracts to the extent of work completion.

(b) In Joint Venture Contracts under Profit Sharing Arrangement, services rendered to Joint Ventures are accounted as income on accrual basis, profit or loss is accounted as and when determined by the Joint Venture and Net Investment in Joint Venture is reflected as investments or loans & advances or current liabilities.

6. 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.

7. Employee Retirement Benefits:

Provision for liabilities in respect of Gratuity and Leave Encashment are made based on actuarial valuation as at Balance Sheet date.

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

8. 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 utilized 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.

(d) The depreciation on assets used for construction has been treated as period cost.

9. Impairment of Assets:

On annual basis Company makes an assessment of any indicator that may lead to impairment of assets. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired.

The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

10. Investments:

Investments are classified as current and long term investments. Current Investments are valued at lower of cost or market value. Long Term Investments are stated at cost. The decline in the value of long term Investments, other than temporary, is provided for.

11. 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 the cost.

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

12. Foreign Currency Translation:

- (a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transactions.
- (b) Current Assets and Current Liabilities are translated at the year end rate or forward contract rate.
- (c) Any Gain or Loss on account of exchange difference either on settlement or translation is recognized in the Profit and Loss Account except in cases of acquisition of Fixed Assets purchased from out of India in which case they are adjusted in the carrying cost of such Assets.
- (d) Fixed Assets acquired in foreign currencies are translated at the rate prevailing on the date of Bill of Lading.
- (e) The transactions of Oman branch are accounted as a non-integral operation. The related exchange difference on conversion is accounted under Foreign Currency Translation Reserve Account.

13. Taxation:

Tax expenses comprise Current Tax, Deferred Tax and Fringe Benefit Tax.

Current Tax is calculated after considering benefits admissible under Income tax Act, 1961. 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.

14. Sales Tax/VAT/WCT:

Sales Tax/VAT/Works Contract Tax are accounted on payment basis.

15. Provision, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent Liabilities are not recognized but are disclosed in the notes to accounts. Disputed demands in respect of Central Excise, Customs, Income tax and Sales Tax are disclosed as Contingent Liabilities. Payment in respect of such demands, if any, is shown as advance, till the final outcome of the matter.

Contingent Assets are neither recognized nor disclosed in the financial statements.

16. Earning per share:

Basic earning per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of share split.

For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

17. Prior Period Items:

Prior period items are included in the respective head of accounts and material items are disclosed by way of notes to accounts.

**B. NOTES TO ACCOUNTS:**

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. 0.25 Crores is available to cover any liability arising there from.

2. 8.75% – Secured Redeemable Non-Convertible Debentures of Rs. 29 crores are secured by hypothecation of specific Plant & Machinery and *paripassu* charge by mortgage of immovable property in Gujarat. 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 *paripassu* charge by mortgage of immovable property in Gujarat with 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.

7.50% – Redeemable Non-Convertible Debentures of Rs. 38 crores and 7.25% – Redeemable Non-Convertible Debentures of Rs. 12 crores are secured by hypothecation of specific Plant & Machinery with *paripassu* charge by mortgage of immovable property in Gujarat with 8.75% Secured Redeemable Non-Convertible Debentures of Rs. 29 crores and 7.50% Secured Non-convertible Debenture of Rs. 15 crores and 7.25% Secured Non-convertible Debenture of Rs. 6 crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment i.e. 5th August, 2005.

3. 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. 0.17 crores and Plant & Machinery costing Rs. 0.56 crores (Written Down value Rs. Nil) in Iraq and of Current Assets amounting to Rs. 0.01 crores and Plant & Machinery costing Rs. 1.44 crores (Written Down value Rs. Nil) in Libya, in the immediate future is uncertain.

4. Issued Share Capital includes 725,800 (*Previous Year 725,800*) shares of Rs. 2/- each kept in abeyance.5. Share Forfeited account includes Rs. 0.26 crores (*Previous Year Rs. 0.26 crores*) of Security Premium collected on application in respect of forfeited shares.

6. 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 (SSI) 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 Hebenkraft, Bension Footwears P Ltd., HI-Reach Construction Equip. and Ridhi Sidhi Associates.

Further the Company has not received any intimation from creditors regarding registration under Micro, Small and Medium Enterprises Development Act, 2006 and therefore no disclosure under the said Act is made.

7. The Company has made following Purchases & Sales of units of Mutual funds during the period ended 31st March, 2007.

(a) CAN Liquid Fund – 69855472.0731 units purchased at Rs. 70.1419 crores (including dividend reinvested of 141300.1778 units at Rs. 0.1419 crores) and 69855472.0731 units sold at Rs. 70.1419 crores.

(b) UTI Money Mutual Fund – 9592374.5670 units purchased at Rs. 19.00 crores and 9592374.5670 units sold at Rs. 19.0166 crores.

8. Loans and advances include Rs. 50 crores which are secured by pledge of equity shares of a private company. The security value is adequate to recover the amount advanced.

9. During the previous year, Company had issued 91,86,900 Global Depository Receipts (GDR) along with green shoe option of 13,72,700 additional GDR representing aggregate of 1,05,59,600 Equity Shares of nominal value Rs. 2/- each at issue price of US\$9.47 per GDR for an aggregate amount of Rs. 443.50 crores.

The utilization of the net proceeds of GDR after adjusting GDR issue expense of Rs. 8.60 crores is as below.

	(Rs. in Crores)	
Objects of issue	Upto	<i>Upto</i>
	31.03.07	<i>31.03.06</i>
Repayment/Pre-payment of Debt	245.70	<i>245.70</i>
Meeting Working Capital requirement	129.20	<i>114.20</i>
Total	374.90	<i>359.90</i>

The balance amount not applied to objects of the issue amounting to Rs. 60 crores (*Previous Year Rs. 75 crores*) are lying in Fixed Deposit/Mutual Fund and will be applied towards objects of the issue in due course.

10. Foreign currency exposure un-hedged as at 31st March, 2007 is Rs. 185.39 crores (*Previous Year Rs. 84.88 crores*) and Rs. 106.89 crores (*Previous year Rs. 50.29 crores*) payables. The Company does not have any outstanding derivative contracts as at 31.03.07. (In the previous year, there was one option contract for Rs. 32.33 crores outstanding towards hedging).
11. Sundry Creditors include Rs. Nil (*Previous Year Rs. 2.24 crores*) due to Vizag Seaport Pvt. Ltd., a Joint Venture Company, Rs. 2.33 crores (*Previous Year Rs. 1.11 crores*) due to Gammon Infrastructure Projects Ltd., a subsidiary Company and Rs. 0.16 crores (*Previous Year Nil*) due to Cochin Bridge Infrastructure Company Ltd., a subsidiary Company.
Sundry Debtors include Rs. 2.27 crores (*Previous Year Rs. 4.64 crores*) due from Rajahmundry Expressway Ltd., a subsidiary Company, Rs. 2.15 crores (*Previous Year Rs. 2.36 crores*) due from Andhra Expressway Ltd., a subsidiary Company and Rs. 0.99 crores (*Previous Year Nil*) due from Associated Transrail Structures Ltd., an associate Company.
Loans and Advances include Rs. 9.10 crores (*Previous Year Rs. 13.55 crores*) due from Gammon & Billimoria Ltd, Rs. 41.00 crores (*Previous Year Nil*) due from Gammon Realty Ltd., Rs. 0.04 crores (*Previous Year Nil*) due from Gammon Cooling Towers Ltd. and Rs. 0.28 crores (*Previous Year Nil*) due from Sikkim Hydro Power Ventures Ltd., all subsidiary Companies and Rs. 0.41 crores (*Previous Year Rs. 0.39 crores*) due from Vizag Seaport Pvt. Ltd., a Joint Venture Company.
Interest receivables include Rs. 1.15 crores (*Previous Year Rs. 0.31 crores*) due from Gammon & Billimoria Ltd., Rs. 0.06 crores due from Gammon Realty Ltd., both subsidiary Companies and Rs. 0.31 crores due from Associated Transrail Structures Ltd., an associate Company.
Investment includes Rs. 32.84 crores received from Gammon Infrastructure Projects Ltd., on account of deposit for acquisition of shares.
12. The depreciation for the year is net of write back of depreciation of assets in Oman Branch of the Company. Hitherto, the Company was charging depreciation on the assets lying in Oman as per the rates specified in the Omani laws, which were higher than the schedule XIV rates. During the year, Oman branch has changed the method of depreciation to bring it in line with the rates and in the manner specified in the schedule XIV. The excess depreciation charged during previous years amounting to Rs. 2.68 crores has been reversed. The effect of the change in method of depreciation for the year is Rs. 2.85 crores. On account of this change in the method of charging depreciation the profit for the year is higher by Rs. 5.53 crores.

13. MANAGERIAL REMUNERATION:

Particulars	Year ended March 2007 (Rs. in Crores)	Period ended March 2006 (Rs. in Crores)
Managerial remuneration for Directors included in the Profit and Loss Account comprises:		
Salaries, contribution to Provident Fund and Other Funds	1.84	1.90
Commission	0.30	0.00
Sitting fees to Independent Directors	0.00	0.01
Perquisites (at monetary value)	0.02	0.03
Total	2.16	1.94
<i>Computation of remuneration payable to Managing and Whole-time Directors as per Schedule XIII to the Companies Act, 1956</i>		
Profit before taxation as per Profit and Loss Account	143.04	111.17
Add: Directors' remuneration	2.16	1.94
Directors' fees	0.00	0.01
Depreciation	35.22	37.10
Loss on sale of assets (net)	0.20	0.06
Less: Depreciation under Section 350	35.22	37.10
Loss on sale of assets (net) – as per Section 350	0.20	0.06
Net Profit under Section 349 of the Companies Act, 1956	145.20	113.12
Managerial Remuneration at 10% thereof	14.52	11.31

14. Work in progress includes Rs. 20 crores pertaining to variation and escalation claims of certain road projects for which the Company has verdicts of DRB in favour of the Company. These claims however have been disputed by the clients and the clients have preferred arbitration. The Company contends that based on favourable awards by arbitrator in case of similar claims by other contractors, favourable verdict is expected to be received in respect of the claims. The Company has however earmarked out of special contingency reserve an equal amount towards possible awards against the Company following the principles of conservatism and prudence.



15. Foreign Exchange Earnings:

Particulars	Year ended March, 2007 (Rs. in Crores)	Period ended March, 2006 (Rs. in Crores)
Revenue from overseas Project and receipts from World Bank aided projects in Foreign Currency	36.94	39.99
Receipts from foreign projects	3.98	Nil

16. (a) Remittance of Dividend in Foreign Currency

For the year	Non resident Shareholders	No of shares	Amount (Net) Rs. in Crores
2005-2006 (Final Dividend)	12	7,934,455	0.48
Previous Year	7	2,10,11,795	1.05

(b) Expenditure in Foreign Currency

Particulars	Year ended March, 2007 (Rs. in Crores)	Period ended March, 2006 (Rs. in Crores)
(i) Expenditure at Foreign Sites/Foreign Branches	0.88	2.05
(ii) Other Expenditure :		
Books and Periodical/Membership and Subscription	0.12	0.18
Travelling	0.77	0.38
Royalty and Technical/Professional fees	29.74	21.44
Tender fees etc.	0.27	0.28
Share Department Expenses	0.02	0.05
Bank charges	0.59	0.09
Interest paid	5.09	0.00
Total	37.48	24.47

(c) C I F Value of Imports :

Particulars	Year ended March, 2007 (Rs. in Crores)	Period ended March, 2006 (Rs. in Crores)
Capital goods	71.18	9.50
Material	6.30	31.49
Consumables, Components and Spares	4.86	4.43
Total	82.34	45.42

17. Balances in Foreign Bank Accounts are as per ledger and are subject to reconciliation.

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

Particulars	Year ended March, 2007 (Rs. in Crores)	Period ended March, 2006 (Rs. in Crores)
Turnover	1370.33	722.79
Expenditure (Net of inventory adjustments)	1203.81	628.25
Profits/Losses recognized	166.52	94.54
Contract Advances (Net)	297.34	167.40
Gross Amount due from customers for contract work	172.96	90.33
Gross Amount due to customers for contract work	Nil	Nil

19. Other contractual revenue includes one time upfront fees of Rs. 25 crores received for varying the terms of the subcontract. In terms of the revised contract the entire amount received is to be passed on to the subcontractor. Therefore, the subcontract expenditure is netted out considering the spirit of revenue recognition as per Accounting Standard (AS-9) and the transfer of risk and rewards of the subcontract activity.
20. 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.
21. Disclosure of transactions with Related Parties, as required by Accounting Standard – 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule.
22. Disclosure under Accounting Standard – 19 "Leases", issued by the Institute of Chartered Accountants of India.
The Company has taken various residential/godowns/offices premises (including Furniture and Fittings if any) under lease and license agreements for periods which generally range between 11 months to 3 years. These arrangements are renewable by mutual consent on mutually agreed terms. Under some of these arrangements the Company has given refundable security deposits. The lease payments are recognized in Profit and Loss Account under Rent, rates and Taxes.

23. Earning per Share (EPS) :

Earnings Per Share (EPS) = Net Profit attributable to shareholders/Weighted Number of Shares Outstanding

(a) Particulars	As at 31 st March, 2007	As at 31 st March, 2006
Net Profit After Prior Year Tax Charge (Rs. in crores)	44.46	104.26
Weighted Number of Shares during the period – Basic	8,67,44,670	7,76,37,190
Weighted Number of Shares during the period – Diluted	8,74,70,470	7,83,62,990
Earning Per Share – Basic (Rs.)	5.12	13.43
Earning Per Share – Diluted (Rs.)	5.06	13.30

(b) Particulars	As at 31 st March, 2007	As at 31 st March, 2006
Net Profit After Tax & Before Prior year Tax Charge (Rs. in crores)	98.34	102.84
Weighted Number of Shares during the period – Basic	8,67,44,670	7,76,37,190
Weighted Number of Shares during the period – Diluted	8,74,70,470	7,83,62,990
Earning Per Share – Basic (Rs.)	11.34	13.25
Earning Per Shares – Diluted (Rs.)	11.24	13.12

Weighted average number of Equity Shares in the previous year is computed considering 91,86,900 & 13,72,700 no. of new Equity Shares allotted under the Global Depository Receipts, on 27th January, 2006 & 7th February, 2006 respectively.

There are no potential Dilutive Equity Shares outstanding except 7,25,800 equity shares kept in abeyance from earlier equity offerings.

24. (a) The Income Tax Assessments of the Company are completed up to the accounting year 31st March, 2004 and various appeals filed by the Company in this regards are pending before Statutory Appellate Authorities.
- (b) The break up of Deferred Tax Liability and Assets are as follows.

Particulars	Year ended March, 2007 (Rs. in Crores)	Period ended March, 2006 (Rs. in Crores)
Deferred Tax Liability		
– On Account of Depreciation	41.60	36.15
Deferred Tax Assets		
– On Account of Gratuity/Leave Encashment Provision	1.26	1.10
– On Account of Interest on NCD	0.21	0.21
– On Account of Delay in payment of TDS	2.21	0.34
Net Balance	37.92	34.52



- (c) During the year, pursuant to the retrospective amendment of *proviso* to Section 80IA the Company has reviewed its claim in respect of Section 80IA and has decided to provide for income tax of earlier years without considering the benefits available u/s 80IA. The amount of short provision including interest amounting to Rs. 50.09 crores is being debited to the profit and loss account as short provision of earlier years.
25. The Company has deposited customs duty of Rs. 2.20 crores (*Previous Year Rs. 2.20 crores*) 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.
26. Unpaid dividend includes Rs. 0.03 crores (*Previous year Rs. 0.01 crores*) to be transferred to the Investor Education & Protection Fund.
Unpaid dividend also includes the interim dividend declared on 21st March, 2007 remaining unpaid at the end of the year.
Unpaid matured Fixed Deposits includes Rs. Nil (*Previous Year Rs. 0.001 crores*) to be transferred to the Investor Education & Protection Fund.
27. On a further assessment of the impairment of Fixed Assets of the Company as at the Balance Sheet date as required by Accounting Standard AS 28 – “Impairment of Assets” issued by the Institute of Chartered Accountants of India, Company is of the view that no further provision for impairment of Fixed Assets is required.
28. The balance with The Freyssinet Prestressed Concrete Company Limited is as per books of accounts and subject to reconciliation.
29. **CONTINGENT LIABILITIES :**

	As at 31.03.07 (Rs. in Crores)	As at 31.03.06 (Rs. in Crores)
(a) Liability on contracts remaining to be executed on Capital Accounts	51.92	59.42
(b) Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate Companies stand at	1148.67	696.01
(c) 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	417.53	374.55
(d) Disputed Sales Tax liability for which the Company has gone into Appeal is	13.81	13.07
(e) Claims against the Company not acknowledged as debts	46.14	45.75
(f) Claim against the Company by Al Manara International LLC not acknowledged as debt – – Towards commission and related costs – Towards damages	14.21 –	19.05 116.23
(g) Counter claims in arbitration matters referred by the Company – liability unascertainable.	–	–
(h) Disputed Excise Duty liability	0.19	0.16
(i) Disputed Customs Duty liability	0.32	0.32
(j) Disputed Service Tax Liability	3.66	–
(k) Contingent Liability on partly paid shares	–	–
(l) Disputed Income Tax – Demand for which the Company Appeals are pending before Appellant Authority –	1.16	–

- (m) There is a disputed demand of UCO Bank pending since 1986, of US\$ 436251 i.e. Rs. 1.72 crores. Against this, UCO Bank has unilaterally adjusted the Company’s Fixed Deposit of US\$ 30584 i.e. Rs. 0.12 crores, which adjustment has not been accepted by the Company.
- (n) In respect of Joint Venture and operations in Oman, Gammon India Limited – AL Matar JV, refer note no. 35.
30. Disclosure pertaining to Accounting Standard – 29 is as below.

(Rs. in Crores)

Account Head	Opening Balance	Provisions made during the year	Paid/Utilized during the year	Closing Balance
Gratuity	1.62	1.03	0.95	1.70
Leave Encashment	3.35	0.39	Nil	3.74
Taxation	28.50	95.18	12.82	110.86
Proposed Dividend	5.25	0.87	5.25	0.87

31. 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.
32. Cash & Bank balances include Rs 3.15 crores (*Previous Year Rs 2.00 crores*) 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. The Fixed Deposit related interest and principal account as at the year-end are as per ledger and are subject to reconciliation, which is under progress.
33. Joint Venture :
- (a) Details of Joint Ventures entered into by the Company:

Sr. No.	Name of Joint Venture	Description of Interest	% of involvement
1.	Gammon AL Matar	Jointly Controlled Entity	85.00%
2.	Gammon Atlanta	Jointly Controlled Operation	50.00%
3.	Gammon BBJ	Jointly Controlled Operation	50.00%
4.	Gammon Delco	Jointly Controlled Operation	50.00%
5.	Gammon Limak	Jointly Controlled Operation	97.00%
6.	Gammon OAO Stroytransgaz	Jointly Controlled Operation	50.00%
7.	Gammon OSE	Jointly Controlled Operation	50.00%
8.	Gammon Sadbhav	Jointly Controlled Operation	70.00%
9.	Gammon Srinivas	Jointly Controlled Operation	80.00%
10.	GIL Archirodon	Jointly Controlled Operation	98.50%
11.	GIL CEC	Jointly Controlled Operation	51.00%
12.	OSE GIL	Jointly Controlled Operation	50.00%
13.	BBJ GIL	Jointly Controlled Operation	30.50%
14.	GIL ENCEE RAIL	Jointly Controlled Operation	90.00%
15.	JAGER GIL	Jointly Controlled Operation	50.00%
16.	GIL EIL Consortium	Jointly Controlled Operation	97.00%
17.	Jaeger Gammon	Jointly Controlled Operation	50.00%
18.	Gammon Limak	Jointly Controlled Operation	55.00%
19.	Patel Gammon	Jointly Controlled Operation	49.00%
20.	Torno Gammon Dolsar	Jointly Controlled Operation	62.00%
21.	Torno Gammon Patel Dolsar Alston	Jointly Controlled Operation	20.00%
22.	Gammon Patel	Jointly Controlled Operation	50.00%
23.	Gammon KMC	Jointly Controlled Operation	51.00%
24.	Gammon JMC Proj.	Jointly Controlled Operation	70.00%
25.	Hyundai Gammon	Jointly Controlled Operation	49.00%
26.	Jaeger Gammon	Jointly Controlled Operation	50.00%
27.	Torno Gammon	Jointly Controlled Operation	50.00%
28.	Gammon BBJ	Jointly Controlled Operation	50.00%
29.	Gammon KMC	Jointly Controlled Operation	60.00%
30.	Gammon Technofab	Jointly Controlled Operation	60.00%
31.	Gammon Ratnamani	Jointly Controlled Operation	50.00%
32.	Hyundai Gammon	Jointly Controlled Operation	49.00%
33.	Jaeger Gammon	Jointly Controlled Operation	50.00%



- (b) Details of Income & Expenditure and Assets & Liabilities of Joint Venture Gammon India Limited – AL Matar JV as per the audited accounts of the Joint venture entity are as under.

(Rs. in Crores)

Income & Expenditures	Year ended 31.03.07	Period ended 31.03.06
Contract Revenue	239.49	191.25
Contract Costs	(217.79)	(179.24)
Interest Income	–	0.25
Finance Cost	(6.27)	(2.08)
Administration Expenses	–	(1.89)
Income Tax Expenses	(1.52)	(0.96)
Assets & Liabilities		
Fixed Assets	5.40	6.79
Current Assets		
Inventories	116.50	40.15
Contract Work-in-Progress	–	23.26
Account receivable and prepayments	85.27	86.94
Bank balances and cash	0.10	5.93
Current Liabilities		
Accounts payables and accruals	(43.30)	(97.58)
Short term loans	–	(66.89)
Income tax payable	(1.44)	(0.97)
	157.13	(9.18)
	162.53	(2.39)
Represented by – JV partner's account	2.97	(2.57)
Non-Current Liability	–	0.18
Secured Loan	104.69	–
Unsecured Loan	54.87	–
	162.53	(2.39)

34. 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 – Nil (Previous Year 3,264,056) Equity shares of Rs. 10/- each

35. Joint venture and operations in Oman :

- (a) The Company's share of profit under Joint Venture is accounted under other income as per the audited accounts of the Joint Venture. In respect of the contract under execution with MHEW, the Joint Venture has exceeded the contractual time of completion i.e. 26th August, 2006 as extended upto 11th March, 2007. The client has not accepted any bills or made any payments after that date. The Joint Venture has requested for further extension of the time which is pending approval. The Joint Venture has nevertheless completed substantial portion of work by the Balance sheet date and is hopeful of receiving the extension of time sufficient to cover the period of the delay, thereby obviating the contractual penalty of RO 40000 (Rs. 0.46 crores) per day. The Joint Venture's stand in this regard is further re-inforced by the client who has since the balance sheet date issued variation orders and has given additional work as part of the original contract thereby indirectly extending the original contract period. However the official EOT letter is under process and is awaited. Pending the receipt of the same, the job has been assessed considering that the EOT will ultimately be received and profit is determined accordingly. On the basis of Joint Venture profit and loss account, the Company has recognized its share of Rs. 13.28 crores in their financial statements.

- (b) The banking facilities including fund and other non-fund based borrowings utilized by the Joint Venture entity are in the name of the Company but have been accounted in the books of Joint Venture. The borrowings have been guaranteed by the Company and are secured by assignment of the Joint Venture contract receivable and Joint registration and insurance of all equipments. The total of such borrowings as at 31st March, 2007 is RO 1,90,35,026 (Rs. 215.40 crores) [Previous Year RO 1,90,79,907 (Rs. 221.77 crores)] which consists of Fund based RO 1,65,87,491 (Rs. 187.71 crores) [Previous Year RO 67,70,790 (Rs. 78.70 crores)] and Non-fund based RO 24,47,535 (Rs. 27.69 crores) [Previous Year RO 1,23,09,117 (Rs. 143.07 crores)]. However, the term loan for equipments provided to the Joint Venture entity by the Company has been considered in these financial statements.
- (c) Transactions of Oman Branch and the accounting effect of the Gammon Al Matar Joint Venture profits are accounted on the basis of the accounts prepared specially for this purpose and which is duly audited by the Company's auditor.

36. 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 Crores)

	Amount Outstanding at period end		Maximum Amount Outstanding	
	31.03.07	31.03.06	31.03.07	31.03.06
Subsidiaries/Fellow Subsidiaries :	31.03.07	31.03.06	31.03.07	31.03.06
1. Andhra Expressway Ltd.	-	-	-	81.11
2. Cochin Bridge Infrastructure Company Ltd.	-	-	-	27.23
3. Gammon & Billimoria Ltd.	9.10	13.55	13.55	13.55
4. Gammon Infrastructure Projects Ltd.	-	-	-	15.99
5. Rajahmundry Expressway Ltd.	-	-	-	77.58
6. Vizag Seaport Pvt. Ltd.	0.41	0.39	0.41	4.67
7. Gammon Realty Ltd.	41.00	-	51.00	-
Associates & Group Companies:				
1. Associated Transrail Structures Ltd.	-	-	12.67	10.00
2. Freyssinet Prestressed Concrete Co. Ltd.	-	-	7.50	2.5
3. Alliance Agro India Ltd.	-	-	-	0.02
4. STFA Pilling India Ltd.	-	.004	0.004	.004

37. The Company had in the past acquired voting rights and other beneficial interests in two Companies Rajahmundry Expressway Limited and Andhra Expressway Limited in respect of 43,60,500 equity shares and 45,64,500 equity shares respectively from its Joint Venture partner in these entities in consideration of payment of deposit for the acquisition of shares of Rs. 5.66 crores. Subsequently the Company transferred its voting rights and other beneficial interests so acquired along with the voting rights and beneficial interests in respect of 1,10,92,500 equity shares of Rajahmundry Expressway Limited and 1,10,92,500 equity shares of Andhra Expressway Limited to its then wholly owned subsidiary Gammon Infrastructure Projects Limited against receipt of consideration being deposit for sale of equity shares in these Companies of Rs. 32.84 crores from the subsidiary. The deposit made and deposit received as aforesaid are reflected under the Investment Schedule. In respect of these shares where the voting rights and beneficial rights are so transferred, the holder continues to be the original allottees as per the records of the respective Companies.
38. During the previous year 2005-06, the Company had extended its closing date for preparation of Financial Statements to 31st March, 2006 and therefore the accounts for the current period of twelve Months from 1st April, 2006 to 31st March, 2007 are strictly not comparable with the previous period ending 31st March, 2006 of Fifteen months from 1st January, 2005 to 31st March, 2006.
39. Previous year's figures are regrouped and rearranged with those of the current year to make them comparable.



40. Details of rounded off amounts.

The financial statements are represented in Rupees crores. Those items which were not represented in the financial statement due to rounding off to the nearest Rs. crores are given below.

Balance Sheet Items

(Rupees)

REFER	DESCRIPTION	As at 31st March, 2007	As at 31st March, 2006
Schedule 6	INVESTMENTS		
	(a) Trade Investments:		
	Aircrow (India) Ltd.	1,000	1,000
	Bhagirathi Bridge Construction Co. Ltd.	30,000	30,000
	Gammon Nirman Ltd.	20,000	20,000
	(b) Other Investments:		
	Modern Flats Ltd.	22,100	22,100
	Centurion Bank Ltd.	11,000	11,000
	(c) Investment In Partnership – Capital Contribution		
	Gammon Shah	25,000	25,000
Schedule 9	CASH & BANK BALANCES WITH NON-SCHEDULED BANKS:		
	On Current Accounts:		
	(a) Canara Bank, Nepal	35,095	35,095
	(b) Bank Of Bhutan	2,947	2,947
	(c) Nepal Bank	968	–
	(d) Umma Bank, Al-Fatah	8,350	8,270
	(e) Umma Bank, Tipoli	8,390	8,470
	(f) Nepal Bank Ltd.	511	1,479
	(g) Nabil Bank Site Account	3,967	3,967
	(h) Nabil Bank Collection Account	16,618	16,618

Profit and Loss Items

(Rupees)

REFER	DESCRIPTION	Year ended 31st March, 2007	Year ended 31st March, 2006
Schedule 14	ESTABLISHMENT EXPENSES:		
	(a) Auditors Remuneration:		
	Reimbursement of out of pocket expenses	40,000	25,000
	(b) Directors Sitting Fees	7,000	1,47,500
	(c) Donation	20,001	75,000

Notes to Accounts

(Rupees)

REFER	DESCRIPTION	Year ended 31st March, 2007	Year ended 31st March, 2006
Note No. 13	Managerial Remuneration:		
	(a) Directors Sitting Fees	7,000	1,47,500
Note No. 29(j)	Contingent liability on partly paid shares	19,000	19,000

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated : June 30, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

GITA BADE
Company Secretary

Mumbai, Dated : June 30, 2007

C. C. DAYAL
Director

HIMANSHU PARIKH
Executive Director

Annexure**Related party Disclosure as required by Accounting Standard 18 "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. Gammon Cooling Towers Ltd.
2. Cochin Bridge Infrastructure Company Ltd.
3. Gammon Infrastructure Projects Ltd.
4. Rajahmundry Expressway Ltd.
5. Andhra Expressway Ltd.
6. Gammon & Billimoria Ltd.
7. Mumbai Nasik Expressway Ltd.
8. Sikkim Hydro Power Ventures Ltd.
9. Gammon Projects Developers Ltd.
10. Gammon Realty Ltd.
11. Kosi Bridge Infrastructure Projects Ltd.
12. Gorakhpur Infrastructure Company Ltd.
Associates & Group Companies:
1. Freyssinet Prestressed Concrete Co. Ltd. (Till February 2007)
2. Gammon Information Technologies Ltd.
3. Associated Transrail Structures Ltd.
4. STFA Piling (India) Ltd.
5. Gammon Billimoria LLC
6. Gammon L&T Infra MRTS Ltd.
7. Gammon Cities Ltd.
Joint Ventures:
1. Vizag Seaport Pvt. Ltd.
2. Gammon AL Matar
3. Gammon Atlanta
4. Gammon BBJ
5. Gammon Delco
6. Gammon Limak
7. Gammon OAO Stroytransgaz
8. Gammon OSE
9. Gammon Sadbhav
10. Gammon Srinivas



11. GIL Archirodon
12. GIL CEC
13. OSE GIL
14. BBJ GIL
15. GIL ENCEE RAIL
16. JAGER GIL
17. GIL EIL Consortium
18. GIL Patel
19. Torno-Gammon-Patel-Dolsar-Alstom
20. Gammon KMC
21. Gammon JMC
22. Hyundai Gammon
23. Torno Gammon
24. Gammon Technofab
25. Gammon Ratnamani
Key Management Personnel & Relatives
1. Mr. Abhijit Rajan
2. Mr. Himanshu Parikh
3. Mr. Rajul A. Bhansali

(B) Transactions with Related Parties:

(Rs. in Crores)

Sr. No.	Transactions	Subsidiaries	Associates	Key Management Personnel	Entities Where Control Exits	Joint Ventures	Total
1.	Turnover – Construction & Other Contractual Revenue	171.12 (5.46)	– (–)	– (–)	– (–)	210.91 (226.23)	382.03 (231.69)
2.	Subcontracting expenditure	15.36 (13.50)	49.25 (61.45)	– (–)	– (–)	– (–)	64.61 (74.95)
3.	Purchase of Goods	– (–)	1.38 (0.45)	– (–)	– (–)	– (–)	1.38 (0.45)
4.	Sale of Goods	– (–)	8.15 (5.80)	– (–)	– (–)	– (–)	8.15 (5.80)
5.	Purchase of Fixed assets incl. Capital Adv.	– (–)	– (0.19)	– (–)	– (–)	– (–)	– (0.19)
6.	Purchase of Shares/Advances towards Equity	15.16 (6.60)	19.08 (–)	– (–)	– (–)	– (–)	34.24 (6.60)
7.	Sale of Investment/advance consideration of Sale of Investment	– (50.38)	5.16 (–)	– (–)	– (–)	– (–)	5.16 (50.38)
8.	Rendering of Services	0.25 (17.13)	0.86 (1.50)	– (–)	– (–)	0.19 (3.18)	1.30 (21.81)
9.	Receiving of Services	0.30 (0.66)	0.64 (0.95)	– (–)	– (–)	– (–)	0.94 (1.61)

(B) Transactions with Related Parties (Contd.):

(Rs. in Crores)

Sr. No.	Transactions	Subsidiaries	Associates	Key Management Personnel	Entities Where Control Exits	Joint Ventures	Total
10.	Hire charges received	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
11.	Hire charges Paid	- (-)	- (0.10)	- (-)	- (-)	- (-)	- (0.10)
12.	Finance provided (incl. Loans and equity contribution in cash or in kind)	60.06 (331.17)	20.17 (23.00)	- (-)	- (-)	62.24 (3.99)	142.47 (358.16)
13.	Finance provided for expenses & on a/c payments	1.46 (8.02)	0.25 (3.97)	- (-)	- (-)	6.49 (2.87)	8.20 (14.86)
14.	Amount liquidated towards the finance provided	26.76 (303.56)	20.37 (30.52)	- (-)	- (-)	- (5.29)	47.13 (339.37)
15.	Interest income during the year	0.90 (2.95)	2.11 (0.93)	- (-)	- (-)	- (0.23)	3.01 (4.11)
16.	Finance received (incl. Loans and equity contribution in cash or in kind)	0.08 (5.08)	0.07 (-)	- (-)	- (-)	- (-)	0.15 (5.08)
17.	Amount liquidated towards the above finance	0.38 (5.08)	- (-)	- (-)	- (-)	- (-)	0.38 (5.08)
18.	Interest paid during the year	- (0.18)	- (-)	- (-)	- (-)	3.76 (4.59)	3.76 (4.77)
19.	Write off of balances	- (-)	- (0.47)	- (-)	- (-)	0.27 (-)	0.28 (0.47)
20.	Contract advance received	54.60 (-)	- (-)	- (-)	- (-)	44.07 (22.87)	98.67 (22.87)
21.	Contract advance Given/ Refund of Advance	18.25 (0.22)	44.35 (36.43)	- (-)	- (-)	59.74 (38.29)	122.34 (74.94)
22.	Refund received against contract advance	- (-)	38.48 (24.76)	- (-)	- (-)	- (-)	38.48 (24.76)
23.	Deposits	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
24.	Dividend paid to Shareholders	- (-)	- (-)	- (-)	2.72 (1.47)	- (-)	2.72 (1.47)
25.	Dividend income	- (-)	0.29 (-)	- (-)	- (-)	- (-)	0.29 (-)
26.	Remuneration paid	- (-)	- (-)	1.86 (1.93)	- (-)	- (-)	1.86 (1.93)
27.	Margin Money	- (-)	- (-)	- (-)	- (-)	(2.24) (2.24)	(2.24) (2.24)
28.	Guarantees and Collaterals Outstanding	2.36 (5.08)	493.27 (659.63)	- (-)	- (-)	319.30 (353.58)	814.93 (1,018.29)
29.	Outstanding Balances Receivable	62.71 (23.98)	7.65 (15.05)	- (-)	- (-)	147.26 (52.31)	217.61 (91.34)
30.	Outstanding Balances Payable	74.29 (36.42)	9.24 (24.80)	- (-)	- (-)	58.37 (25.18)	141.90 (86.40)

Note: Figures in brackets are of previous year.



(C) Disclosure of Material Transactions with Related Parties:

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with related parties during the year –

(Rs. in Crores)

Transactions	1st Apr. 06 To 31st Mar. 07 (12 Months)	1st Jan. 05 To 31st Mar. 06 (15 Months)
Turnover – Construction & Other Contractual Revenue		
Mumbai Nasik Expressway Ltd.	130.98	–
Gammon OSE	–	46.66
Gammon Srinivas	–	47.33
OSE Gammon	–	48.68
Gammon Infrastructure Projects Ltd.	25.00	–
Subcontracting expenditure		
Freyssinet Prestressed Concrete Co. Ltd.	49.25	61.45
Gammon Infrastructure Projects Ltd.	14.64	13.50
Purchase of Goods		
Freyssinet Prestressed Concrete Co. Ltd.	1.38	0.45
Sale of Goods		
Freyssinet Prestressed Concrete Co. Ltd.	8.15	5.80
Purchase of Fixed assets including Capital Advance		
Freyssinet Prestressed Concrete Co. Ltd.	–	0.19
Purchase of Investments/Advances towards Equity		
FIN EST SPA	19.08	–
Gammon Realty Ltd.	15.05	–
Gammon Infrastructure Projects Ltd.	–	6.60
Sale of Investment/advance consideration of Sale of Investment		
Freyssinet Prestressed Concrete Co. Ltd.	5.16	–
Gammon Infrastructure Projects Ltd.	–	50.38
Rendering of Services		
Cochin Bridge Infrastructure Company Ltd.	0.13	–
Associated Transrail Structures Ltd.	0.80	–
Dakar Project	0.19	–
Andhra Expressway Ltd.	–	8.18
Rajahmundry Expressway Ltd.	–	8.64
Vizag Seaport Pvt. Ltd.	–	3.18
Receiving of Services		
Rajahmundry Expressway Ltd.	0.22	–
Gammon Information Technologies Ltd.	0.26	0.51
Gammon Infrastructure Projects Ltd.	–	0.66
Gilcon Project Services Ltd.	0.39	0.37
Hire charges Received		
Freyssinet Prestressed Concrete Co. Ltd.	–	0.10
Hire charges Paid		
Freyssinet Prestressed Concrete Co. Ltd.	–	0.10
Finance provided (incl. Loans and equity contribution in cash or in kind)		
Gammon & Billimoria Ltd.	19.02	–
Gammon Realty Ltd.	41.00	–
Gammon AL Matar	62.24	–
Andhra Expressway Ltd.	–	95.03
Gammon Infrastructure Projects Ltd.	–	104.39
Rajahmundry Expressway Ltd.	–	94.90

(C) Disclosure of Material Transactions with Related Parties (Contd.):

(Rs. in Crores)

Transactions	1st Apr. 06 To 31st Mar. 07 (12 Months)	1st Jan. 05 To 31st Mar. 06 (15 Months)
Finance provided for expenses & on a/c payments		
Alliance Agro India Ltd.	-	3.15
Gammon AL Matar	6.48	2.22
Gammon Infrastructure Projects Ltd.	1.13	6.37
Amount liquidated towards the finance provided		
Gammon & Billimoria Ltd.	23.41	-
Freyssinet Prestressed Concrete Co. Ltd.	7.53	-
Associated Transrail Structures Ltd.	12.67	-
Andhra Expressway Ltd.	-	101.16
Cochin Bridge Infrastructure Company Ltd.	-	52.31
Gammon Infrastructure Projects Ltd.	-	45.93
Rajahmundry Expressway Ltd.	-	104.12
Interest income during the year		
Cochin Bridge Infrastructure Company Ltd.	-	1.24
Gammon Infrastructure Projects Ltd.	-	0.56
Gammon & Billimoria Ltd.	0.84	-
Associated Transrail Structures Ltd.	0.31	-
Freyssinet Prestressed Concrete Co. Ltd.	1.81	0.74
Finance received (incl. Loans and equity contribution in cash or in kind)		
Freyssinet Prestressed Concrete Co. Ltd.	0.02	-
Associated Transrail Structures Ltd.	0.04	-
Cochin Bridge Infrastructure Company Ltd.	0.08	-
Andhra Expressway Ltd.	-	2.42
Rajahmundry Expressway Ltd.	-	2.66
Amount liquidated towards the above finance		
Gammon Infrastructure Projects Ltd.	0.38	-
Andhra Expressway Ltd.	-	2.42
Rajahmundry Expressway Ltd.	-	2.66
Interest paid during the year		
Gammon Archirodon	-	0.56
OSE Gammon	0.55	-
Gammon Srinivas	2.79	3.41
Write off of balances		
Gammon Soma	0.16	-
Gammon Atlanta	0.07	-
Gammon Delco	0.03	-
STFA Piling (India) Ltd.	-	0.47
Contract advance/Deposits received		
Mumbai Nasik Expressway Limited	54.60	-
Jaegar-Gammon	15.00	-
Gammon-JMC	23.70	-
Gammon Archirodon	-	5.07
Gammon BBJ	-	5.56
Gammon Srinivas	-	8.10
Contract advance Given/Refund of Advance		
Mumbai Nasik Expressway Ltd.	18.25	-
Freyssinet Prestressed Concrete Co. Ltd.	42.59	36.43
Jaegar-Gammon	15.00	-
Gammon Srinivas	19.23	19.35



(C) Disclosure of Material Transactions with Related Parties (Contd.):

(Rs. in Crores)

Transactions	1 st Apr. 06 To 31 st Mar. 07 (12 Months)	1 st Jan. 05 To 31 st Mar. 06 (15 Months)
Refund received against Contract advance		
Freyssinet Prestressed Concrete Co. Ltd.	38.48	24.76
Deposits		
Gammon Atlanta	–	–
Dividend Income		
Associated Transrail Structures Ltd.	0.29	–
Dividend paid to Shareholders		
Devyani Estate & Properties Pvt. Ltd.	0.53	0.26
Masayor Enterprises Limited	0.31	0.15
Nikhita Estate Developers Pvt. Ltd.	0.35	0.17
Pacific Energy Pvt. Ltd.	1.50	0.75
Remuneration paid		
Mr. Abhijit Rajan	1.34	1.41
Mr. H. V. Parikh	0.25	0.24
Mr. R. A. Bhansali	0.26	0.28
Margin Money		
Vizag Seaport Pvt. Ltd.	(2.24)	2.24
Guarantees and Collaterals Outstanding		
Associated Transrail Structures Ltd.	116.28	281.08
Gammon Billimoria LLC	374.76	374.76
Outstanding Balances Receivables		
Gammon Realty Ltd.	41.06	–
Gammon AL Matar	83.66	–
Freyssinet Prestressed Concrete Co. Ltd.	–	14.96
Gammon & Billimoria Ltd.	–	13.86
Gammon OSE	–	19.67
OSE Gammon	–	9.59
Outstanding Balances Payable		
Freyssinet Prestressed Concrete Co. Ltd.	–	24.16
Gammon Infrastructure Projects Ltd.	37.56	36.32
Gammon-JMC	20.08	–
Mumbai Nasik Expressway Ltd.	36.35	–
Gammon OSE	–	10.97
Gammon AL Matar	23.69	–
Gammon Srinivas	–	8.73

BALANCE SHEET ABSTRACT OF COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:

Registration No.

1	1	-	9	9	7
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 State Code

1	1
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Balance Sheet Date

3	1
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0	3
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0	7
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Date Month Year

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Right Issue
N I L	N I L
Bonus Issue	Private Placements
N I L	N I L

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

Total Liabilities	Total Assets
1 5 5 9 6 8 7 9	1 5 5 9 6 8 7 9

Sources of Funds

Paid-Up Capital	Reserves & Surplus
1 7 6 9 1 0	1 1 3 2 5 8 0 3
Secured Loans	Unsecured Loans
2 3 0 3 2 4 4	1 4 1 1 7 3 4
Deferred Tax Liability	
3 7 9 1 8 8	

Application of Funds

Net Fixed Assets	Investments
7 0 1 4 7 6 7	1 5 0 4 4 3 8
Net Current Assets	Misc. Expenditure
7 0 7 7 6 7 4	N I L
Accumulated Losses	
N I L	

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

Turnover	Total Expenditure
1 8 7 1 3 7 6 7	1 7 2 8 3 1 5 3
Profit Before Tax	Profit After Tax
1 4 3 0 6 1 3	4 4 4 7 7 4
Earning Per Share in Rs.	Dividend Rate %
5 . 1 2	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 Crores)

Name of Subsidiaries	Gammon Cooling Towers Ltd.	Cochin Bridge Infrastructure Co. Ltd.	Gammon Infrastructure Projects Limited	Andhra Expressway Ltd.	Rajahmundry Expressway Ltd.	Gammon & Billimoria Ltd.	Mumbai Nashik Expressway Ltd.	Sikkim Hydro Power Ventures Ltd.	Gammon Project Developers Ltd.	Gammon Realty Limited	Gorakhpur Infrastructure Company Limited	Kosi Bridge Infrastructure Company Limited	Marine Projects Services Limited
1. The Financial Year of the Subsidiaries ended	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007
2. (a) Shares of the Subsidiary Companies held by Gammon India Limited	49,940	62,50,070	10,56,00,060	2,71,15,000	2,71,15,000	50,940	4,15,95,000	50,000	50,000	1,50,49,940	45,000	50,000	49,940
(i) Number	99.88%	97.66%*	82.50%	93.50%*	93.50%*	50.94%	80%*	100%*	100%*	75.06%	90%*	100%*	99.88%*
(ii) Extent of Holding													
3. The net aggregate amount of Profit/Losses of the Subsidiaries Companies so far as they concern the members of Gammon India Ltd. were :													
(i) Dealt with in the accounts of Gammon India Ltd. amounted to :													
(a) For subsidiaries' financial year ended on 31 st March, 2007	0.2766	1.44	5.68	14.16	15.37	0.08	***	***	(0.00)	(0.19)	***	***	***
(b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon India Ltd.	**	0.70	6.05	13.50	16.03	0.00	-	-	(0.00)	-	-	-	-
(ii) Not dealt with in the accounts of Gammon India Ltd. amount to :													
(a) For subsidiaries' financial year ended on 31 st March, 2007													
(b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon India Ltd.													
* Subsidiaries of Gammon Infrastructure Projects Ltd. (Subsidiary of Gammon India Ltd.)													
** Gammon Cooling Towers Ltd. became subsidiary of Gammon India Ltd. on 31.03.2006.													
*** Since the Company is in the Project implementation stage, no Profit & Loss account is being prepared.													

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director
C. C. DAYAL
Director
RAJUL A. BHANSALI
Executive Director
HIMANSHU PARIKH
Executive Director
GITA BADE
Company Secretary

Mumbai, Dated : 31st July, 2007.

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

(Amount in Rs.)

Sl. No.	Particulars	Gammon Cooling Towers Ltd.	Cochin Bridge Infrastructure Co. Ltd.	Gammon Infrastructure Projects Limited	Andhra Expressway Ltd.	Rajahmundry Expressway Ltd.	Gammon & Billimoria Ltd.	Mumbai Nashik Expressway Ltd.	Sikkim Hydro Power Ventures Ltd.	Gammon Project Developers Ltd.	Gammon Realty Limited	Gorakhpur Infrastructure Company Limited	Kosi Bridge Infrastructure Company Limited	Marine Projects Services Limited
(a)	Capital	5,00,000	6,40,00,700	1,28,00,00,000	29,00,00,000	29,00,00,000	10,00,000	52,00,00,000	5,00,000	5,00,000	20,05,00,000	5,00,000	5,00,000	5,00,000
(b)	Reserves	26,86,655	2,19,37,012	1,13,99,92,133	40,18,00,911	39,51,15,975	16,35,294	***	***	****	**	***	***	***
(c)	Total Assets	1,80,24,341	34,26,78,838	2,50,45,59,530	2,90,75,73,004	3,17,90,04,086	55,91,95,161	1,95,74,74,983	1,65,10,260	10,15,99,081	61,04,93,691	7,82,586	11,21,949	-
(d)	Total Liabilities	1,48,37,686	25,67,41,126	8,45,67,397	2,21,57,72,093	2,49,38,88,111	55,65,59,867	1,43,74,74,983	1,60,10,260	10,10,99,081	40,99,93,691	2,82,586	6,21,949	-
(e)	Investment (except in case of investment in subsidiaries)*	-	-	40,41,15,761	-	-	-	-	-	-	-	-	-	-
(f)	Turnover	1,70,50,401	5,19,08,405	19,31,59,472	55,82,40,000	59,23,80,000	-	-	-	-	-	-	-	-
(g)	Profit/(Loss) before Taxation	42,40,971	1,98,69,078	14,56,56,419	17,05,04,542	18,54,15,111	24,11,070	-	-	(617)	(25,27,340)	-	-	-
(h)	Provision for Taxation including Deferred Tax	14,74,738	51,34,510	5,08,82,933	1,91,00,000	2,10,00,000	8,11,566	-	-	-	-	-	-	-
(i)	Profit/(Loss) After Taxation	27,66,233	1,47,34,568	9,47,73,486	15,14,04,542	16,44,15,111	15,99,504	-	-	-	-	-	-	-
(j)	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
	Details of Investment *													
	(I) Joint Ventures													
	Vizag Seaport Pvt. Ltd.	-	-	33,48,31,837	-	-	-	-	-	-	-	-	-	-
	Punjab Biomass Power Ltd.	-	-	3,07,50,000	-	-	-	-	-	-	-	-	-	-
	Eversun Sparkle Maritimes Services Pvt. Ltd.	-	-	2,14,39,500	-	-	-	-	-	-	-	-	-	-
	SEZ Adityapur Ltd.	-	-	1,90,000	-	-	-	-	-	-	-	-	-	-
	Gammon L & T Infra MRTS Ltd.	-	-	5,00,000	-	-	-	-	-	-	-	-	-	-
	(II) Others													
	(a) Canara Bank	-	-	26,88,000	-	-	-	-	-	-	-	-	-	-
	(b) Vijaya Bank	-	-	76,800	-	-	-	-	-	-	-	-	-	-
	(c) IDFC Co. Ltd.	-	-	17,68,816	-	-	-	-	-	-	-	-	-	-
	(d) TCS Ltd.	-	-	4,93,000	-	-	-	-	-	-	-	-	-	-
	(e) Allahabad Bank	-	-	8,63,460	-	-	-	-	-	-	-	-	-	-
	(f) Canbank Mutual Fund	-	-	1,05,14,348	-	-	-	-	-	-	-	-	-	-
**	Profit & Loss Account Debit Balance as on 31/03/2007 Rs. 25,27,340/-.													
***	Since the Company is in the Project Implementation stage, no Profit & Loss account is prepared.													
****	Profit & Loss Account Debit Balance as on 31/03/2007 Rs. 26,069/-.													

**AUDITOR'S REPORT
TO
THE BOARD OF DIRECTORS OF GAMMON INDIA LIMITED
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the attached Consolidated Balance Sheet of **GAMMON INDIA LIMITED** ('GIL') Group, as at 31st March, 2007, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the GIL's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We did not audit the financial statements of:

- (a) Certain subsidiaries whose financial statements reflect total assets of Rs. 984.17 Crores as at 31st March, 2007, total revenue of Rs. 423.55 Crores and cash flows of Rs. 62.41 Crores for the year then ended; and,
- (b) Certain joint ventures whose financial statements reflect total assets of Rs. 308.69 Crores as at 31st March, 2007, the total revenue of Rs. 30.45 Crores and cash flows amounting to Rs. 3.61 Crores for the year then ended, the Company's share of such assets, revenues and cash flows being Rs. 130.71 Crores, Rs. 12.85 Crores and Rs. 1.62 Crores respectively.

The abovementioned financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the GIL's management in accordance with the requirements of Accounting Standards (AS) 21 "Consolidated Financial Statements", Accounting Standards (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

Without qualifying our report, we invite attention to Note B-19(b) of Schedule 18 of the financial statements regarding the Early Completion Bonus accrued by two subsidiary companies in earlier years and included in sundry debtors as at 31st March, 2007. The outcome of the matter cannot be presently determined and hence no provision for any liability has been made in the financial statements.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements read with Note no. B-34(a) relating to the joint venture in Oman of Rs. 13.29 Crores, Note no. B-12 relating to the change in method of charging depreciation on the assets of Oman branch and its consequent effect resulting in the profits for the year being higher by Rs. 5.53 Crores, Note no. B-13 relating to variation and escalation claims of certain road projects and its inclusion in the works in progress and the other notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the GIL Group as at 31st March, 2007;
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- (b) in the case of the Consolidated Profit and Loss Account, of the profit of the GIL Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the GIL Group for the year ended on that date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated : 31st July, 2007

**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007**

	Schedule No.	As at 31st March, 2007		As at 31st March, 2006	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SOURCES OF FUNDS :					
Shareholder's Funds					
Capital	1	17.69		17.69	
Reserves & Surplus	2	1,197.02		990.98	
			1,214.71		1,008.67
Minority Interest	3		78.43		49.24
Warrants issued in Cochin Bridge Infrastructure Co. Ltd. (Refer Note B-5)			0.01		0.01
Loan Funds					
Secured Loans	4	1,084.32		712.89	
Unsecured Loans		192.42		99.94	
			1,276.74		812.83
Deferred Tax Liability			42.56		35.82
TOTAL			2,612.45		1,906.57
APPLICATION OF FUNDS :					
Goodwill on Consolidation	5		6.82		5.89
Fixed Assets	6				
– Gross Block		1,513.92		1,127.06	
– Less : Depreciation & Impairment		307.71		232.72	
– Net Block		1,206.21		894.34	
– Add : Capital Work-in-progress		139.89		26.20	
			1,346.10		920.54
Investments	7		55.33		27.96
Current Assets, Loans and Advances					
Interest Accrued Receivable		6.34		2.14	
Inventories	8	727.74		571.57	
Sundry Debtors	9	573.43		451.41	
Cash & Bank Balances	10	250.17		319.05	
Loans & Advances	11	522.90		332.13	
		2,080.58		1,676.30	
Less : Current Liabilities and Provisions	12				
Current Liabilities		741.31		674.18	
Provisions		136.43		50.31	
		877.74		724.49	
			1,202.84		951.81
Miscellaneous Expenses	13		1.36		0.37
TOTAL			2,612.45		1,906.57
Notes to Accounts	18				

Schedules 1 to 18 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

As per our attached report of even date

For NATVARLAL VEPARI & CO.
Chartered AccountantsN. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated: 31st July, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing DirectorRAJUL A. BHANSALI
Executive DirectorGITA BADE
Company Secretary

Mumbai, Dated: 31st July, 2007

C. C. DAYAL
DirectorHIMANSHU PARIKH
Executive Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	Schedule No.	12 months April 06 - March 07		15 months January 05 - March 06	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
INCOME					
Turnover	14	2,356.47		2,034.05	
Other Operating Income	14 A	7.10		10.00	
Other Income	14 B	4.40		1.45	
			2,367.97		2,045.50
EXPENDITURE					
Expenditure on Contracts	15	2,017.57		1,641.74	
Establishment Expenses	16	63.10		58.90	
Financial Costs	17	63.24		100.23	
Depreciation		77.84		83.91	
Goodwill Amortised		2.07		1.47	
			2,223.82		1,886.25
PROFIT BEFORE TAX & SHARE IN ASSOCIATES			144.15		159.25
Add : Share of Profit in Associates (Refer Note B-1c)			12.99		9.03
PROFIT BEFORE TAX & AFTER SHARE IN ASSOCIATES			157.14		168.28
Provision for Taxation :					
- Current		49.61		14.72	
- Deferred		6.74		(0.19)	
- Fringe Benefit Tax		1.26		1.17	
			57.61		15.70
PROFIT AFTER TAX			99.53		152.58
Transferred to Minority Interest			(7.66)		(9.06)
(Short)/Excess provision of tax of earlier year			(56.47)		1.00
Prior Period Adjustments			(0.33)		0.06
NET PROFIT FOR THE YEAR			35.07		144.58
Profit Brought Forward from last year			84.64		10.23
PROFIT AVAILABLE FOR APPROPRIATION			119.71		154.81
Transferred to General Reserve		10.00		26.82	
Transferred to Debenture Redemption Reserve		10.71		10.00	
Transferred from Debenture Redemption Reserve		-		(17.16)	
Minority Interest for earlier year		(0.93)		2.32	
Unrealised Profits relating to prior periods after acquisition of further stake in SPVs		-		22.01	
Special Contingency Reserve		10.00		20.00	
Amount Transferred to Other Reserve		-		0.20	
Proposed Dividend		0.87		5.25	
Provision for Interim Dividend		3.50		-	
Provision for Tax on Dividend		0.64		0.73	
			34.79		70.17
BALANCE CARRIED TO BALANCE SHEET			84.92		84.64
Earnings per Share (Refer Note B-18)					
<u>Before Prior Year Tax Charges</u>					
Basic			10.56		18.49
Diluted			10.46		18.31
<u>After Prior Year Tax Charges</u>					
Basic			4.04		18.62
Diluted			4.01		18.45

Notes to Accounts

18

Schedules 1 to 18 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

As per our attached report of even date

For NATVARLAL VEPARI & CO.
Chartered AccountantsN. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated: 31st July, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing DirectorRAJUL A. BHANSALI
Executive DirectorGITA BADE
Company Secretary

Mumbai, Dated: 31st July, 2007

C. C. DAYAL
DirectorHIMANSHU PARIKH
Executive Director



SCHEDULES 1 TO 13 ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 1				
SHARE CAPITAL :				
AUTHORISED				
25,00,00,000 Equity Shares of Rs 2/- each. (Previous Year 25,00,00,000 Equity Shares of Rs. 2/- each)		50.00		50.00
ISSUED				
8,83,25,210 Equity Shares of Rs. 2/- each fully paid (Previous Year 8,83,25,210 Equity Shares of Rs. 2/- each)		17.67		17.67
SUBSCRIBED AND PAID-UP				
8,67,44,670 Equity Shares of Rs 2/- each. (Previous Year 8,67,44,670 Equity Shares of Rs. 2/- each)		17.35		17.35
SHARE FORFEITURE ACCOUNT		0.34		0.34
		<u>17.69</u>		<u>17.69</u>

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 2				
RESERVES AND SURPLUS :				
FOREIGN PROJECTS RESERVE ACCOUNT		0.32		0.32
GENERAL RESERVE ACCOUNT :				
As per last Balance Sheet	101.87		75.00	
Add : Impairment Charge Reversed	-		0.05	
Add : Transferred from Profit & Loss A/c	10.00		26.82	
		<u>111.87</u>		<u>101.87</u>
SECURITIES PREMIUM ACCOUNT :				
As per last Balance Sheet	694.65		161.84	
Add : Share of Share Premium in Joint Venture	1.50		546.80	
	<u>696.15</u>		<u>708.64</u>	
Less : Share premium transfer to Minority Interest	17.46		-	
Less : Expenses in connection with Issue of Shares	0.25		13.99	
		<u>678.44</u>		<u>694.65</u>
REVALUATION RESERVE ACCOUNT :				
As per last Balance Sheet	67.34		69.13	
Add : On A/c of Revaluation (Refer Note 4 of Schedule 6)	186.90		-	
Less : Depreciation on Revalued Assets	(1.44)		(1.79)	
		<u>252.80</u>		<u>67.34</u>
Carried forward		<u>1,043.43</u>		<u>864.18</u>

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Brought forward		1,043.43		864.18
DEBENTURE REDEMPTION RESERVE ACCOUNT :				
As per last Balance Sheet	22.90		30.06	
Add : Transferred from Profit and Loss A/c	10.71		10.00	
Less : Transferred to Profit and Loss A/c on repayment of Debentures	–		17.16	
		33.61		22.90
OTHER RESERVES (As per Subsidiary Accounts)		0.19		0.20
SPECIAL CONTINGENCY RESERVE				
As per last Balance Sheet	20.00		–	
Add : Transferred from Profit and Loss A/c	10.00		20.00	
		30.00		20.00
Foreign Currency Translation Reserve (Refer Note B-28)		4.87		(0.94)
PROFIT AND LOSS ACCOUNT		84.92		84.64
		1,197.02		990.98

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 3				
MINORITY INTEREST :				
Opening Balance	49.24		0.87	
Add : Fresh Credits	22.46		36.99	
Add : Share of Profit / (Loss) during the Year	7.66		9.06	
Add : Share of Profit / (Loss) - Prior Period	(0.93)		2.32	
		78.43		49.24
		78.43		49.24

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 4				
SECURED LOANS :				
Non Convertible Debentures placed with Banks and Financial Institutions (Refer Note B-7)		100.00		100.00
Working Capital Loan from Banks (Refer Note B-7)		210.25		90.92
Term Loans from Banks (Refer Note B-7)		106.24		10.19
Project Loans - SPVs From Banks & Institutions (Refer Note B-7)		667.83		511.78
		1,084.32		712.89
UNSECURED LOANS :				
External Commercial Borrowings		91.17		26.58
Loans :				
– From Banks	7.23		–	
– From Others	44.02		6.47	
		51.25		6.47
Short Term Loans from Banks		50.00		66.89
		192.42		99.94

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 5				
GOODWILL ON CONSOLIDATION :				
As per Last Balance Sheet	5.89		0.42	
Add : Further Goodwill on Consolidation	3.00		6.94	
Less : Amortisation	2.07		1.47	
		6.82		5.89
		6.82		5.89



**SCHEDULE 6
FIXED ASSETS :**

PARTICULARS	GROSS BLOCK				DEPRECIATION					NET BLOCK		
	AS AT 01.04.2006	ADDI- TIONS	DIFF ON ACCOUNT OF REVA- LUATION	DEDUC- TIONS / ADJUST- MENTS	AS AT 31.03.2007	AS AT 01.04.2006	FOR THE YEAR	DEDUC- TIONS / ADJUST- MENTS	IMPAIR- MENT	AS AT 31.03.2007	AS AT 31.03.2007	AS AT 31.03.2006
LEASEHOLD LAND	0.04	0.78	-	(0.02)	0.80	-	-	-	-	-	0.80	0.04
FREEHOLD PROPERTY	87.34	1.51	186.90	-	275.75	13.24	1.58	-	-	14.82	260.93	74.10
PLANT AND MACHINERY	425.34	172.95	-	(6.97)	591.32	138.80	38.40	(6.20)	-	171.00	420.30	286.54
MOTOR VEHICLES	67.01	23.74	-	(0.60)	90.15	27.56	8.23	(0.73)	-	35.06	55.09	39.45
ROAD & PROJECT BRIDGES	488.87	2.02	-	(1.01)	489.88	50.83	32.03	-	-	82.86	407.02	438.04
PROJECT BERTH	58.46	8.74	-	(1.18)	66.02	2.29	1.68	-	-	3.97	62.07	56.17
TOTAL	1,127.06	209.74	186.90	(9.78)	1,513.92	232.72	81.92	(6.93)	-	307.71	1,206.21	894.34
PREVIOUS YEAR	738.27	460.79	-	(72.00)	1,127.06	149.06	85.70	1.99	(0.05)	232.72	894.34	-
Add : CAPITAL WORK IN PROGRESS INCLUDING CAPITAL ADVANCES											139.89	26.20
											1,346.10	920.54

NOTES :

- Total of Gross Block of Fixed Assets includes cost of Fixed Assets at Foreign Sites Rs. 73.96 Crores (Previous Year Rs. 47.39 Crores)
- Freehold Property includes cost of Freehold Land Rs. 4.36 Crores (Previous Fifteen Months Period Rs. 3.6 Crores)
- Leasehold Land is at cost less amount written off.
- The Company has once again revalued on 31st March, 2007 most of its Freehold Property, most of which were revalued earlier on 31st March, 1999 by Approved valuers. The consequent increase in the value of Fixed Assets pursuant to the second revaluation amounted to Rs. 186.90 Crores and has been credited to the Revaluation Reserve A/c.
- Depreciation for the Year Ended 31st March, 2007 amounts to Rs. 81.93 Crores (Previous Fifteen Months Period Ended 31st March, 2006 Rs. 85.71 Crores) from which has been deducted a sum of Rs. 1.44 Crores. (Previous Fifteen Months Period Rs. 1.79 Crores) 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. 0.71 Crores (Previous Fifteen Months Period Rs. 0.29 Crores)
- Exchange Valuation difference in respect of Oman Fixed Assets Rs. 0.55 Crores (Previous Fifteen Months Period Rs. 0.03 Crores) being transferred to Foreign Currency Translation Reserves.
- Borrowing cost capitalised to Capital Work In Progress is Rs. 0.21 Crores (Previous Fifteen Months Period Nil)
- Additions includes increased value of assets consolidated pursuant to increase in stake in Joint Venture.

**SCHEDULE 7
INVESTMENTS :**

INVESTMENTS (AT BOOK VALUE)

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
1. INVESTMENT IN GOVERNMENT SECURITIES :		1.39		1.39
2. INVESTMENT IN SHARES & DEBENTURES :				
(a) TRADE INVESTMENTS (FOREIGN)				
Associates Accounted as per AS-23 (Refer Note B-1c)		19.52		-
Others		0.18		0.18
(b) TRADE INVESTMENTS (INDIAN)				
Associates Accounted as per AS-23 (Refer Note B-1c)		23.64		14.77
Others		0.01		0.01
(c) NON TRADE INVESTMENTS				
- Unquoted		-		0.00
- Quoted		7.55		7.55
3. INVESTMENT IN PARTNERSHIP - CAPITAL CONTRIBUTION				
Gammon Shah (Fully Provided)		-		0.00
4. INVESTMENT IN MUTUAL FUND		1.05		-
5. Share Application Money Pending Allotment		2.18		4.25
GRAND TOTAL		55.52		28.15
Less : Provisions for loss on Investment		0.19		0.19
		55.33		27.96

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SUMMARY OF INVESTMENTS				
Unquoted:				
Aggregate Book Value of Foreign Investments		19.70		0.18
Aggregate Book Value of Indian Investments (incl. Share Application money & Mutual Fund)		28.27		20.42
		<u>47.97</u>		<u>20.60</u>
Quoted:				
Aggregate value of Investments		7.55		7.55
GRAND TOTAL		<u><u>55.52</u></u>		<u><u>28.15</u></u>
Market Value of Quoted Investments		50.13		47.53

SCHEDULE 8**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 12

Expenditure on Contracts including estimated Profits

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Stores and Construction Materials at or below Costs as verified and valued by Site Auditors		216.48		171.65
Less : Value of Materials drawn from Contractees Contra – Refer Schedule 12		3.53		5.64
		<u>212.95</u>		<u>166.01</u>
Expenditure on Contracts including estimated Profits		514.79		405.56
		<u><u>727.74</u></u>		<u><u>571.57</u></u>

SCHEDULE 9**SUNDRY DEBTORS :**

Unsecured Considered Good

Outstanding for over six months (including Retention Money)

Other Debts (including Retention Money)

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Unsecured Considered Good				
Outstanding for over six months (including Retention Money)		174.27		99.22
Other Debts (including Retention Money)		399.16		352.19
		<u>573.43</u>		<u>451.41</u>

SCHEDULE 10**CASH AND BANK BALANCES :**

Cash in Hand

Funds-in-Transit and in hand

With Scheduled Banks:

(a) On Current Accounts

(b) Unpaid Dividend Bank Account (Refer Note B-22)

(c) On Fixed Deposit Account

With Non-Scheduled Banks:

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Cash in Hand		1.53		0.62
Funds-in-Transit and in hand		7.41		4.49
With Scheduled Banks:				
(a) On Current Accounts		32.39		112.85
(b) Unpaid Dividend Bank Account (Refer Note B-22)		3.76		0.29
(c) On Fixed Deposit Account		180.83		166.18
With Non-Scheduled Banks:		24.25		34.62
		<u>250.17</u>		<u>319.05</u>



	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 11				
LOANS AND ADVANCES :				
(Unsecured, considered good, unless otherwise stated)				
Project Advances	187.09		159.78	
Advances recoverable in cash or in kind for value to be received	35.11		44.79	
Less : Provision made	0.96		0.96	
		221.24		203.61
Advance Taxes Paid		94.77		73.00
Loan to Joint Venture Company		15.31		4.62
Advance for Purchase of Development Rights		61.00		-
Tender Deposits		19.82		21.90
Other Deposits/Advances		21.96		11.85
Deposits with Joint Stock Companies :				
Considered Good :			17.15	
- Secured	50.00		-	
- Other	38.80		-	
Considered doubtful (including interest)	6.40		6.40	
Less : Provisions made	(6.40)		(6.40)	
		88.80		17.15
		522.90		332.13

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 12				
CURRENT LIABILITIES :				
Sundry Creditors		450.46		426.17
Advances from Clients	268.63		221.04	
Less : Value of Materials drawn from Contractees Contra (Refer Schedule 8)	3.53		5.64	
		265.10		215.40
Equity Contribution Refundable (Refer Note B-2 & B-3)		-		7.04
Interest accrued but not due on Loans		21.75		24.85
Unpaid Dividends		3.77		0.29
Unpaid Matured Fixed Deposits		0.23		0.43
		741.31		674.18
PROVISIONS :				
Proposed Dividend		0.87		5.25
Provision for Taxation		127.11		36.88
Provision for Tax on Dividend		0.15		0.73
Provision for Staff Benefits		8.30		7.45
		136.43		50.31

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 13				
MISCELLEANEOUS EXPENSES :				
Preliminary Expenses		1.36		0.30
Deferred Revenue Expenses		-		0.07
		1.36		0.37

SCHEDULES 14 TO 18 ATTACHED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH, 2007

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 14				
TURNOVER :				
Construction Activities		2,223.57		1,883.27
Toll Proceeds		3.65		4.29
Annuity Income		116.60		139.59
Project Berth Revenue		12.65		6.90
		<u>2,356.47</u>		<u>2,034.05</u>
		<u>2,356.47</u>		<u>2,034.05</u>
SCHEDULE 14A				
OTHER OPERATING INCOME :				
Consultancy Fees		-		0.38
Miscellaneous Receipts		7.10		9.62
		<u>7.10</u>		<u>10.00</u>
		<u>7.10</u>		<u>10.00</u>
SCHEDULE 14B				
OTHER INCOME :				
Dividend Income		0.99		0.51
Miscellaneous Income		2.40		0.65
Profit on Sale of Investments (Net)		1.01		0.29
		<u>4.40</u>		<u>1.45</u>
		<u>4.40</u>		<u>1.45</u>
SCHEDULE 15				
EXPENDITURE ON CONTRACTS :				
Opening Works-in-progress :				
Stores and Construction Material at Sites and Godowns		171.65		118.84
Expenditure on Contracts		405.56		238.24
		<u>577.21</u>		<u>357.08</u>
<i>Add :</i>				
Purchases of Materials		941.67		845.97
Sub Contract Expenses		670.85		554.52
Plant Hire Charges		62.54		50.69
Insurance		16.89		5.28
Fees and Consultations		43.44		44.81
Consumption of Spares		39.85		22.60
Sales Tax		25.59		29.38
Service Tax		19.13		11.50
Power and Fuel		88.75		74.04
Site Personnel Expenses		154.20		136.15
Operation & Maintenance Exp.		5.98		6.38
Sundry Expenses (As per Schedule 15A annexed)		102.63		80.55
		<u>2,171.52</u>		<u>1,861.87</u>
<i>Less :</i>				
Closing Stock of Stores & Construction Materials including Materials drawn from Contractees Rs 3.53 Crores (Previous year Rs 5.64 Crores)		216.37		171.65
Closing Work-in-progress including estimated profits		514.79		405.56
		<u>731.16</u>		<u>577.21</u>
		<u>2,017.57</u>		<u>1,641.74</u>

**SCHEDULE 15A****SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE OF CONTRACT :**

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Plant Repairs		9.90		10.84
Rent		9.17		6.16
Staff Welfare		16.04		4.86
Rates and Taxes		2.91		0.90
Travelling Expenses		10.53		15.08
Guarantee Bond Commission and Bank Charges		10.29		7.82
Other Site Expenses *		43.79		34.89
		<u>102.63</u>		<u>80.55</u>

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

SCHEDULE 16**ESTABLISHMENT EXPENSES :**

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Electricity Charges		0.89		1.04
Rent		0.83		0.50
Salaries incl. Provision for Commission and Bonus		26.45		23.97
Contribution to Employees Provident Fund, ESIS & Other Funds		2.86		3.17
Contribution to Gratuity Fund		0.65		0.86
Staff welfare expenses		0.70		0.52
Insurance		4.80		3.50
Rates and Taxes		0.63		0.42
Communication Expenses		2.53		2.48
Travelling, Leave Passage and Motor Car Expenses		2.61		1.95
Professional Fees		7.15		6.59
Management Fees		2.27		4.96
Miscellaneous expenses		2.78		4.28
Repairs & Maintenance		3.81		1.89
Auditors Remuneration :				
- Audit Fees including Tax Audit Fees & Consolidation	0.31		0.24	
- Limited Review	0.03		0.02	
- Certification	0.01		0.01	
- Managerial Services	-		0.01	
- Reimbursement of Out of Pocket Expenses	-	0.35	0.00	0.28
Directors Sitting Fees		0.01		0.01
Write off against Leasehold Land		0.02		0.00
Bad Debts/Interest written off		3.18		0.47
Donation		-		0.01
Exchange Loss		0.29		2.01
Loss on Sale of Assets		0.20		0.06
Preliminary/Deferred Revenue Expenses		0.09		0.48
Less : Expenses Transferred to Capital WIP		-		(0.55)
		<u>63.10</u>		<u>58.90</u>

SCHEDULE 17**FINANCIAL COST :****INTEREST PAID ON :**

	31st March, 2007		31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
On Fixed Period Loans		64.10		67.47
Other Loans		29.38		41.19
Other Finance Charges		7.38		6.72
		<u>100.86</u>		<u>115.38</u>
Less : INTEREST EARNED ON :				
Fixed Deposits with Banks		13.64		0.85
Others		22.32		10.95
		<u>35.96</u>		<u>11.80</u>
Less : Amount Transferred to Capital WIP		1.66		3.35
		<u>63.24</u>		<u>100.23</u>

SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**A. ACCOUNTING POLICIES:****1. Principles of consolidation**

The consolidated financial statements relate to Gammon India Ltd. ("The Company"), its Subsidiary Companies, Associates and Joint Ventures in the form of Jointly controlled entities "collectively referred to as the Group". The consolidated financial statements have been prepared on the following basis:

- (a) The financial statements of the Company, its subsidiary companies and jointly controlled entities have been consolidated 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 in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- (b) The difference between Company's cost of investment in the Subsidiaries / Joint Venture and its share of net assets in the Subsidiaries / Joint Venture is recognised as Goodwill or Capital Reserve as the case may be.
- (c) 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 (AS) 27 "Financial Reporting of Interests in Joint Venture" issued by the Institute of Chartered Accountants of India.
- (d) Investments in Associates are accounted under the equity method as per the Accounting Standard (AS) 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.
- (e) Consolidated financial statements are 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.

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 Company. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements, which fairly presents the needed disclosure. Further, in the opinion of the management, the accounting policies and notes could be better viewed when referred from the individual financial statements.

3. Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known.

4. 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:

- (i) *Annuity and Toll Receipts:*

The toll collection from the users is accounted when the amount is due and recovered.

The Company earns an annuity income from some of its Build, Own, Transfer ('BOT') projects which is recognised on a time basis over the period during which the annuity is earned. Revenues from bonus and other claims are recognised upon acceptance from customer/counterparty.

- (ii) *Berth Operations:*

Revenue by way of Berth Hire Charges, Dust Suppression Charges, Cargo Handling Charges, Plot Rent, Wharf Age, Barge Freight, Other Charges etc. are recognized on an accrual basis and is billed as per the terms of the contract with the customers at the rates approved by Tariff Authority for Marine Ports (TAMP) as the related services are performed.

Other income is recognized on an accrual basis when the same is due.

(iii) *Advisory Services:*

Revenue on Professional services rendered is recognised only on completion of the services when the income thereon accrues to the Company.

(iv) *Operations and Maintenance Revenues:*

Revenue on Operations & Maintenance (O & M) contracts is recognized proportionately over the period for which the contract is received.

5. Turnover from Construction Activity

Turnover from Construction Activity 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.

6. 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.

7. Employee Retirement Benefits

Provision for liabilities in respect of Gratuity and Leave Encashment are made based on actuarial valuation as at Balance Sheet date.

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

In case of Gammon AI Matar Joint Venture, entitlement of employee's retirement benefit is based upon the employee's final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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.

8. Goodwill

Goodwill arising on consolidation is amortised over a period of 5 years.

9. 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 utilized 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.
- (d) The depreciation on assets used for construction has been treated as period cost.
- (e) The Infrastructure Projects Assets are amortized over a period of the rights given under the various Concession Agreements to which they relate.
- (f) The assets lying in the books of Gammon & Billimoria (L.L.C.) and Gammon AI Matar JV 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	3 years
Furniture & Fixtures	3 years
Office Equipment	3 years
Motor Vehicle	3 years

10. Impairment of Assets

On annual basis Company makes an assessment of any indicator that may lead to impairment of assets. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired.

The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

11. Investments

Investments are classified as current and long term investments. Current Investments are valued at lower of cost or market value. Long Term Investments are stated at cost. The decline in the value of long term Investments other than temporary is provided for.

12. 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 the cost.

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

In case of Gammon Al Matar Joint Venture, Stores & spares and Construction materials are valued at weighted average cost method.

13. Foreign Currency Translation

- (a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transactions.
- (b) Current Assets and Current Liabilities are translated at the year end rate or forward contract rate.
- (c) Any Gain or Loss on account of exchange difference either on settlement or translation is recognized in the Profit and Loss Account except in cases of acquisition of Fixed Assets purchased from out of India in which case they are adjusted in the carrying cost of such Assets.
- (d) Fixed Assets acquired in foreign currencies are translated at the rate prevailing on the date of Bill of Lading.
- (e) The transactions of Oman branch, GB – LLC and Gammon Almatar JV are accounted as a non-integral operation. The related exchange difference on conversion is accounted under Foreign Currency Translation Reserve Account.

14. Taxation:

Tax expenses comprise Current Tax, Deferred Tax and Fringe Benefit Tax.

Current Tax is calculated after considering benefits admissible under the Income Tax Act, 1961.

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.

Timing differences arising and expected to reverse during the tax holiday period u/s. 80 IA are not recognized by the Company in accordance with the Accounting Standard Interpretation ('ASI') – 3 issued by the Institute of Chartered Accountants of India.

In case of Gammon Al Matar Joint Venture, taxation is provided in accordance with Omani fiscal regulations.

15. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent Liabilities are not recognized but are disclosed in the notes to accounts. Disputed demands in respect of Central Excise, Customs, Income tax and Sales Tax are disclosed as Contingent Liabilities. Payment in respect of such demands, if any, is shown as advance, till the final outcome of the matter.

Contingent Assets are neither recognized nor disclosed in the financial statements.

16. Earning Per Share

Basic Earning Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of share split.

For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of equity shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

17. Share Issue Expenses

(i) GIPL:

The share issue expenses incurred before 31st March 2004 are amortised equally over a period of five years. Share issue expenses after 1st April, 2004 are charged off to the Share Premium Account, if available, or to the Profit and Loss Account.

(ii) MNEL/GICL/KBICL/PBPL:

The share issue expenses will be charged to the Profit and Loss Account in the first year when the Company draws up the Profit and Loss Account.

B. NOTES TO ACCOUNTS

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

Name of Subsidiaries	Country of Incorporation	Proportion of ownership Interest	Effective Interest of Parent Co.
Gammon Infrastructure Projects Ltd.(GIPL)	India	82.50%	82.50%
Gammon Cooling Towers Ltd	India	99.86%	99.86%
Gammon & Billimoria Ltd.	India	50.94%	50.94%
Rajahmundry Expressway Ltd.(REL)	India	93.50%*	77.14%
Andhra Expressway Ltd.(AEL)	India	93.50%*	77.14%
Cochin Bridge Infrastructure Co. Ltd.(CBICL)	India	97.66%*	80.57%
Mumbai Nasik Expressway Ltd.(MNEL)	India	79.90%*	66.32%
Sikkim Hydro Power Ventures Ltd.(SHPVL)	India	100.00%*	82.50%
Gammon Projects Developers Ltd.(GPDL)	India	100.00%*	82.50%
Gammon Realty Limited (GRL)	India	75.06%	75.06%
Kosi Bridge Infrastructure Company Ltd.(KBICL)	India	100.00%	91.43%
Gorakhpur Infrastructure Company Ltd.(GICL)	India	100.00%	91.43%

* Shareholding is through subsidiary Gammon Infrastructure Projects Ltd.

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 issued by the Institute of Chartered Accountants of India.

The Company had in the past acquired voting rights and other beneficial interests in two companies Rajahmundry Expressway Limited and Andhra Expressway Limited in respect of 43,60,500 equity shares and 45,64,500 equity shares respectively from its Joint Venture partner in these entities in consideration of payment of deposit for the acquisition of shares of Rs. 5.66 Crores. Subsequently the Company transferred its voting rights and other beneficial interests so acquired along with the voting rights and beneficial interests in respect of 1,10,92,500 equity shares of Rajahmundry Expressway Limited and 1,10,92,500 equity shares of Andhra Expressway Limited to its then wholly owned subsidiary Gammon Infrastructure Projects Limited against receipt of consideration being deposit for sale of equity shares in these companies of Rs. 32.84 Crores from the subsidiary. The deposit made and deposit received as aforesaid are reflected under the Investment Schedule. In respect of these shares where the voting rights and beneficial rights are so transferred, the holder continues to be the original allottees as per the records of the respective companies.

Mumbai Nasik Expressway Ltd. and Sikkim Hydro Power Ventures Ltd. are SPVs for projects where the shares are held through subsidiary GIPL.

GPDL is a 100% subsidiary of GIPL for the purpose of developing infrastructure projects on a BOT, BOOT or Build Operate Lease and Transfer ('BOLT') basis.

- (b) The following Jointly Controlled Entities are consolidated applying Accounting Standard (AS) – 27 "Financial Reporting of Interests in Joint Venture."

Name of Jointly Controlled Entity	Country of Incorporation	Proportion of ownership Interest	Effective interest of Parent Co.
Gammon L & T Infra MRTS Ltd.	India	50.00%*	41.25%
Punjab Biomass Power Ltd.	India	50.00%*	41.25%
Vizag Seaport Pvt. Ltd.	India	42.22%*	34.83%
Gammon Al Matar (GALM)	Oman	85.00%	85.00%
SEZ Adityapur	India	38.00%	31.35%

* Shareholding is through subsidiary Gammon Infrastructure Projects Ltd.

The proportionate share of assets, liabilities, income and expenditure of the Joint Ventures consolidated in the accounts is tabulated as below.

Rs. in Crores

ASSETS		
Fixed Assets:	131.69	
Less : Depreciation	11.12	120.57
Capital WIP		9.55
Advance for Capital Expenditure		0.13
Current Assets:		
Inventories	116.60	
Sundry Debtors	86.06	
Cash & Bank Balances	2.20	
Loan & Advances	2.87	
Total Current Assets (A)	207.73	
Current Liabilities (B)	50.60	
Net Current Assets (A-B)		157.13
Preliminary & Share Issue Exp		0.02
Total Assets		287.40
LIABILITIES		
Loan Funds:		
Secured Loans	188.96	
Unsecured Loans	59.07	
Deferred Tax Liability	3.67	251.70
Reserves & Surplus:		
Opening balance of retained earnings	9.55	
Profit/(Loss) for the period	6.67	16.22
Other Reserves		(8.32)
Total Liabilities		259.60
REVENUE ITEMS		
Turnover		252.36
Less : Expenditure		
Contract Expenditure & Other Expenditure	222.69	
Port Operation Expenses	-	
Administration Expenses	1.59	
Finance Cost	11.91	
Depreciation	6.39	
Preliminary/Share Exp. written Off	0.05	
Total Expenses		242.63
Profit/(Loss) Before Tax		9.73
Provision for Tax		3.06
Profit/(Loss) After Tax		6.67



- (c) The following Associates have been accounted on one line basis applying the Equity Method in accordance with Accounting Standard (AS) – 23 “Accounting for Investment in Associates in Consolidated Financial Statements”.

The particulars of Investment in Associates are as under:

Rs. in Crores

Name of the Company	% Share held	Original Cost of Investment	Goodwill/ (Capital Reserve)	Adjusted/ Accumulated Profit/(Loss) upto 31-03-2006	Dividend/ Prior period adjustments	Profit for the period ended on 31-03-2007	Adjustment on Disposal	Carrying Amount of Investments as on 31-03-2007
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
								(3) + (5) + (6) + (7) + (8)
The Freyssinet Prestressed Concrete Co. Ltd.	36.64%	0.44	–	4.78	–	0.71	(5.93)	–
STFA Piling (India) Limited	50.00%	0.22	–	(0.22)	–	–	–	–
Associated Transrail Structures Limited	28.87%	1.69	0.71	7.86	(0.33)	12.94	–	22.16
FIN EST SPA	50.00%	19.52	7.57	N.A.	–	–	–	19.52
Eversun Sparkle Maritime Services Private Limited (*)	27.47%	2.14	0.55	N.A.	–	(0.66)	–	1.48
Total		24.01	8.83	12.42	(0.33)	12.99	(5.93)	43.16

(*) Shareholding is through subsidiary Gammon Infrastructure Projects Ltd.

In respect of FINEST SPA, the accounting of profit as per AS – 23 is carried out on the basis of un-audited accounts prepared by the management for the period from January’ 06 to December’ 06. No accounting for the profit/loss has been made in the absence of determination of such profit/loss by the associate.

2. As per original agreement with AEL’s lenders, the sponsors (being the shareholders/joint venture partners of AEL) had contributed Equity Obligations by way of subscription to equity shares of the Company or by way of advances towards such subscription.

Under the new refinancing done by the lenders, there is no requirement of Equity Obligation. The Group has refunded part of the Equity Obligation of Rs. 2.02 Crores.

3. As per original agreement with REL’s lenders, the sponsors (being the shareholders/joint venture partners of REL) had contributed Equity Obligations by way of subscription to equity shares of the Company or by way of advances towards such subscription.

Under the new refinancing done by the lenders, there is no requirement of Equity Obligation. The Group has refunded part of the Equity Obligation of Rs. 5.01 Crores outstanding as at 31st March, 2006.

4. CBICL has extended a Term Loan of Rs. 8.00 Crores (Rs. 3.38 Crores proportionate share of the Company in Joint Venture in the form of jointly controlled entity) to VSPL, which is convertible at par into equity shares of Rs. 10/- each on 1st April, 2008.

5. **Warrant Issued to Investors:**

Pursuant to the approval of the members of Cochin Bridge Infrastructure Company Limited (CBICL) at an EGM, a Warrant Subscription Agreement between CBICL, Gammon India Limited (GIL) and AMIF I Ltd (“the investor”) has been executed on 30th November 2005. Based on the agreement CBICL has issued an Optionally Convertible Warrant on a preferential basis which gives the investor an option to subscribe to 25% of the issued and paid share capital of CBICL on a fully diluted basis, on a preferential allotment basis, at any time after 1st January, 2011 but before 31st March, 2011 by paying CBICL fair value therefor.

6. **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. 0.25 Crores is available to cover any liability arising there from.

7. Security for loan availed by the Group :

GIL:

Cash Credit –

Secured by a charge over all the Company's assets in India (excluding Leasehold Property, Freehold Property and Plant & Machinery hypothecated to the Bankers and Financial Institutions under various Asset Financing Scheme).

NCD –

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. 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 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.

7.50% – Redeemable Non Convertible Debentures of Rs. 38 Crores and 7.25% – Redeemable Non Convertible Debentures of Rs. 12 Crores are secured by hypothecation of specific Plant & Machinery with pari passu charge by mortgage of immovable property in Gujarat with 8.75% Secured Redeemable Non Convertible Debentures of Rs. 29 Crores and 7.50% Secured Non convertible Debenture of Rs. 15 crore and 7.25% Secured Non convertible Debenture of Rs. 6 crore. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 5th August, 2005.

Gammon Al Matar Joint Venture:

The banking facilities are in the name of a branch of a joint venture partner and are secured against a corporate guarantee of the joint venture partner, assignment of contract receivables and joint registration and insurance of all equipment.

Gammon Billimoria LLC:

Bank Loans and Overdrafts:

The bank loans are secured by a charge on the trade accounts receivables, subordination of loan from shareholders and corporate guarantees from related parties.

Motor Vehicle Loans:

Motor Vehicle loans are secured by a charge on the motor vehicles purchased under financing arrangements. The loan installments payable within twelve months of the balance sheet date is classified as current liabilities.

AEL AND REL:

Term Loans availed from Banks are:

To be secured by Legal Mortgage in English Form over immovable properties, both present & future.

To be secured by hypothecation/Charge over:

- (a) AEL's/REL's other properties, present or future, both tangible and intangible, whether immovable or moveable.
- (b) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL in, to, under and/in respect of project documents including all Guarantees and Bonds issued/to be issued in terms thereof including the Contractor Warranties, Liquidated damages, Performance Guarantees and Bonds.
- (c) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL, 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 there under and all other claims there under.
- (d) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL, 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, AEL/REL and/or by any person on behalf of the AEL/REL including without limitation any payment from NHAI and/or any other person under the project documents or otherwise.
- (f) Floating Charges on all other assets of AEL/REL, both present and future, other than assets described above.
- (g) Pledge of 51% of equity shares of AEL/REL held by GIL and GIPL.

VSPL:

Secured Loans are hypothecation of movable assets and receivables of the Company. Vehicle loan is secured by hypothecation of car purchased under the scheme from ICICI Bank Ltd.



MNEL:

The Secured Loan together with all upfront fee, interest, further interest, additional interest, liquidated damages, premium on pre payment, costs, expenses and other monies whatsoever stipulated in the Agreement ("Secured Obligations") has been secured by:

- (a) A first mortgage and charge on all the Borrower's immovable properties, both present and future,
- (b) A first charge by way of hypothecation of all the Borrower's moveables, including current and non-current assets, moveable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other moveable assets, both present and future,
- (c) A first charge on Borrowers' Receivables,
- (d) A first charge over all bank accounts of the Borrower including without limitation, the Escrow Account, the Retention Accounts (or any account in substitution thereof) and such Other Bank Accounts that may be opened in terms thereof and of the Project Documents and in all funds from time to time deposited therein and in all Authorised Investments or other securities representing all amounts credited thereto,
- (e) A first charge on all intangibles of the Borrower including but not limited to goodwill, rights, undertakings and uncalled capital, present or future.

8. Gammon India Limited (GIL) & Gammon Infrastructure Projects Limited (GIPL) 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:

Company Name	No. of Equity shares pledged		Rate (Rupees)
	31.03.2007	31.03.2006	
Andhra Expressway Limited (AEL)	1,02,25,560	1,47,90,000	10/-
Rajahmundry Expressway Limited (REL)	1,04,29,560	1,47,90,000	10/-
Mumbai Nasik Expressway Limited (MNEL)	1,61,20,000	Nil	10/-

- 9. Loans and advances include Rs. 50 Crores which are secured by pledge of equity shares of a private Company. The security value is adequate to recover the amount advanced.
- 10. Issued Share Capital includes 7,25,800 (Previous Year 7,25,800) Equity Shares of Rs. 2/- each kept in abeyance.
- 11. Share Forfeited account includes Rs. 0.26 Crores (Previous Year Rs. 0.26 Crores) of Share Premium collected on application in respect of forfeited shares.
- 12. The depreciation for the year is net of write back of depreciation of assets in Oman Branch of the Company. Hitherto, the Company was charging depreciation on the assets lying in Oman as per the rates specified in the Omani laws, which were higher than the schedule XIV rates. During the year, Oman branch has changed the method of depreciation to bring it in line with the rates and in the manner specified in the Schedule XIV. The excess depreciation charged during previous years amounting to Rs. 2.68 Crores has been reversed. The effect of the change in method of depreciation for the year is Rs. 2.85 Crores. On account of this change in the method of depreciation the profit for the year is higher by Rs. 5.53 Crores.
- 13. Work in progress includes Rs. 20 Crores pertaining to variation and escalation claims of certain road projects for which the Company has verdicts of DRB in favour of the Company. These claims however have been disputed by the clients and the clients have preferred arbitration. The Company contends that based on favourable awards by arbitrator in case of similar claims by other contractors, favourable verdict is expected to be received in respect of the claims. The Company has however earmarked out of special contingency reserve an equal amount towards possible awards against the Company following the principles of conservatism and prudence.
- 14. Balances in Foreign Bank Accounts are as per ledger.
- 15. **Taxation:**
 - (a) The break up of Deferred Tax liability and Assets are as follows

Rs. in Crores

Particulars	Year ended 31 st March, 2007	Period ended 31 st March, 2006
Deferred Tax liability		
– On Account of Depreciation	46.83	38.31
Deferred Tax Assets		
– On Account of Gratuity/Leave Encashment Provision	1.29	1.10
– On Account of Interest on NCD	0.21	0.21
– On Account of Unabsorbed Depreciation	0.56	0.84
– On Account of Unabsorbed Losses	–	–
– On Account of delay in payment of TDS	2.21	0.34
Net Balance	42.56	35.82

(b) During the year, pursuant to the retrospective amendment of *proviso* to section 80 IA of the Income Tax Act, 1961 the Company has reviewed its claim in respect of section 80 IA and has decided to provide for income tax of earlier years without considering the benefits available u/s. 80 IA. The amount of short provision including interest amounting to Rs. 52.56 Crores is being debited to the Profit & Loss Account as short provision of earlier years.

(c) GALM:

The tax rate applicable to the joint venture is 12%. For the purpose of determining the tax payable for the period, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expenses. The adjustments are based on the current understanding of the existing tax laws, regulation and practices.

16. Cochin Bridge Infrastructure Company Limited (CBICL) depreciates its BOT project assets being the Bridge over the concession period in its books. However, the depreciation as per the Income Tax Act does not fully cover the costs over the concession period. The difference in the charge of depreciation is a permanent difference and hence not recognized in calculation of the deferred tax liability/asset.
17. In case of Cochin Bridge Infrastructure Company Limited (CBICL) the Annuity income pursuant to the orders of Government of Kerala dated 24th January, 2005 and 1st March, 2005, the revenue of the Company has become positive and due to this there is a virtual certainty supported by convincing evidence that there would be sufficient future taxable income to realize the Deferred Tax Assets. The entire amount of Deferred Tax Assets relates to the unabsorbed losses and depreciation as per Income tax Act, 1961.

18. Earning Per Share (EPS) :

Earnings Per Share (EPS) = Net Profit attributable to shareholders/Weighted Number of Shares Outstanding

(a) EPS before Prior Year Tax Charge:

Particulars	As at 31 st March, 2007	As at 31 st March, 2006
Net Profit After Tax and Before Prior Period Year Tax Charge (Rs. in Crores)	91.54	143.58
Weighted Number of Shares during the period – Basic	8,67,44,670	7,76,37,190
Weighted Number of Shares during the period – Diluted	8,74,70,470	7,83,62,990
Earning Per Share – Basic (Rs.)	10.56	18.49
Earning Per Share – Diluted (Rs.)	10.46	18.31

(b) EPS After Prior Year Tax Charge:

Particulars	As at 31 st March, 2007	As at 31 st March, 2006
Net Profit After Tax Prior Period Year Tax Charge (Rs.in Crores)	35.07	144.59
Weighted Number of Shares during the period - Basic	8,67,44,670	7,76,37,190
Weighted Number of Shares during the period - Diluted	8,74,70,470	7,83,62,990
Earning Per Share – Basic (Rs.)	4.04	18.62
Earning Per Share – Diluted (Rs.)	4.01	18.45

Weighted average number of Equity Shares is computed considering 91,86,900 & 13,72,700 no. of new Equity Shares allotted under the Global Depository Receipts, on 27th January, 2006 & 7th February, 2006 respectively.

There are no potential Dilutive Equity Shares outstanding except 7,25,800 equity shares kept in abeyance from earlier equity offerings.

19. Sundry Debtors/Loans and Advances:

(a) Recovery of VAT from Annuity Payments:

REL:

On the basis of an interim order of the Honourable Andhra Pradesh High Court, the National Highway Authority of India (NHAI) recovered Rs. 4.74 Crores being VAT @4% from the annuities paid to Rajahmundry Expressway Limited (REL) by NHAI (including all annuities of all past years which had been fully paid by NHAI to REL). This amount is included in sundry debtors.

The interim order has directed the NHAI to transfer this amount as a Fixed Deposit in any nationalized bank pending the final order of the Honourable High Court. The Honourable High Court on 12th April, 2007 passed the final order of the Company's position and directed the NHAI to refund the said amount to REL.

AEL:

On the basis of an interim order of the Honourable Andhra Pradesh High Court, the National Highway Authority of India (NHAI) recovered Rs. 4.47 Crores being VAT @4% from the annuities paid to Andhra Expressway Limited (AEL) by NHAI (including all annuities of all past years which had been fully paid by NHAI to AEL). This amount is included in sundry debtors.

The interim order has directed the NHAI to transfer this amount as a Fixed Deposit in any nationalized bank pending the final order of the Honourable High Court. The Honourable High Court on 12th April 2007 passed the final order of the Company's position and directed the NHAI to refund the said amount to AEL.

(b) Bonus Recoverable from the NHAI:**REL:**

In case of Rajahmundry Expressway Limited (REL) sundry debtors also include Rs. 10.85 Crores of Early Completion Bonus receivable from the National Highways Authority of India ('NHAI') accrued in earlier years by AEL under the contract which has been disputed by the NHAI. REL, however, believes that the same is good and fully recoverable, and hence no provision has been considered necessary against this for any amounts not recoverable.

AEL:

In case of Andhra Expressway Limited (AEL) sundry debtors also include Rs. 4.55 Crores of Early Completion Bonus receivable from the National Highways Authority of India ('NHAI') accrued in earlier years by AEL under the contract which has been disputed by the NHAI. AEL, however, believes that the same is good and fully recoverable, and hence no provision has been considered necessary against this for any amounts not recoverable.

(c) Annuity Receivable by CBICL:

Under the Concession Agreement dated 27th October, 1999, executed between Cochin Bridge Infrastructure Company Limited (CBICL), Government of Kerala (GOK), Greater Cochin Development Authority (GCDA) and Gammon India Limited dated 6th January, 2001, the entire project has been assigned to CBICL as a Concessionaire for the purpose of developing, operating and maintaining the infrastructure facility on BOT basis for thirteen years and nine months.

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, GCDA and CBICL. In terms of the order, the period of concession has been increased by six years and CBICL is entitled to yearly annuity receipts which it is accounted as Sundry debtors. CBICL has not made any provision against the said receivables.

(d) Receivable from MHEW:

- (i) Contract receivable represents the amounts receivable from Ministry of Housing Electricity and Water (MHEW). MHEW has withheld an amount of RO 11,36,345 (Rs. 12.86 Crores) in accordance with a decision issued by a primary court on account of an ongoing legal cases between a joint venture partner and a third party. Management believes that the amount will be released by MHEW in due course.
- (ii) Contract receivables include the amount of Escalation raised on hike of diesel price by 4.6% amount RO 18,05,996 (Rs. 20.44 Crores).
- (iii) Retention receivables include an amount of RO 29,42,350 (Rs. 33.30 Crores).

(e) Liquidated Damages Paid by VSPL Under Protest to Vizag Port Trust:

Disputed liquidated damages pertain to amounts paid by VSPL under dispute to Vizag Port Trust (VPT). VSPL during the period ended 31st December, 2004 received a claim from VPT for liquidated damages aggregating to Rs. 2.00 Crores (Rs. 0.84 Crores proportionate share of the Company in Joint Venture in the form of jointly controlled entity), on account of delay in completion of East Quay (EQ) 8. VSPL is disputing the liquidated damages claim and has paid the claim under protest. The amount paid has been included in 'advances recoverable in cash or in kind or for value to be received' under 'loans and advances'.

Discussions between VSPL and VPT are ongoing. The management expects to resolve the dispute amicably and obtain a refund of the amount paid. Pending the outcome of the dispute, significant uncertainties exist vis-à-vis the ultimate refund of the amounts paid under protest. Hence the management of Vizag Seaport Pvt. Ltd. has not considered a provision for the amounts paid and included the same under advances recoverable in these financial statements.

20. As part of the obligation in the concession agreement Mumbai Nasik Expressway Limited (MNEL) has to shift certain utility lines for which it gets paid by NHAI. The amount for shifting of the utilities net of the expenditure thereon is adjusted in the carrying amount of the Assets/WIP.
21. The Company has deposited customs duty of Rs. 2.20 Crores (*Previous Year – Rs. 2.20 Crores*) 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. Unpaid dividend includes Rs. 0.03 Crores (*Previous year – Rs. 0.01 Crores*) to be transferred to the Investor Education & Protection Fund.

Unpaid dividend also includes the interim dividend declared on 21st March, 2007 remaining unpaid at the end of the year.

Unpaid matured Fixed Deposits includes Rs. Nil (*Previous Year Rs. 0.001 Crores*) to be transferred to the Investor Education & Protection Fund.

23. On a further assessment of the impairment of Fixed Assets of the Company as at the Balance Sheet date as required by Accounting Standard AS 28 – “Impairment of Assets “ issued by the Institute of Chartered Accountants of India, Company is of the view that no further provision for impairment of Fixed Assets is required.

24. Contingent Liabilities :

	As at 31.03.07 Rs. in Crores	<i>As at 31.03.06 Rs. in Crores</i>
(a) Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate companies stand at	1,148.67	696.01
(b) 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	417.53	374.55
(c) Disputed Sales Tax liability for which the Company has gone into Appeal is	13.81	13.07
(d) Claims against the Company not acknowledged as debt	46.14	45.75
(e) Claim against the Company by Al Manara International LLC not acknowledged as debt –		
– Towards commission and related costs	14.21	19.05
– Towards damages	–	116.23
(f) Counter claims in arbitration matters referred by the Company – liability unascertainable.	–	–
(g) Disputed Excise Duty liability	0.19	0.16
(h) Disputed Customs Duty liability	0.32	0.32
(i) Disputed Service Tax Liability	3.66	–
(j) Contingent Liability on partly paid shares	–	–
(k) Disputed Income Tax –		
Demand for which the Company Appeals are pending before Appellant Authority –	1.16	–
(l) There is a disputed demand of UCO Bank pending since 1986, of US\$ 436251 i.e. Rs. 1.72 Crores. Against this, UCO Bank has unilaterally adjusted the Company's Fixed Deposit of US\$ 30584 i.e. Rs. 0.12 Crores which adjustment has not been accepted by the Company.		
(m) In respect of Joint Venture and operations in Oman, Gammon India Limited-AL Matar JV, refer note no. 34.		
(n) (i) Group's share in Contingent Liability not provided for in the respect of Jointly Controlled Entity :		

Rs. in Crores

Particulars	As at 31.03.07	<i>As at 31.03.06</i>
VSPL :		
Bank Guarantees	1.14	3.29
Disputed Liquidated Damages	0.84	0.84
Others	0.84	0.84
Total	2.82	4.97



- (ii) An amount of Rs. 17.77 Crores claimed by the Collector and District Registrar, Rajahmundry, pursuant to and Order dated March 15, 2005, as deficit stamp duty payable on the Concession Agreement entered into between REL and National Highway Authority of India ('NHAI'), classifying the Concession Agreement as a 'lease' under Article 31(d) of the Indian Stamp Act. REL has impugned the Order by way of a writ petition before the High Court of Andhra Pradesh at Hyderabad. No provision is considered necessary in respect of the said demand, as the management believes that there is no contravention of the Indian Stamp Act.

- (o) Capital commitment:

Rs. in Crores

Contracts, (net of advances) remaining to be executed on capital account and not provided for	As at 31.03.07	As at 31.03.06
GIL	51.92	59.42
MNEL	559.00	753.00
SHVPL	450.00	450.00
PBPL	28.00	3.63
VSPL	5.59	14.54
GB LLC	277.94	578.95
GIPL	-	0.24
KBICL	439.62	Not Applicable
GICL	649.22	Not Applicable
Total	2,461.29	1,859.78

- (p) Export Commitments in Joint Venture VSPL:

Rs. in Crores

Particulars	As at 31.03.07	As at 31.03.06
Under EPCG Scheme	7.20	23.89

25. Disclosure pertaining to Accounting Standard – 29 is as below.

Rs. in Crores

Account Head	Opening Balance	Provisions made during the year	Paid/Utilized during the year	Closing Balance
Gratuity	1.64	1.05	0.95	1.74
Leave Encashment	3.37	0.46	0.06	3.77
Taxation	30.18	98.73	12.82	116.09
Proposed Dividend	5.25	0.87	5.25	0.87

26. Gammon Cooling Towers Limited (GCTL) has not provided for Gratuity and Leave Encashment as per Accounting Standard 15 (NEW), since the Company employees are not more than four months in employment.

27. Cash & Bank balances include Rs. 3.15 Crores (*Previous Year Rs. 2.00 Crores*) 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.

28. The details of foreign fluctuation reserves created as per AS-11 is as under

Particulars	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
Opening balance as on 1 st April	(0.94)	(0.04)
Less : Transferred during the period	0.94	0.04
Add : Net credit during the period	(4.87)	(0.94)
Closing balance as on 31 st March	4.87	(0.94)

29. Details of Joint Ventures entered into by the Company

Sr. No.	Name of Joint Venture	Description of Interest	% of involvement
1.	Gammon Atlanta	Jointly Controlled Operation	50.00%
2.	Gammon BBJ	Jointly Controlled Operation	50.00%
3.	Gammon Delco	Jointly Controlled Operation	50.00%
4.	Gammon Limak	Jointly Controlled Operation	97.00%
5.	Gammon OAO Stroytransgaz	Jointly Controlled Operation	50.00%
6.	Gammon OSE	Jointly Controlled Operation	50.00%
7.	Gammon Sadbhav	Jointly Controlled Operation	70.00%
8.	Gammon Srinivas	Jointly Controlled Operation	80.00%
9.	GIL Archirodon	Jointly Controlled Operation	98.50%
10.	GIL CEC	Jointly Controlled Operation	51.00%
11.	OSE GIL	Jointly Controlled Operation	50.00%
12.	BBJ GIL	Jointly Controlled Operation	30.50%
13.	GIL ENCEE RAIL	Jointly Controlled Operation	90.00%
14.	JAGER GIL	Jointly Controlled Operation	50.00%
15.	Gammon Limak	Jointly Controlled Operation	50.00%
16.	GIL EIL Consortium	Jointly Controlled Operation	97.00%
17.	Patel Gammon	Jointly Controlled Operation	49.00%
18.	Torno Gammon Dolsar	Jointly Controlled Operation	62.00%
19.	Torno Gammon Patel Dolsar Alston	Jointly Controlled Operation	20.00%
20.	Gammon Patel	Jointly Controlled Operation	50.00%
21.	Gammon KMC	Jointly Controlled Operation	51.00%
22.	Gammon JMC Proj.	Jointly Controlled Operation	70.00%
23.	Hyundai Gammon	Jointly Controlled Operation	49.00%
24.	Jaeger Gammon	Jointly Controlled Operation	50.00%
25.	Torno Gammon	Jointly Controlled Operation	50.00%
26.	Gammon BBJ	Jointly Controlled Operation	50.00%
27.	Gammon KMC	Jointly Controlled Operation	60.00%
28.	Gammon Technofab	Jointly Controlled Operation	60.00%
29.	Gammon Ratnamani	Jointly Controlled Operation	50.00%
30.	Hyundai Gammon	Jointly Controlled Operation	49.00%
31.	Jaeger Gammon	Jointly Controlled Operation	50.00%

30. Hitherto, the Company was reporting its consolidated figures segment-wise into Construction, Infrastructure and Others. On a detailed review of the primary business segments, the Company's management is of the view that the groups revenue streams arise out of its Construction of Infrastructure and other facilities. Accordingly, the Company's activities are considered as a single business segment of Construction and Engineering under AS – 17 'Segment Reporting'. The Company's risk and rewards are not distinguishable on the basis of geographical locations of its construction activities and therefore there are no separate geographical segments.
31. The Related Party Disclosure pertaining to the group related parties as required by Accounting Standard (AS) 18 'Related Party Disclosures' is annexed to these Notes as Annexure - I.
32. Disclosure under Accounting Standard – 19 "Leases", issued by the Institute of Chartered Accountants of India.
- The Company has taken various residential/godowns/offices premises (including Furniture and Fittings if any) under leave and license agreements for periods which generally range between 11 months to 3 years. These arrangements are renewable by mutual consent on mutually agreed terms. Under some of these arrangements the Company has given refundable security deposits. The lease payments are recognized in Profit and Loss Account under Rent, Rates and Taxes.
33. Vizag Seaport Private Limited (VSPL) leases land from VPT under non-cancelable operating lease agreements and temporary housing from others under cancelable operating lease agreements. Total rental expense under non-cancellable operating leases was Rs. 0.30 Crores (*Previous Year Rs. 0.27 Crores*) and under cancelable operating leases was Rs. 0.01 Crores (*Previous Year Rs. 0.009 Crores*) which has been disclosed as lease rentals in the profit and loss account.
34. Joint venture and operations in Oman :
- (a) The Company's share of profit under Joint Venture is accounted under other income as per the audited accounts of the Joint Venture. In respect of the contract under execution with MHEW, the Joint Venture has exceeded the contractual time of completion i.e. 26th August, 2006 as extended up to 11th March, 2007. The client has not accepted any bills or made any payments after that date. The Joint Venture has requested for further extension of the time which is pending approval. The Joint Venture nevertheless completed substantial portion of work by the Balance sheet date and is hopeful of receiving the extension of time sufficient to cover the period of the delay, thereby obviating the contractual penalty of RO 40000 (Rs. 0.46 Crores) per day. The Joint Venture's stand in this regard is further re-inforced by the client who has since the balance sheet date issued variation orders and has given additional work as part of the original contract thereby indirectly extending the original contract period. However the official EOT letter is under process and is awaited. Pending the receipt of the same, the job has been assessed considering that the EOT will ultimately be received and profit is determined accordingly. On the basis of Joint Venture profit and loss account, the Company has recognized its share of Rs. 13.28 Crores in their financial statements.



- (b) A dispute has arisen between the Company and AI Manara International LLC (AMI) regarding the validity of a registered agency agreement between them. AMI has claimed amounts of RO 16,38,757 (Rs. 18.54 Crores) and RO 10 million (Rs. 113.16 Crores) towards loss of commission and related costs and damages respectively. The case is being heard through the appeal court and supreme court. The Branch management considers the amounts claimed to be unfounded as they contend that the agency agreement is not valid. At this stage, management is unable to determine with reasonable accuracy the ultimate settlement amount and resultant additional liability, if any which may arise from AMI's claim and no provision for any liability that may result has been recorded in these financial statements.
- (c) The banking facilities including fund and other non-fund based borrowings utilized by the Joint Venture entity are in the name of the Company but have been accounted in the books of Joint Venture. The borrowings have been guaranteed by the Company and are secured by assignment of the Joint Venture contract receivable and Joint registration and insurance of all equipments. The total of such borrowings as at 31st March, 2007 is RO 1,90,35,026 (Rs. 215.40 Crores) [Previous Year – RO 1,90,79,907 (Rs. 221.77 Crores)] which consists of Fund based RO 1,65,87,491 (Rs. 187.71 Crores) [Previous Year – RO 67,70,790 (Rs. 78.70 Crores)] and Non-fund based RO 24,47,535 (Rs. 27.69 Crores) [Previous Year – RO 1,23,09,117 (Rs. 143.07 Crores)]. However, the term loan for equipments provided to the Joint Venture entity by the Company has been considered in these financial statements.
- (d) Transactions of Oman Branch and the accounting effect of the Gammon Al Matar Joint Venture profits are accounted on the basis of the accounts prepared specially for this purpose and which is duly audited by the Company's auditor.
35. During the previous year 2005-06 the Company had extended its closing date for preparation of consolidation of Financial Statements to 31st March, 2006 and therefore the accounts for the current period of twelve Months from 1st April, 2006 to 31st March, 2007 are strictly not comparable with the previous period ending 31st March, 2006 of Fifteen months from 1st January, 2005 to 31st March, 2006.
36. Since Kosi Bridge Infrastructure Company Limited (KBICL), Gorakhpur Infrastructure Company Limited (GICL), Mumbai Nasik Expressway Limited (MNEL) and Punjab Biomass Power Limited (PBPL) are in project implementation stage, no profit and loss account is prepared. All the expenses incurred are capitalized to project expenses pending allocation, which will be allocated to the various fixed assets on completion of the project.
37. Previous period figures are regrouped and rearranged wherever necessary to facilitate limited comparability with that of current period.

38. Details of Rounded off Amounts:

The financial statements are represented in Rupees Crores. Those items which were not represented in the financial statement due to rounding off to the nearest Rs. Crores are given below.

Balance Sheet Items:

REFER	DESCRIPTION	As at 31 st March, 2007 (Amount in Rs.)	As at 31 st March, 2006 (Amount in Rs.)
Schedule 6	INVESTMENTS		
	(a) Investment In Partnership – Capital Contribution Gammon Shah	25,000	25,000

Profit and Loss Items:

REFER	DESCRIPTION	Year ended 31 st March, 2007 (Amount in Rs.)	Period ended 31 st March, 2006 (Amount in Rs.)
Schedule 14	ESTABLISHMENT EXPENSES:		
	(a) Auditors Remuneration: Reimbursement of out of pocket expenses	40,000	25,000
	(b) Directors Sitting Fees	7,000	1,47,500
	(c) Donation	20,001	75,000

Notes to Accounts:

REFER	DESCRIPTION	As at 31 st March, 2007 (Amount in Rs.)	As at 31 st March, 2006 (Amount in Rs.)
Note No. 29(j)	Contingent liability on partly paid shares	19,000	19,000

39. Annexure I forms an integral part of these financial statements.

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated : July 31, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

GITA BADE
Company Secretary

Mumbai, Dated : July 31, 2007

C. C. DAYAL
Director

HIMANSHU PARIKH
Executive Director

Annexure I**Related Party Disclosure as required by AS 18 “ Related Party Disclosures”****(A) Related Parties & their Relationships:**

Entities where control exists:
1. Pacific Energy Pvt. Ltd.
2. Nikhita Estate Developers Pvt. Ltd.
3. Masayor Enterprises Ltd.
4. First Asian Capital Resources Pvt. Ltd.
5. Devyani Estate & Properties Pvt. Ltd.
Associates & Group Companies:
1. Freyssinet Prestressed Concrete Co. Ltd.
2. Freyssinet (India) Private Ltd.
3. Gammon Information Technologies Ltd.
4. Associated Transrail Structures Ltd.
5. Gammon Housing & Estate Developers Ltd.
6. STFA Piling (India) Ltd.
7. Airscrew (India) Limited
8. Eversun Sparkle Maritime Services Pvt. Ltd.
9. Gammon Overseas Engineers Pvt. Ltd.
10. FIN EST SPA
Key Management Personnel & Relatives
1. Mr. Abhijit Rajan
2. Mr. Himanshu Parikh
3. Mr. Rajul A. Bhansali
Joint Ventures:
1. Vizag Seaport Pvt. Ltd.
2. Gammon & Sew
3. Gammon AL Matar
4. Gammon Atlanta
5. Gammon BBJ
6. Gammon Delco
7. Gammon Limak
8. Gammon OAO Stroytransgaz
9. Gammon OSE
10. Gammon Progressive
11. Gammon Rizzani
12. Gammon Sadbhav
13. Gammon Sadbhav Billimoria Consortium
14. Gammon Soma
15. Gammon Srinivas
16. GIL Archirodon
17. GIL CEC
18. OSE GIL
19. BBJ GIL
20. Gammon STG
21. Gammon-JMC



22. GIL EIL Consortium
23. GIL ENCEE RAIL
24. GIL GIPL ATSL Consortium
25. GIL GIPL Consortium
26. GIL JMC
27. Jaeger-Gammon
28. JAGER GIL
29. Limak Gammon
30. Limak GIL Consortium
31. Hyundai Gammon
32. STG Gammon
33. Patel Gammon
34. AMI Water Gammon Ass Consortium
35. CLP Power Projects II GPD L Consortium
36. Gammon KMC
37. Gammon Patel
38. GIL-NC SPL
39. Gammon Ratnamani
40. Hyundai GIL
41. Patel Gammon
42. STG Gammon Consortium
43. Gammon L & T Infra MRTS Ltd.
44. Punjab Biomass Ltd.
45. SEZ Adityapur Ltd.

(B) Transactions with Related Parties :

(Rs. in Crores)

Transactions	Associates	Key Management Personnel	Entities Where Control Exits	Joint Ventures	Total
Subcontracting Income	- (-)	- (-)	- (-)	204.05 (222.39)	204.05 (222.39)
Subcontracting expenditure	49.25 (61.45)	- (-)	- (-)	- (-)	49.25 (61.45)
Operating and Maintenance Income/(Expenses)	- (-)	- (-)	- (-)	- (-)	- (-)
Purchase of Goods	1.38 (0.45)	- (-)	- (-)	- (-)	1.38 (0.45)
Sale of Goods	8.15 (5.80)	- (-)	- (-)	- (-)	8.15 (5.80)
Purchase of Fixed assets incl Capital Adv.	- (0.19)	- (-)	- (-)	- (-)	- (0.19)
Sale of Assets	- (-)	- (-)	- (-)	- (-)	- (-)
Purchase of Investments/Advances towards Equity	- (-)	- (-)	- (-)	- (-)	- (-)
Sale of Investment/Deposit for transfer of Beneficial Interest	- (-)	- (-)	- (-)	- (-)	- (-)

(B) Transactions with Related Parties (Contd.):

(Rs. in Crores)

Rendering of Services	0.86 (1.50)	- (-)	- (-)	- (2.02)	0.86 (3.52)
Receiving of Services	0.26 (0.95)	- (-)	- (-)	- (-)	0.26 (0.95)
Hire charges received	- (0.10)	- (-)	- (-)	- (-)	- (0.10)
Hire charges Paid	- (0.10)	- (-)	- (-)	- (-)	- (0.10)
Finance provided (incl. Loans and equity contribution in cash or in kind)	58.42 (28.93)	- (15.69)	- (-)	- (13.23)	58.42 (57.85)
Finance provided for expenses & on a/c payments	0.27 (4.00)	- (-)	- (-)	0.01 (2.59)	0.28 (6.60)
Amount liquidated towards the finance provided	41.47 (34.40)	- (4.31)	- (-)	- (3.06)	41.47 (41.77)
Interest income during the year	2.56 (1.03)	- (-)	- (-)	- (0.85)	2.56 (1.88)
Finance received (incl. Loans and equity contribution in cash or in kind)	0.07 (-)	- (-)	- (-)	- (-)	0.07 (-)
Amount liquidated towards the above finance	- (-)	- (-)	- (-)	- (-)	- (-)
Interest paid during the year	- (-)	- (-)	- (-)	3.76 (4.59)	3.76 (4.59)
Write off of balances	- (0.47)	- (-)	- (-)	0.28 (-)	0.28 (0.47)
Contract advance received	- (-)	- (-)	- (-)	44.07 (22.87)	44.07 (22.87)
Contract advance Given/ Refund of Advance	44.35 (36.43)	- (-)	- (-)	59.74 (38.29)	104.09 (74.72)
Refund received against contract advance	38.48 (24.76)	- (-)	- (-)	- (-)	38.48 (24.76)
Deposits/ Advance	- (-)	- (-)	- (-)	- (-)	- (-)
Dividend paid to Shareholders	- (-)	- (-)	2.72 (1.47)	- (-)	2.72 (1.47)
Dividend income	0.29 (-)	- (-)	- (-)	- (-)	0.29 (-)
Remuneraion paid	- (-)	1.86 (2.07)	- (-)	- (-)	1.86 (2.07)
Margin Money	- (-)	- (-)	- (-)	- (1.29)	- (1.29)
Guarantees and Collaterals Outstanding	117.38 (284.87)	- (-)	- (-)	291.60 (353.16)	408.98 (638.03)
Outstanding Balances Receivable	24.65 (15.11)	- (-)	- (-)	63.00 (56.77)	87.65 (71.87)
Outstanding Balances Payable	8.23 (24.77)	- (-)	- (-)	34.68 (25.18)	42.91 (49.95)

Note: Figures in brackets are of previous period.



(C) Disclosure of Material Transactions with Related Parties :

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with related parties during the year –

(Rs. in Crores)

Transaction	Name of Party	1 st Apr. 06 To 31 st Mar. 07
Subcontracting Income	OSE–Gammon JV	28.78
	Gammon Srinivas JV	31.01
	Gammon BBJ	24.08
	Gammon OSE JV	23.66
	Jaegar – Gammon	34.59
	Gammon – JMC	33.24
Subcontracting expenditure	FPCC Ltd.	49.25
Purchase of Goods	FPCC Ltd.	1.38
Sale of Goods	FPCC Ltd.	8.15
Rendering of Services	Associated Transrail Structures Ltd.	0.80
Receiving of Services	Gammon Infotech	0.26
Finance provided (incl. Loans and equity contribution in cash or in kind)	FPCC Ltd.	7.50
	Associated Transrail Structures Ltd.	50.92
	Mr. Abhijit Rajan	5.00
Finance provided for expenses & on a/c payments	FPCC Ltd.	0.03
	Associated Transrail Structures Ltd.	0.23
Amount liquidated towards the finance provided	FPCC Ltd.	7.53
	Associated Transrail Structures Ltd.	33.94
Interest income during the year	FPCC Ltd.	1.81
	Associated Transrail Structures Ltd.	0.75
Finance received (incl. Loans and equity contribution in cash or in kind)	FPCC Ltd.	0.02
	Associated Transrail Structures Ltd.	0.05
Interest paid during the year	OSE–Gammon JV	0.55
	Gammon Srinivas JV	2.79
Write off of balances	Gammon Delco JV	0.03
	Gammon Soma JV	0.16
	Gammon Atlanta JV	0.07
Contract advance received	Jaegar – Gammon	15.00
	Gammon – JMC	23.70
Contract advance Given/ Refund of Advance	FPCC Ltd.	42.59
	Gammon Srinivas JV	19.23
	Gammon OSE JV	10.97
	Jaegar – Gammon	15.00
Refund received against contract advance	FPCC Ltd.	38.48
Dividend paid to Shareholders	Devyani Estate and Properties Pvt. Ltd.	0.53
	Nikhita Estate Developers Pvt. Ltd.	0.35
	Pacific Energy Pvt. Ltd.	1.50
	Masayor Enterprises Ltd.	0.31
Dividend income	Associated Transrail Structures Ltd.	0.29
Remuneraion paid	Mr. Abhijit Rajan	1.34
	Mr. R.A. Bhansali	0.25
	Mr. H.V. Parikh	0.26
Guarantees and Collaterals Outstanding	Associated Transrail Structures Ltd.	116.28
	Gammon Srinivas JV	47.37
	Jager GIL	48.26
Outstanding Balances Receivable	Associated Transrail Structures Ltd.	18.23
	OSE–Gammon JV	14.70
	Gammon – JMC	18.85
Outstanding Balances Payable	FPCC Ltd.	8.23
	Gammon Srinivas JV	9.11
	Gammon – JMC	20.08

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

	12 months 31st March, 2007		15 months 31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before Tax and extraordinary items		144.15		159.26
Adjustments for :				
Depreciation & Amortisation	77.84		83.91	
Profit/Loss on sale of investments (net)	(1.01)		(0.29)	
Profit/Loss on Sale of Assets	0.20		0.06	
Dividend Income	(0.99)		(0.51)	
Interest (Net)	63.24		100.23	
Foreign Exchange loss/gain	0.10		0.12	
Preliminary Expenses written off	0.09		0.73	
Goodwill Amortised	2.07		1.47	
Amount written off	3.20		-	
		144.74		185.72
Operating Profit before Working Capital Changes		288.89		344.98
Adjustments for :				
Trade and Other Receivables	(125.20)		(174.20)	
Inventory	(156.17)		(219.44)	
Trade Payables & Working Capital Finance	71.08		92.76	
Loan and Advances	(169.00)		(127.65)	
Preliminary Expenses	(1.08)		-	
		(380.37)		(428.53)
CASH GENERATED FROM THE OPERATIONS		(91.48)		(83.55)
Direct Taxes paid		(38.88)		(28.49)
Cash Flow before extraordinary activities		(130.36)		(112.04)
Prior Period Adjustments Relating to Subsidiaries	-		(0.43)	
Prior Period Adjustments Relating to Joint Ventures	-		0.12	
		-		(0.31)
Net Cash Flow from Operating Activities		(130.36)		(112.35)
B. CASH FLOW FROM INVESTMENT ACTIVITIES :				
Goodwill	(3.00)		(0.42)	
Purchase of Fixed Assets (excl. impairment)	(323.48)		(155.32)	
Sale of Fixed Assets	5.30		0.87	
Share Application Money Pending Allotment	2.07		(3.35)	
Purchase of Investments in Associates	(21.66)		(172.66)	
Purchase of Mutual Fund	(267.93)		-	
Sale of Investments in Associates	5.16		-	
Sale of Mutual Fund	268.68		166.09	
Cash & Cash Equivalent in Acquisition of Subsidiaries	-		0.21	
Change in Investment in Joint Ventures	-		8.79	
Consideration paid on Acquisition of Subsidiaries	-		(39.36)	
Interest received	31.76		11.70	
Dividend received	0.99		0.56	
		(302.11)		(182.89)
Net Cash Flow after Investing Activities		(432.47)		(295.24)



	12 months 31st March, 2007		15 months 31st March, 2006	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Interest Paid	(102.30)		(118.56)	
Proceeds from issue of Share Capital & Share Premium	-		534.92	
Minority Interest Contribution	5.00		32.14	
Foreign Currency Translation Reserve	5.81		(0.90)	
Proceeds from / (Repayment of) borrowings	463.91		95.68	
Proposed Dividend (Including Tax)	(9.98)		(4.38)	
Warrants issued to CBICL	-		0.01	
Share Premium Money (net)	1.25		-	
		363.69		538.91
NET INCREASE IN CASH AND CASH EQUIVALENTS		(68.78)		243.68
Balance as on 31.03.2006		319.07		75.39
Balance as on 31.03.2007		250.29		319.07
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(68.78)		243.68

Note:

- Figure in brackets denote outflows
- Cash and cash Equivalents Include Rs 3.15 Crores as on 31.03.2007 (Previous Year - Rs 1.99 Crores as on 31.03.2006) with Bank branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the Company.

	As At 31.3.2007	As At 31.3.2006
As Per Balance Sheet	250.17	319.05
Effect of Exchange Rate Charges	0.12	0.02
Balance Restated above	250.29	319.07

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered AccountantsN. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated: 31st July, 2007

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing DirectorRAJUL A. BHANSALI
Executive DirectorGITA BADE
Company Secretary

Mumbai, Dated: 31st July, 2007

C. C. DAYAL
DirectorHIMANSHU PARIKH
Executive Director



Noida Bridge



Neyveli cooling Towers



Almatti Dam



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