

**CONSOLIDATION FOR GROWTH**



**GAMMON**  
Builders to the Nation

**ANNUAL REPORT 2010-11**

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## CHAIRMAN'S ADDRESS

Dear Shareholders,

The year 2010-11 tested the resilience and the innate potential of industry players, particularly in the construction and infrastructure space. As a Leader in the infrastructure and construction sector your Company had to deal with an overall environment dominated by competitive pressures, strain on liquidity and the resultant pressure on operating margins.

The trickledown effect of the global meltdown and the increased uncertainties in markets across the world contributed to the overall pessimism. Although India continued to be largely insulated from the uncertainties of the global market environment, there continued to be a strain on large scale investments required in the

construction and infrastructure domain. The sector therefore did not grow in line with earlier expectations and failed to meet investment targets during the year. We hope, the much talked about reform process will bring in the much needed funds from the global arena to the Indian infrastructure sector if we are to meet the planned target of over US\$ one trillion (i.e. ₹ 45 lakh crores) earmarked for the infrastructure sector during the ensuing 12th five year plan 2012-17. It will be a significant challenge as well as an opportunity for the government, the public and private players involved with the sector to meet with the plan targets. The opportunities for your Company in this growth agenda of the Country are indeed promising. This industry is



*Gammon House*

the second largest contributor to the nation's GDP after the agricultural sector. Given the right platform this sector can grow at a dynamic rate of over 9% year on year.

Further, as a major contributor at over 7% to the employment workforce of the country, the industry has significant prospects to register an impressive and sustained growth. In this scenario, your Company is well equipped in terms of its legacy, strong track record and professional expertise to play a lead role in the economic growth story of the country.

Reverting to the annual consolidated results the Annual report of the Company gives an overview of the operations, prospects and challenges faced by each of the group companies in its sphere of activity. While your Company's consolidated Turnover during the financial year 2010-11 increased by 25.11% amounting to ₹ 8,899.70 crore, the Operating Profit margins were strained. These got further impeded by a less than projected order inflow during the year under review. The Company's order book position as on 31st March, 2011 was approximately ₹ 15,600 crore.

Your Company will continue to grow in its core EPC business as well as in the energy space through its Associates/subsidiaries viz Sofinter group, Ansaldo Caldaie, Franco Tosi Meccanica SpA and SAE Power Lines, Italy by further consolidating its order bookings in individual segments.

In addition, your Company has also embarked on some realty development projects through its subsidiary Gammon Realty, which has tied up with the Indian arm of Multiplex Construction, Australia, part of Brookfield Multiplex Group, Canada. Your Company will, in the coming years, adopt such structured international partnerships with strategic intent to strengthen its geographical spread and resource capabilities.



*Kaiga Atomic Power Project, Karnataka, India*

The ultimate goal of your Company is to build on a strong base to act as a one-stop EPC resource entity, that is, a total solutions provider in the entire energy value chain while continuing to be a dominant player in the areas of public private infrastructure projects covering bridges, flyovers, highways, mass transportation, irrigation and airports. Going forward, these initiatives and strategic moves will deliver increased value to benefit all stakeholders.

It has become important to gear up and upgrade the Company's internal capabilities across its human, technical and capital resource base to ensure that corporate goals are accomplished.

Your Company constantly strives to improve its management and information systems as well as its plant and personnel deployment techniques. It has taken initiatives in areas such as integrated approach to management processes and introduction of work methodologies such as the 5 S at project sites along with renewed attention to occupational health, safety practices, risk assessment and preparedness. This will significantly help your Company enhance its organizational performance in the years to come.

The Company has also put in place a new group website that is more customer and stakeholder centric, interactive and informative. Your Company continues to play its role as a responsible corporate citizen by taking initiatives both, at the corporate level and across its various project sites to undertake and partner in projects relating to community welfare and development.

We owe a word of special thanks and gratitude to all our stakeholder constituents. This important group comprises of our investors, shareholders, customer groups and bankers. We will strive to meet each of our stakeholder's expectations. Towards this I seek your continuing support and goodwill.

Thank you,

**Abhijit Rajan**  
Chairman & Managing Director



## BOARD OF DIRECTORS

**MR. PETER GAMMON**

Chairman Emeritus

**MR. ABHIJIT RAJAN**

Chairman & Managing Director

**MR. ROHIT MODI**

Dy. Managing Director

**MR. HIMANSHU PARIKH**

Executive Director

**MR. RAJUL A. BHANSALI**

Executive Director - International Operations

**MR. DIGAMBAR C. BAGDE**

Director & CEO (T & D Business)

**MR. CHANDRAHAS C. DAYAL**

Non - Executive Director

**MR. ATUL DAYAL**

Non - Executive Director

**MR. JAGDISH C. SHETH**

Non - Executive Director

**MRS. URVASHI SAXENA**

Non - Executive Director

**MR. ATUL KUMAR SHUKLA**

Non - Executive Director

**MR. NAVAL CHOUDHARY**

Non - Executive Director

*Davengere-Hubli Highway Project, Karnataka*





*Vizag Berth (BOT), Andhra Pradesh*

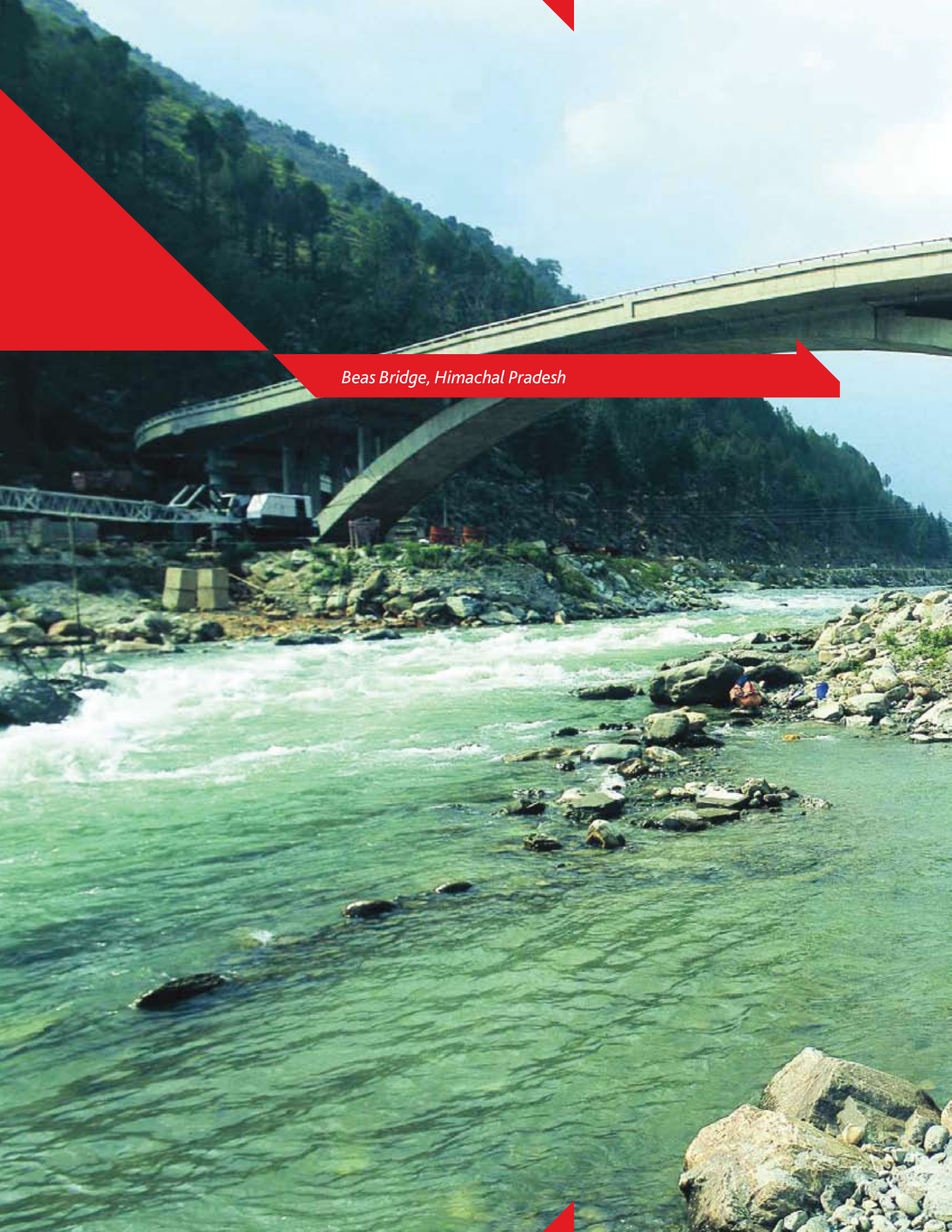
**COMPANY SECRETARY**  
GITA BADE

**AUDITORS**  
NATVARLAL VEPARI & CO.

## CONSORTIUM BANKERS

CANARA BANK  
PUNJAB NATIONAL BANK  
ALLAHABAD BANK  
ICICI BANK  
SYNDICATE BANK  
IDBI BANK  
ORIENTAL BANK OF COMMERCE  
BANK OF BARODA





*Beas Bridge, Himachal Pradesh*









*Aerial View of Sea Water Intake,  
Kalpakkam, Tamil Nadu*



*Sohar Jetty, Oman*



## AN INDUSTRY LEADER

### BALANCE SHEET

(₹ in Crore)

SOURCE OF FUNDS	As at 31st March 2011	As at 31st March 2001	APPLICATION OF FUNDS	As at 31st March 2011	As at 31st March 2001
Own Funds	2116.80	162.75	Fixed Assets	1382.65	177.97
Borrowed Funds	2126.15	88.85	Investments	211.30	17.25
Deferred Tax Liability	81.43	NIL	Working Capital	2730.43	56.38

### PROFIT & LOSS ACCOUNT

(₹ in Crore)

PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07	Jan 05 to Mar 06 (15 mths)	Apr 04 to Dec 04 (9 mths)	2003-04	2002-03	2001-02
Turnover	5636.85	4534.25	3681.96	2513.74	2084.33	1645.69	866.60	1119.72	726.65	513.99
Profit Before Tax	176.68	211.25	208.69	139.34	143.06	111.16	51.59	54.46	35.28	31.58

### STRONG FINANCIAL RATING

CARE has assigned the following ratings

#### FACILITIES

Long Term Bank Facilities	1,100.00	CARE AA-
Long / Short Term Bank Facilities	10,400.00	CARE AA- / CARE A1+
Non Convertible Debentures	500.00	CARE AA-
CP / STD	100.00	CARE A1+
CP / STD*	900.00	CARE A1+

Amount  
(₹ in Crore)

Ratings

\* Carved out of working capital limits

## REGION-WISE PROJECTS

as on 31st March 2011

Areas of Specialisation	North Zone	South Zone	East Zone	West Zone	Total
Transport Engineering	12	11	12	6	41
Energy Projects/High-rise Structures/ Industrial Structures	2	23	16	23	64
Hydro Power/Tunnel/Irrigation Projects	7	5	2	1	15
Building Works	0	9	1	10	20
Ground Engineering & Environment Protection	0	1	4	4	9
Pipeline and Marine Projects	3	0	2	3	8
<b>Total</b>	<b>24</b>	<b>49</b>	<b>37</b>	<b>47</b>	<b>157</b>

Cooling Tower, Bhusawal, Maharashtra





*Signature Bridge, New Delhi*



*Tunnel Work, Parbati Power Project, Himachal Pradesh*

## FINANCIAL HIGHLIGHTS OF THE DECADE

	2001-02	2002-03	2003-04*
<b>A. FINANCIAL POSITION</b>			
<b>LIABILITIES:</b>			
Share Capital	12.84	12.84	12.84
Employee Stock Option Outstanding	-	-	-
Equity Shares Warrants			
Reserves & Surplus (Excluding Revaluation of Assets)	98.31	113.55	139.25
Revaluation reserves	73.32	71.73	70.22
<b>SHAREHOLDERS FUNDS:</b>	184.47	198.12	222.31
Loan Funds	149.17	188.26	218.18
Deferred Tax Liability	17.46	26.61	31.98
<b>TOTAL CAPITAL EMPLOYED</b>	351.10	412.99	472.47
<b>ASSETS:</b>			
Fixed Assets (Net) [Excluding Revaluation of Assets]	167.87	215.17	225.09
Amount of Revaluation	73.32	71.73	70.22
Total Net Fixed Assets (Including Revaluation of Assets )	241.19	286.90	295.31
Current Assets (Net)	94.21	49.19	96.66
Investments	15.70	76.90	80.50
<b>TOTAL ASSETS</b>	351.10	412.99	472.47
<b>B. OPERATING RESULTS:</b>			
<b>TURNOVER</b>	513.99	726.65	1,119.72
Other Income	6.61	9.62	9.97
<b>TOTAL INCOME</b>	520.60	736.27	1,129.69
Net Profit after tax	19.67	20.93	34.09
Dividend Distributed	1.26	3.16	3.16
Tax on Dividend	-	0.40	0.40
Cash Profits	35.83	47.00	59.40
<b>C. Equity Share Data (Face Value per Share Rs.2/- each)</b>			
Earning per Share (Rs) (on Base capital 1999-00)	31.22	33.22	54.11
Earning per Share (Rs) (on Weighted Average Capital)	24.86	15.06	23.42
<b>D. IMPORTANT RATIOS:</b>			
Debt Equity ratio	1.34	1.49	1.43
Sales/Average of Net Fixed Assets (Number of Times)	3.80	3.79	5.09
Sales/Average of Net Fixed Working Capital Assets (Number of Times)	6.83	10.13	15.35
Book Value of Share (Without Revaluation Reserve)	-	-	-
Book Value of Share (With Revaluation Reserve)	-	-	-
<b>Net Worth</b>	111.15	126.39	152.09

\* Face value per share is Rs.10 per share upto FY 2003-04



CBD Bhopal, Madhya Pradesh

Termination arrangement at  
400 kv at Wardha-Akola Project, Maharashtra

(₹ in Crore)

Apr04-Dec04	Jan05-Mar06 9 Months	2006-07 15 Months	2007-08	2008-09	2009-2010	2010-11
15.58	17.69	17.69	17.69	126.71	25.83	27.49
-	-	-	-	1.81	1.75	1.16
					18.60	0
309.62	840.79	879.78	961.31	1,206.55	1,656.29	1848.85
69.13	67.34	252.80	249.66	245.57	242.43	239.30
394.33	925.82	1,150.27	1,228.66	1,580.64	1,944.90	2,116.80
303.10	170.59	371.49	377.06	972.27	1,294.56	2,126.15
36.59	34.53	37.92	37.17	54.36	71.73	81.43
734.02	1,130.94	1,559.68	1,642.89	2,607.27	3,311.19	4,324.38
253.33	309.70	448.68	541.79	737.84	926.56	1,143.35
69.13	67.34	252.80	249.66	245.57	242.43	239.30
322.47	377.04	701.48	791.45	983.41	1,168.99	1,382.65
321.92	637.71	707.76	690.66	1,403.25	1,944.36	2,730.43
89.63	116.19	150.44	160.78	220.61	197.84	211.30
734.02	1,130.94	1,559.68	1,642.89	2,607.27	3,311.19	4,324.38
866.60	1,645.69	2,084.33	2,513.74	3,681.96	4,534.25	5,636.85
16.03	33.20	55.15	24.38	103.20	91.31	268.04
882.63	1,678.89	2,139.48	2,340.84	3,785.16	4,625.56	5,904.89
42.90	102.83	98.36	88.32	139.00	144.79	118.45
3.85	5.25	4.37	4.34	12.80	13.73	10.63
0.55	0.73	0.64	0.74	2.17	2.28	1.74
63.96	137.86	136.98	133.78	210.12	232.96	219.86
68.10	163.22	156.13	140.19	220.63	229.83	188.02
5.92	13.43	5.12	9.93	12.46	10.72	9.16
0.93	0.20	0.41	0.39	0.73	0.76	1.13
3.62	5.89	5.49	5.08	5.75	5.45	5.45
4.14	3.46	3.10	3.59	3.52	2.71	2.41
208.74	98.97	103.46	112.92	115.12	133.59	138.32
253.12	106.72	132.60	141.64	138.10	152.61	155.95
325.2	858.48	897.47	979	1,335.07	1,683.87	1,877.50

*Off-Shore Container Terminal, Mumbai Port Trust*

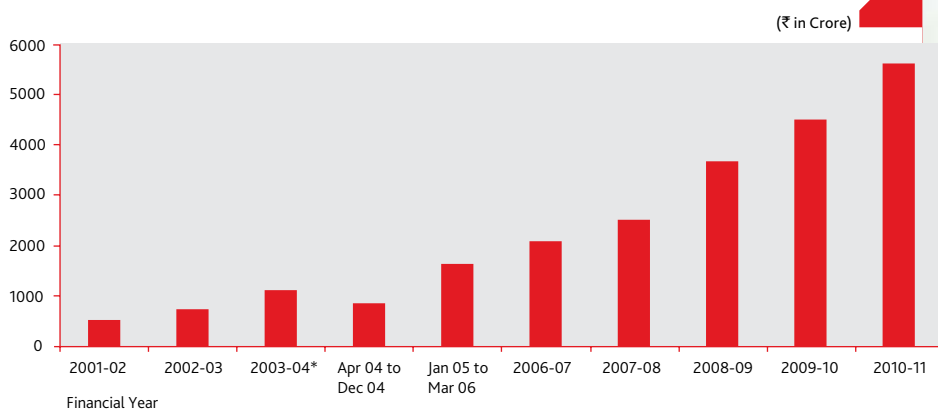




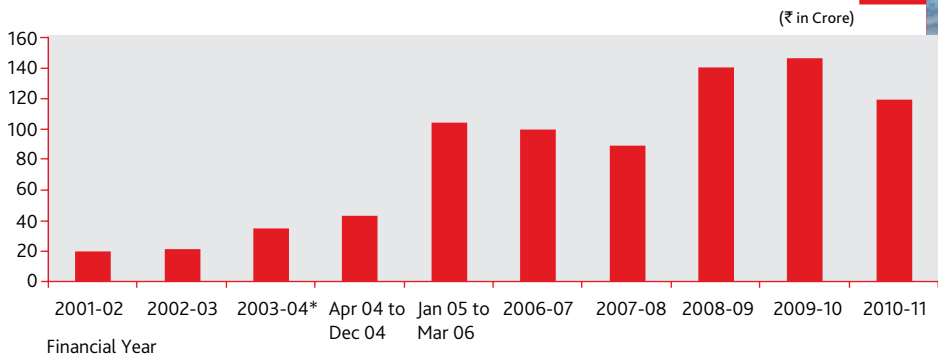


# PERFORMANCE HIGHLIGHTS

## TURNOVER



## NET PROFIT AFTER TAX



Conductor Factory at Silvassa

Franco Tosi Turbine

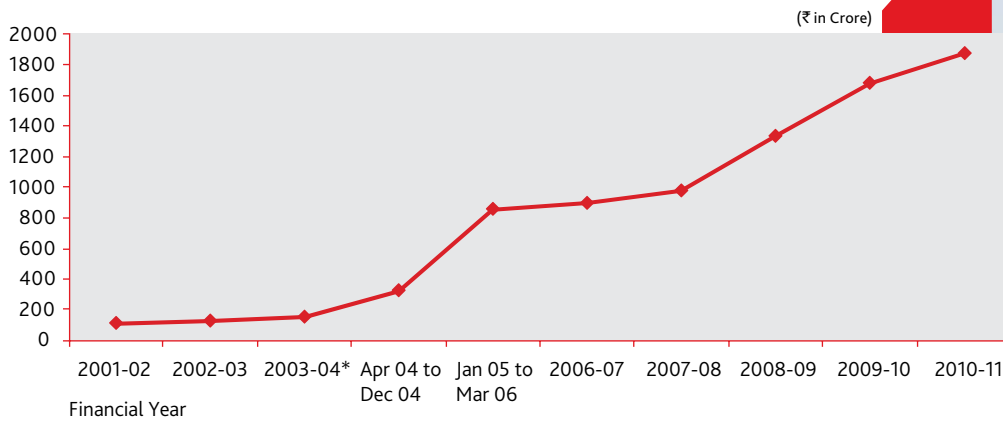




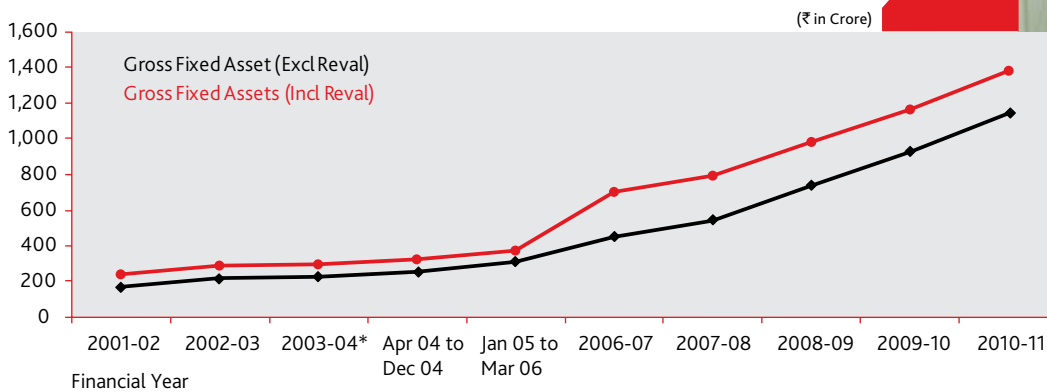


Conductor Factory at Silvassa

### NET WORTH (EXCLUDING REVALUATION RESERVE)



### FIXED ASSETS



## KEY PROJECTS

### ► Chennai Metro Project

Design and Construction of underground stations at Government Estate, LIC Building and thousand lights and associated tunnels. (Contract Package-UAA-02) & Design and Construction of underground stations at Gemini, Teynampet, Chamiers Road and Saidapet and associated tunnels at Chennai.

**Client:** Chennai Metro Rail Corporation

**Cost:** ₹ 1947 Crore

### ► Parbati HE Stage 2

Construction of Civil and Hydro Mechanical Works for Powerhouse, Pressure Shaft (Horizontal and Inclined), Surge Shaft, Head Race Tunnel for Parbati HE Project Stage-II, Himachal Pradesh.

**Client:** National Hydro Power Corp Ltd

**Cost:** ₹ 799 Crore

### ► Patna Muzaffarpur Road Works

Upgradation of Hajipur-Muzaffarpur section of the existing NH-77 to four lane dual carriageway. New bypass starting at km 46.300 and connecting NH-28 of East-West corridor at km 515.045.

**Client:** National Highway Authority of India

**Cost:** ₹ 750 Crore

### ► Signature Bridge

Construction of bridge and its approaches over river Yamuna downstream of existing bridge at Wazirabad, Delhi

**Client:** Delhi Tourism & Transportation Development Corporation Ltd.

**Cost:** ₹ 704 Crore

### ► Godavari Bridge

Design & Construction of Godavari Bridge at Rajahmundry on BOT basis.

**Client:** Rajahmundry Godavari Bridge Limited

**Cost:** ₹ 700 Crore

### ► Kalpakkam all Jobs

Nuclear Power related structures at Kalpakkam.

**Client:** Bhavini

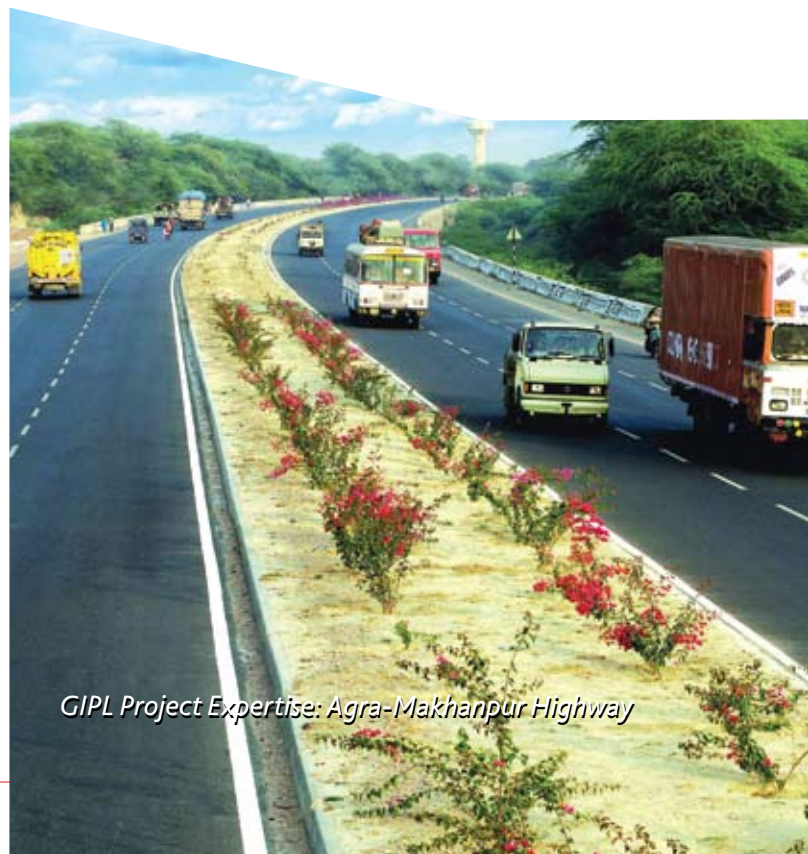
**Cost:** ₹ 691 Crore

### ► Rampur Hydroelectric Project

Construction of Civil Works for Head Race Tunnel, inclusive cut and cover section, river diversion works, edits, surge shafts, pressure shafts, Valve House, Power House Complex, Tale Race Tunnel, edits and Hydro Mechanical Works

**Client:** Satluj Jal Vidyut Nigam Limited

**Cost:** ₹ 683 Crore



*GIPL Project Expertise: Agra-Makhanpur Highway*



*Mumbai-Nasik Expressway, Maharashtra*



► **AP Lift Irrigation Scheme**

Execution of Stage 3 pumping station, 5x30 MW for Kalwakurthi lift irrigation scheme in Andhra Pradesh.

**Client:** Irrigation and Command Area Development Department – Govt. of Andhra Pradesh.

**Cost:** ₹ 673.74 Crore

► **AP Irrigation Package – 19**

Pranahita and Chevalla Lift Irrigation Scheme- Pkg- 19

**Client:** Irrigation and Command Area Development Department- Govt of Andhra Pradesh

**Cost:** ₹ 466 Crore

► **Gorakhpur Bypass**

Design, Construction, Finance, Operation maintenance of Four-lane Km 0.00 to Km.32.27 of Gorakhpur - Bye pass on NH-28 in the state of Uttar Pradesh on Annuity Basis

**Client:** National Highway Authority of India

**Cost:** ₹ 560.42 Crore

*Parbati Hydroelectric Project, Himachal Pradesh*



## PUBLIC PRIVATE PARTNERSHIP PROJECTS

### Mumbai Nasik Expressway Limited (MNEL)

99.5 Km road stretch connecting Vadape (towards Mumbai) and Gonde (towards Nasik) on NH3.

Largest BOT road Project from NHAI at the time of award.

**Client:** National Highway Authority of India

**Project Cost:** ₹ 898 Crore

**Concession Period:** 20 years

MNEL has achieved COD for the entire section of the project highway by end May, 2011 and hopes to commence tolling for the entire stretch shortly.

### Rajahmundry Expressway Limited (REL)

53 Km stretch of road in Andhra Pradesh on National Highway 5.

Annuity Road Project.

**Client:** National Highway Authority of India

**Project Cost:** ₹ 256 Crore

**Concession Period:** 17.5 years

The project has achieved commercial operations date (COD) on September 20, 2004, 70 days ahead of schedule.

As of March 31, 2011, REL has received 12 annuities from NHAI (each semi-annual annuity amounting to ₹ 2961.9 Lakhs).

### Andhra Expressway Limited (AEL)

47. Km stretch of road in Andhra Pradesh on National Highway 5.

Annuity Road Project.

**Client:** National Highway Authority of India

**Project Cost:** ₹ 248 Crore

**Concession Period:** 17.5 years

The project has achieved commercial operations date (COD) on October 30, 2004, 30 days ahead of schedule.

As of March 31, 2011, AEL has received 12 annuities from NHAI (each semi-annual annuity amounting to ₹ 2791.2 Lakhs).

*Mumbai Nasik Expressway, Maharashtra*







## Cochin Bridge Infrastructure Company Limited

The 750 m long bridge connects Fort Kochi (a heritage town and a famous tourist site) to Willingdon Island in the Cochin Port Trust area.

BOT cum Annuity Road Project.

**Client:** Government of Kerala (GOK)

**Project Cost:** ₹ 25.74 Crore

**Concession Period:** 19.9 years

The construction was completed 10 months ahead of schedule, which resulted in the early collection of toll revenues.

CBICL is also entitled to receive a fixed annual annuity payment of ₹ 1.54 Crore from GOK.

## Visakhapatnam Port Project (VSPL)

Two Multipurpose berths at Visakhapatnam Port – EQ8 and EQ9.

**Client:** Visakhapatnam Port Trust (VPT)

**Project Cost:** ₹ 318.58 Crore

**License Period:** 30 years

Company has handled 6.49 million tons of cargo in the financial year ending March 2011, a significant 9% increase in the throughput compared to last year.

The company has acquired Liebherr 984 High Rise Crane to increase its capacity at the berth side and also received a land parcel of 10 acres from VPT with a commitment to provide additional 20 acres, to be developed for stacking the cargo.

## Punjab Biomass Power Project







pebble bay

*Pebble Bay at Dollars Colony, Bengaluru*



## GAMMON FIRSTS



*Clove leaf flyover of five kilometres at Hebbal, Bangalore, in 2003, the longest in India at that time*



*Urban viaduct of two kilometres at J.J. Hospital, Mumbai, in 2002, the longest in India at that time*



*Longest span Cantilever bridge of 140 metres across the river Jadukata, Meghalaya, in 2001*



*Tallest cooling tower of 141 metres at Panipat, Haryana, in 2000, the tallest in India at that time*



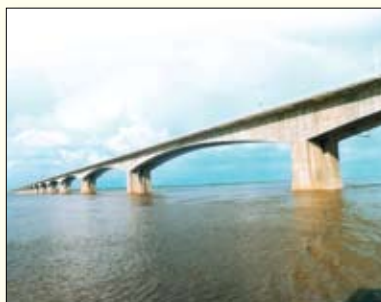
*Railway tunnel of seven kilometres for Konkan Railway at Ratnagiri, Maharashtra, in 1995, the longest in Asia at that time*



*First cable-stayed bridge in India at Akker, Sikkim, in 1988*



*First 500 MW thermal power station at Trombay, Maharashtra, in 1983*



*River bridge of six kilometres across the Ganges at Patna, Bihar, in 1982, the longest in India at that time*



*First reinforced piling job in India for construction of the foundation of Gateway of India, Mumbai, Maharashtra, in 1922*

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their 89<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

### 1. FINANCIAL PERFORMANCE:

(₹ in Crores)

Particulars	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
<b>Profit before Depreciation &amp; Interest</b>	<b>280.70</b>	<b>421.84</b>	<b>557.23</b>	<b>752.61</b>
<b>Less :</b>				
Depreciation	91.71	70.93	241.23	198.11
Interest	12.31	139.66	47.10	386.89
<b>Profit Before Tax</b>	<b>176.68</b>	<b>211.25</b>	<b>268.90</b>	<b>167.61</b>
<b>Less :</b>				
Provision for Taxation	58.23	85.54	150.39	114.97
<b>Profit After Taxation</b>	<b>118.45</b>	<b>125.71</b>	<b>118.51</b>	<b>52.64</b>
Transferred to Minority Interest	—	—	(4.03)	4.03
Additional Tax Provision	—	—	—	—
Short/(Excess) Provision of Taxes of Earlier Period	—	—	—	—
Prior Period Adjustments	—	—	(4.45)	2.91
<b>Profit for the year</b>	<b>118.45</b>	<b>125.71</b>	<b>110.03</b>	<b>45.70</b>
<b>Add :</b>				
Profit brought forward from the previous year	273.36	231.43	40.94	70.32
<b>Available for Appropriation</b>	<b>391.81</b>	<b>357.14</b>	<b>150.97</b>	<b>116.02</b>
<b>Appropriations :</b>				
Transfer to General Reserve	12.00	29.75	32.21	29.75
Transfer to Debenture Redemption Reserve	45.50	38.38	45.50	38.38
Transfer from Debenture Redemption Reserve	(19.15)	—	(19.16)	—
Dividend from Own Shares	(0.58)	(0.35)	(0.58)	(0.35)
Transfer from Foreign Project Reserve	—	—	6.06	—
Transfer to Foreign Currency Translation Reserve	—	—	0.99	(9.01)
Adjustments to Minority Interest	—	—	3.42	0.31
Dividend (Interim/Proposed) Equity Shares	10.63	7.65	10.63	7.65
Dividend (Proposed) Preference Shares	—	6.07	—	6.07
Tax on Dividend	1.74	2.28	7.52	2.28
<b>Balance carried to Balance Sheet</b>	<b>341.67</b>	<b>273.36</b>	<b>64.37</b>	<b>40.94</b>

The Turnover of the Company on a standalone basis stood at ₹ 5,637 Crores for the year ended 31<sup>st</sup> March, 2011. The annualised percentage increase in turnover over previous year amounted to 24.33%. The order book position of your Company as on 31<sup>st</sup> March, 2011 was approximately ₹ 15,600 Crores.

On a consolidated basis the turnover of the Gammon group stood at ₹ 8,899.70 Crores for the year ended 31<sup>st</sup> March, 2011. The annualised percentage increase in turnover over previous year amounted to 25.11%.



## 2. DIVIDEND:

- (a) The Board of Directors at its meeting held on 18<sup>th</sup> August, 2010, had declared an interim dividend of ₹ 0.40 paise (20%) per share of face value of ₹ 2/- each on the equity shares for the financial year 2010-11. The same was paid to the shareholders on 4<sup>th</sup> September, 2010. Members are requested to confirm the declaration and payment of the interim dividend at the Annual General Meeting of the Company.
- (b) The Board of Directors at its meeting held on 12<sup>th</sup> August, 2011 has, subject to the Shareholder's approval, recommended a Final dividend of ₹ 0.40 paise (20%) per share of face value of ₹ 2/- each for the year 2011 on the equity shares. The total dividend for the financial year 2010-2011 (including interim dividend of 20% paid) aggregates to ₹ 0.80 paise (40%) per share. The dividend payout for the year under review is ₹ 10.63 Crores. Dividend Distribution Tax aggregates to ₹ 1.74 Crores.

## 3. DEPOSITORY SYSTEM:

The Company's equity shares are compulsorily tradeable in electronic form. As of 31<sup>st</sup> March, 2011, 90.90% of the Company's total paid-up capital representing 124,046,624 equity shares is in dematerialized form. In view of the benefits offered by the depository system, members holding shares in physical mode are advised to avail the demat facility.

## 4. FINANCE:

During the year under review the Company did not raise any funds from the capital markets either by way of issue of equity/ADRs/GDRs. The Company in its Board Meeting held on 9<sup>th</sup> July, 2009 had allotted 1,60,00,000 Equity Warrants convertible into Equity Shares (after receipt of 25% consideration as upfront payment at the time of allotment) to the Promoter Companies at a price of ₹ 90.20/- per warrant. During the year under review, the Promoter Companies exercised their option for conversion of balance 82,50,000 Equity Warrants into Equity Shares by paying balance 75% of the consideration aggregating to ₹ 55.81 Crores. These proceeds were utilized for meeting the working capital requirements, future expansion plans and CAPEX requirements.

The Company has also obtained financial assistance from its consortium bankers to meet its short term working capital requirements. During the year, the Company tied up Long term debt by way of issue of Secured Non-Convertible Debentures on private placement basis aggregating to ₹ 100 Crores. The total amount of outstanding Non-Convertible Debentures as on date is ₹ 377.50 Crores. The proceeds of debentures were utilized for the purposes for which they were raised.

CARE has assigned the following ratings:

Facilities	Amount (₹ in Crores)	Ratings
Long Term Bank Facilities	1,100.00	CARE AA-
Long/Short Term Bank Facilities	10,400.00	CARE AA-/CARE A1+
Non-Convertible Debentures	500.00	CARE AA-
CP/STD	100.00	CARE A1+
CP/STD*	900.00	CARE A1+

\* Carved out of working capital limits

## 5. PUBLIC DEPOSITS:

Your Company did not invite or accept deposits from public during the year under review. 82 deposits (pertaining to previous year) aggregating to ₹ 790,000/- remained unclaimed as on 31<sup>st</sup> March, 2011. Out of these, 5 deposits amounting to ₹ 1,05,000/- have since been claimed and paid.

## 6. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND:

During the year under review, the Company has transferred Fixed Deposits amounting to ₹ 452,000/- and Dividend (for the year 2002-03) amounting to ₹ 212,876/- to Investor Education and Protection Fund (IEPF), which was due and payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205C(2), of the Companies Act, 1956.

## 7. EMPLOYEE STOCK OPTION SCHEME:

The erstwhile Associated Transrail Structures Limited (ATSL) had introduced an Employee Stock Option Scheme for the benefit of its employees. Pursuant to the amalgamation of ATSL with the Company, effective from 7<sup>th</sup> July, 2009, the said scheme has been taken over by the Company. Details of the stock options granted under the Employee Stock

Option Scheme-2007 of erstwhile ATSL are disclosed in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and set out in Annexure 'A' of this Report.

## 8. SUBSIDIARY COMPANIES:

At the commencement of the year the Company had 43 (Forty Three) subsidiaries. It has further incorporated/acquired the following subsidiaries/step down subsidiaries during the year under review:

- (i) SAE Transmission India Limited
- (ii) Franco Tosi Hydro Private Limited
- (iii) Franco Tosi Turbines Private Limited
- (iv) Metropolitan Infrahousing Private Limited
- (v) AnsaldoCaldiae Boilers India Private Limited
- (vi) Preeti Townships Private Limited
- (vii) Lilac Infracprojects Developers Limited
- (viii) Chitoor Infra Company Private Limited
- (ix) Chitoor Infrastructure Projects Private Limited (formerly known as Satyavedu Infra Company Private Limited)
- (x) Tada Infrastructure Projects Private Limited (formerly known as Tada SEZ Private Limited)
- (xi) Gammon Holdings (Mauritius) Limited.

The Ministry of Corporate Affairs, Government of India has, vide General Circular No. 2/2011 dated 8<sup>th</sup> February 2011, granted exemption under Section 212(8) of the Companies Act, 1956, for not attaching Annual Report of subsidiary companies, subject to fulfillment of certain conditions by the holding company. Pursuant to the Circular, the Board vide its Resolution dated 12<sup>th</sup> May, 2011 has given its consent for not attaching the Balance Sheet of the subsidiary company. In view of the said circular, the Financial Statements of the subsidiary companies have not been attached to the Company's accounts for the year ended 31<sup>st</sup> March, 2011. The consolidated financial statements published by the Company include the financial results of its subsidiary companies.

Information required to be provided in respect of subsidiary companies has been disclosed separately in the Annual report.

The Financial Statements of the subsidiary companies are available for inspection by the shareholders at the registered office of the Company. Shareholders who wish to have a copy of the accounts of the subsidiaries will be provided the same on receipt of written request from them.

## 9. AUDITORS' REPORT

With reference to the Auditors' observation in point no. 8 of their report on the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2011, the management is of the opinion that the amount is contractually recoverable and the component company is in negotiations with its client and hence no provision is made towards the same.

## 10. AUDITORS:

M/s. Natvarlal Vepari & Co., Chartered Accountants, Firm Registration no. 106971W, 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 obtained from them.

The Board on the recommendation of the Audit Committee, recommends the re-appointment of M/s. Natvarlal Vepari & Co., Chartered Accountants, Firm Registration no. 106971W as the Statutory Auditors of the Company and also as the Branch Auditors, Oman Branch and any other branch for the year 2011-12, subject to approval by the Shareholders.

The Board also on the recommendation of the Audit Committee, recommends the re-appointment of M/s. Vinod Modi & Associates, Chartered Accountants, Firm Registration no. 111515W and M/s. M. G. Shah & Associates, Chartered Accountants, Firm Registration no. 112561W, as the Joint Branch Auditors of 'Gammon India Limited – Transmission Business Headquarters, Nagpur' subject to approval by the Shareholders.

## 11. REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS:

Report on Corporate Governance and Management Discussion and Analysis Report for the year under review, together with a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.



## 12. CONSOLIDATED FINANCIAL STATEMENTS:

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

## 13. DIRECTORS:

Dr. Naushad Forbes resigned as the Director of the Company with effect from 11<sup>th</sup> November, 2010. The Board places on record its sincere appreciation for the valuable contribution made by him during his tenure as a Director of the Company.

Mr. Himanshu Parikh a Non Whole Time Director was appointed as a Whole Time Director of the Company with effect from 1<sup>st</sup> July, 2011.

Mr. Abhijit Rajan, Chairman & Managing Director whose term ended on 16<sup>th</sup> May, 2011 was re-appointed as the Chairman & Managing Director of the Company for a term of 5 (five) years with effect from 17<sup>th</sup> May, 2011.

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. C.C. Dayal, Mr. Naval Choudhary and Mr. Atul Kumar Shukla retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Brief profiles of the proposed appointees together with other disclosures in terms of Clause 49 of the Listing Agreement are part of the Annexure to the Notice of the Annual General Meeting.

## 14. DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. The applicable accounting standards have been followed by the Company in preparation of the annual accounts for the period ended 31<sup>st</sup> March, 2011;
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 as at 31<sup>st</sup> March, 2011 and of the profits of the Company for the year ended on that date;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The annual accounts for the year ended 31<sup>st</sup> March, 2011 have been prepared on a going concern basis.

## 15. HEALTH, SAFETY & ENVIRONMENT:

We are committed as an organization to ensure that all our work practices and procedures emphasize on the importance of safety and are in the process of implementing various new safety measures. We want to inculcate and integrate a strong safety culture in all our operations. There are over 126 safety personnel on permanent rolls of the organization. Over half our safety personnel are diploma holders and the next majority is engineers and post graduates.

There are a lot of new processes and improvement of old processes that have been introduced in Gammon in the past year. One of the major changes has been to restructure and organize the reporting and functioning of the safety team. This was done to ensure that there is greater responsibility given as a line function so as to enhance the performance of the team. Certain major processes like third party inspection of equipment, safety related deficiency (SRD) process at site, communication channels, training and awareness programs have also been modified. It has been made mandatory for workers who are working at critical jobs, to undergo training before commencement of the job. A process of awards, recognitions and penalties has been initiated in the Company. Based on the safety performance, various types of recognitions and penalties shall be given to individual projects to encourage the practice of a strong pro-active positive safety culture.

## 16. RESEARCH & DEVELOPMENT:

Increasing focus on developing infrastructure in the country has opened up many opportunities for construction companies. To rise up to the challenge of completing the huge quantum of work in a short time, it is essential to back up the onsite teams with continual improvement in construction technology. During the year under review the R&D activities undertaken by the company include:

- Pile concrete with a retention time of 7 hours and having 15 MPa strength in 24 hours successfully designed and implemented in Mumbai Port Trust Project.

- Considering the continuous scarcity of river sand in Mumbai region we have established mix designs with 100% crushed sand for all grades of concrete.
- Trials for using raw slag as replacement of sand with compatible admixture are in progress.
- Smart Dynamic Concrete mix designs established successfully for chimney shell for improving surface finish and faster construction.
- Trial for smart dynamic concrete are in process as replacement of conventional concrete.
- Structural Health monitoring device were successfully used in the launching girder which was designed after in-house R&D, at Kosi Bridge Project.
- For Kalpakkam Intake Structure, the launching of caisson was done successfully in spite of rough sea conditions with two portals on strand jacks entirely designed and fabricated in house. It was a unique system being used for the first time in India.

#### 17. PARTICULARS OF EMPLOYEES:

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders, excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

#### 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 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 and as a result, some new initiatives for energy management are being undertaken at sites as mentioned below:

1. Using portable transformers instead of running DG sets.
2. Using APFC Panel with grid power for improvement of PF value.
3. Using of CFL instead of incandescent lamp.
4. Incorporating float switch with pump.
5. Using grid power instead of DG at A-V during 7 months unproductive period.
6. Energy audit & control over redundant running.

##### 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 and the efforts to develop new techniques continue unabated.

##### C. Foreign Exchange earnings and outgo:

Total foreign exchange used and earned during the year:

	Current Period	Previous Period
	(₹ in Crores)	
Foreign Exchange Earnings	153.58	301.03
Foreign Exchange Outgo	170.91	145.63

#### 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 for their unstinted support and co-operation.

For and on behalf of the Board of Directors

**ABHIJIT RAJAN**  
Chairman & Managing Director

Place : Mumbai  
Dated : 19<sup>th</sup> August, 2011



## "ANNEXURE – A" TO THE DIRECTORS REPORT

Information required to be disclosed under the Securities and Exchange Board of India  
(Employees Stock Option Scheme and Employees Stock Purchase Scheme Guidelines, 1999)  
Employees Stock Option Scheme – 2007

(a)	Options granted	106,300 Equity Shares of ₹ 10 each
(b)	The pricing formula	The Exercise Price was to be decided by 'Compensation Committee', which shall not be less than the par value and shall not be less than the 'Fair Market Value' on the date of grant. Based on the valuation report the Compensation Committee fixed the Exercise Price at ₹ 80 per option.
(c)	Options vested	106,300
(d)	Options exercised	40,723
(e)	Total number of shares arising as a result of exercise of option	81,446
(f)	Options lapsed	19,344
(g)	Variation of terms of Options	Nil
(h)	Money realized by exercise of options	₹ 3,257,840/-
(i)	Total number of options in force –	
	Vested	106,300
	Unvested	65,577
	Total	46,233
(j)	Employee wise options granted to –	
	(i) Senior Managerial Personnel.	As per Statement attached
	(ii) Any other employee who receives a grant in any one year of Options amounting to 5% or more of Options granted during that year.	None
	(iii) Identified employee who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None
(k)	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standards (AS) 20 'Earning Per Share'.	₹ 9.10/-
(l)	The difference between employee compensation cost using intrinsic value method and the fair value of the Options and impact of this difference on profits and on EPS.	₹ 1.71 crores, profit and EPS are reduced by ₹ 1.71 crores and ₹ 0.14 crores respectively.
(m)	Weighted average exercise price and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	₹ 80/- and ₹ 677.65/- respectively.
(n)	Fair Value (Price Earning Capacity Value) Price of options	₹ 80/-

**Statement showing details of Options granted to Senior Managerial Personnel**

<b>Name</b>	<b>Designation</b>	<b>Number of options granted</b>
MR. G. D. RATHOD	Vice President - Engineering	4,000
MR. D. R. RAO	General Manager - Conductor Division	3,500
MR. A. GANGULY	Associate Vice President - Construction	4,200
MR. S. D. SHIKERKAR	Associate Vice President - Marketing	4,200
MR. V. A. MANDRE	General Manager - Works	3,900
MR. H. M. JOSHI	General Manager - Commercial	3,900
MR. SIMON JOSEPH	Additional General Manager - Rural Electrification	2,000
MR. M. C. MODI	Additional General Manager - Works	2,800
MR. S. MUKHOPADHYAY	Additional General Manager - Finance	3,900
MR. P. CHANDRAN	Chief Manager - Resident	1,500
MR. P. GEORGE	Associated Vice President - Development	3,000

For and on behalf of the Board of Directors

**ABHIJIT RAJAN**  
*Chairman & Managing Director*

*Place : Mumbai*  
*Dated : 19<sup>th</sup> August, 2011*



## REPORT ON CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement entered into with the stock exchanges, the Company hereby submits the report on matters as mentioned in the said clause and Corporate Governance practices followed by the Company.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance broadly refers to a set of rules and practices designed to govern the behavior of corporate enterprises. The 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. The Company firmly believes that Corporate Governance is a powerful tool to subserve the long-term growth of the Company and 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, in conformity with Clause 49 of the Listing Agreement, to maintain the independence of the Board and to separate the Board functions of governance and management.

On the date to which this report pertains, the Board comprises of a Chairman and Managing Director (Executive), Four (4) Executive Directors, One (1) Non Executive Non Independent Director and Six (6) Non Executive Independent Directors. All the members of the Board are persons with considerable experience and expertise in industry, finance, management and law.

The Chairman and Managing Director provides leadership to the Board and to the Management in strategizing and realizing business objectives and is supported by the Executive Directors. The Independent Directors contribute by giving their valuable guidance and inputs with their independent judgement on the overall business strategies and performance.

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 specified in Clause 49 of the Listing Agreement), across all the companies in which they are Directors. The necessary disclosures regarding committee positions have been made by all the Directors.

#### (b) Board Meetings :

The Board meets at least once in each quarter inter alia to review the quarterly results. In addition the Board also meets whenever necessary.

During the year under review the Company held 5 (Five) Board Meetings on 13/05/2010, 14/08/2010, 18/08/2010, 12/11/2010, 11/02/2011 and the gap between two meetings did not exceed four months. The Board Meetings are held at the registered office of the Company.

#### (c) Changes in Board Composition :

Effective from 1<sup>st</sup> April, 2010 till date the following changes have taken place in the Board composition:

1. Mr. Abhijit Rajan – Chairman & Managing Director, whose term of office expired on 16<sup>th</sup> May, 2011 was re-appointed as the Chairman & Managing Director w.e.f. 17<sup>th</sup> May, 2011 for a further term of five (5) years.
2. Dr. Naushad Forbes ceased to be a Non-Executive Director with effect from 11<sup>th</sup> November 2010, by virtue of his resignation from the Board.
3. Mr. Himanshu Parikh was appointed as a Whole-time Director of the Company with effect from 1<sup>st</sup> July, 2011.

#### (d) Directors' Attendance Record and Directorships held :

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 and membership of committees are as follows:

Name and Designation of Director	Category of Directors	No. of Board Meetings attended (01.04.2010 to 31.03.2011)	Whether attended last A.G.M. held on 28 <sup>th</sup> September, 2010	No. of Directorships in other Public Companies	No. of Chairmanship and Membership of Committees of other public companies	
					Chairman	Member
Mr. Peter Gammon Chairman Emeritus	Promoter/ Non-Executive/ Non-Independent	NIL	No	NIL	NIL	NIL
Mr. Abhijit Rajan Chairman & Managing Director	Promoter/ Executive/ Non-Independent	5	No	3	NIL	NIL
Mr. Rohit Modi Deputy Managing Director	Executive/ Non-Independent	4	Yes	1	NIL	NIL
Mr. Rajul Bhansali Executive Director	Executive/ Non-Independent	5	No	4	NIL	NIL
Mr. Himanshu Parikh Executive Director	Executive/ Non-Independent	4	Yes	4	1	1
Mr. Digambar Bagde Executive Director	Executive/ Non-Independent	5	Yes	8	NIL	NIL
Mr. C. C. Dayal Director	Non-Executive/ Independent	5	Yes	9	1	5
Mr. Atul Dayal Director	Non-Executive/ Independent	NIL	No	2	NIL	2
Dr. Naushad Forbes Director *	Non-Executive/ Independent	NIL	No	2	NIL	NIL
Mr. Jagdish Sheth Director	Non-Executive/ Independent	5	Yes	NIL	NIL	NIL
Ms. Urvashi Saxena Director	Non-Executive/ Independent	5	Yes	3	NIL	1
Mr. Naval Choudhary Director	Non-Executive/ Independent	1	Yes	NIL	NIL	NIL
Mr. Atul Kumar Shukla Director	Non-Executive/ Independent	5	Yes	4	1	3

\* Dr. Naushad Forbes resigned as the Director of Gammon India Limited w.e.f. 11<sup>th</sup> November, 2010.

Notes:

- (a) Other directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and companies incorporated outside India.
- (b) Chairmanship/Membership of Board Committees includes only Audit and Shareholders/Investors Grievance Committee.
- (c) Mr. C. C. Dayal and Mr. Atul Dayal are related to each other.
- (d) The Board meetings are held at the registered office of the Company. The information as required under Annexure IA to Clause 49 is being made available to the Board. The Company did not have any pecuniary relationship or transactions with Non-Executive Directors during the year.
- (e) As per clause 49 of the Listing Agreement, the expression 'independent director' shall mean a non-executive director of the Company who:
  - (i) apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;
  - (ii) is not related to promoters or persons occupying management positions at the board level or at one level below the board;
  - (iii) has not been an executive of the company in the immediately preceding three financial years;
  - (iv) is not a partner or an executive or was not a partner or an executive during the preceding three years, of any of the following:
    - the statutory audit firm or the internal audit firm that is associated with the company, and
    - the legal firm(s) and consulting firm(s) that have a material association with the company;
  - (v) is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director;
  - (vi) is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares;
  - (vii) is not less than 21 years of age.



**(e) Details of Remuneration paid to Directors during the year ended 31<sup>st</sup> March, 2011 :**

**REMUNERATION POLICY :**

All Executive Directors receive salary, allowances, perquisites and commission while Non-Executive Directors receive sitting fees for attending Board and Committee meetings. 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 31<sup>st</sup> March 2011 is as follows :

Name of the Director	Salary (₹)	Perquisites (₹)	Commission (₹) ##	Total
Mr. Abhijit Rajan	42,840,000	3,563	Nil	42,843,563
Mr. Himanshu Parikh	2,492,167	3,563	Nil	2,495,730
Mr. Rajul Bhansali	4,280,000	121,614	Nil	4,401,614
Mr. Rohit Modi	35,944,485	817,443	Nil	36,761,928
Mr. D. C. Bagde	8,482,858	108,564	Nil	8,591,422
<b>Total</b>	<b>94,039,510</b>	<b>1,054,747</b>	<b>Nil</b>	<b>95,094,257</b>

## Payable for the year 2010-11.

**SERVICE CONTRACT/SEVERANCE FEES & NOTICE PERIOD :**

The terms of employment stipulate a notice period of three months, for termination of appointment of Chairman & Managing Director and Executive Directors, 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 2010-11 are given below :

Name	Board Meeting (₹)	Committee Meeting (₹) **	Total (₹)
Mr. C. C. Dayal	100,000	140,000	240,000
Mr. Atul Dayal	—	—	—
Mr. Jagdish Sheth	100,000	40,000	140,000
Ms. Urvashi Saxena	100,000	80,000	180,000
Mr. Atul Kumar Shukla	100,000	—	100,000
Mr. Naval Chaudhary	20,000	40,000	60,000
Dr. Naushad Forbes	—	—	—

Note: (\*\*) includes Audit, Selection, Equity Warrants, and ESOP Compensation Committee Meeting.

**3. BOARD COMMITTEES :**

In compliance with the Listing Agreement and the applicable laws, the Board constituted the following committees :

(1) Audit Committee (2) Shareholders/Investors' Grievance Committee (3) ESOP Compensation Committee (4) Selection Committee (5) Equity Warrants Committee.

The Board determines the constitution of the committees, the terms of reference for committee members including their roles and responsibilities.

**(a) AUDIT COMMITTEE :**

The Audit Committee of the Company is constituted in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Audit Committee presently comprises of 4 (Four) Non-Executive Independent Directors and 1 (One) Executive Director viz.: (1) Mr. C. C. Dayal (Chairman), (2) Mr. Atul Dayal, (3) Ms. Urvashi Saxena, (4) Mr. Naval Chaudhary and (5) Mr. Himanshu Parikh - Executive Director. All the members of the Audit Committee are financially literate and have accounting/related financial management expertise.

The Audit Committee meetings are held at the Registered Office of the Company and attended by invitation by the 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 role of audit committee as per Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, includes the following:

- (a) Overseeing 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 to the Board the appointment and removal of statutory auditors, branch auditors and fixation of their remuneration.
- (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 Exchanges 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.
  - Reviewing with the management, statutory and internal auditors, internal controls and the adequacy of internal control systems.
- (d) Reviewing the quarterly and half yearly financial results.
- (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) Discussions with Statutory Auditors before the audit commences nature and scope of audit as well as have post audit discussion to ascertain any areas of concern.
- (i) Reviewing the Company's financial and risk management policies.
- (j) Looking 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, if any.
- (k) Reviewing the operations, new initiatives and performance of the business divisions.

During the period under review, the Audit Committee met 4 (four) times and the dates of such meetings were: 13/05/2010, 14/08/2010, 12/11/2010 and 10/02/2011.



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	4
Mr. Atul Dayal	Non-Executive – Independent	NIL
Mr. Himanshu Parikh	Executive/Non – Independent	1
Ms. Urvashi Saxena	Non-Executive – Independent	4
Mr. Naval Chaudhary	Non-Executive – Independent	1

Mr. C. C. Dayal, Chairman of the Audit Committee was present at the previous Annual General Meeting held on 28<sup>th</sup> September, 2010.

**(b) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :**

The Shareholders/Investors Grievance Committee comprises of 4 (Four) Non-Executive Independent Directors and 1 (One) Executive Director viz.: 1) Mr. C. C. Dayal (Chairman) 2) Mr. Atul Dayal 3) Mr. Naval Chaudhary 4) Mr. Atul Kumar Shukla and 5) Mr. Himanshu Parikh – Executive Director.

The Company Secretary, Ms. Gita Bade is the Compliance Officer.

The Shareholders/Investors Grievance Committee deals with various matters relating to :

- Transfer / Transmission of shares
- Issue of duplicate share certificates
- Review of shares dematerialized/ rematerialized and all other related matters
- Non- receipt of Annual Reports and dividend
- Redressal of investors/ shareholders complaints.

During the year 2010-11 the Committee held 18 (Eighteen) meetings on 15/04/2010, 30/04/2010, 15/05/2010, 30/06/2010, 15/07/2010, 31/07/2010, 25/08/2010, 15/09/2010, 25/09/2010, 15/10/2010, 30/10/2010, 15/11/2010, 15/12/2010, 15/01/2011, 15/02/2011, 28/02/2011, 15/03/2011 and 31/03/2011.

The minutes of the Shareholders'/Investors' Grievance Committee are reviewed and noted by the Board.

The composition of the Committee and the details of the Committee meetings attended by the Members are given below:

Name of the Director	Executive/Non-Executive	No. of Committee Meetings Attended
Mr. C. C. Dayal	Non-Executive – Independent, Chairman	18
Mr. Atul Dayal	Non-Executive – Independent	NIL
Mr. Himanshu Parikh	Executive – Non-Independent	15
Mr. Naval Chaudhary	Non-Executive – Independent	9
Mr. Atul Kumar Shukla	Non-Executive – Independent	18

A total of 47 queries/complaints were received by the Company from Shareholders/Investors as detailed below. All the complaints were resolved by the Company to the satisfaction of the investors and as on 31<sup>st</sup> March, 2011, there were no pending letters/ complaints. The status of Shareholders' complaints received up to 31<sup>st</sup> March, 2011 is as stated below:

No. of Complaints received during the twelve months period ended 31 <sup>st</sup> March, 2011.	47
No. of Complaints resolved as on 31 <sup>st</sup> March, 2011.	47
No of Complaints pending as on 31 <sup>st</sup> March, 2011.	NIL
No. of pending share transfers as on 31 <sup>st</sup> March, 2011.	NIL

Name, Designation and Address of Compliance Officer:

Ms. Gita Bade  
Company Secretary  
Gammon India Limited  
Gammon House, Veer Savarkar Marg,  
Prabhadevi, Mumbai - 400 025.  
Telephone : 022 – 61114000.  
Facsimile : 022 – 2430 0529.

**(c) ESOP COMPENSATION COMMITTEE :**

The Company constituted an ESOP Compensation Committee ('Committee') on 31<sup>st</sup> January 2010. The Committee comprises of 3 (Three) members out of which 2 (Two) are Non-Executive Independent Directors and 1 (One) is an Executive Director viz. Mr. C. C. Dayal, Mr. Naval Choudhary and Mr. Himanshu Parikh - Executive Director. Ms. Gita Bade, Company Secretary acts as the Secretary to the Committee. The Committee oversees administration of the Employee Stock Option Scheme ('ESOP Scheme') taken over by the Company subsequent to the merger of Associated Transrail Structures Limited with and into the Company effective from 7<sup>th</sup> July, 2009.

During the year 2010-11 the Committee held 2 (two) meetings on 21/06/2010 and 20/10/2010.

The details of the Committee meetings attended by the members are given below :

Name of the Director	Executive/Non-Executive	No. of Committee Meetings Attended
Mr. C. C. Dayal	Non-Executive Independent	2
Mr. Himanshu Parikh	Executive Non-Independent	2
Mr. Naval Choudhary	Non-Executive Independent	1

**(d) SELECTION COMMITTEE :**

A Selection Committee comprising of 2 (two) Non-Executive Independent Directors and 1 (One) officer of the Company viz.: 1) Mr. C. C. Dayal (Chairman) 2) Mr. Jagdish Sheth and 3) Mr. A. B. Desai was constituted on 6th May, 2009.

The Committee was constituted pursuant to the Directors Relatives (Office or Place of Profit) Rules 2003.

During the year 2010-11 the Committee held 1 (one) meeting on 14/08/2010 which was attended by all the members.

**(e) EQUITY WARRANTS COMMITTEE :**

The Equity Warrants Committee was constituted on 30<sup>th</sup> January, 2010 pursuant to the shareholders' approval for issue and allotment of preferential convertible warrants to persons forming part of the promoter group and to allot equity shares as and when they exercise their right of conversion and to discharge all the functions in connection with the issue and allotment of equity warrants.

The Committee comprises of 2 (Two) Non- Executive Independent Directors viz.: 1) Mr. C.C. Dayal (Chairman) and 2) Mr. Jagdish Sheth.

During the year 2010-11 the Committee held 1 (One) meeting on 07/01/2011 which was attended by all the members.

**4. OTHER INFORMATION :**

**(a) CODE OF CONDUCT :**

The Company has laid down a Code of Conduct for all Board members and the Senior Management Personnel. The Code of Conduct is available on the Company's website viz.: [www.gammonindia.com](http://www.gammonindia.com). All the Board Members and Senior Management Personnel have affirmed Compliance with the Code of Conduct. A declaration to this effect signed by the Chairman and Managing Director forms part of this Report.



**(b) GENERAL BODY MEETINGS :**

**(i) Location, Date and Time of Annual General Meetings held during the last three (3) years:**

The Annual General Meetings of the Company for the year 2009 - 2010 and 2008 - 2009 were held at Ravindra Natya Mandir (P.L. Deshpande Maharashtra Kala Academy), Sayani Road, Prabhadevi, Mumbai - 400 025, whereas the Annual General Meeting for the year 2007-08 was held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Mumbai - 400 034 as detailed below :

AGM	Financial Year	Date & Time
88 <sup>th</sup>	2009-2010	28 <sup>th</sup> September 2010 at 3.30 p.m
87 <sup>th</sup>	2008-2009	14 <sup>th</sup> October 2009 at 3.00 p.m
86 <sup>th</sup>	2007-2008	25 <sup>th</sup> September, 2008 at 3.30 p.m

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

Date of AGM	Particulars of Special Resolutions passed
28 <sup>th</sup> September 2010	(i) Authorising Mr. Harshit Rajan – Head Procurement to hold and continue to hold an office or place of profit in the Company as Head Procurement on a revised remuneration in the scale of ₹ 30,00,000/- (Rupees Thirty Lacs Only) per annum payable with effect from 1 <sup>st</sup> April, 2010 or such date as may be approved by the Central Government.
14 <sup>th</sup> October 2009	(i) Appointment of Mr. Harshit Rajan, a relative of Mr. Abhijit Rajan, Chairman and Managing Director of the Company, to hold and continue to hold an office or place of profit in the Company pursuant to Section 314 of the Companies Act 1956 and subject to approval by the Central Government.  (ii) Payment of remuneration to Mr. Parvez Umrigar, Non-Executive Director pursuant to Section 309(4)(a) of the Companies Act 1956 and subject to approval by the Central Government.
25 <sup>th</sup> September, 2008	No Special Resolution was passed.

**(iii) Resolutions Passed by Postal Ballot during 2010-11 :**

The following resolutions were passed by Postal Ballot during the year 2010-11 :

(I) (A) Special Resolution :

- (i) Approval of the Members sought pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 and all other applicable provisions, if any, to reserve, offer, issue and allot upto 64,50,000 Equity Shares to the permanent employees of the Company or of the Subsidiary Companies including directors, under the Employee Stock Option Scheme (ESOP). The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	4,26,82,537	96.395
Against the Resolution	15,95,521	3.603
Invalid Votes	796	0.002
<b>Total</b>	<b>4,42,78,854</b>	<b>100</b>

- (ii) Approval of the Members sought pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 and all other applicable provisions, if any, to extend the benefits of the proposed ESOP Scheme(s) to the eligible employees of the Subsidiary Companies of the Company. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	4,26,79,421	96.388
Against the Resolution	15,98,637	3.610
Invalid Votes	796	0.002
<b>Total</b>	<b>4,42,78,854</b>	<b>100</b>

- (iii) Approval of the Members sought pursuant to the provisions of Section 372A of the Companies Act, 1956 for making loans, investments, giving guarantees etc. to various bodies corporate. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	4,42,74,532	99.990
Against the Resolution	3,526	0.008
Invalid Votes	796	0.002
<b>Total</b>	<b>4,42,78,854</b>	<b>100</b>

- (B) Ordinary Resolution :

- (i) Approval of the Members sought pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, for borrowing any sum of money upto an amount not exceeding ₹ 15000,00,00,000/- (Rupees Fifteen Thousand Crores Only). The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	4,26,35,840	96.289
Against the Resolution	16,42,218	3.709
Invalid Votes	796	0.002
<b>Total</b>	<b>4,42,78,854</b>	<b>100</b>

- (ii) Approval of the Members sought pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act 1956, for mortgaging and/ or charging any movable or immovable property in favour of lenders including debenture trustees for the holders of debentures issued by the Company, either by way of private placement or placed with financial institution, banks, bodies corporate etc., subject to a maximum amount of ₹ 15000,00,00,000/- (Rupees Fifteen Thousand Crores Only). The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	4,26,33,108	96.283
Against the Resolution	16,44,950	3.715
Invalid Votes	796	0.002
<b>Total</b>	<b>4,42,78,854</b>	<b>100</b>

The Resolutions were passed on 2<sup>nd</sup> July, 2010 by requisite majority.

Mr. Chaitanya C. Dayal of M/s. Chaitanya C. Dalal & Co., Chartered Accountants was appointed as the Scrutinizer for conducting the Postal Ballot process.

- (II) Special Resolution: Approval of the Members sought pursuant to the provisions of Section 372A of the Companies Act, 1956 for making loans, investments, giving guarantees etc. to various bodies corporate. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	4,74,58,394	99.982
Against the Resolution	8,548	0.018
Invalid Votes	NIL	NIL
<b>Total</b>	<b>4,74,66,942</b>	<b>100</b>

The Resolution was passed on 29<sup>th</sup> December, 2010 by requisite majority.

Mr. Chaitanya C. Dayal of M/s. Chaitanya C. Dalal & Co., Chartered Accountants was appointed as the Scrutinizer for conducting the Postal Ballot process.



(III) Special Resolution :

- (A) Approval of the Members sought pursuant to the provisions of Section 31, 259 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, for amending the existing Article 123 of the Articles of Association of the Company. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	6,45,49,876	99.991
Against the Resolution	4,009	0.006
Invalid Votes	1,607	0.002
<b>Total</b>	<b>6,45,55,492</b>	<b>100</b>

- (B) Approval of the Members sought pursuant to the provisions of Section 372A of the Companies Act, 1956 for making loans, investments, giving guarantees etc. to various bodies corporate. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	6,45,49,526	99.991
Against the Resolution	4,359	0.007
Invalid Votes	1,607	0.002
<b>Total</b>	<b>6,45,55,492</b>	<b>100</b>

The resolutions were passed on 28<sup>th</sup> March, 2011 by requisite majority.

Mr. V. V. Chakradeo of M/s. V. V. Chakradeo & Co., Company Secretaries was appointed as the Scrutinizer for conducting the Postal Ballot process.

**Procedure for Conducting Postal Ballot :**

After receiving the approval of the Board of Directors, Notice of the Postal Ballot 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 at the Registered Office of the Company. The same is also published in the newspapers and displayed 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 :  
No other penalties/strictures have been imposed on the Company by the SEBI or any other Statutory Authority on any matter related to capital markets, during the last three years.
- (iii) A qualified practicing Company Secretary conducts Share Capital Reconciliation Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with the total issued and listed capital. The Share Capital Reconciliation 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 dematerialized 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 31<sup>st</sup> March, 2011.

## 6. MEANS OF COMMUNICATION :

- (a) Financial Results : As required under the Listing Agreement, Quarterly and Half-Yearly results of the Company are published within forty five days from the end of the respective quarter and the annual audited results are announced as and when approved by the Board. The financial results are usually published in the Free Press Journal, Navshakti, Economic times, Business Standard and Sakal.
- (b) News Releases, Presentations, etc. : Official news releases, detailed presentations made to media, analysts, institutional investors, etc. are displayed on the Company's website viz. www.gammonindia.com. Official announcements are sent to the Stock Exchanges.
- (c) Website : The Company's corporate website www.gammonindia.com provides information about the Company's business. It also contains a separate dedicated section 'Investor Relations' where shareholders information is available. The Annual Report of the Company is also available on the website in a user-friendly and downloadable format.
- (d) Annual Report : Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report forms part of the Annual 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 :

- (a) Whistle Blower Mechanism :

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees may report violations of laws, rules, regulations or unethical conduct to their immediate supervisor/notified person. The Directors and Management Personnel are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

- (b) Subsidiary Monitoring Framework :

All the subsidiary companies of the Company are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. As a majority shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies, inter alia, by means of taking Consolidated Accounts and including all items of the subsidiaries as required under Section 212 of the Companies Act 1956, except the items which are exempted by the Ministry of Corporate Affairs.

## 9. GENERAL SHAREHOLDER INFORMATION :

Date, Time and Venue of the 89th Annual General Meeting	Monday, 26 <sup>th</sup> day of September, 2011 at 3.00 p.m. at Ravindra Natya Mandir (P. L. Deshpande Maharashtra Kala Academy), Sayani Road, Prabhadevi, Mumbai - 400 025.
Financial Calendar for the year 2011-12 (Tentative)	Results for the quarter ending 30 <sup>th</sup> June 2011 – 12 <sup>th</sup> August 2011. Results for the Half year ending 30 <sup>th</sup> September, 2011 – Second week of November, 2011. Results for the quarter ending 31 <sup>st</sup> December, 2011 – Second week of February, 2012. Results for the year ending 31 <sup>st</sup> March, 2012 – Second week of May 2012.
Date of Book Closure	21 <sup>st</sup> September, 2011 to 26 <sup>th</sup> September, 2011 (both days inclusive).
Dividend payment date	On or before 25 <sup>th</sup> October, 2011.

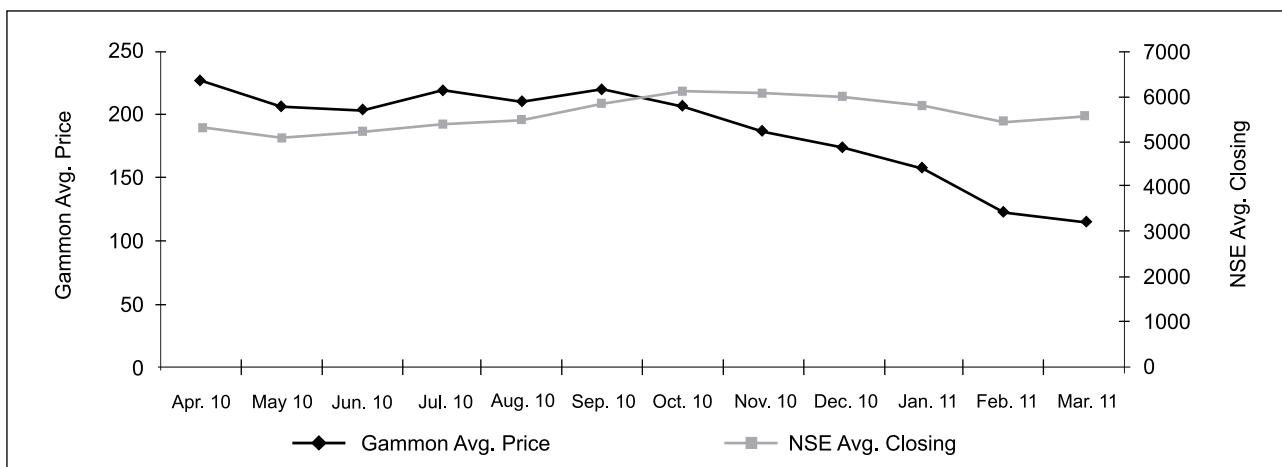


Listing on Stock Exchanges Equity Shares	Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Fort, Mumbai 400 001. Telephone : 022 - 2272 1233/34 Facsimile : 022 - 2272 1919 (Stock code - 509550) AND The National Stock Exchange of India Limited., Exchange Plaza, Plot No. C/1, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. Telephone : 022- 2659 8100/8114 Facsimile : 022 – 2659 8137/8138 (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 2011-2012.
International Securities Identification No. (ISIN)	Equity: INE 259B01020 GDR: US36467M2008
Registrar & Share Transfer Agents	M/s. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai - 400 078. Telephone : 022-2596 3838 Facsimile : 022- 2594 6969 E-mail : mumbai@linkintime.co.in
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 ₹) during each month in the last financial period on the Stock Exchanges.

MONTH	BSE		NSE	
	High	Low	High	Low
April, 2010	236.45	214.90	236.85	214.85
May, 2010	219.15	189.70	219.10	189.45
June, 2010	217.60	194.25	217.80	195.35
July, 2010	224.75	212.60	223.85	213.45
August, 2010	216.85	197.40	216.50	197.10
September, 2010	230.30	207.65	232.30	208.15
October, 2010	216.20	196.00	216.10	196.50
November, 2010	200.50	161.10	199.90	160.45
December, 2010	182.95	165.50	185.25	165.40
January, 2011	177.80	140.75	178.00	140.95
February, 2011	139.85	106.25	142.40	108.30
March, 2011	128.70	104.50	127.05	104.80

### STOCK PERFORMANCE IN COMPARISON TO NIFTY



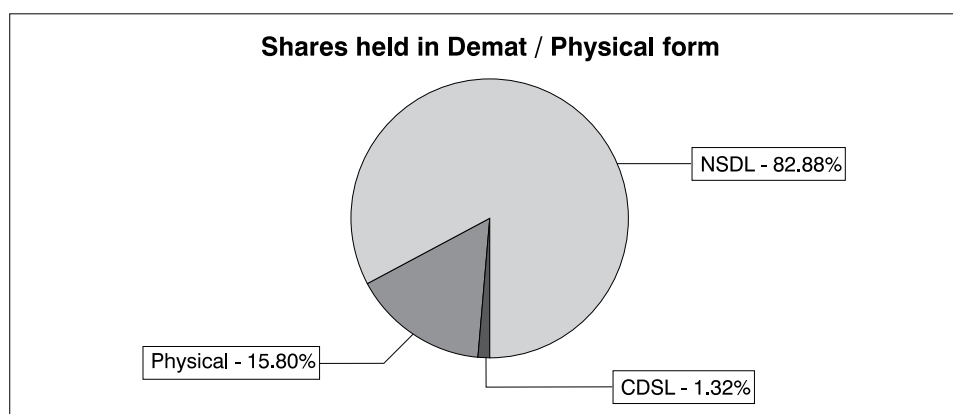
### 10. DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>st</sup> March, 2011 :

No. of Shares	No. of Shareholders	% to Total	Share Capital Nominal Amount (₹)	% to Total
Upto 500	23,582	90.1556	46,28,246	1.6958%
501 – 1000	1317	5.0350	20,15,568	0.7385%
1001 – 2000	670	2.5615	19,78,184	0.7248%
2001 – 3000	191	0.7302	9,60,318	0.3519%
3001 – 4000	80	0.3058	5,76,166	0.2111%
4001 – 5000	58	0.2217	5,36,316	0.1965%
5001 – 10000	109	0.4167	15,16,772	0.5557%
10001 – and above	150	0.5735	26,07,18,394	95.5257%
<b>TOTAL</b>	<b>26,157</b>	<b>100.0000</b>	<b>27,29,29,964</b>	<b>100.0000%</b>

### 11. DEMATERIALISATION OF SHARES AS ON 31<sup>st</sup> MARCH, 2011 :

Particulars	No. of Equity Shares	% to Share Capital
NSDL	12,28,81,658	90.05%
CDSL	11,64,966	0.85%
Physical	1,24,18,358	9.10%
<b>Total</b>	<b>13,64,64,982</b>	<b>100.00%</b>

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



## 12. LISTING OF DEBT SECURITIES:

The Secured Redeemable Non-Convertible Debentures issued by the Company are listed on the Wholesale Debt Market (WDM) Segment of The National Stock Exchange of India Limited (NSE).

## 13. PLANT LOCATIONS : (Project size – more than ₹ 300 Crores)

Sr. No.	Name of the Project	Project value (in ₹ Crores)
1.	CMRL Design and Construction of under ground stations at Govt. Estate LIC Building, Thousands Lights and associated tunnels UG Package-2 and Gemini, Tenoypet, Chamiers, Road, Saidapet & associated tunnels UG Package-3 awarded to consortium of Gammon India Limited and OJSC Mosmetrostroy	1947
2.	Patna Muzaffarpur Road Works	750.00
3.	Design Construction, Finance Operation and Maintenance of Major Bridge across river Godavari	700.00
4.	Stage 3 Pumping station (5X30 MW) of Kalwakurthy Lift irrigation Scheme.	631.99
5.	Construction of Bridge and its approaches over river Yamuna D/s of existing bridge at Wazirabad, Delhi	631.81
6.	BOT Nasik-Wadape-Gonde 4-Laning Road Works	621.00
7.	Parbati Hydro Electric Project Stage-II Civil and Hydromechanical Works for Power House, Pressure Shaft, Surge Shaft and Part HRT (Lot-PB-3) for NHPC in Himachal Pradesh	603.00
8.	Construction of Gorakhpur Bypass in the state of U.P.-BOT	560.00
9.	Package -19 : Investigation, Designs and execution of water conveyor system with capacity of 84.21 Cumecs from Thipparam reservoir to Chevella Reservoir Main Canal-Reach 3 with all associated work such as lined gravity canal CM & CD works including distributory network of 25,000 acres from Muhunnadabad (v) to Cherial (v) km 70.00 to km 96.00	435.89
10.	Civil & Structural Steel Works and Ware house Construction for 2X600 MW Thermal Power near Tuticorin in Tamilnadu	410.34
11.	Western Transport Corridor, Tumkur Haveri Section of NH4 Project-Rehabilitation and upgrading of Chitrdurga-Harihar Section (Km 207 to 284) in the state of Karnataka Pkg.-4 and Harihar-Haveri Section (Km 284 to 340) in the state of Karnataka Pkg.-5 Balance Work	404.22
12.	Punatsangchhu-I Hydroelectric Project (1200 MW) Contract Package # MC@ " Construction of Headrace Tunnel from Adit-I & Adit-II	399.94
13.	Design Engineering, Procurement of Materials & Construction of Offshore Container Terminal (OCT) in Mumbai Harbour	397.49
14.	Rampur Hydroelectric Project - Package 1.0 Construction of Civil Works for HRT Sta. 50.61m to 12900m including cut and cover section, River Diversion Works, Edits, Vehicular Gates etc.	382.44
15.	Construction of Steel Superstructure and other ancillary Works of Rail cum Road Bridge across river Ganga at Munger, Bihar	375.19
16.	Widening and strengthening to 4-lane of existing single/intermediate lane carriageway of National Highway No. 57 Section from Km. 230.00 to Km. 190.00 in the State of Bihar on East West Corridor under NHDP, Phase – II, Pkg. No. C-II/BR-3	356.51
17.	Construction of Nuclear island connected buildings & other safety related structures for PFBR, excavation and dewatering works, simulator building at Kalpakkam	355.62



18.	Widening & strengthening of existing National Highway to 4 lane from km 111.00 to km 127.00 of Maibong to Lumding Section of NH-54 in Assam (Contract Pkg.-EW-II (AS-24)) and from km 60.5 to km 83.4 of Mathong to Lumding Section EW-II (AS-26)	350.87
19.	Design and Construction of complete new 107 MLD capacity potable Water Supply Infrastructure Project on Turnkey basis for Guwahati City	349.70
20.	Construction of Bridge and its approaches over river Yamuna D/s of existing bridge at Wazirabad, Delhi	348.90
21.	Construction of 4 lane Bridge across river Kosi-BOT	347.00
22.	Const. of Well Foundation and sub-structure of Bogibeel Rail cum Road Bridge across the river Brahmaputra near Dibrugarh	343.90
23.	Agra-Makhanpur Road Project on NH-2 (Package I-A).	328.49
24.	DMRC Viaduct Part Design and Construction of Viaduct BC-25, 27, 28, 29, 30R	315.82
25.	Improvement/Upgradation of Dumuria-Imamganj-Sherghati-Karamain-Mathurapur-Guraru-Ahiyapur-Tikari-Mau-Kurtha-Kinjar-Paligunj-Ranitalab Road (SH-69) length 153.00 km (Contract Package No.2)	313.50
26.	Civil & Structural works for Building 1 to 8 (Basement+5 Podium (Below Footprint of Building) + Stilt + 41 Habitable Floors) at the Project Runwal Greens - Commercial & Residential Development site at Merind Mill Compound, Mulund - Goregoan Link Road, Mulund (W) Mumbai-400 078	313.31
27.	Civil & Structural Works for Residential Building for HDIL Whispering Towers at Bombay Oxygen, Mulund (W)	310.32
28.	Main Plant and Offsite Civil Works and Chimney and Chimney elevator Package for NTPC – Tamilnadu Energy Company Limited Power Project, (2 X 500 MW)	308.92

#### 14. ADDRESS FOR CORRESPONDENCE :

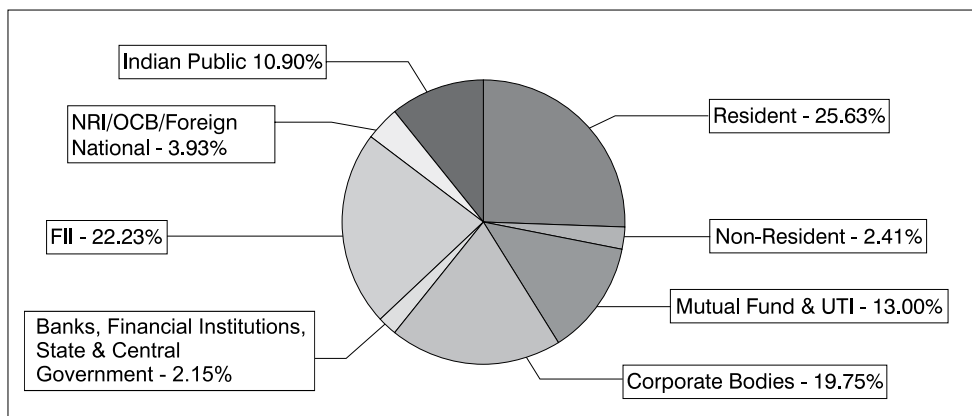
##### Registered Office :

Gammon House, Veer Savarkar Marg,  
Prabhadevi, Mumbai - 400 025.  
Telephone : 022 – 61114000.  
Facsimile : 022 – 2430 0529.  
Website : [www.gammonindia.com](http://www.gammonindia.com)  
Email : [investors@gammonindia.com](mailto:investors@gammonindia.com)

#### 15. CATEGORIES OF SHAREHOLDERS : (as on 31st March, 2011)

Category	No. of shares	Percentage
<b>Promoters Holdings</b>		
Resident	41,100,440	30.12%
Non-resident	3,086,435	2.26%
<b>Non-Promoter Holdings</b>		
Mutual Fund & UTI	18,969,842	13.90%
Corporate Bodies	20,423,906	14.97%
Banks, Financial Institutions, State & Central Govt.	7,641,314	5.60%
Foreign Institutional Investors	31,631,579	23.18%
NRIs/OCBs/Foreign Nationals/GDRs	5,044,674	3.70%
Indian Public	8,566,792	6.28%
<b>GRAND TOTAL</b>	<b>136,464,982</b>	<b>100.00%</b>

### CATEGORIES OF SHAREHOLDERS



### 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 31<sup>st</sup> March, 2011 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, we certify that the Company has complied in all material respects with the other conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement. The minutes of some of the unlisted subsidiary companies however needs to be placed regularly before the board of the holding company.
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**  
**Firm Registration No 106971W**

**N. Jayendran**  
**Partner**  
**M.No. 40441**

Mumbai, Dated: 19<sup>th</sup> August, 2011

## CEO/CFO CERTIFICATION

To  
The Board of Directors  
**GAMMON INDIA LIMITED**

We, Abhijit Rajan, Chairman & Managing Director and Girish Bhat, 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 31<sup>st</sup> March, 2011 and that to the best of our knowledge and belief state that:
  - (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  
Place : Mumbai  
Date : 19<sup>th</sup> August, 2011

**GIRISH BHAT**  
Chief Financial Officer

## 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 31<sup>st</sup> March, 2011.

**FOR GAMMON INDIA LIMITED**  
**ABHIJIT RAJAN**  
Chairman & Managing Director

Place : Mumbai.  
Date : 19<sup>th</sup> August, 2011



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF GAMMON GROUP

Gammon India is amongst the largest physical infrastructure construction companies in India. Its track record spans significant landmark projects built over several decades, with a prominent presence across all sectors of civil engineering, design and construction. It has a track record of building landmark structures, some of which have become iconic. This includes 'The Gateway of India', the piling and civil foundation work which was successfully executed by Gammon as its maiden project way back in 1919.

Besides its large scale of operations in the Construction and Infrastructure domain, Gammon has a dominant presence in energy business in which it operates in the hydro, nuclear and thermal power sectors. In fact, Gammon's association with the construction of nuclear power projects dates back to 1959 when it completed the Pre-Stresses Concrete (PSC) Ball Tank of India's first Atomic Reactor Plant in Trombay. Gammon's projects cover businesses and projects involving highways, public utilities, environmental engineering and marine structures. Gammon's expertise also covers the design, financing, construction and operation of modern bridges, viaducts, and metro rail, both on a Built-Operate-Transfer (BOT) basis as well as contract execution. An example is the upcoming 'Signature Bridge' project in Wazirabad in North-West Delhi. This project would significantly help in the efficient flow and management of traffic in the region. Gammon is also active in the Social Infrastructure sector through its operations in the realty project segment. Examples include residential complexes such as Pebble Bay and Godrej WoodsMan Estate in Bangalore, Godrej Kalyan in Mumbai, RNA Exotica, Mumbai; Hotel complexes such as Hotel Leela Palace, Chennai and G Staad, Bangalore besides commercial complexes such as Galleria Mall (INXS) in Bangalore. Gammon is also currently undertaking a major project for ISKON at Sri Mayapur in West Bengal involving the construction of a temple complex and a modern cultural centre.

#### I. ECONOMIC OVERVIEW, INDUSTRY STRUCTURE AND DEVELOPMENT:

The construction industry under the infrastructure domain has in the recent past received a significant trust thanks to an acknowledgment of its importance by the Government and policy makers as a key Owner of economic growth. Despite this the fiscal year 2010-11 did not witness the unbundling of the full potential of the sector. This was due to factors both internal and external to the industry and the country. Externally the impact of global slowdown and consequent limitations of funding through the FII and the FDI route was a dampener for accelerated economic growth on the sector. Internally, factors of inflation combined with rising interest rates posed challenges to mobilisation of resources, a key requirement for large scale projects, covering civil, industrial structures, power transportation and related infrastructure linked areas. The encouraging signals, of course, are the governments' commitment to infrastructure as a prime driver of the nation's economic growth agenda. This would necessarily have to adopt the proven Public Private Partnership (PPP) Model. This will involve the private sector as a key stake holder so as to ensure that the plans translate to visible and time bound actions at the ground level. Indeed, the success of the PPP model in the modernisation of the country's major airports and some key national highway projects are encouraging. The involvement of the private sector would also hopefully focus on the critical aspect of improving operational efficiencies by adopting relevant and modern techniques in the information technology domain. Your Company has consciously decided to focus on these areas to remain competitive and capable to tap encouraging market opportunities in the construction sector which despite, very many challenges, is expected to clock a healthy 9% annual growth, against a global average growth of just over 5% for the sector. The global slowdown thus presents an opportunity for attracting large investment into the country at a time when the emerging economies with India as a key player are increasingly becoming the focus of financial and industrial activity.

#### II. SPECTRUM OF ACTIVITY AND REVIEW OF PERFORMANCE:

Besides the range of executed projects, the order-book position becomes a lead indicator of a Company's growth trends. Given the scale, size and lead times in the construction and civil engineering projects, this does help in assessing the Company's potential for consolidating and sustaining its growth. The Company's Order-book position, as of March 31, 2011, stood at ₹ 15,600 crore.

##### 1. Transportation Engineering:

Your Company is engaged in the design and construction of projects spanning roads, bridges, flyovers, metro railway systems, marine structures, ports and airports.

##### (a) Roads:

The Indian road network has grown tremendously since 1950. The total road length has increased from 0.4 million km (1950) to 3.32 million km (2010), making India the third largest road network in the world

after USA and China. Indian road network comprises of national highways and expressways, state highways, major district roads (MDRs), other district roads (ODRs), village and rural roads.

The Empowered groups of ministers (EGoM) for roads and highways have given an in-principle approval for converting 10,000 km. of state highway into national highways. Although approval was given in March 2010, the exact stretches are yet to be identified. Your Company would be participating in this development on a major scale.

Your Company is looking forward to participating in a wide range of Public private partnership projects. States such as Madhya Pradesh, Andhra Pradesh and Maharashtra have encouraging number of PPP based state highway projects under implementation. Meanwhile, over a dozen states have also set up their PPP cells and are drafting their respective PPP policies. All these bode well for the sector and your Company's future.

In the near future, Gammon India would also be actively participating in the mega highways and expressway development programmes launched by NHAI. The authority has planned 10 mega highway projects of each around 500 km. and worth ₹ 45-50 billion. NHAI also plans to develop 10,000 km. of expressways under phase VI of the National Highway Development Programme. Besides the MoRTH has approved development of 18,637 km. of greenfield expressways across the country. All these projects will be taken up on a build-operate-transfer (BOT) toll basis and are expected to be completed by 2022.

Some of the Current Projects in progress are:

- Agra Makhanpur Road Works valued at ₹ 328.49 crores.
- Gajol - Hilli Road Project valued at ₹ 223 crores.
- Gorakhpur Bypass (BOT) valued at ₹ 560 crores.
- Nasik Road Works valued at ₹ 621 crores.
- Bihar Road Works BR3 valued at ₹ 356.51 crores.
- Arunachal Road Works (SEPPA ROAD) valued at ₹ 87.55 crores.
- Patna Hazipur-Muzaffarpur Road (PATNA HAZIPUR - MUZAFFARPUR BYPASS ROAD) valued at ₹ 750 crores
- Dumuria Ranitalab Road Works (SH-69) (DUMURIA RANITALAO ROAD) valued at ₹ 313.50 crores.
- Gaya Rajauli Road Works (SH-70) valued at ₹ 105.51 crores.
- Karnataka Road Works - Package 4/5 (TUMKUR HAVERI ROAD PROJECT NH-4) valued at ₹ 404.22 crores

**(b) Bridges, Metro Viaducts and Flyovers:**

In spite of its prominent role in Indian economy, urban India faces serious problems due to population pressure, deterioration in the physical environment and quality of life. Traffic congestion has assumed critical dimensions in many metropolitan cities due to massive increase in the number of personal vehicles, inadequate road space and lack of public transport. Government has accorded highest priority to improving urban infrastructure by giving a boost to Metro Rail in almost all metropolitan cities of the country. The dedicated Freight Corridor Corporation of India will offer new opportunities for bridges, Rail track laying, signaling and Telecommunications approximately valued at ₹ 5,000 Crores. The Delhi, Chennai, Kolkata and Bangalore Metro Rail Projects offer new opportunities for Metro Construction and Metro viaduct. Your Company has secured contract valued at ₹ 1,947.30 crores for Execution of Contract UAA-02 and Contract UAA-03, of the Chennai Metro Project.

**Projects secured during the year are:**

- (1) Surat Cable Stayed Bridge, valued at ₹ 143.65 crores.
- (2) Pune Flyover at Kalewadi Phata, valued at ₹ 99.42 crores.
- (3) Development of Rail Infrastructure from Lapanga Station to Hindalco Alumina Plant Site of M/s Aditya Aluminium, valued at ₹ 40.20 crores.

**The Company completed the following Projects during the year:**

- (1) Elevated Road Project at Amritsar, valued at ₹ 216 crores for Design & Construction of 2-Lane Elevated Road from G.T. Road to Golden Temple and 4-Lane Elevated Road on G.T. Road from Maqbulpura Chowk to Bhandari Pul.
- (2) Contract No. BC 25, 27, 28, 29 and 30R of Delhi Metro Rail Corporation, valued at ₹ 315 crores.
- (3) DDA Flyover at Bund Road, Near Commonwealth Games Village completed ahead of schedule and opened to traffic before Commonwealth Games.
- (4) Elevated Viaduct for Bangalore Metro Rail.

**Some of the projects under execution are:**

- (1) Signature Bridge Project, valued at ₹ 632 crores for Construction of Main Cable Stayed Bridge over Yamuna River at Wazirabad, Delhi. The bridge will have a dual carriage way of 4-Lanes each. Length of main bridge is 575 mts. with extension of 112 meters. The height of the pylon is 151 mts. above the deck level.
- (2) Bongaigaon TT Foundation, valued at ₹ 63 crores for Construction of Pile and Well Foundation Package for River Crossing Location for 440 KV D/C Byrnihat-Bongaigaon Section of Palatana-Bongaigaon Transmission Line Associated with 726.6 MW Gas Based Power Plant at Palatana, Tripura.
- (3) Munger Bridge, valued at ₹ 363 crores for Construction of Steel Super Structure and Other Ancillary Works of Rail-cum-Road Bridge across River Ganga at Munger.
- (4) Bogibheel Bridge, valued at ₹ 363 crores across River Brahmaputra Near Dibrugarh.
- (5) Kosi Bridge, valued at approximately ₹ 368 crores for design, construction, finance, operation and maintenance of four lane Bridge across River Kosi including its approaches on NH-57 on Annuity Basis.
- (6) Godavari Bridge at Rajahmundry, valued at ₹ 700 crores Design, Construction, Finance, Operation and Maintenance of major Bridge across River Godavari on Rajahmundry side.
- (7) Contract from Kolkata Metro Rail Corporation (valued at ₹ 212 crores) for Design and Construction of 4.725 km. viaduct and portals for junction arrangement for future link to airport (elevated section) of East West Corridor of Kolkata Metro excluding viaduct at stations namely salt lake stadium, Bengal Chemical, City centre, Central park, Karunamoyee and Salt lake sector-V each of length 140 mts., on Subhash Sarobar to Salt lake Sector-V.
- (8) Wazirabad Bridge Project at Delhi, valued at ₹ 360 crores for Construction of major bridge and its approaches cross River Yamuna downstream of existing bridge at Wazirabad-Delhi.

**(c) Ports:**

The Indian coastline is dotted with 12 major ports and 187 minor ports. India has one of the largest merchant shipping fleet and is ranked 16th among the maritime countries. Indian shipbuilding industry currently accounts for about One per cent of the global shipbuilding market and is targeting a world share of 5 per cent by 2017. Your Company is currently executing the project for design, engineering, procurement and construction of Offshore Terminal for Mumbai Port Trust, valued at ₹ 436 crore.

**2. Power sector – Economic Scenario:**

Availability and access to energy are considered as catalysts for economic growth. The envisaged growth of the economy at 9% in the Eleventh Plan cannot be achieved without a commensurate increase in the availability of energy. At the end of 10th year plan there was 13% deficit in the peak load demand of electricity. The National Electricity Policy envisages "Power for all by 2012" and per capita availability of power to be increased to over 1,000 units.. With reference to the Ministry of Power's reports the Working Group on Power has recommended a plan size of about 82,200 MW for 12th Plan also. This would comprise hydro projects totaling about 30,000 MW, thermal projects totaling 42,200 MW and nuclear projects of about 10,000 MW capacities.

**Industrial/Power Structure and Development:**

Gammon has consolidated its position in this sector on account of the growth. The increase in demand of electricity and time bound implementations of various projects have helped in realising better output for the resources deployed. This is becoming one of the most important sector in the Company's growth agenda.



**(a) Thermal power:**

In the present situation thermal power generation is 65% of the total power generation capacity. Government is encouraging private players to be partner in the power sector development and the sector is de-licensed. This augurs well for the Company.

Projects under execution by the Company are:

Sr. No.	Scope	Value (₹ crore)
1.	Civil Works & Structural Works For 3300 Mw TPP at Tiroda, Maharashtra	350
2.	Main Plant & Offsite Civil works Pkg. for 3 x 500 Mw Vallur TPP, Tamil Nadu	446
3.	Civil & Structural Steel Works for 2 x 600 Mw TPP Near Tuticorin in Tamil Nadu	400

The general outlook of the sector is positive with availability of quality resources and competent human resource. The sector is becoming highly competitive as the risks involved are minimal.

**(b) Hydro power:**

India's energy portfolio today depends heavily on coal-based thermal energy, with hydropower accounting for only 26 percent of total power generation. The Government of India has set the target for India's optimum power system mix at 40 percent from hydropower and 60 percent from other sources. Though the government is emphasizing on the development of this renewable energy sector, there are many road blocks for conceiving any new Hydro Electric project. The main reasons for the slow development are difficult and inaccessible potential sites, land acquisition and rehabilitation, environmental clearance and political and local agitation. Government has amended its Hydro policy to reduce the gestation period of the project and encouraging the private players to be partner in the development of the sector. Some of the Hydro Power projects being executed by your Company are as follows:

Project	Scope	Job Value ₹ crore
Parbati HE Stage 2	Construction Civil Works for LOT PB-3 containing HRT 6.638 km. long, Adit of total length 905 mts., Surge Shaft, Pressure Shaft, Valve Gallery, Pothead Yard, Tail Race Works and Hydro Mechanical Works of Surge Shaft, Tail Race, Penstock steel liner and inspection gates.	799
Sewa HEP	Construction of Civil Works for Lot SW.1 of SEWA H.E. Project, Stage - II, Jammu & Kashmir, consisting of Diversion Tunnel, Coffor Dams, Concrete Gravity Dam, Desilting Chamber, HRT & Associated Works	196
Koldam HE Project	Construction of Power House, Tail Race Channel, Service Building and Maintenance, Bay Work and Penstock Tunnel work including Design, Fabrication, Erection, testing, commissioning of four Penstock linear etc, including all labour, plant, equipment and material for execution of civil & structural works and associated miscellaneous works.	219
Parbati stage 3	Construction of Civil Works for Lot PB III, consisting of Head Works, Power Intake , Head Race Tunnel, Surge Shaft & Pressure Shaft, Waterways, Down streams of Units, Power Station Civil Works, Cable Cum Ventilation Tunnel, Pothead Yard	291
Rampur HEP	Construction of Civil Works for HRT from Station 15.61 mts. to Station 12,900 mts. including Cut & Cover section, River Diversion works, Adits, Vehicular Gates etc for PKG-I of Rampur HE Project.	683
Bhutan HEP	Construction of Head Race Tunnel 10 mts. finished Dia of about 7.5 km. length and two Adits cumulative length of about 657 mts.	400

**(c) Nuclear Power:**

Nuclear projects totaling to 3,380 MW have been proposed for during 11th plan. Out of this, 220 MW (Kaiga U-3) has already been commissioned and the remaining projects are under construction which

includes India's first fast breeder reactor project at Kalpakkam. Gammon has completed the civil works of this fast bread reactor and other BOP structures. Company has also secured the job of construction of administrative building package from IGCAR near Kalpakkam.

India has a flourishing and largely indigenous nuclear power program and expects to have 20,000 MW nuclear capacities on line by 2020 and 63,000 Mw by 2032. It aims to supply 25% of electricity from nuclear power by 2050. There are huge developments happening in recent years and your company already has the prequalification criteria to secure the new contracts. Due to huge capital investments and long gestation period and clearance from various statutory bodies, there is delay in start up of these projects.

Projects secured in the current financial year are as below:

Sr. No.	Project	Value ₹ crore
1.	Construction of Phase-11 Buildings for IGCAR	76
2.	Turbine Bldg and Balance of Plants for 500 MWe PFBR, Kalpakkam	81

### 3. Pipeline Division:

The Pipeline Division of your Company has been performing as a single point service provider in the Cross Country Pipeline Sector. The division is capable of executing both item rate & lump sum contracts in India and overseas.

During the financial year 2010-11, this division has successfully completed the following projects worth ₹ 164 crore.

- (1) Duliajan Numaligarh Pipeline Project of M/s. DNP Limited, Assam.
- (2) Composite Works for Raman Mandi Pumping Station of M/s. Hindustan Petroleum Corp. Ltd.
- (3) Raman Mandi Bhatinda Bahadurgarh Pipeline Project of M/s. Hindustan Petroleum Corp. Ltd.
- (4) Kandla Samakhaili Pipeline Project of M/s. GAIL India Limited.

**Some of the Projects under execution include:**

- (1) Brahmaputra Pipeline Project of M/s. Brahmaputra Crackers & Polymers Ltd.
- (2) Bahadurgarh Tikrikalan Pipeline Project of M/s. Hindustan Petroleum Corp. Ltd.

After the successive completion of composite works at Raman Mandi Pumping Station, Gammon India is now qualified for the handling of Refinery Piping and Equipment Erection of major pipeline Projects.

### 4. Water and Environment:

The Infrastructure Industry in the country is witnessing a growing demand in the water and environment sector which has tremendous opportunities. The Central Public Health and Environmental Engineering Organization Estimates an investment requirement of ₹ 1.73 trillion for meeting 100% coverage of safe water supply and sanitation services by 2021 in the country. The Jawaharlal Nehru National Urban and Rural Management (JNNURM) allocations for water related projects are the highest. Water related projects form 63% of the total number of approved projects and 74% of the total approved cost.

With the growing priority of the government to this sector, Gammon India will be an active participant and has targeted projects valued at ₹ 1,300 crore in this sector.

- Currently, only 75% of the rural population and 85% of the urban population have access to public water supplies. However, municipal agencies in many Indian towns and cities are unable to increase their water supply capacities to match population growth, especially in the urban areas. The water requirement for industrial use alone is expected to quadruple from the current 30 billion cubic meters to 120 billion cubic meters, by 2025.
- The Central Public Health and Environmental Engineering estimates an Investment requirement of ₹ 1.73 trillion for meeting 100% coverage of safe water supply and sanitation services by 2021.

About 55% of the resources are likely to be mobilised through Programmes of the Union Government, 28% through State Outlays, 8% through institutional financing, 8% through assistance from external agencies, and the remaining 1% through PPPs.

- Growing urbanization has also resulted in large scale increase in pollution in cities all over the country which has led to growth of Treatment Plants for abatement of growing pollution in the river water sources. This is another area of opportunity for your company. Newer technologies like Membrane Technology, Reverse Osmosis are emerging trends which progressive companies engaged in the sector will bring to the table.

Some of the Projects under execution include:

Sr. No	Name of the Project	Estimated Cost (₹ crore)
1.	Design Build Contract with Operation and Maintenance for 3 years for Distribution MS/DI/PVC/HDPE Pipeline U/g. sumps ESRs, Staff quarters, compound wall & Pump House, Pumping Machineries with O & M for 3 years integrated Water Supply Scheme Phase-II, Part-II Based on Sardar Sarovar Canal Based.	107.45
2.	Design Construction of a complete new 107 MLD capacity Potable Water Supply Infrastructure project on Turnkey Basis for Guwahati City.	349.70
3.	Procurement of works (Item rate) for Supply, Installation, Construction and Commissioning of Rising & Transmission Main (Gravity Mains, Pressure Mains) Reservoirs for South Central Zone.	175.71
4.	Bangalore Water Supply and Sewerage Project – Procurement, Fabrication and Laying of Clear Water Trunk main from Vajarahalli to HBR on the east of Bangalore.	309.46
5.	Design, Engineering, Supply, Erection & Commissioning of Raw Water Intake project at Brahamana Gaon near Marthapur on Turnkey Basis.	33.75
6.	Design Build Operate Contract for Distribution Network for Narmada Canal Wankaner Group Water Supply Scheme of Wankaner, Rajkot District.	108.28
7.	EPC Contract of Jindal Intake Well at Brahmani River.	43.50

## 5. Chimneys and Cooling Towers:

### Chimneys:

Gammon has completed projects like Bellary TPS, Jhajjar Unit -1, Simhadri Unit-3, Jaigad TPS Chimneys, Seepco Jharsuguda in the last financial year. During the same period, the Company has also secured good number of orders from our valued clients like, Indiabulls Power, Nasik and Amravati Chimneys, GMR Tilda Power Project NDCT and Chimneys, JITPL Angul Civil Works & Chimneys, Aditya Birla Group Sambalpur Chimneys, Sasan Civil and Dredging works and IGCAR Buildings.

### Cooling Towers:

Gactel Turnkey Projects Limited (GTPL) (formerly Gammon Cooling Towers Limited) is a subsidiary of Gammon India and has been created to focus on Domestic and International markets for Cooling Towers and Cooling Systems. GTPL, in fact, is a sustained effort by Gammon to accumulate Experts from Cooling Towers Industry under a single roof.

GTPL's gamut of activities includes Concrete Cooling Towers, Pultruded FRP Cooling Towers, Conversion of Existing Timber Cooling Towers to Pultruded FRP Cooling Towers, Air Cooled Steam Condensers, Air Cooled Heat Exchangers and Customer services such as Refurbishment, Thermal and Structural upgradation and so on. GTPL is playing a major role in the process industry with its customized cooling solutions.

GTPL is well equipped to meet the customized requirements of the clients with an in-house team of more than 100 engineers from various disciplines dedicated to deliver solutions in Thermal, Mechanical, Electrical, Hydraulic, Instrumentation and Civil Engineering.

In FY 2010-11, GTPL has recorded an order book of approx ₹ 170 Crores by winning Cooling Tower projects from many prestigious clients such as Hindustan Petroleum Corporation Limited, Adani Infra India Limited, Lanco Infratech Limited, Vandana Vidhyut Limited, Jindal Steel & Power Limited, ONGC Petro Additions Limited, Mangalore Refinery and Petrochemicals Limited and many others.

The value of work executed during the year 2010-11 was ₹ 519 crore and the value of work in hand as on April 1, 2011 was ₹ 1,894 crore.

#### 6. Industrial Structures:

The Company has secured industrial structure projects to the tune of ₹ 234 crore (excluding the job secured for civil works in thermal power industry). Industrial structure constructions are fast track jobs as the infrastructure is directly linked to the planned production. Some of the projects under execution are:

Sr. No.	Project	Value (₹ crore)
1	Civil works for Beneficiation Plant #2 Phase II	11
2	Sea Water Intake & Out fall system – civil works for Coastal Energen (2X600 MW) TPP at Tuticorin	35
3	Dahej - Piling works	95
4	Civil works for CW works for Nevyeli Lignite Corporation Ltd.	23
5	CDQ & CRM-II (Part-2) Plant civil /Structural works Bellary	63

#### 7. Transmission and Distribution Business:

The Transmission and Distribution (T&D) business of the Company operates on Engineering Procurement Construction (EPC) basis in power transmission and distribution sector. With its execution capacities, large manufacturing capabilities for Transmission Tower & Conductor and Customer focus the Company is recognised as a leading player in India.

The Company has also been expanding its footings into overseas countries and executing EPC contracts in Algeria, Kenya, Afghanistan and also supplying towers to Nigeria, Ethiopia, Ghana, Sri Lanka, Oman, etc. With the thrust on privatization of Transmission Lines involving large investments in BOOT / BOO basis, the division is well positioned to capture the business opportunity having large manufacturing capacity for towers as well as conductors.

To cater to the ever growing power consumption, rapid industrialization and huge energy deficit, the Government of India had planned to make large capital expenditure in the 11th Five Year Plan in the Power Generation, Transmission and Distribution segments and set a target of adding about 78,000 MW of additional capacity. This will enable your Company to cater to the ever growing demand of power transmission and distribution.

Government had initiated several Schemes including Accelerated Power Development and Reforms Programme (APDRP) and the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) for bringing about qualitative improvements of the power distribution systems and electrification of all rural households and villages in India. The electrical energy requirement is expected to grow about 8% per annum.

Your Company is also looking for international opportunities in transmission and distribution business in Africa, Middle East and Central Asia.

With the addition of third tower manufacturing plant at Deoli, Wardha district, the capacity has been enhanced to 110,000 MT per annum. In addition to this, state of the art Tower Testing Station (R&D Centre) to test towers up to 1,200 kv has been set up at Deoli.

During the year, the Company successfully commissioned seven projects covering more than 748 kms transmission lines of 765 and 400 kv and 2,441 km of distribution lines. The Company also tested 735 kv towers for Canada and 400 kv Towers for Indian clients.

During the year, the Company was successful in securing transmission line orders for more than 1,375 kms in various voltage classes from domestic and overseas markets.

The Company has also forayed into manufacturing of high mast poles with the setting up of its subsidiary, Transrail Lighting Ltd. (TLL) which was commissioned in September 2010. The Company has in-house design, pole manufacturing capacity of 30,000 MT per annum which are required for Street Lights, Telecom, Stadiums, power transmission & distribution etc.

In India the transmission business of the Company mainly comes from Central utilities, State utilities and Private Sector clients.



The Company sees immense opportunities in the emerging markets such as Africa and Middle East on account of need for better power transmission network, funding support from multilateral agencies, power generation plans and spending by oil producing countries. The Company has adopted the route of forming subsidiaries and JV overseas to enter into newer markets with its subsidiary SAE Power Lines S.r.l., Italy which has been the global player in T&D sector.

With large Engineering set up, modern testing station and large manufacturing capabilities, the Company is looking for Tower and Conductor supply opportunities in the United States and Canada.

#### **8. International Business:**

Going forward, your organisation's strategy would be to expand its span and presence across its business especially in respect to the Energy and Real Estate space. Towards this, the Company is gearing its competitiveness so as to be a one-stop EPC resource entity and a total surplus provide across the energy value chain. The partnership with Brookfield Multiplex, Canada for strengthening resource and execution competencies in the real estate space is an example of your Company's focus on broad-basing its international presence and capabilities across its various business functions.

#### **Sofinter Group:**

Group Sofinter entered into a new Loan Agreement with the Italian banking system on 1st December 2009 but the actual financing under this document commenced in second quarter of 2010. Thereafter the two main revenue generating companies of the Group i.e. Sofinter S.p.A. and Ansaldo Caldaie S.p.A. were able to begin to return to the international markets for undertaking new orders.

The turnover of the Group was therefore considerably restricted mainly to the delivery of backlog orders which also in some cases were delayed due to the above delay in opening of banks lines. The economic crisis internationally, including in different parts of Europe, added to the general overall problems within the Group, especially in Ansaldo Caldaie which operates in the utility power plant segment, and is therefore more susceptible to economic trends.

Notwithstanding the above constraint, the consolidated turnover of Sofinter for the year 2010 closed with revenues of approximately 300.48 million Euro (previous year 446.40 million Euro), EBITDA of Euro 16.3 million (previous year 26.83 million Euro) and a Net Result of – 3.9 million Euros (previous year Euro - 411.588). These results were after providing an additional amount of Euro 9 million for contract risks provision, compared to the previous accounting year. Further a loss of approximately 4 million Euro relating to the operations of the resurge oriented company ITEA has been recognized during this period. A large part of this improvement in working result arose on account of tighter control of costs across all operations and continuous streamlining of procedures and processes across the company.

Sofinter (Macchi Division and SWS Division), Ansaldo Caldaie S.p.A and ITEA are the principal companies of the Sofinter Group.

#### **Sofinter S.p.A. (Macchi Division and SWS Division),**

The Macchi Division principally operates in the Oil & Gas industry and the major Oil producing nations are its principle markets. The projects of Macchi are principally accessed through global EPC contractors. In 2010 Macchi considerably consolidated its market position and its leadership position in the industrial boiler segment continues to remain and grow. As a further business opportunity, Macchi is expanding its service business by creating the necessary support centers at different location across its principle markets.

The SWS division operates in parallel with the Macchi division and is in the segment of water treatment with particular emphasis on desalination plants.

Sofinter S.p.A. recorded a turnover of 118 million Euro (previous year 156 million Euro), EBITDA of Euro 7.08 million (previous year Euro 19 million) and a net result of Euro 1.9 million (previous year 6.5 million Euro). The closing order book of Sofinter S.p.A. as of 31st December, 2010 was approximately Euro 160 millions.

#### **Ansaldo Caldaie S.p.A.**

Ansaldo Caldaie S.p.A. is in the utility power plant segment. Apart from the European market, the traditional market for the company has been in the Middle-East, which is witnessing varied degrees of political instability. This factor, coupled with the economic slow-down and delay in opening of bank lines, impacted the order booking of the

company during 2010 and also resulted in a slow-down on the execution of some of the principle orders. The entry of its affiliate company Ansaldo Caldaie Boilers India Private Limited into the supercritical boilers segment has got further delayed due to the pending litigation with NTPC in the Supreme Court of India. This delay has further affected the business plan of the company but it is hopeful that the favorable outcome in respect of the litigation at the level of the High Court would further get up held by the honorable Supreme Court in the days to come. Notwithstanding this setback with NTPC, the Company is offering jointly with Ansaldo Caldaie Boilers India Private Limited into several other Indian clients and it is expected that it would meet with success in this respect during the current year 2011.

Ansaldo Caldaie closed the financial year 2010 with revenues of Euro 128 million (previous year Euro 222 million) EBITDA of Euro 9.65 million (Previous year Euro 4.936 million) and net result of Euro 0.4 million (previous year Euro 4.9 million).

In order to stabilize its operations and further improve its performance, including its chances of winning orders in low cost countries, the company has embarked on a global procurement strategy which would allow it to source components and services from suppliers in low cost areas. Additionally the company has further strengthened its service activities by localizing the same through dedicated entities in different markets, which is already beginning to show results.

In order to further exploit the Indian market in the mid-size segment, the Company is also jointly offering with Gammon Group company Franco Tosi Meccanica S.p.A. for complete BTF Packages in this segment.

The portfolio of the company as at 31st December 2010 was approximately of Euro 165 million. However the company has a robust backlog of offers of over 1.5 billion Euro, many of which are expected to have a high rate of success.

#### **ITEA S.p.A.**

This company is dedicated to research activities in generation of clean power using coal, waste and biomass. While the company has completed most of the technical intervention necessary to optimize the performance of the plant using waste, it is still occupied with the development phase of the ISOTHERM PWR® plant for oxy combustion in the coal sector.

However the results so far achieved and the unexpected development in the energy segment as a result of the nuclear accident in Japan will have a positive impact on the future of ITEA technology and the company is already witnessing a greater keenness being shown by utility companies in developed nations to commercially exploit this technology locally. Negotiations have already commenced in this respect with major utility companies in the United States of America.

For the year 2010 ITEA closed with a significant loss of approximately Euro 4 millions (previous year loss of approximately Euro 5 millions).

Group Sofinter is expected to clock revenues of Euro 278.1 million during 2011, with a net result of approximately Euro 0.1 million. The Group is in an advanced stage of further enhancing credit lines with the Banks to meet its Plans up to December 2014, against further capital infusion of Euro 18 million, for which the participation of a new investor with a minority stake in Sofinter is under implementation.

#### **Franco Tosi Meccanica S.p.A:**

The Company in the financial year 2010 has further consolidated its position in the market as a quality manufacturer of power generation equipment. New orders were booked during the year amounting to Euro 197,9 million in comparison to Euro 181,4 million of the preceding year and almost tripled in comparison to Euro 68,4 million in 2008 when the Gammon Group acquired the Company. Two of the most important orders bagged by the company in FY 2010 were from Petrobras (Brazil) for the supply of 3 steam turbo-generators amounting to Euro 36,2 million and from Enel Nicaragua for the rehabilitation of 2 power plants amounting to Euro 39.7 million, which confirmed the good positioning of the Company in the fast growing Latin-American market. The Company has been strongly impacted with the cancellation by the customer "Hydrogen Energy International Ltd." & "Future Abu Dhabi Energy Company" of the contract for the supply of 1 x 260 MW steam turbine amounting to Euro 43,7 million for temporary lack of financial coverage, due to the persistent credit freeze by the banking system. Despite the cancellation of the orders the company has maintained a very interesting backlog of over Euro 310 million. As mentioned above the difficulty in obtaining timely credit facilities from the Italian banking system and the delay in tying up for support from banks outside Italy led to a lower volume of production and consequently a lower turnover of Euro 68.26 million (Euro 92.03 million in 2009).

The operative margin for financial year 2010 is comparable to 2009 if the impact of Port Sudan Project is not considered. Also a substantial reduction of overall risk funds for Euro 4.2 million has been a significant achievement of Project Management in 2010. The year also started with streamlined global procurement activity and its full benefit will be in the years to come. The financial year 2010 closed with a negative result of Euro 15.583K in comparison to a positive result of Euro 176K of 2009.

The implementation of the plan involving activities to improve performance of production is in progress, with the aim to (i) Reduce costs, (ii) Improve Quality and (iii) Improve the service granted to the Client. Continuous reduction in costs is being pursued through optimization of the high value activities carried out in the shops, the continuous analysis of production activities the adoption of a lean manufacturing organization and layout revision.

#### **SAE Power Lines S.r.L.:**

The activities of the Company relating to the fabrication and erection of transmission towers and lines continues to be steady with adequate and promising prospects as we look ahead. This is despite the pressure on liquidity in the global markets which would also have an impact in the emerging markets. However the prospects of good opportunities over the medium to long-term especially in markets in North East and West Africa are encouraging as also in the emerging markets including India, Brazil and the Middle East. The Company is continuing its focus on good market opportunities in the United States of America as well as Mexico for the future for all its products and services.

During the calendar year 2010, the Company recorded a turnover of Euro 32.02 million, an EBITDA of Euro 1.96 million and PAT of Euro 4.60 million.

Further, the year end order book was Euro 56 million. Additionally the company is well positioned on its bids which are approximately in the range of Euro 55 million.

#### **Oil and Gas - Campo Puma Oriente S.A.:**

The Puma Block is located in Ecuador's Oriente Basin, 50 km south of Puerto Francisco de Orellana approximately 400 Km east of Quito awarded to Pegaso Consortium (Gammon India Limited through Campo Puma Oriente S.A. has a share of 66.4% in the consortium). The contract was originally established as a Production Sharing Contract, which entitled the contractor to a share on the incremental production above an established base production output. After a reform on the Hydrocarbon Law on 2010, all operators in Ecuador had to undergo a contract renegotiation process to migrate to the newly established Service Contract model. The revised Puma Block contract was signed and registered on February 1st, 2011 for an 18 year term. The primary objective of the project is the exploration, development, and production of hydrocarbons in the Puma Block through a Service Contract signed with the Ecuadorian government. From the beginning of the Block's development in late 2008, 90% of all production facilities have been built and are currently in operation; 7 wells have been drilled and are currently producing with a 100% success rate on development well drilling. Puma Block is currently producing an average of 1,800 barrels of oil per day. 15 km. of 2D seismic were surveyed during late 2010, which will provide for valuable information regarding the reservoir currently in production. Based on this information, 2 additional development wells will be drilled between late 2011, and early 2012 to increase production.

The total investment plan for the initial stage of Puma Block's exploration and development (2008 – 2015) is USD 100.6 million Out of the total project cost described in the previous section, the Consortium has invested USD 49.9 million as of December 31st, 2010.

The estimated production output for the Puma Block's current developed and producing field is 1,800 barrels per day for the remaining contractual term (2011 – 2028), is a total recovery of 11 million barrels. This implies a 20% recovery factor over a total 50 million barrels estimated Original Oil in Place. This development considers 9 currently drilled wells plus 2 additional development wells. At a Service Fee of \$21.1/barrel, as established in the new Service Contract, the total resource pool created by the project is \$232 million.

### **9. Real Estate Business:**

Real estate, a "sunshine industry" in India, is flourishing rapidly, propelled by strong demand drivers and significant transformations such as deregulation of the sector, increasing transparency and professionalism, improved product quality and service standards etc.

Further, the housing sector has been growing at an average of 34% annually, while the hospitality industry witnessed a growth of 10-15% last year. Apart from the huge demand, India also scores on the construction

front. The importance of the Real Estate sector, as an engine of the nation's growth, can be gauged from the fact that it is the second largest employer next only to agriculture.

Gammon Realty Limited which principally functions as the Real Estate arm of Gammon India Limited has forayed in to varied Real Estate developments in the past few years with strategic decisions being taken to increase land bank thereby positioning itself to become a major Real Estate player in the coming years.

**Opportunities:**

The demand for housing is expected to grow at around 14 per cent per annum. There is scope for 400 new township projects over the next five years, spread across 30 to 35 cities, each with a population of 0.5 million. The demand for office space (excluding government and public sector) doubled from 50 msf in 2002 to 100 msf in 2005 and is expected to rise to 500 million sq. ft in the next ten years. The organised retail industry is expected to grow at around 27 per cent annually, growing from ₹ 6 billion in 2005 to ₹ 23 billion in 2010.

**Threats:**

- Lack of uniformity in Local Laws and their implementation.
- Non-availability of Bank Financing.
- High Interest rates.
- Absence of centralized title registry.
- Lack of clarity in Redevelopment rules and regulations.
- Lack of Urban Planning.
- Procedural complexities.
- Limited market history.
- No title insurance.

**Outlook:**

Your Company is well placed to continue to lead the Real Estate industry in India and has multiple opportunities for growth and diversification across all lines of business.

Key priorities going forward include focusing on execution of current and planned projects, building a pan-Indian presence, expanding into new consumer segments, pursuing new business opportunities and achieving the highest standards of professionalism, ethics and customer service. Investment in property is believed to be the smartest move as chances of loss is negligible. The growth graph of the Real Estate Sector is observed to be escalating day by day.

There has been a substantial increase in your Company's Land Bank with a development potential of more than 3 million square feet, of which a major portion is in the Metro and Super Metro regions. This transformation has been made possible through a series of bold and far-sighted decisions aimed at enhancing our internal corporate efficiency and upgrading our capabilities for project implementation and delivery in tune with global standards.

Your Company has over the years through its subsidiaries acquired substantial presence in the Real Estate Sector across India. The following subsidiaries of Gammon are active in this segment:

1. Metropolitan Infra-housing Private Limited: Acquired 180 Acres of Land in auction within the limits of Municipal Corporation of Kalyan and Dombivali. The land was acquired at total cost of ₹ 726 crores. The land belonged to the erstwhile Pal Peugeot Limited, and is proposed to be developed as a Township Project.
2. Deepmala Infrastructure Private Limited: A subsidiary of your Company was incorporated as a Special Purpose Vehicle for execution of Central Business District at Bhopal. The project involves Procurement, Finance, Construction, and Development of 15 Acres of prime area in South TT Nagar Bhopal. It is a PPP project with lease period of 30 years extendable thereafter for another 30 years at no additional costs.
3. Preeti Townships Private Limited: Another subsidiary is holding 15 Acres of Land within the limits of Municipal Corporation of Kalyan and Dombivali.



4. Your Company has entered into Joint Venture Agreement with Multiplex Constructions India Private Limited, an Indian arm of Brookfield Multiplex for construction of High Rise structures both residential and commercial. The innovations at Brookfield and quality standards of Gammon complement each other for a sustained relationship in the field of Real Estate.
5. Gammon Realty Limited has in the recent past also quoted some Re-development tenders and is well placed in acquiring some of these jobs which will mark a foray of Gammon Realty in to the field of re-development.

#### 10. Multistoried Buildings:

During the economic slowdown the real estate sector is grown in double digits and will continue to participate the growth momentum. It has been observed that the demand for the real estate was increased as most of the newly earning young people have started investing in property which is first in their priority list. Malls and multiplexes are built to enhance the lifestyle of the common people.

Gammon India Ltd has successfully secured building projects valued at ₹ 1,500 crore in the year under review at Mumbai and Bangalore region. These regions have shown huge demand for real estate. The major clients include Runwal Group, Iskcon, RNA, Sattva Group, and Godrej.

##### Some of the major projects under execution include:

- RNA Address at Kalina, Mumbai having cost of ₹ 60 crore.
- Runwal Greens, the high-rise 8 towers in the centre suburb at Mulund, Mumbai having cost ₹ 313 crore.
- 5 star Hotel at Andheri, Mumbai Novotel having cost of ₹ 61 crore.
- Salarpuria Gold one of the tallest Residential Tower of Sattva group at Bangalore having cost of ₹ 40 crore with free issue of construction material.
- Runwal Elegant, Andheri, Mumbai 3 towers of 30 floors having cost of ₹ 206 crore.
- Sattva Magnificia & Sattva Galleria, Bangalore having cost of ₹ 88.79 crore & ₹ 31.91 crore respectively.

##### Successfully completed major projects are:

- Hotel Leela Palace (5 Star), Chennai, having construction area of 800,000 Sq. ft. & costing of ₹ 117.65 crore.
- GSTAAD Hotel, Bangalore costing of ₹ 7.88 crore.
- Godrej Woodsmen Estate, Bangalore having construction area of 21,00,0000 Sqft & costing of ₹ 70.71 crore.

#### 11. Public Private Partnership Projects:

Your Company undertakes Public Partnership projects through its subsidiary Gammon Infrastructure Projects Limited. Detailed below is the review of projects in the operations phase and also projects under development:

##### A. Operational projects

###### 1. Rajahmundry Expressway Limited (REL):

REL is an SPV created for executing the project for widening and strengthening of a 53 km stretch between Rajahmundry and Dharmavaram in Andhra Pradesh on NH 5, connecting Chennai and Kolkata. The project has a 17.5-year concession period, including a 2.5-year construction period. The project has been capitalised at ₹ 25,600 lakhs. As of March 31, 2011, REL has received 12 annuities from NHAI (each semi-annual annuity amounting to ₹ 2961.9 lakhs)

###### 2. Andhra Expressway Limited (AEL):

AEL is an SPV created for executing the project for widening and strengthening of the 47 km stretch between Dharmavaram and Tuni in Andhra Pradesh on NH 5, connecting Chennai and Kolkata. The project has a 17.5-year concession period, including 2.5-year construction period. The project has been capitalised at ₹ 24,800 lakhs. As of March 31, 2011, AEL has received 12 annuities from NHAI (each semi-annual annuity amounting to ₹ 2791.2 lakhs).

**3. Cochin Bridge Infrastructure Company Limited (CBICL):**

CBICL is an SPV promoted for developing the New Mattancherry Bridge Project, in Cochin, Kerala on BOT (toll) basis. The 750 mtrs. long bridge connects Fort Kochi (a heritage town and a famous tourist site) to Willingdon Island in the Cochin Port Trust area and is operational since the preceding 8.5 years.

The construction was completed 10 months ahead of schedule, which resulted in the early collection of toll revenues. At present, the bridge witnesses daily traffic of around 18,000 passenger car units. The project had been capitalized at ₹ 2,574 lakhs.

**4. Mumbai Nasik Expressway Limited (MNEL):**

MNEL is the SPV created for widening, strengthening and operating the 99.5 km Vadape–Gonde (Mumbai–Nasik) section of NH–3 on BOT basis. The project is part of the NHDP Phase III. The concession period for the project is 20 years, including a 3 year construction period. The total project cost is estimated to be ₹ 898 crore.

Financial closure for the project has been achieved and presently the project is under its implementation phase, with a total capitalisation of ₹ 7,780 lakhs as of March 31, 2011.

The EPC Contract for the project was awarded to GIL. The responsibilities of Operations (toll collection and Maintenance) of the project was awarded to GIPL. The project achieved partial completion for a stretch of 64 km in May, 2010 and has commenced operations (Toll Collections).

**5. Vizag Seaport Private Limited (VSPL):**

VSPL is the SPV formed to develop, construct, operate and manage two multi-purpose berths in the northern arm of the inner harbour at Visakhapatnam Port on BOT basis. VSPL has developed the berths and terminal as a fully mechanized integrated handling system incorporating state-of-the-art technologies, capable of handling cargo up to 9 MMTPA.

As of March 31, 2011 the project has been capitalized at ₹ 31,858.80 Lakhs. VSPL has the rights to operate the project for another 21 years.

**6. Punjab Biomass Power Limited (PBPL)**

PBPL is the SPV formed to develop up to nine biomass based power projects, each having power generation potential in the range of 10 MW to 15 MW, in the State of Punjab. Rice straw, available abundantly in Punjab, will be the chief fuel for these projects. In addition, the projects will also use other biomass such as rice husk

**B. Projects under Active development**

**1. Rajahmundry Godavari Bridge Limited (RGBL)**

RGBL is the SPV incorporated for design, construction, operation and maintenance of a 4.15 km long four-lane bridge, which will connect Kovvur and Rajahmundry in Andhra Pradesh across the Godavari River, with 10.34 km of approach roads. The concession period for the project is 25 years, including a construction period of three years. The total project cost is estimated to be ₹ 86,110 lakhs. The EPC Contract for the project was awarded to GIL.

**2. Kosi Bridge Infrastructure Company Limited (KBICL)**

KBICL is the SPV incorporated for design, construction, development, finance, operation and maintenance of a 1.8 km long four-lane bridge across river Kosi with 8.2 km of access roads and bunds for flood protection on NH-57 in the Supaul district of Bihar on BOT(Annuity) basis. The concession period is 20 years, ending in April 2027, of which 17 years is for operations and 3 years is for construction. The EPC Contract for the project was awarded to GIL.

**3. Gorakhpur Infrastructure Company Limited (GICL)**

GICL is the SPV incorporated for design, construction, finance and maintenance of a 32.27 km long four-lane bypass to Gorakhpur town on NH-28 in the State of Uttar Pradesh on BOT (Annuity) basis. The concession period is 20 years, ending in April, 2027, of which 17.5 years is for operations and 2.5 years is for construction. The EPC Contract for the project was awarded to GIL. GICL will receive an annuity payment of ₹ 4,860 lakhs from NHAI, semi-annually, during the entire operations period. The total project cost is estimated to be ₹ 68,601 lakhs.

**4. Patna Highway Projects Limited (PHPL)**

PHPL is the SPV incorporated for design, construction, finance and maintenance of a 63.17 km long four-lane dual carriageway on NH-77, which includes new bypass of 16.87 km connecting NH-28 in the State of Bihar on BOT (Annuity) basis.

The concession period is 15 years, ending in August, 2025, of which 12.5 years is for operations and 2.5 years is for construction. The EPC Contract for the project was awarded to GIL.

**5. Indira Container Terminal Private Limited (ICTPL)**

ICTPL is the SPV incorporated in September 2007 to undertake the implementation, development, operation and maintenance of two Offshore Container Terminal berths at Mumbai harbor (OCT Project), operation and maintenance of existing container operation of Mumbai Port Trust (MbPT) at its Ballard Pier Station (BPS), off the coast of Mumbai on BOT basis. The license period for the project is 30 years, including 3 years of construction and equipping. The EPC contract of the project has been awarded to GIL. The total capitalization of the project is ₹ 24,130 Lakhs as of March 31, 2011.

**6. Blue Water Iron Ore Terminal Private Limited (BWOTPL)**

BWOTPL is the SPV for design, finance, construction, operation, maintenance and marketing of an iron ore handling facility in Paradip port, Orissa and the provision of related services. The terminal is being designed to handle a minimum of 10 million tons of iron ore annually at an estimated project cost of ₹ 56,800 lakhs.

The concession agreement was signed in July 2009 with a concession period of 30 years, including 3 years of construction.

**7. Pravara Renewable Energy Limited (PREL)**

PREL is the SPV incorporated for design, construction, finance and operation of a 30 MW co-generation power project on BOOT basis with Padmashri Dr. Vitthalrao Vikhe Patil Sahakari Sakhar Karkhana Limited ("Karkhana") in Pravara Nagar, Maharashtra.

As per the Project Development Agreement executed with Karkhana, PREL shall be responsible for designing, development, procurement, installation, erection commissioning, operation and maintenance of the co-generation facility for a period of 25 years after commercial operation date. The co-generation plant will be set up within the premises of the Karkhana and a land lease agreement is already signed.

**8. Sikkim Hydro Power Ventures Limited (SHPVL)**

SHPVL is the SPV floated to develop 66 MW Rangit II Hydroelectric Power Project in Sikkim on BOOT basis. The project involves the development of a 66 MW run-of-the-river Hydroelectric Power Project on the Rimbi River, a tributary of Rangit River.

**9. Youngthang Power Ventures Limited (YPVL)**

YPVL is the SPV incorporated to implement the project involving the development of a 261 MW run-of-the-river hydroelectric power project in Himachal Pradesh on a BOOT basis at an estimated cost of ₹ 250,000 lakhs. The concession period of the project is 40 years, post commencement of commercial operations.

**C. Other Projects in pre-development phase**

The following other projects are also under development by the Company.

**1. SEZ Adityapur Limited (SEZAL)**

SEZAL was incorporated to implement the project of development of an SEZ for automobile and auto components at Adityapur, in Jharkhand in eastern India. The state government is expected to lease out the land to the SPV measuring approximately ninety (90) acres for a period of 90 years. Adityapur Industrial Area Development Authority is the nodal agency for the project.

**2. Tidong Hydro Power Limited (THPL)**

THPL was incorporated by the Company for developing a 60 MW hydro-electric project in Himachal Pradesh for which it had received a letter of intent (LOI) from the Government of Himachal Pradesh (GoHP).

### 3. TADA SEZ Project

The Company has identified approximately 1,150 acres of land at TADA in the Chittoor District of Andhra Pradesh. Land acquisition is currently in progress.

### III. FINANCIAL AND OPERATIONAL PERFORMANCE:

The Turnover of the Company on a Standalone basis stood at ₹ 5637 crore for the year ended 31st March, 2011 (₹ 4534 crore previous year). Operating Profit (PBDIT) amounted to ₹ 250 crore (₹ 381 crore previous year). After providing ₹ 92 crore (₹ 71 crore for the previous year) towards depreciation and ₹ 58 crore (₹ 86 crore previous year) towards tax for current and differed taxation, the net profit amounted to ₹ 118 crore (₹ 126 crore previous year). The annualized percentage increase in turnover over previous year amounted to 24.32%.

On a consolidated basis the turnover of the Gammon group stood at ₹ 8899.70 crores for the year ended 31st March, 2011. The annualised percentage increase in turnover over previous year amounted to 25.11%.

The order book position of your Company as on 31st March, 2011 stood at ₹ 15,600 crore.

### IV. RISK MANAGEMENT:

Risk management is one of the key focus areas for your Company in its endeavour to protect its earnings and reduce/eliminate losses arising out of the various risks it faces. Over the years, your Company has steadily incorporated best practices in risk management. Each and every function has been covered in the ambit of risk management and your company has evolved processes to mitigate all known risks. Your Company has undertaken an elaborate process of documenting and standardizing its process to reduce risks. It has also undertaken steps to review its processes followed across key functions like bidding, project management, procurement etc. to identify risk prone processes and to build up rigorous processes.

Broadly, risks that your Company faces are grouped under the following heads:

- (i) **Internal Risks:** These are risks that arise out of processes which are controlled and managed internally. These could be in the nature of errors, delays, documentation etc. which are all directly linked to our operations. Bidding process, Project management, Procurement, Materials & Finance management are the most important risks under this category. Selection of partners, vendors, projects etc. also form part of this risk. Your Company has prepared standard operating processes and created clear delegation of powers to manage all its operations. Internal audit is closely involved in inspection and audit to ensure adherence. These are also covered in the periodic reviews that are conducted in each function on weekly, fortnightly or monthly basis.
- (ii) **External Risks:** Risks that arise out of changes in the external environment are classified under this head. These are mostly outside of our control for e.g. changes in interest rates, changes in exchange rates, changes in commodity prices etc. Our endeavour has been in taking proactive steps to mitigate these in the form of having "escalation" clause, creating sufficient buffers in the pricing, making suitable provisions in books, insurance cover, hedging of forex transactions etc. We are also regularly tracking key matrices in order to create stronger forecasting abilities and prepare ourselves better. To the extent possible, your company has also incorporated strong internal processes like disaster management process to control such eventualities.
- (iii) **Strategy Risk:** Risks that arise out of strategic decisions may be grouped under this head. Your company has recognised this and has put in place a strategy team to analyse, advice and forecast consequences of strategic decisions.

### V. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has deployed an adequate internal control system, commensurate to its size & business. It provides reasonable assurance of recording the transactions of its operations in all material aspects & of providing protection against misuse or loss of company's assets.

The Company has recently implemented ERP system so documentation of standard operating procedure is under progress. Internal audit will review the checks and controls in compliance with documented procedure.

The internal audit team consists of both in-house techno-commercial professionals and independent firms of Chartered Accountants, who conduct the internal audits at regular interval & reports to Audit Committee.

The Audit Committee consists of Independent Directors and is headed by experienced professionals. The Committee meets periodically to review the auditors' reports & their observations and makes recommendations for adequacy, effectiveness of internal controls & required remedial action, if any, to the Board of Directors for its implementation.



## VI. NON-FINANCIAL ORGANISATIONAL INITIATIVES:

EESOH (Employee Environment Safety and Occupational Health) is an organization wide initiative being undertaken in Gammon to promote, inculcate and strengthen sustainable work processes, procedures and practices.

Recognizing the importance of involving and engaging employees across all functions and businesses in the organization, Gammon India has structured relevant programs primarily lead by functions in the non-financial areas. While tangible benefits from this drive are already visible.

The organization is intent on strengthening this approach as a key ingredient of a sustained organizational effectiveness programme. This will further reinforce the innate core competencies of the company and provide it a competitive edge, be it in terms of goodwill, customer value, employee morale and response to market and environmental challenges.

The key focus area for Gammon India Limited in 2010-2011 has been with setting up systems and processes to ensure that our functioning is in line with our commitments to our stakeholders and the changing market scenario. The areas included, but not limited to are, human resource management, safety, environment, information technology and various other new initiatives.

### HUMAN RESOURCE MANAGEMENT

- New and improved **HR policy**
- **Employee grievance management** through Grievance redressal Cell and Grievance Policy with targeted closure of grievance within 30 days.
- Updating the existing **Enterprise Resource Planning** software for increased efficiency in people management.
- **Balanced score card** at managerial levels for role definitions and clarity.
- **Competency mapping** for talent identification and promotions undertaken at 171 stores and for 232 employees in safety function.
- **Gallop management development** program for high achievers.

### OCCUPATIONAL HEALTH AND SAFETY

- **Restructuring and reorganization** of the Department for better calibration and monitoring.
- Established **new procedures** for increased monitoring and mapping of processes.
- Initiated **competency mapping** for all safety employees.
- November 2010 was declared as the **Safety Month** across Gammon India Limited.

### ENVIRONMENTAL MANAGEMENT

- Established **new procedures** for environmental management.
- Tracking of **compliance** so as conform to legal requirements.

### NEW INITIATIVES

- Integration of management systems - **process mapping** at site and departments, training management representatives and internal auditors, established key procedures for environment, safety and occupational health.
- Initiated 5S implementation at sites.
- Established a web based **vehicle tracking system** on a pilot scale.

### HUMAN RESOURCE

- Increasing employee productivity by initiating studies for rationalizing roles, responsibilities and rightsizing through a third party.
- Establishing a comprehensive Employee Self Service (ESS) system at Group level.
- Leadership Development- targeted Elite Task Force of 200 Project-in-charges and 100 leaders by 2013.

- Integration of human resource management for all Group companies to enhance productivity.
- Launching internal customer satisfaction platform for improving efficiency.
- Competency mapping for various departments such as Plant, Administration, Human Resource, etc.
- SBS (Shared Business Services) establishment for backend recruitment activities.
- Outsourcing payroll for greater productivity.
- Talent retention and skill development.

#### **OCCUPATIONAL HEALTH AND SAFETY**

- Skill development and training based on competency assessment.
- Contractor safety management system to be implemented.
- Standardisation of procedures to enable significant improvement in performance from 2010-2011.
- Establishing the system across the Group for awards-recognition-penalties.
- Medical check-ups for workers for critical jobs.
- Appointment of occupational health practitioner and establishing standardised check-ups and systems.

#### **ENVIRONMENTAL MANAGEMENT**

- Initiate programs for "using water responsibly" and "being energy conscious".
- Initiate data capture and management for environmental parameters.
- Measure energy consumption with respect to turn over for major equipment/plant.
- Ensure that all environmental management procedures are standardized at Group level.

#### **INFORMATION TECHNOLOGY**

- Revamp of existing data centre and network solutions.
- Advanced disaster recovery system.
- Revamping existing e-mail, intranet portal and vendor portal.
- Communication partner for bringing all communication needs under one umbrella (e.g. video/audio conferencing).

### **VII. 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.

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

1. We have audited the attached Balance Sheet of **Gammon India Limited** ("the Company") as at 31<sup>st</sup> March 2011 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date in which are incorporated the returns of the Nagpur branch including the overseas branches at Algeria, Nigeria, Kenya, Bhutan & Italy audited by branch auditors. 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. Without qualifying our report we invite attention to:
  - a. Note no. 13 to the notes to accounts relating to recoverability of an amount of ₹ 94.54 crores under sundry debtors in respect of recognition of contract revenue in previous years where the company has received arbitration awards in its favour in respect of which the client has preferred an appeal for setting aside the said arbitration awards. The recoverability is dependent upon the final outcome of the appeals getting resolved in favour of the company.
  - b. Note no. 29C to the notes to accounts relating to the investments in one of the joint ventures of a wholly owned subsidiary which has applied for creditors' protection in a Court in Italy. The final outcome and the resultant investment would be dependent upon the approval of the courts to the composition scheme pending which no effects have been taken in these accounts.
  - c. Note no. 37(b) to the notes to accounts relating to recognition of variation claims and revenue in respect of works carried out by the joint venture in Oman, where the final outcome of the project is dependent on the resolution of the disputes and settlement of the claims by the client.
4. 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 on the basis of information and explanations received by us and reports of the branch auditors on which we have relied.
5. 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. Proper returns adequate for the purpose of our audit have been received from the branches not visited by us.
  - (iii) The reports on accounts of the branches audited by the other Auditors have been forwarded to us and have been appropriately dealt by us in preparing our report.
  - (iv) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
  - (v) 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.

- (vi) 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 31<sup>st</sup> March 2011 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.
- (vii) In our opinion and to the best of our information and according to the explanation given to us, the said accounts and the notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (a) in the case of Balance Sheet of the State of Affairs of the Company as at 31<sup>st</sup> March 2011 and
- (b) in the case of Profit and Loss Account of the profit for the year ended on 31<sup>st</sup> March 2011.
- (c) in the case of the Cash Flow Statement, of the net cash flow for the year ended on that date.

For NATVARLAL VEPARI & CO.  
*Chartered Accountants*  
Firm Registration No. 106971W

N. Jayendran  
*Partner*  
M. No. 40441

Mumbai, Dated: 12<sup>th</sup> August, 2011



**ANNEXURE TO THE AUDITORS' REPORT  
(REFERRED TO IN PARAGRAPH 5 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.
- (c) The Company has not disposed off any substantial part of the fixed assets.
- (ii) (a) The Company is primarily 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. In respect of its manufacturing operations the stock of finished goods, stores, spare parts and raw materials has been physically verified by the management at reasonable intervals during the year.
- (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 during the year granted unsecured loans to 2 party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 160.92 crores and at the end of the year balance of loans granted to such parties was ₹ 160.92 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, wherever charged. The outstanding interest receivable as at 31<sup>st</sup> March 2011 was ₹ 23.79 crores.
- (d) The Company has not taken any loans from parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us there is a reasonable 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 which has scope for further improvement. We have however 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 have been so 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. We are further informed that no orders have been passed by the Company law board in the case of the Company requiring compliance.
- (vii) In our opinion the internal audit system is presently commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 with respect to the Branch's Conductor Division and that the Branch has maintained such accounts and records. No examination of such records has been carried out by us.
- (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 *except for many cases of delays observed in deposit of TDS, service tax and PF at sites.*

- (b) 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 ₹ 0.19 crores to be deposited with Investor Education and Protection Fund.
- (c) 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	State	Nature of the dues	Amount in Crores	Period to which it relates	Forum where Dispute is pending
Sales Tax	A.P.	Sales in Transit (E-1)	0.13	1987-88	D.C. Appeals
	A.P.	Reassessment matter	0.23	1999-00	Tribunal
	A.P.	Reassessment matter	0.19	2001-02	H.C.
	A.P.	Tax levied on value of material instead of purchase price. Rule 6(3)(i)	2.10	2002-03	Tribunal/H.C.
	A.P.	Tax levied on value of material instead of purchase price. Rule 6(3)(i)	1.64	2003-04	Tribunal/H.C.
	A.P.	Disallowance of Inter state purchase	0.23	2005-07	H.C.
	A.P.	Levy of Penalty	1.89	2005-07	H.C.
Sales Tax	Gujarat	Levy of Penalty	0.01	2001-02	J. C. Appeals
	Gujarat	Levy of Penalty	0.22	2003-04	J. C. Appeals
	Gujarat	Disallowance of TDS Credit & Penalty charged	0.11	2004-05	Asst. Commissioner of commercial tax
Sales Tax	M.P.	Entry Tax	0.01	1992-93 & 1993-94	A.C. Appeals
		Entry Tax	0.10	2009-10	D.C. Appeals
Sales Tax	Maharashtra	Denial of deduction on Pre cost component	0.79	1993-94 to 1997-98	Tribunal/A.C. Appeals
		Disallowance of WCT & BST	5.84	2000 to 2002	Jt. Appeals/Tribunal
		Lease Matter	0.19	1998-99 to 2001-02	Bombay High Court/Jt. Appeals
		Lease Matter	0.10	2005-06	Jt. Appeals II
Sales Tax	Orissa	Lab. and Service Charges disallowed	0.11	1992-93 to 1999-00	A.C. Appeals
		Various disallowance	0.88	2001-04	A.C. Appeals
Sales Tax	West Bengal	CTO wrongly estimated Transfer Price	0.64	1994-95 to 2002-03	Tribunal
		Arbitrary demand	4.98	2007-08	Tribunal
Sales Tax	Jharkhand	Non Receipt of F Form	0.04	2001-02	C.T.
Sales Tax	H.P.	Disallowance of deduction	1.82	2006-09	High Court
Sales Tax	Chattisgarh	Entry Tax	0.05	1979-80 to 1998-99	Tribunal
Sales Tax	Kerala	Best Judgment Offer	0.45	1999-00 to 2000-01	D.C. Appeals
Sales Tax	Assam	Arbitrary Demand	1.12	2006-07	Appeal
Service Tax	Gujarat	River Development Matter	5.65	2005 to 2010	A.D.G./C.T.
Service Tax	Gujarat	Show Cause cum demand notice	1.48	2005-10	A.D.G./C.T.
Service Tax	Gujarat	Whether for commercial purpose or not	5.72	2005-07	A.D.G.
Service Tax	Bhilai	Show Cause cum demand notice	1.00	2006-2010	A.D.G./C.T.

Name of the Statute	State	Nature of the dues	Amount in Crores	Period to which it relates	Forum where Dispute is pending
Service Tax	Karnataka	Non Inclusion of Value of Material	0.25	2006-07	DG – CEI
Service Tax	Karnataka	Non Inclusion of Value of Material	2.57	2006-09	DG – CEI
Service Tax	Imports	Show Cause cum demand notice	1.92		A.D.G-CET
Excise	Chennai	Disputed Demand	0.03	2006	CESTAT Chennai
Custom Duty		Disputed Demand of NHAI Project	0.32	2001-02	S.C.
Sales Tax	Rajasthan	Dispute in Increase in EC fees, Interest	0.81	2005-06 to 2007-08	DC – Appeals

- (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) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations the Company has given corporate guarantee for loans taken by other companies from banks or financial institutions. The other terms and conditions are not *prima-facie* 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, we report that no short term funds have been applied towards long term purposes.
- (xviii) The Company has made allotment of equity shares against equity warrants allotted in the previous year to parties and Companies covered in the Register maintained under Section 301 of the Act. The equity warrants were priced at a price prescribed in SEBI Issue of Capital and Disclosure Regulations 2009 and therefore the same are not prejudicial to the interests of the Company.
- (xix) The Company has raised secured redeemable debentures aggregating to ₹ 100 crores during the year the securities in respect of which have been created before the balance sheet date.
- (xx) The Company has not raised any money by public issues during the year and accordingly clause (xx) of Companies (Auditors' Report) Order, 2003 is not applicable.
- (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*  
Firm Registration No. 106971W

N. Jayendran  
*Partner*  
M. No. 40441

Mumbai, Dated: 12<sup>th</sup> August, 2011

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

	Schedule No.	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
		₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SOURCES OF FUNDS:</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	27.49		25.83	
Employee Stock Option Outstanding	1A	1.16		1.75	
Equity Share Warrants		-		18.60	
Reserves & Surplus	2	<u>2,088.15</u>		<u>1,898.73</u>	
			<b>2,116.80</b>		<b>1,944.91</b>
<b>Loan Funds</b>					
Secured Loans	3	760.29		488.54	
Unsecured Loans	4	<u>1,365.86</u>		<u>806.01</u>	
			<b>2,126.15</b>		<b>1,294.55</b>
Deferred Tax Liability (Refer Note B-30)			<u>81.43</u>		<u>71.73</u>
<b>TOTAL</b>			<b><u>4,324.38</u></b>		<b><u>3,311.19</u></b>
<b>APPLICATION OF FUNDS:</b>					
<b>Fixed Assets</b>					
Gross Block	5	1,802.61		1,478.80	
Less: Depreciation & Impairment		<u>472.64</u>		<u>394.45</u>	
Net Block		<u>1,329.97</u>		<u>1,084.35</u>	
Add: Capital Work-in-progress		<u>52.68</u>		<u>84.64</u>	
			<b>1,382.65</b>		<b>1,168.99</b>
<b>Investments</b>					
	6		<b>211.30</b>		<b>198.19</b>
<b>Current Assets, Loans and Advances</b>					
Interest Accrued Receivable		239.35		43.41	
Inventories	7	1,488.10		1,309.15	
Sundry Debtors	8	1,866.26		1,763.68	
Cash & Bank Balances	9	57.65		72.49	
Loans & Advances	10	<u>1,381.39</u>		<u>1,065.21</u>	
		<u>5,032.75</u>		<u>4,253.94</u>	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	11	2,275.45		2,279.76	
Provisions		<u>26.87</u>		<u>30.17</u>	
		<u>2,302.32</u>		<u>2,309.93</u>	
			<b>2,730.43</b>		<b>1,944.01</b>
<b>TOTAL</b>			<b><u>4,324.38</u></b>		<b><u>3,311.19</u></b>
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  
Firm Registration No. 106971W

N. JAYENDRAN  
Partner  
M. No. 40441

Mumbai, Dated : 12<sup>th</sup> August, 2011

For and on behalf of the Board of Directors

ABHIJIT RAJAN  
Chairman & Managing Director

C. C. DAYAL  
Director

GIRISH BHAT  
Chief Financial Officer

Mumbai, Dated : 12<sup>th</sup> August, 2011

ROHIT MODI  
Deputy Managing Director

D. C. BAGDE  
Executive Director

GITA BADE  
Company Secretary



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	Schedule No.	2010-2011		2009-2010	
		₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>INCOME:</b>					
Sales/Turnover	12	5,636.85		4,534.25	
Less: Excise Duty		85.27		66.14	
		<u>5,551.58</u>		<u>4,468.11</u>	
Other Operating Income	12A	6.39		16.99	
Other Income	12B	31.05		41.10	
			<u>5,589.02</u>		<u>4,526.20</u>
<b>EXPENDITURE:</b>					
Expenditure on Contracts	13	5,126.89		3,960.29	
Establishment Expenses	14	171.60		129.11	
Financial Cost (Net)	15	12.31		139.66	
Depreciation		94.84		74.06	
Depreciation withdrawn from Revaluation Reserve		(3.13)		(3.13)	
Company's Share in Loss of Joint Venture (Refer Note B-37)		9.83		14.96	
			<u>5,412.34</u>		<u>4,314.95</u>
<b>PROFIT BEFORE TAX</b>			<b>176.68</b>		<b>211.25</b>
Provision for Taxation:					
– Current Tax		48.30		48.55	
– Deferred Tax		9.70		17.24	
– Foreign Tax Paid		0.23		0.68	
– Prior Year Tax Adjustments		–		19.07	
			<u>58.23</u>		<u>85.54</u>
<b>PROFIT AFTER TAX</b>			<b>118.45</b>		<b>125.71</b>
Profit brought forward from last year			<u>273.36</u>		<u>231.43</u>
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			<b>391.81</b>		<b>357.14</b>
Amount Transferred to General Reserve		12.00		29.75	
Amount Transferred to Debenture Redemption Reserve		45.50		38.38	
Amount Transferred from Debenture Redemption Reserve		(19.15)		–	
Dividend from Own Shares (Refer Note B-16)		(0.58)		(0.35)	
Interim & Proposed Dividend					
– Equity Shares		10.63		7.65	
– Preference Shares		–		6.07	
Tax on Dividend		1.74		2.28	
			<u>50.14</u>		<u>83.78</u>
Balance Carried to Balance Sheet			<u><u>341.67</u></u>		<u><u>273.36</u></u>
<b>Earnings Per Share (Refer Note B-26)</b>					
Basic			<b>9.16</b>		<b>10.72</b>
Diluted			<b>9.10</b>		<b>10.26</b>
Face Value per Share			<b>2.00</b>		<b>2.00</b>
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*  
Firm Registration No. 106971W  
N. JAYENDRAN  
*Partner*  
M. No. 40441

Mumbai, Dated : 12<sup>th</sup> August, 2011

For and on behalf of the Board of Directors

ABHIJIT RAJAN  
*Chairman & Managing Director*  
C. C. DAYAL  
*Director*  
GIRISH BHAT  
*Chief Financial Officer*

Mumbai, Dated : 12<sup>th</sup> August, 2011

ROHIT MODI  
*Deputy Managing Director*  
D. C. BAGDE  
*Executive Director*  
GITA BADE  
*Company Secretary*

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	12 Months APRIL 2010 – MARCH 2011 ₹ in Crores	12 Months APRIL 2009 – MARCH 2010 ₹ in Crores
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and extraordinary items	176.68	211.25
Adjustments for:		
Depreciation	91.71	70.93
Profit/Loss on Sale of Assets	(0.14)	0.32
Profit/Loss on Sale of Investments	(25.86)	(38.82)
Employees Compensation Expenses	0.20	0.55
Dividend Income	(0.36)	(0.39)
Interest (Net)	12.31	139.66
Foreign Exchange loss /gain	13.43	0.65
Write off against Leasehold Land	0.03	0.01
Provision for Doubtful Debt	0.35	3.15
Bad Debts Written off	4.94	4.07
	96.61	180.13
<b>Operating Profit before Working Capital Changes</b>	<b>273.29</b>	<b>391.38</b>
Adjustments for:		
Trade and Other Receivables	(107.54)	(424.35)
Inventories	(178.95)	(298.05)
Trade Payables & Working Capital Finance	(10.82)	409.20
Loan and Advances	(6.64)	(79.89)
	(303.95)	(393.09)
<b>Cash Generated from the Operations</b>	<b>(30.66)</b>	<b>(1.71)</b>
Direct Taxes paid	(135.02)	(84.27)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(165.68)</b>	<b>(85.98)</b>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets	(312.99)	(259.46)
Sale of Fixed Assets	4.83	1.34
Share Application Money Pending Allotment	23.00	5.76
Loans given to Subsidiaries, Associates and others	(766.12)	(371.08)
Loans Refund from Subsidiaries, Associates and others	541.66	243.83
<b>Purchase of Investments</b>		
– Subsidiary, Joint Ventures & Associates	(42.71)	(6.98)
– Deposit paid on acquisition of shares	–	–
– Others	(1.05)	(11.09)
<b>Sale of Investments:</b>		
– Subsidiary, Joint Ventures & Associates	–	–
– Deposit received on transfer of beneficial interest	5.35	32.69
– Others	27.83	41.21
Interest received	44.49	32.29
Dividend received	0.36	0.39
	(475.35)	(291.10)
<b>NET CASH FROM INVESTMENT ACTIVITIES</b>	<b>(475.35)</b>	<b>(291.10)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest Paid	(239.99)	(190.95)
Proceeds from issue of Share Capital & Securities Premium	56.01	385.22
Repayment of Preference Share Capital	–	(105.00)
Proceeds from/(Repayment of) borrowings	831.46	322.27
Dividend Paid (Including Tax)	(21.34)	(12.68)
	626.14	398.86
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>626.14</b>	<b>398.86</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14.89)</b>	<b>21.78</b>
Balance as on 31.03.2010	72.49	51.36
Balance as on 31.03.2011	57.60	73.14
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14.89)</b>	<b>21.78</b>
Note: – Figure in brackets denote outflows		
– Cash and Cash Equivalents include ₹ 2.71 Crores as on 31.03.2011 (Previous Year – ₹ 1.93 Crores as on 31.03.10) with Bank Branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the Company.		
	<b>As At 31.03.2011</b>	<b>As At 31.03.2010</b>
Cash and Cash Equivalents	57.65	72.49
Effect of Exchange Rate Charges	(0.05)	0.65
Balance Restated above	57.60	73.14

As per our attached report of even date

For and on behalf of the Board of Directors

For Natvarlal Vepari & Co.  
Chartered Accountants  
Firm Registration No. 106971W

ABHIJIT RAJAN  
Chairman & Managing Director

ROHIT MODI  
Deputy Managing Director

N. JAYENDRAN  
Partner  
M. No. 40441

C. C. DAYAL  
Director

D. C. BAGDE  
Executive Director

GIRISH BHAT  
Chief Financial Officer

GITA BADE  
Company Secretary

Mumbai, Dated : 12<sup>th</sup> August, 2011

Mumbai, Dated : 12<sup>th</sup> August, 2011

## SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
355,000,000 (Previous Year 355,000,000) Equity Shares of ₹ 2/- each		71.00		71.00
3,000,000 6% Optionally Convertible Preference Shares of ₹ 350/- each (Previous Year 3,000,000)		105.00		105.00
		<u>176.00</u>		<u>176.00</u>
<b>ISSUED</b>				
137,319,722 Equity Shares of ₹ 2/- each fully paid (Previous Year 129,019,238 Equity Shares of ₹ 2/- each)		27.46		25.80
<b>SUBSCRIBED AND PAID-UP</b>				
135,739,182 Equity Shares of ₹ 2/- each (Previous Year 127,438,698 Equity Shares of ₹ 2/- each)		27.15		25.49
Of the above				
264,000 Shares are issued for consideration other than cash 5,806,700 Shares are issued as fully paid Bonus Shares by Capitalisation of ₹ 0.70 Crores from Reserves and ₹ 0.45 Crores from Security Premium Account 20,106,106 Shares are issued as consideration on merger of ATSL with the Company				
SHARE FORFEITURE ACCOUNT		0.34		0.34
Money received in respect of 170,948 Rights Shares of ₹ 10/- each forfeited		27.49		25.83
		<u>27.49</u>		<u>25.83</u>
<b>SCHEDULE 1 A</b>				
<b>EMPLOYEE STOCK OPTION OUTSTANDING</b>				
Employee Stock Option Outstanding		2.66		2.66
Less: Transfer to General Reserve for Lapse of ESOP's		0.48		0.32
Less: Transfer to Securities Premium on Exercise of ESOP's		1.02		0.39
Less: Deferred Employee Compensation Cost		-		0.20
(For details of Stock Option Outstanding Refer Note B-18)		<u>1.16</u>		<u>1.75</u>
		<u>1.16</u>		<u>1.75</u>
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>CAPITAL REDEMPTION RESERVE</b>				
As per last Balance Sheet		105.00		-
Add: Transfer from General Reserve		-		105.00
		<u>105.00</u>		<u>105.00</u>
<b>GENERAL RESERVE</b>				
As per last Balance Sheet		200.00		275.00
Less: Transferred to Capital Redemption Reserve		-		105.00
Add: On Forfeiture/Lapse of ESOP's during the year		0.16		0.25
Add: Transferred from Profit & Loss A/c		12.00		29.75
		<u>212.16</u>		<u>200.00</u>
<b>SECURITIES PREMIUM</b>				
As per last Balance Sheet		957.53		594.67
Add: On issue of Equity Shares under QIP		-		301.60
Add: On issue of Equity Shares on exercise of Warrants		72.76		68.36
Add: On issue of Equity Shares on exercise of ESOP's		0.82		0.46
Less: Expenses in connection with the placement of Equity Shares under QIP		-		7.56
		<u>1,031.11</u>		<u>957.53</u>

	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>REVALUATION RESERVE</b>				
As per last Balance Sheet	242.43		245.56	
Less: Depreciation on Revalued Assets	3.13		3.13	
		239.30		242.43
<b>DEBENTURE REDEMPTION RESERVE</b>				
As per last Balance Sheet	94.65		56.27	
Add: Transferred from Profit and Loss A/c	45.50		38.38	
Less: Transferred to Profit and Loss A/c	19.15		-	
		121.00		94.65
<b>SPECIAL CONTINGENCY RESERVE</b>				
As per last Balance Sheet	50.00		50.00	
Add: Transferred from Profit and Loss A/c	-		-	
		50.00		50.00
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>				
As per last Balance Sheet	(24.24)		(0.82)	
Add: Arising out of current year	12.15		(23.42)	
		(12.09)		(24.24)
<b>PROFIT AND LOSS ACCOUNT</b>		341.67		273.36
		<u>2,088.15</u>		<u>1,898.73</u>
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
Non Convertible Debentures placed with Banks and Financial Institutions (Amount Payable within One Year ₹ 1.5 Crores, Previous Year ₹ 7 Crores) (Refer Note B-1)		377.50		300.00
From Canara Bank Led Consortium		292.21		120.14
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)				
Term Loan (Secured by hypothecation of Plant & Machinery Land & Building) (Out of the above term loans, amount of repayment due within one year ₹ 22.68 Crores, Previous Year ₹ 17.16 Crores)		90.58		68.40
		<u>760.29</u>		<u>488.54</u>
<b>SCHEDULE 4</b>				
<b>UNSECURED LOANS</b>				
Buyers Credit (Secured by Guarantee of Consortium Bankers) (Amount repayable with in one year ₹ 67.39 Crores, Previous Year ₹ 71.67 Crores)		67.39		71.67
Commercial Paper (Amount repayable with in one year ₹ 145 Crores, Previous Year ₹ 80 Crores) (Maximum outstanding during the year ₹ 340 Crores, Previous Year ₹ 345 Crores)		145.00		80.00
Other Short Term Loans				
- From Banks		1,133.22		624.30
- From Others		20.25		30.04
		<u>1,365.86</u>		<u>806.01</u>

**SCHEDULE 5  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS AT 01.04.2010	ADDITIONS	FETR	DEDUCTIONS/ ADJUSTMENTS	AS AT 31.03.2011	AS AT 01.04.2010	FOR THE YEAR	DEDUCTIONS/ ADJUSTMENTS	FETR	AS AT 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
<b>TANGIBLE ASSETS</b>												
LEASEHOLD LAND	3.78	0.94	-	-	4.71	0.07	-	0.03	-	0.04	4.67	3.70
FREEHOLD PROPERTY	330.34	31.84	-	-	362.18	27.27	5.15	-	-	32.42	329.76	303.07
PLANT AND MACHINERY	945.34	280.22	0.43	13.16	1,212.84	282.33	73.41	9.56	0.21	346.39	866.45	663.01
MOTOR VEHICLES	139.44	11.18	0.00	8.37	142.25	64.00	8.34	7.28	0.00	65.06	77.19	75.43
OFFICE EQUIPMENTS	27.34	18.36	-	-	45.70	10.47	3.64	-	-	14.11	31.59	16.87
ELECTRICAL INSTALLATION	2.05	2.20	-	-	4.25	0.28	0.28	-	-	0.56	3.69	1.77
WINDMILLS	26.95	-	-	-	26.95	8.43	2.79	-	-	11.22	15.73	18.52
<b>TOTAL TANGIBLE ASSETS</b>	<b>1,475.24</b>	<b>344.74</b>	<b>0.43</b>	<b>21.53</b>	<b>1,798.88</b>	<b>392.85</b>	<b>93.61</b>	<b>16.87</b>	<b>0.21</b>	<b>469.81</b>	<b>1,329.08</b>	<b>1,082.38</b>
<b>INTANGIBLE ASSETS</b>												
TOWER DESIGN	3.47	-	-	-	3.47	1.56	1.20	-	-	2.76	0.71	1.92
ERP SOFTWARE	0.09	0.17	-	-	0.25	0.04	0.03	-	-	0.07	0.18	0.05
<b>TOTAL INTANGIBLE ASSETS</b>	<b>3.56</b>	<b>0.17</b>	<b>-</b>	<b>-</b>	<b>3.73</b>	<b>1.60</b>	<b>1.23</b>	<b>-</b>	<b>-</b>	<b>2.83</b>	<b>0.89</b>	<b>1.97</b>
<b>TOTAL ASSETS</b>	<b>1,478.80</b>	<b>344.91</b>	<b>0.43</b>	<b>21.53</b>	<b>1,802.61</b>	<b>394.45</b>	<b>94.84</b>	<b>16.87</b>	<b>0.21</b>	<b>472.64</b>	<b>1,329.97</b>	<b>1,084.35</b>
<b>PREVIOUS YEAR</b>	<b>1,275.01</b>	<b>214.17</b>	<b>2.83</b>	<b>7.55</b>	<b>1,478.80</b>	<b>326.98</b>	<b>74.08</b>	<b>5.50</b>	<b>1.12</b>	<b>394.45</b>	<b>1,084.35</b>	
<b>ADD: CAPITAL WORK IN PROGRESS INCLUDING CAPITAL ADVANCES</b>												
											<b>52.68</b>	<b>84.64</b>
											<b>1,382.65</b>	<b>1,168.99</b>

**NOTES:**

- Freehold Property includes cost of Freehold Land ₹ 123.50 Crores including the revaluation portion (Previous Year ₹ 123.50 Crores).
- Leasehold Land is at cost less amount written off.
- The Company has once again revalued on 31<sup>st</sup> March, 2007 all its Freehold Property, most of which were revalued earlier on 31<sup>st</sup> March, 1999 by Approved valuers. The consequent increase in the value of Fixed Assets pursuant to the second revaluation amounted to ₹ 186.89 Crores and has been credited to the Revaluation Reserve A/c.
- Depreciation for the Year Ended 31<sup>st</sup> March, 2011 amounts to ₹ 94.84 Crores (Previous Year Ended 31/03/2010 ₹ 74.08 Crores) from which has been deducted a sum of ₹ 31.3 Crores (Previous Year ₹ 3.73 Crores) being the Depreciation in respect of Revaluation of Fixed Assets which has been drawn from the Revaluation Reserve A/c.
- Exchange Valuation difference in respect of Oman Fixed Assets ₹ 0.22 Crores (Previous Year ₹ 1.72 Crores) being transferred to Foreign Currency Translation reserve.
- Borrowing cost capitalised to Capital Work In Progress is ₹ 2.61 Crores (Previous Year ₹ 4.46 Crores).



	Face Value ₹	Nos. as on 31.03.2011	Nos. as on 31.03.2010	31.03.2011 ₹ in Crores	31.03.2010 ₹ in Crores
<b>SCHEDULE 6</b>					
<b>INVESTMENTS</b> (At Book Value, Long term unless otherwise stated)					
1. INVESTMENT IN GOVERNMENT SECURITIES :					
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)				0.12	0.01
				<b>0.34</b>	<b>0.23</b>
<b>(A)</b>					
2. INVESTMENT IN SHARES & DEBENTURES:					
(a) TRADE INVESTMENTS (FOREIGN)					
Ordinary Shares : (Unquoted, Fully paid up)					
Gammon Mideast Limited, Dhs. 1,000 each Dhs. 785,000 (Under Liquidation) (Fully Provided)		1,142	1,142	0.18	0.18
Finest S.p.A., Italy (Associates)	€ 1	780,000	780,000	19.52	19.52
				<b>19.70</b>	<b>19.70</b>
<b>(B)</b>					
(b) TRADE INVESTMENTS (INDIAN)					
(Fully paid up unless otherwise stated)					
Ordinary Shares: (Unquoted)					
Plamach Turnkeys Limited (Formerly known as Gammon Turnkeys Limited)	100	600	600	0.01	0.01
Shah Gammon Limited	100	835	835	0.01	0.01
STFA Piling (India) Limited (Fully Provided)	10	217,321	217,321	0.22	0.22
Indira Container Terminal Private Limited (Refer Note B-9)	10	26,407,160	26,407,160	26.41	26.41
Less: Transfer of Beneficial Interest in SPV in lieu of Deposit Received				<b>(26.41)</b>	<b>(26.41)</b>
				<b>0.24</b>	<b>0.24</b>
<b>(C)</b>					
(c) INVESTMENT IN SUBSIDIARY COMPANIES (FOREIGN)					
(Fully paid up unless otherwise stated)					
Ordinary Shares: (Unquoted)					
Campo Puma Oriente SA	\$ 1	6,441	6,441	0.03	0.03
Gammon Holdings BV	€ 100	180	180	0.12	0.12
Gammon Holdings (Mauritius) Limited	\$ 1	15,000	–	0.07	–
Gammon International BV	€ 100	180	180	0.12	0.12
Gammon International FZE	AED 150000	1	1	0.17	0.17
Gammon International LLC (Under Liquidation)	RO 1	103500	103500	1.10	1.10
P. Van Eerd Beheersmaatschappij B.V.	€ 453.78	35	–	0.05	–
Associated Transrail Structure Limited Nigeria	Naira 1	10,000,000	10,000,000	0.36	0.36
ATSL Holdings BV (Netherlands)	€ 100	180	180	0.11	0.11
				<b>2.14</b>	<b>2.01</b>
<b>(D)</b>					
(d) INVESTMENT IN SUBSIDIARY COMPANIES (INDIAN)					
Ordinary Shares: (Unquoted unless otherwise stated)					
Gammon Infrastructure Projects Limited (Quoted)	2	528,000,000	528,000,000	105.60	105.60
Ansaldo Caldaie Boilers India Private Limited	10	36,700,000	–	37.15	–
ATSL Infrastructure Project Limited	10	25,500	25,500	0.03	0.03
Deepmala Infrastructure Private Limited	10	5,100	5,100	0.01	0.01
Franco Tosi Hydro Private Limited	10	10,000	–	0.01	–
Franco Tosi Turbines Private Limited	10	10,000	–	0.01	–
Gactel Turnkey Projects Limited	10	5,050,000	5,050,000	5.05	5.05
Gammon & Billimoria Limited	10	50,940	50,940	0.05	0.05
Gammon Power Limited	10	49,940	49,940	0.05	0.05
Gammon Realty Limited	10	15,049,940	15,049,940	15.05	15.05
Gammon Retail Infra Private Limited	10	9,900	9,900	0.01	0.01
Metropolitan Infrahousing Private Limited	10	8,416	–	0.01	–
Rajahmundry Godavari Bridge Limited	10	441,250	441,250	0.44	0.44
SAE Transmission India Limited	10	50,000	–	0.05	–
Tidong Hydro Power Limited	10	25,500	25,500	0.03	0.03
Transrail Lightning Limited	10	5,150,000	5,150,000	5.15	5.15

	Face Value ₹	Nos. as on 31.03.2011	Nos. as on 31.03.2010	31.03.2011 ₹ in Crores	31.03.2010 ₹ in Crores
Gorakhpur Infrastructure Company Limited (Refer Note B-9)	10	16,828,987	11,478,672	16.83	11.48
Kosi Bridge Infrastructure Company Limited (Refer Note B-9)	10	12,562,831	12,562,831	12.56	12.56
Rajahmundry Expressway Limited (Refer Note B-9)	10	5,655,000	5,655,000	5.65	5.65
Andhra Expressway Limited (Refer Note B-9)	10	5,655,000	5,655,000	5.65	5.65
				211.53	168.82
<i>Add: Acquisition of Beneficial Interest in REL &amp; AEL in lieu of Deposit paid (Refer Note B-9)</i>				5.66	5.66
				217.19	174.48
<i>Less: Transfer of Beneficial Interest in SPV's in lieu of Deposit received (Refer Note B-9)</i>				44.50	39.15
				172.69	135.33
(e) Other Investments (Fully paid-up unless otherwise stated)– Current Ordinary Shares: (Quoted)					
Sadbhav Engineering Limited	1*	521,240	251,585	0.71	1.51
Technofab Engineering Limited	10	1,175,000	1,175,000	3.17	3.17
Housing Development Finance Corporation Limited	2*	40,000	8,000	0.18	0.18
HDFC Bank Limited	10	1,069	1,069	0.02	0.02
ICICI Bank Limited	10	2,500	2,500	0.04	0.04
Infosys Limited	5	400	400	0.03	0.03
Larsen & Toubro Limited	2	8,000	8,000	0.05	0.05
Ultratech Cement Limited	10	1,600	1,600	0.04	0.04
Bank of Baroda	10	4,200	4,200	0.04	0.04
Gujarat State Financial Corporation	10	4,600	4,600	0.01	0.01
Cords Cable Industries Limited	10	33,502	33,502	0.45	0.45
				4.74	5.54
3. MUTUAL FUND (CURRENT)					
HDFC Mutual Fund – Equity Fund (Growth)		–	1,566	–	0.03
HDFC Mutual Fund – Top 200 Fund (Growth)		–	16,016	–	0.26
HDFC Mutual Fund – Prudence Fund (Growth)		–	15,026	–	0.23
Kotak Mahindra Mutual Fund K-30 Equity Scheme (Growth)		–	36,261	–	0.31
				–	0.83
4. SHARE APPLICATION MONEY PENDING ALLOTMENT				12.00	35.00
5. OTHERS					
Investment through Gammon India Trust (Mutual Fund Investment)					
ICICI Prudential FMP		580,000	–	0.58	–
SBI Debt Fund		360,000	–	0.36	–
L & T Select Income Fund Flexi Debt		334,883	–	–	0.34
Own Company Shares (Refer Note B-28)				1.69	1.69
				2.63	2.03
<b>GRAND TOTAL</b>		<b>(A+B+C+D+E+F+G+H)</b>		<b>212.34</b>	<b>198.90</b>
<i>Less: Provisions for diminution in the value of Investment</i>				<b>1.04</b>	<b>0.71</b>
				<b>211.30</b>	<b>198.19</b>
* Previous Year Face Value ₹ 10/-					
<b>SUMMARY OF INVESTMENTS:</b>					
Unquoted					
Aggregate Book Value of Foreign Investments				21.84	21.71
Aggregate Book Value of Indian Investments (including Share Application money)				77.53	64.02
				99.37	85.73
Quoted					
Aggregate Book Value of Indian Investments				112.97	113.17
<b>GRAND TOTAL</b>				<b>212.34</b>	<b>198.90</b>
Market Value of Quoted Investments				1,018.54	1,480.81

	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 7</b>				
<b>INVENTORIES</b>				
Raw Material		134.09		149.64
Stores and Other Construction Materials at or below costs as verified and valued by Site Auditors	471.32		357.51	
Less: Value of Materials drawn from Contractees				
Contra – Refer Schedule 11	2.13		0.24	
		<u>468.59</u>		<u>357.27</u>
Work In Progress				
– Construction		835.26		744.19
– Manufacturing		11.76		39.31
Finished Goods		38.40		18.74
		<u>1,488.10</u>		<u>1,309.15</u>
<b>SCHEDULE 8</b>				
<b>SUNDRY DEBTORS (Refer Note B-9)</b>				
Unsecured Considered Good				
Outstanding for over six months (including Retention Money ₹ 405.68 Crores, Previous Year ₹ 196.35 Crores)	821.08		787.98	
Other Debts (including Retention Money ₹ 134.47 Crores, Previous Year ₹ 77.02 Crores)	1,045.18		975.70	
	<u>1,866.26</u>		<u>1,763.68</u>	
Considered Doubtful	1.55		1.56	
Less: Provision for Doubtful Debts	1.55		1.56	
		<u>1,866.26</u>		<u>1,763.68</u>
		<u>1,866.26</u>		<u>1,763.68</u>
<b>SCHEDULE 9</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on Hand (Including at Foreign Sites ₹ 0.27 Crores, Previous Year ₹ 0.0035 Crores)		4.30		3.56
Funds-in-transit and in hand		0.13		22.07
With Scheduled Banks:				
(a) On Current Accounts		40.46		24.15
(b) Unpaid Dividend Bank Account		0.72		0.55
(c) On Fixed Deposit Account		9.33		16.68
(As Margin against Bank Guarantees given)				
With Non-Scheduled Banks: (Refer Note B-34)				
(a) On Current Accounts		2.61		5.38
(b) On Call Deposits		0.02		0.02
(c) On Fixed Deposits		0.08		0.08
		<u>57.65</u>		<u>72.49</u>

	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 10</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good, unless otherwise stated)				
Project Advances	76.00		78.89	
Other Advances recoverable in cash or in kind for value to be received	116.50		167.86	
Less: Provision made	2.02		2.02	
		190.48		244.73
Dues from/loans to Subsidiary Companies (Refer Note B-11)	832.50		516.23	
Dues from Gammon Al Matar JV	19.91		33.55	
Direct Taxes Paid	506.07		371.44	
Less: Provision for Taxation	336.34		288.20	
		169.73		83.24
Balance with Tax Authorities		37.16		39.96
Tender Deposits		26.03		16.90
Other Deposits		38.75		20.59
Deposits with Joint Stock Companies:				
Secured (Refer Note B-6)		-	50.00	
Unsecured				
– Considered Good	66.83		60.01	
– Considered Doubtful (including interest)	6.40		6.40	
Less: Provisions made	6.40		6.40	
		66.83		110.01
		1,381.39		1,065.21
<b>SCHEDULE 11</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors (Refer Note B-9)		1,219.16		1,248.96
Other Creditors		71.49		40.44
Duty & Taxes Payable		17.12		19.54
Advances from Clients	922.45		935.92	
Less: Value of Materials drawn from Contractees				
Contra – Refer Schedule 7	2.73		0.24	
		919.72		935.68
Interest accrued but not due on Loans		47.16		34.41
Unpaid Dividends (Refer Note B-31)		0.72		0.60
Unpaid Matured Fixed Deposits		0.08		0.13
		2,275.45		2,279.76
<b>PROVISIONS</b>				
Proposed Dividend				
– Equity Shares		5.46		7.65
– Preference Shares		-		6.07
Provision for Tax on Dividend		0.89		2.28
Provision for Gratuity		3.76		1.52
Provision for Leave Encashment		16.76		12.65
		26.87		30.17

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	2010-2011		2009-2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 12</b>				
<b>SALES/TURNOVER</b>				
Sales/Turnover		5,636.85		4,534.25
Other Contractual Revenue	17.08		105.78	
Less: Sub Contract Cost	(17.08)		105.78	
		—		—
		<u>5,636.85</u>		<u>4,534.25</u>
<b>SCHEDULE 12A</b>				
<b>OTHER OPERATING INCOME</b>				
Fees & Operating Receipts		6.39		13.84
Hire Charges on Assets		—		3.15
		<u>6.39</u>		<u>16.99</u>
<b>SCHEDULE 12B</b>				
<b>OTHER INCOME</b>				
Dividend Income		0.36		0.39
Miscellaneous Income		4.69		1.89
Profit on Sale of Assets		0.14		—
Profit on Sale of Investments		25.86		38.82
		<u>31.05</u>		<u>41.10</u>
<b>SCHEDULE 13</b>				
<b>EXPENDITURE ON CONTRACTS</b>				
Opening Inventory:				
Stores and Construction Material at Sites		507.15		318.29
Work-in-progress		744.19		603.91
		<u>1,251.34</u>		<u>922.20</u>
<b>Add:</b>				
Purchases of Materials		2,657.03		2,062.56
Sub Contract Expenses		1,621.83		1,413.86
Plant Hire Charges		71.40		43.45
Consumption of Spares		41.84		39.60
Outward Freight		71.97		63.71
Sales Tax		70.91		62.66
Service Tax		59.54		53.26
Power and Fuel		183.84		113.52
Fees and Consultations		54.62		33.66
Insurance		38.69		22.51
Site Personnel Expenses		294.43		216.44
Sundry Expenses (As per schedule 13A annexed)		202.42		144.75
Insurance Claim Received		(62.92)		(12.57)
		<u>5,305.60</u>		<u>4,257.41</u>
<b>Less:</b>				
Closing Stock of Stores & Construction Materials including materials drawn from Contractees ₹ 2.73 Crores, Previous Year ₹ 0.24 Crores		602.68		507.15
Closing Work-in-progress including estimated profits		835.26		744.19
		<u>1,437.94</u>		<u>1,251.34</u>
Finished Good and WIP (Manufacturing)				
Opening Stock				
– WIP – Mfg.		39.31		43.58
– Finished Goods		18.74		46.48
Less: Closing stock				
– WIP – Mfg.		11.76		39.31
– Finished Goods		38.40		18.74
		<u>7.89</u>		<u>32.02</u>
		<u>5,126.89</u>		<u>3,960.29</u>



	2010-2011		2009-2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 13A</b>				
<b>SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE OF CONTRACTS</b>				
Plant Repairs		18.03		19.17
Rent, Rates & Taxes		29.88		16.13
Staff Welfare		20.59		12.86
Travelling Expenses		28.44		19.92
Guarantee Bond Commission and Bank Charges		13.76		11.54
Other Site Expenses *		91.72		65.13
		<u>202.42</u>		<u>144.75</u>
* None of the individual items included in Other Site Expenses exceeds one percent of the total turnover				
<b>SCHEDULE 14</b>				
<b>ESTABLISHMENT EXPENSES</b>				
Electricity, Power & Fuel		2.45		1.77
Rent		2.14		0.81
Salaries including Provision for Commission and Bonus		68.45		46.23
Contribution to Employees' Provident Fund, ESIS & Other Funds		5.01		5.41
Contribution to Gratuity Fund		3.19		0.77
Staff Welfare Expenses		2.16		1.73
Insurance		8.51		6.91
Rates and Taxes		0.73		1.00
Communication Expenses		4.21		2.73
Travelling, Leave Passage and Motor Car Expenses		12.45		7.25
Professional Fees		14.85		5.96
Repairs & Maintenance		8.61		3.61
General Charges		9.86		6.17
Auditors Remuneration:				
– Audit Fees including Tax Audit Fees & Consolidation	0.66		0.51	
– Limited Review	0.09		0.07	
– Certification	0.01		0.07	
– Other Services	0.05		0.05	
– Reimbursement of Out of Pocket Expenses	–		0.01	
		<u>0.81</u>		<u>0.71</u>
Branch Auditors' Fees		0.45		0.20
Directors Sitting Fees		0.07		0.12
Managerial Remuneration		9.51		6.32
Write off against Leasehold Land		0.03		0.01
Bad debt w/off		4.94		4.07
Provision for doubtful debts (Net)		0.35		3.15
Donation		0.13		0.04
Loss on Sale of Assets		–		0.32
Foreign Exchange (Gain)/Loss		12.49		23.26
Employee Compensation Expense – ESOS		0.20		0.55
		<u>171.60</u>		<u>129.11</u>
<b>SCHEDULE 15</b>				
<b>FINANCIAL COST (NET)</b>				
<b>INTEREST EXPENSED</b>				
Fixed Period Loans	166.38		102.21	
Other Loans	66.90		59.76	
Other Finance Charges	21.82		29.10	
Mark to Market on Fx Transactions (Refer Note B-8(a))	(2.36)		(3.23)	
		<u>252.74</u>		<u>187.84</u>
<b>Less: INTEREST EARNED</b>				
Fixed Deposits with Banks	0.73		1.05	
(TDS ₹ 0.07 Crores, Previous Year ₹ 0.19 Crores)				
Fixed Deposits with Joint Stock Companies (Refer Note B-17)	219.40		37.20	
(TDS ₹ 21.94 Crores, Previous Year ₹ 5.84 Crores)				
Others (TDS ₹ 0.82 Crores, Previous Year ₹ 0.18 Crores)	20.30		9.93	
		<u>240.43</u>		<u>48.18</u>
		<u>12.31</u>		<u>139.66</u>

## SCHEDULE 16

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES:

##### 1. Basis of preparation of Financial Statements:

The financial statements have been prepared to comply in all material respects with the notified accounting standards by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting. The accounting policies discussed more fully below, are consistent with those used in the previous year.

##### 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 recognized 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. The percentage of work completed is determined by the expenditure incurred on the job till each review date to total expected expenditure of the job.

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

###### (b) On supply of materials related to the transmission towers, revenue is recognized upon the delivery of goods to the client in accordance with the terms of contract. Sales include excise duty & other receivable from the customers but exclude VAT, wherever applicable.

###### (c) Insurance claims are accounted for on cash basis.

###### (d) Interest income is recognized on time proportion method basis taking into account the amounts outstanding and the rate applicable.

###### (e) Dividend Income is accounted when the right to receive the same is established. The dividend declared by the subsidiary companies after the date of balance sheet are also included if they are in respect of accounting period which closed on or before the date of Company's Balance Sheet.

##### 4. Turnover:

Turnover represents work certified upto and after taking into consideration the actual cost incurred and profit evaluated by adopting the percentage of the work completion method of accounting.

Turnover also includes the revenue from the supply of material in the transmission tower contracts in accordance with the terms of contract.

##### 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 capitalized and depreciation provided thereon, at the rates as applied to other assets of similar nature.

##### 7. Employee Retirement Benefits:

Retirement benefits in the form of provident fund and superannuation is a defined contribution scheme and contributions are charged to the Profit and Loss Account for the year/period when the contributions are due.

Gratuity a defined benefit obligation is provided on the basis of an actuarial valuation made at the end of each year/period on projected Unit Credit Method.

Leave encashment is recognized on the basis of an actuarial valuation made at the end of each year on projected Unit Credit Method.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

##### 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. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition of its intended use.

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) Depreciation on assets situated in countries outside India are accounted at the rates of depreciation prescribed as per the relevant local laws of such countries which are as follows except in case of Oman Branch where the depreciation is as per Schedule XIV.

Assets Category	Kenya	Nigeria	Algeria	Bhutan
Computers	30%	—	15%	15%
Furniture and Fittings	12.50%	10%	15%	15%
Plant and Machineries	—	15%	15%	15%
Office Equipments	—	15%	15%	15%
Electrical fittings	—	15%	—	15%
SPC Tools	—	—	15%	—
Vehicles	—	—	20%	15%
Building/Store Cabin	—	—	5%	—

- (f) Intangible assets are amortised uniformly over three years.

#### 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 that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long term investments.

#### 11. Cash and cash equivalents:

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

#### 12. Inventories:

- (a) Raw materials are valued at cost, net of Excise duty and Value Added Tax, wherever applicable. Stores and spares, loose tools are valued at cost except unserviceable and obsolete items that are valued at estimated realizable value thereof. Costs are determined on FIFO method.
- (b) 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.
- (c) Work-in-Progress on construction contracts reflects value of material inputs and expenses incurred on contracts including estimated profits in evaluated jobs.
- (d) Work-in-progress from manufacturing operation is valued at cost and costs are determined on FIFO method.
- (e) Finished Goods are valued at cost or net realizable value, whichever is lower. Costs are determined on FIFO 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.
- (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.
- (f) The transactions of branches at Kenya, Nigeria, Algeria, Bhutan and Italy are accounted as integral operation.
- (g) The exchange gain/loss on long term loans to non integral operations being subsidiaries are restated to Foreign Exchange Translation Reserve Account and will be transferred to the profit & loss account in the year when the disposal or otherwise transfer of the operations are done.

**14. Borrowing Cost:**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as expenses in the period in which they are incurred. In determining the amount of borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.

**15. Employee Stock Option Scheme:**

Employee stock options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed under Guidance Note on "Accounting for Employee Share-based payments" issued by the ICAI read with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding which is shown under Reserves and Surplus.

**16. Taxation:**

Tax expenses comprise Current Tax and Deferred 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 incomes 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.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses un-recognized deferred tax assets. It recognized unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**17. Sales Tax/Cenvat Credit/VAT/WCT:**

Sales Tax/VAT/Works Contract Tax on construction contracts are accounted on payment basis. The cost of Material (inputs) is accounted at purchase cost net of excise duty and Value Added Tax, wherever applicable. The excise duty elements of materials (inputs) is debited to "Modvat Credit Receivable A/c." and Value Added Tax element of materials (inputs) is debited to "VAT Credit Receivable A/c.", under the head "Loans & Advances" The excise duty and Value Added Tax payable on dispatch of goods are credited to Modvat Credit Receivable A/c. and VAT Credit Receivable A/c. by debiting the same to excise duty and Value Added Tax (sales tax), respectively in Profit and Loss A/c.

**18. Provision, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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.

**19. Earning per share:**

Basic and Diluted 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.

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.

**20. 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:**

- 8.75% – Secured Redeemable Non Convertible Debentures of ₹ 5 Crores are secured by hypothecation of specific Plant & Machinery with pari passu charge by mortgage of immovable property in Gujarat. Out of ₹ 5 Crores, based on contractual terms, debentures valuing ₹ 1.5 Crores have been redeemed on 30<sup>th</sup> March, 2011. The debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment. i.e. 30<sup>th</sup> March, 2003.

7.50% – Redeemable Non Convertible Debentures of ₹ 15 Crores and 7.25% – Redeemable Non Convertible Debentures of ₹ 6 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 ₹ 3.5 Crores. The Debenture holders holding ₹ 15 Crores of 7.50% Redeemable Non-Convertible Debentures and ₹ 6 Crores of 7.25% Redeemable Non Convertible Debentures have exercised their put option and accordingly same have been redeemed on 29<sup>th</sup> September, 2010.

7.50% – Redeemable Non-Convertible Debentures of ₹ 50 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 ₹ 3.5 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment i.e. 5<sup>th</sup> August, 2005.

9.95% – Redeemable Non-Convertible Debentures of ₹ 50 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 ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being, 24<sup>th</sup> March, 2008.

10.80% – Redeemable Non Convertible Debentures of ₹ 100 Crores are secured by hypothecation of specific Plant & Machinery with pari passu charge by mortgage of immovable property in Gujarat with 9.95 % Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> year from the date of allotment being, 25<sup>th</sup> July, 2008.

10.50% – Redeemable Non Convertible Debentures of ₹ 74 Crores are secured by hypothecation of specific Plant & Machinery with pari passu charge by mortgage of immovable property in Gujarat with 10.80% Secured Redeemable Non-Convertible Debentures of ₹ 100 Crores and 9.95% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being, 7<sup>th</sup> May, 2009.

9.50% – Redeemable Non Convertible Debentures of ₹ 50 Crores are secured by hypothecation of specific Plant & Machinery with pari passu charge by mortgage of immovable property in Gujarat with 10.50% Secured Redeemable Non-Convertible Debentures of ₹ 74 Crores and 10.80% Secured Redeemable Non-Convertible Debentures of ₹ 100 Crores and 9.95% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being 18<sup>th</sup> June, 2010.

9.50% – Redeemable Non Convertible Debentures of ₹ 50 Crores are secured by hypothecation of specific Plant & Machinery with pari passu charge by mortgage of immovable property in Gujarat with 9.50% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 10.50% Secured Redeemable Non-Convertible Debentures of ₹ 74 Crores and 10.80% Secured Redeemable Non-Convertible Debentures of ₹ 100 Crores and 9.95% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being 5<sup>th</sup> September, 2010.

2. Issued Share Capital includes 725,800 shares of ₹ 2 each kept in abeyance.
3. Share Forfeited account includes ₹ 0.26 Crores of Share Premium collected on application in respect of forfeited shares.
4. In terms of the approval of the shareholders in the Extra Ordinary General Meeting of the Company on 17<sup>th</sup> June, 2009 the Company issued 16,000,000 equity warrants to the promoter group on a preferential basis, entitling them to apply for and obtain allotment of one equity shares of ₹ 2 each at a premium of ₹ 88.20 per share. During F.Y. 2009-2010, the promoter group had exercised 7,750,000 warrants for conversion to equity shares and paid in an amount equivalent to 25% of the 8,250,000 outstanding warrants. The balance warrant of 8,250,000 have been exercised during the year for conversion to equity share and accordingly 8,250,000 shares have been allotted on 7<sup>th</sup> January, 2011.
5. As per the intimation available with the Company, there are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, and Medium Enterprises Development Act, 2006, to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

6. Loans and advances include ₹ Nil (previous year ₹ 50.00 Crores) which are secured by pledge of equity shares of a private Company. The security value is adequate to recover the amount advanced. The said loan has been repaid during the year.
7. The Company has made following Purchases & Sales of Investments during the year.

(a) **Mutual Fund:**

During 2010-2011:

(₹ in Crores)

Particulars	Units	Purchase Cost	Sale Value
L & T Select Income Fund – Flexi Debt Retail	334,883.00	0.34	0.35
HDFC MF Monthly Income Plan – Long Term – MD	499,759.92	0.64	0.64
HDFC Prudence Fund – Growth	30,554.83	0.64	0.63
Kotak Monthly Income Plan – Growth	230,443.90	0.36	0.36

During 2009-2010:

(₹ in Crores)

Particulars	Units	Purchase Cost	Sale Value
Canara Robeco Mutual Fund	109,793,297.94	118.00	118.03
Shinsei Liquid Fund	15,001,217.32	15.00	15.01
UTI Liquid Cash Plan Institutional	294,372.39	30.00	30.01
HDFC Top 200 Fund – Growth	4,821.60	0.06	0.07
HDFC Equity Fund – Growth	4,049.52	0.06	0.07
HDFC Floating Rate Income Fund – STP	456,308.47	0.46	0.46
Kotak 30 Equity Scheme Growth	11,466.88	0.08	0.09
Kotak Flexi Debt Scheme – Daily Dividend	268,164.30	0.27	0.27



(b) **Investment:**

During the year, the Company has subscribed to/acquired the shares of the following Subsidiary Companies.

During 2010-2011:

(₹ in Crores)

Company Name	No. of Shares	Face Value	Amount
Metropolitan Infrahousing Pvt. Limited	8,416	₹ 10	0.01
Ansaldo Caldaie Boilers India Pvt. Limited*	36,700,000	₹ 10	37.15
Franco Tosi Turbines Pvt. Limited	10,000	₹ 10	0.01
Franco Tosi Hydro Pvt. Limited	10,000	₹ 10	0.01
Gorakhpur Infrastructure Co. Limited	5,350,315	₹ 10	5.35
SAE Transmission India Limited	50,000	₹ 10	0.05
P. Van Eerd Beheersmaatschappij B.V.	35	€453.78	0.05
Gammon Holdings (Mauritius) Limited	15,000	\$1	0.07

\* Out of the above 4,538,461 shares amounting to Rs. 10 Crores has been allotted to the Company pursuant to conversion of loan granted in terms of the loan agreement.

During 2009-2010:

(₹ in Crores)

Company Name	No. of Shares	Face Value	Amount
Rajahmundry Godavari Bridge Limited	441,250	₹ 10	0.44
Gammon Retail Infrastructure Pvt. Limited	9,900	₹ 10	0.01

8. (a) In respect of currency swap derivative contracts entered into by the Company, the Company has Marked to Market (Gain)/loss of ₹ (2.36) Crores (*Previous Year loss ₹ 3.92 Crores*) as at 31<sup>st</sup> March 2011 based on the valuation given by the bankers. Following the principle of prudence and in accordance with the announcement of the ICAI, the Company has made a provision for the same. Since the same was entered into to reduce the cost of borrowings, the said MTM loss is included under Financial Costs.

- (b) Foreign currency exposure un-hedged as at 31<sup>st</sup> March, 2011 is ₹ 678.28 Crores (*Previous Year ₹ 579.34 Crores*) receivables and ₹ 201.03 Crores (*Previous Year ₹ 189.68 Crores*) payables. Currency wise unhedged amounts are as follows:

(₹ in Crores)

Currency	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	Receivables	Payables	Receivables	Payables
USD	99,943,121	20,764,391	54,172,011	16,162,378
EURO	23,802,114	5,284,398	40,678,977	3,194,889
GBP	—	—	—	55,307
AED	55,560	—	55,560	—
OMR	5,252,748	3,720,673	6,257,892	3,375,490
DZD	263,342,163	200,720,302	217,629,782	160,514,270
NGN	—	6,213,707	—	6,213,707
KSH	30,567,932	3,200,359	8,992,397	5,381,707
BTN	27,323,645	181,743,200	—	—

9. (a) Sundry Creditors/Advance from Clients include the following amounts due to Subsidiaries.

(₹ in Crores)

Name of the Company	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Gammon Infrastructure Projects Limited	6.58	10.81
Cochin Bridge Infrastructure Company Limited	0.16	0.16
Kosi Bridge Infrastructure Company Limited	12.38	23.09
Gorakhpur Infrastructure Company Limited	9.36	44.48
Andhra Expressway Limited	0.94	—
Rajahmundry Expressway Limited	0.94	—
GACTEL Turnkey Projects Limited	0.25	—
Rajahmundry Godavari Bridge Limited	52.23	51.27
Indira Container Terminal Pvt. Limited (Joint Venture)	33.35	53.63
Patna Highway Projects Limited	30.74	—
Pravara Renewable Energy Limited	3.96	4.16
Sikkim Hydro Power Ventures Limited	13.20	—
<b>TOTAL</b>	<b>164.09</b>	<b>187.60</b>

(b) Sundry Debtors include the following amount from Subsidiaries

(₹ in Crores)

Name of the Company	As at	
	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010
Andhra Expressway Limited	0.15	4.71
Rajahmundry Expressway Limited	0.12	6.37
Mumbai Nasik Expressway Limited	28.57	4.67
SAE Powerlines S.r.l.	31.78	13.62
Indira Container Terminal Pvt. Limited (Joint Venture)	10.09	—
Sikkim Hydro Power Ventures Limited	0.61	—
<b>TOTAL</b>	<b>71.32</b>	<b>29.37</b>

(c) Interest receivable include the following amount from Subsidiaries

(₹ in Crores)

Name of the Company	As at	
	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010
Gammon Billimoria Limited	4.47	3.35
Gammon Realty Limited	20.14	13.19
GACTEL Turnkey Projects Limited	—	1.10
Deepmala Infrastructure Pvt. Limited	6.05	1.95
Metropolitan Infra Housing Pvt. Limited	170.37	0.47
Gammon Infrastructure Projects Limited	3.65	—
Ansaldo Caldaie Boilers India Pvt. Limited	0.32	0.10
SAE Power Lines S.r.l.	0.73	0.87
ATSL Holding B.V. Netherlands	0.33	0.10
Transrail Lighting Limited	1.52	0.27
Associated Transrail Structures Limited, Nigeria	0.15	0.04
<b>TOTAL</b>	<b>207.73</b>	<b>21.44</b>

(d) The details of Beneficial & Contractual interest acquired and transferred in favour of its subsidiary M/s. Gammon Infrastructure Projects Limited is detailed herein below –

Acquired

(₹ in Crores)

Sr. No.	Name of Company	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
		No. of Shares	Deposit Received	No. of Shares	Deposit Received
1.	Rajahmundry Expressway Limited	4,360,500	2.77	4,360,500	2.77
2.	Andhra Expressway Limited	4,564,500	2.89	4,564,500	2.89
	<b>TOTAL</b>		<b>5.66</b>		<b>5.66</b>

Transferred

(₹ in Crores)

Sr. No.	Name of Company	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
		No. of Shares	Deposit Received	No. of Shares	Deposit Received
1.	Kosi Bridge Infra. Co. Limited	12,562,831	12.56	12,562,831	12.56
2.	Gorakhpur Infra. Co. Limited	14,947,238	14.95	9,596,923	9.60
3.	Andhra Expressway Limited	5,655,000	8.49	5,655,000	8.49
4.	Rajahmundry Expressway Limited	5,655,000	8.48	5,655,000	8.48
5.	Tidong Hydro Power Limited	25,500	0.03	25,500	0.03
6.	Indira Container Terminal Pvt. Limited	26,407,160	26.40	26,407,160	26.40
	<b>TOTAL</b>		<b>70.91</b>		<b>65.56</b>

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.

10. **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 ₹ 0.25 Crores is available to cover any liability arising there from.

11. Details of Loan to/dues from subsidiary:

(₹ in Crores)

Name of the Company	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Andhra Expressway Limited	0.15	0.15
Campo Puma Oriente S.A.	177.79	87.36
Deepmala Infrastructure Pvt. Limited	14.96	23.49
Franco Tosi Meccanica S.p.A.	0.50	0.45
Gactel Turnkey Projects Limited	—	8.92
Gammon Infrastructure Projects Limited	73.96	0.06
Gammon & Billimoria Limited	19.52	9.76
Gammon Realty Limited	87.30	67.20
Gammon International FZE	68.22	189.18
Gammon Holdings BV	122.91	32.49
Gammon International BV	102.75	61.37
Gammon International LLC	—	0.19
Gammon Power Limited	0.14	0.14
Kosi Bridge Infrastructure Projects Limited	0.39	0.03
Rajahmundry Expressway Limited	0.12	0.12
Vizag Seaport Pvt. Limited	—	0.41
Sikkim Hydro Power Ventures Limited	0.01	0.01
Tidong Hydro Power Limited	0.56	0.56
Rajahmundry Godavari Bridge Limited	0.35	—
Ansaldo Caldaie Boilers India Pvt. Limited	0.57	—
SAE Transmission India Limited	0.14	—
Metropolitan Infra Housing Pvt. Limited	97.27	—
Mumbai Nasik Expressway Limited	0.01	—
Transrail Lighting Limited	22.57	4.84
Associated Transrail Structures Limited, Nigeria	0.97	0.53
SAE Power Lines S.r.l.	28.48	25.56
ATSL Holdings BV Netherlands	12.76	3.41
Franco Tosi Turbines Pvt. Limited	0.10	—
<b>TOTAL</b>	<b>832.50</b>	<b>516.23</b>

12. Managerial Remuneration:

(₹ in Crores)

Particulars	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
Managerial remuneration for Directors included in the Profit and Loss Account comprises:		
– Salaries, Contribution to Provident Fund and Other Funds	9.40	4.89
– Commission	—	1.40
– Sitting fees to Independent Directors	0.07	0.12
– Perquisites (at monetary value)	0.11	0.03
<b>TOTAL</b>	<b>9.58</b>	<b>6.44</b>
Computation of remuneration payable to Managing and Whole-time Directors as per Schedule XIII to the Companies Act, 1956		
Profit before taxation as per Profit and Loss Account	176.68	211.25
Add: Directors' remuneration	9.51	6.44
Directors' fees	0.07	0.12
Depreciation (net of transfer from revaluation)	91.71	70.93
Loss/(Profit) on sale of assets	(0.14)	0.31
Less: Depreciation under section 350	91.71	70.93
Loss/(Profit) on sale of assets as per section 350	(0.14)	0.31
Net Profit under section 349 of the Companies Act, 1956	186.26	217.81
<b>Managerial Remuneration at 10% thereof</b>	<b>18.62</b>	<b>21.78</b>
<b>Restricted to Actual Remuneration</b>	<b>9.51</b>	<b>6.32</b>

13. In respect of the road projects undertaken by the Company, in furtherance to the recommendation of the Dispute Resolution Board (DRB), the Company has been awarded claims by the Arbitration Tribunal for an aggregate amount of ₹ 94.54 Crores which has been recognized as revenue & included in Sundry Debtors. The Company contends that such awards have reached finality for the determination of the amounts of such claims and are reasonably confident of recovery of such claims although the client has moved the court to set aside the awards.

Considering the fact that the Company has received favorable awards from the DRB and the arbitration tribunal, the Management is reasonably certain that the claims will get favorable verdict from the courts.

14. **Earnings in Foreign Currency:**

(₹ in Crores)

Particulars	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
Revenue from Overseas Project and receipts from World Bank aided projects in Foreign Currency	32.66	46.14
Earnings in foreign currency – FOB	119.09	253.87
Others	1.83	1.02
<b>TOTAL</b>	<b>153.58</b>	<b>301.03</b>

15. (a) **Remittance of Dividend in Foreign Currency:**

Pertaining to	Non resident Shareholders	No. of shares	Amount (Net) (₹ in Crores)
2010-2011 (Interim Dividend)	10	7,933,205	0.32
2009-2010 (Final Dividend)	10	7,933,205	0.48
2008-2009 (Final Dividend)	11	7,933,400	0.48

(b) **Expenditure in Foreign Currency:**

Particulars	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
(i) Expenditure at Foreign Sites/Foreign Branches:		
Commission paid	0.30	4.73
Others	25.06	38.11
(ii) Other Expenditure:		
Books and Periodical/Membership and Subscription	0.12	0.09
Travelling	0.66	0.31
Royalty and Technical/Professional fees	3.61	3.09
Interest paid	2.45	4.77
Bought out materials, stores & spares	24.04	14.14
Others	1.62	1.54
<b>TOTAL</b>	<b>57.86</b>	<b>66.78</b>

Note: Net of TDS and Service Tax

(c) **C I F Value of Imports:**

(₹ in Crores)

Particulars	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
Capital goods	76.09	57.00
Material	27.71	11.35
Consumables, Components and Spares	8.45	9.62
<b>TOTAL</b>	<b>112.25</b>	<b>77.97</b>

16. Dividend income includes dividend of ₹ Nil (*Previous Year ₹ 0.07 Crores*) from trade investments. Dividend received from own investment held through Gammon Trust is adjusted under appropriation ₹ 0.58 Crores.

17. Interest from Joint Stock companies includes accrued onetime non-recurring interest income of ₹ 182.39 Crores under contractual conditions from one of the subsidiary of the Company.

18. Pursuant to the amalgamation of ATSL with the Company, the outstanding options of the employees of the erstwhile ATSL outstanding as on 1<sup>st</sup> April, 2008 have been taken up as an obligation by the Company in accordance with the Scheme approved by the court. Accordingly the Company has accounted for the grant of 106,300 options to such employees at an exercise prize of ₹ 80 per share. The Company will issue two equity shares against each option in terms of the scheme of amalgamation approved by the Courts.

The options were granted by the erstwhile ATSL on 27<sup>th</sup> March, 2007. The options vest in a graded manner over the period of four years and are exercisable during a period of three years from the date of vesting thereof.

Since the assets and liabilities of the erstwhile ATSL has been accounted at the book value, the accounting effect in the accounts are continued at the same value.

The fair value of the option however has been computed under the Black Scholes method considering the data of the Company as on the date of grant of option for the purpose of disclosure as required under Guidance note on Employee share based payments detailed hereunder.

Options granted on 27<sup>th</sup> March, 2007:

Vesting Date	No. of Options	Exercise Period	Intrinsic value on the date of grant of options	Fair value of options as on date of grant of options
			(₹)	(₹)
(1)	(2)	(3)	(4)	(5)
28 <sup>th</sup> September, 2008	21,260	28.9.2008 to 27.9.2011	250.00	677.65
28 <sup>th</sup> September, 2009	26,575	28.9.2009 to 27.9.2012	250.00	677.65
28 <sup>th</sup> March, 2010	26,575	28.3.2010 to 27.3.2013	250.00	677.65
28 <sup>th</sup> March, 2011	31,890	28.3.2011 to 27.3.2014	250.00	677.65
	<b>106,300</b>			

Had the compensation cost been accounted under the Fair value method, the Company's net profit would have changed as follows:

(₹ in Crores)

Particulars	Year Ended 31 <sup>st</sup> March, 2011	Year Ended 31 <sup>st</sup> March, 2010
Net Income as reported	118.45	125.72
Add : ESOP's compensation cost as accounted on Intrinsic value method	0.20	0.55
Less : ESOP's compensation cost as accounted on fair value method	1.91	1.59
Net Profit Adjusted	116.74	124.68
Basic earnings per share – as reported	9.16	10.72
Basic earning per share – Adjusted	9.02	10.63
Diluted earning per share – as reported	9.10	10.26
Diluted earning per share – Adjusted	8.97	10.17

The fair value of options accounted pursuant to the scheme of amalgamation was determined as at the date of grant of the options using the Black Scholes Option Pricing Model with the following assumptions:

a.	Risk free interest rate	7.50%
b.	Expected Dividend Yield	0.39%
c.	Expected life of the option	3 years
d.	Expected Volatility of Share Price	52.64%

The status of Employees stock options is as under:

Particulars	2010-2011	2009-2010
Option Shares Outstanding at the beginning of the year	78,035	102,480
Options exercised during the year	25,242	14,261
Option Shares granted during the year	—	—
Option Shares lapsed during the year	6,560	10,184
Option Shares Outstanding at the end of the year	46,233	78,035

During the year 25,242 (P.Y. 14,261) options were exercised by the employees against which 50,484 equity shares (P.Y. 28,522) were allotted and 6,560 (P.Y. 10,184) options were lapsed during the year on account of cessation of employment. None of the 46,233 (P.Y. 78,035) options outstanding have been forfeited during the year.

#### 19. Consumption of Raw Materials:

(₹ in Crores)

Particulars	2010-11		2009-10	
	Amount	%	Amount	%
Imported	5.51	1.28	1.08	0.27
Indigenous	425.21	98.72	399.95	99.73
<b>TOTAL</b>	<b>430.72</b>	<b>100.00</b>	<b>401.03</b>	<b>100.00</b>



20. Additional information pursuant to Schedule VI to the Companies Act, 1956.

(a) Licensed and installed capacity and production of goods manufactured:

Particulars	Transmission Line Towers & Parts	Conductors
Licensed/Registered capacity (No License is required)	N.A. (N.A.)	N.A. (N.A.)
Installed capacity (as certified by the management and accepted by the auditors, being a technical matter)	110,000 MT p.a. (110,000 MT p.a.)	36,000 MT p.a. (36,000 MT p.a.)
Actual production including job work	102,525 MT p.a. (83,512 MT p.a.)	11,916.155 MT p.a. (3,860.666 MT p.a.)

(Figures in brackets are for the previous year)

(b) Opening and Closing stock of goods manufactured and traded in:

(₹ in Crores)

Particulars	2010-2011		2009-10	
	(Qty.)	Amount	(Qty.)	Amount
Opening Stock-Transmission Line Towers & Parts (MT)	3,348	17.53	6,780	41.61
Opening Stock-Conductor (KM)	90.643	0.99	150.266	2.34
<b>TOTAL</b>		<b>18.52</b>		<b>43.95</b>
Closing Stock-Transmission Line Towers & Parts (MT) (*)	*5,183	**29.63	3,348	17.53
Closing Stock-Conductor (KM)	592.835	8.60	90.643	0.99
<b>TOTAL</b>		<b>38.23</b>		<b>18.52</b>

\*Includes 95 MT (P.Y. NIL) lying at Port.

\*\*Includes ₹ 0.52 Crores (P.Y. NIL) lying at Port, But excludes Scrap Stock of ₹ 0.16 Crores (P.Y. ₹ 0.22 Crores).

(₹ in Crores)

Particulars	2010-2011		2009-2010	
	Qty (M.T.)	Amount	Qty (M.T.)	Amount
<b>Raw Materials consumed-Transmission Line Towers &amp; Parts:</b>				
Steel	101,343	377.75	99,943	352.83
Zinc	4,561	52.97	4,717	48.20
<b>Raw materials consumed-Conductor:</b>				
Aluminum Ingots	9,429.23	108.20	3,134.032	30.89
Aluminum/EC Wire Rod	345.56	3.95	363.253	4.18
GI Wire	1,997.42	9.58	394.454	1.79
<b>Turnover:</b>				
i) Sale of Towers *(Includes Job work)	100,690*	741.88	86,944	696.66
ii) Sale of Power (In KWH)	5,926,134	2.00	7,486,080	2.52
iii) Conductor (KM)	7,713.95	141.97	2,359.119	57.51

\* Includes 336 MT (P.Y. Nil) rejected material sold as scrap.

(c) The requirement of quantitative information of the Company as required by A.S.E. 494 – E dated 30.10.1973 is not applicable to the Company as regards construction activities of transmission line. As regards various other quantitative details the same have not been reported as various items are of dissimilar nature and it is not practicable to disclose the quantitative information.

21. Disclosure in accordance with Accounting Standard – 7 (Revised), in respect of contracts entered into on or after 1<sup>st</sup> April, 2003:

(₹ in Crores)

Particulars	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
Turnover for the year	4,323.45	3,440.84
Aggregate Expenditure (Net of inventory adjustments) for contracts existing as at the year end	12,530.75	11,437.17
Aggregate Contract Profits/Losses recognized for contracts existing as at the year end	1,482.65	1,510.34
Contract Advances (Net)	722.33	798.04
Gross Amount due from customers for contract work	918.59	1,085.77
Gross Amount due to customers for contract work	3.66	0.01

22. Disclosure relating to Employee Benefits – As per Revised AS-15

As per Accounting Standard–15 "Employee Benefits" and as defined in the accounting standard the summarized components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet are given herein below:

(₹ in Crores)

Sr. No.	Particulars	Gratuity 2010-11	Gratuity 2009-10
<b>I.</b>	<b>Change in Benefit Obligation</b>		
	Liability at the beginning of the year	6.61	6.03
	Interest cost	0.52	0.47
	Current Service Cost	0.80	0.61
	Past Service Cost (Non Vested Benefit)	—	—
	Past Service Cost (Vested Benefit)	—	—
	Benefit Paid	(0.92)	(0.57)
	Actuarial (gain)/loss on obligations	2.31	0.07
	Curtailements and Settlements	—	—
	Liability at the end of the year	9.32	6.61
<b>II.</b>	<b>Fair Value of Plan Assets</b>		
	Fair Value of Plan Assets at the beginning of the year	5.09	4.05
	Expected Return on Plan Assets	0.45	0.38
	Contributions	0.94	1.23
	Benefit paid	(0.92)	(0.57)
	Actuarial gain/(loss) on Plan Assets	—	—
	Fair Value of Plan Assets at the end of the year	5.56	5.09
	Total Actuarial (gain)/loss to be Recognized	2.31	0.07
<b>III.</b>	<b>Actual Return on Plan Assets</b>		
	Expected Return on Plan Assets	0.45	0.38
	Actuarial gain/(loss) on Plan Assets	—	—
	Actual Return on Plan Assets	0.45	0.38
<b>IV.</b>	<b>Amount Recognized in the Balance Sheet</b>		
	Liability at the end of the year	9.32	6.61
	Fair Value of Plan Assets at the end of the year	5.56	5.09
	Difference	3.76	1.52
	Unrecognized Past Service Cost	—	—
	Amount Recognized in the Balance Sheet	3.76	1.52
<b>V.</b>	<b>Expenses Recognized in the Income Statement</b>		
	Current Service Cost	0.80	0.61
	Interest Cost	0.53	0.47
	Expected Return on Plan Assets	(0.45)	(0.38)
	Net Actuarial (gain)/loss To Be Recognized	2.31	0.07
	Past Service Cost (Non Vested Benefit) Recognized	—	—
	Past Service Cost (Vested Benefit) Recognized	—	—
	Effect of Curtailment or Settlements.	—	—
	Expense Recognized in Profit and Loss Account	3.19	0.77
<b>VI.</b>	<b>Balance Sheet Reconciliation</b>		
	Opening Net Liability	1.52	1.98
	Expense as above	3.19	0.77
	Employers Contribution	(0.94)	(1.23)
	Effect of Curtailment or Settlements	—	—
	Amount Recognized in Balance Sheet	3.76	1.52
<b>VII.</b>	<b>Actuarial Assumptions</b>		
	Discount Rate Current	8.00%	8.00%

Note:

- (i) Employer's contribution includes payments made by the Company directly to its past employees.
- (ii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (iii) The Company's Gratuity fund is managed by Life Insurance Corporation of India. The plan assets under the fund are deposited under approved securities.
- (iv) The Company's Leave Encashment liability is entirely unfunded.

23. The Company is engaged mainly in only one reportable segment viz., "Construction and Engineering". Additionally the Company has revenue from Windmills which is not significant and accounts for less than 10% of the total revenue and total assets of the Company. Therefore no disclosure of separate segment reporting as required in terms of Accounting Standard AS – 17 is done. The Company also primarily operates under one geographical segment namely India.
24. Disclosure of transactions with Related Parties, as required by Accounting Standard – 18 'Related Party Disclosures' has been set out in a separate statement – 1 annexed to this Schedule.
25. 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.

26. **Earning per Share (EPS):**

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

Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Net Profit After Taxation (₹ In Crores)	118.45	125.72
Preference Dividend (incl. Dividend Distribution Tax)	—	7.08
Net profit attributable to the Equity Share holders	118.45	118.64
Outstanding equity shares at the end of the year	135,739,182	127,438,698
Weighted Number of Shares during the period – Basic	129,365,956	110,624,017
Weighted Number of Shares during the period – Diluted	130,169,428	115,609,343
Earning Per Share – Basic (₹)	9.16	10.72
Earning Per Share – Diluted (₹)	9.10	10.26

Reconciliation of weighted number of outstanding during the year:

Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Nominal Value of Equity Shares (₹ per share)	2	2
<b>For Basic EPS:</b>		
Number of Equity Shares at the beginning	127,438,698	106,850,776
Add: Issue of shares under ESOP's	50,484	28,522
Add: Issue of shares under QIP	—	12,809,400
Add: On conversion of warrants	8,250,000	7,750,000
Number of Equity Shares at the end	135,739,182	127,438,698
Weighted average of equity shares at the end	129,365,956	110,624,017
<b>For Dilutive EPS:</b>		
Weighted average no. of shares in calculating basic EPS	129,365,956	110,624,017
Add: Shares kept in abeyance	725,800	725,800
Add: On grant of stock option under ESOP's	77,671	131,099
Add: On account of convertible warrant	—	4,128,427
Weighted average no. of shares in calculating dilutive EPS	130,169,428	115,609,343

For the purposes of computation of earning per shares the equity shares issued against the options granted to the employees of the erstwhile ATSL have been considered in the weighted average shares during the period. Similarly 725,800 equity shares kept in abeyance from earlier equity offerings have also been considered for dilution. The weighted shares have been determined with reference to the respective dates of allotment of the shares issued under ESOP's and the Warrants respectively.

27. During the year an amount of ₹ 13.33 Crores has been transferred from Foreign Currency Translation Reserves Account to the Profit & Loss Account on retirement of certain portion of the long term loans from the subsidiaries.
28. Pursuant to the scheme of amalgamation, the Company owns 5,804,620 equity shares of itself through Gammon India Trust which was allotted the shares against the Company's holding in erstwhile ATSL in terms of the order of the Hon'ble High Court of Mumbai and Gujarat.
29. **Diminution in the Value of Investments:**
- A. The Company through its Special Purpose Investment Vehicle holds the following stakes:
- (1) Franco Tosi Meccanica S.p.A., Italy
  - (2) Sofinter S.p.A., Italy
  - (3) Sadelmi S.p.A., Italy
  - (4) SAE S.r.l., Italy

- B. The Company has carried out its impairment test of the investments of Franco Tosi Meccanica , Sofinter and SAE Italy. Considering the business plans of these entities and the results of the tests and the fact that all these entities have healthy order book positions and adequate references in international markets notwithstanding the turbulent market conditions in Europe, the management is of the view that there is no impairment in its investments in these companies.
- C. The Company through its step down subsidiary P. Van Eerd Beheersmaatschappij B.V., Netherlands (PVAN) held a 50% shareholding in Sadelmi S.p.A for Euro 7.5 million, Italy (Sadelmi) with the remaining 50% held by Busi Impianti S.p.A, Italy since April 2008. Due to the economic conditions prevailing in different parts of the world where Sadelmi was present some of the projects under execution encountered serious contractual problems. Sadelmi therefore sought creditors' protection through a Court in Italy and simultaneously, as part of scheme, applied for transferring the remaining projects and leased all references standing in its name since inception to a new Company Busi Power S.r.l. wholly held by Busi Group. By an Agreement dated 2<sup>nd</sup> March, 2009, Busi Group agreed to give PVAN 50% stake in lieu of its stake in Sadelmi for a consideration of Euro 1 and convert the S.r.l. status into an S.p.A. to facilitate the same. Consequently PVAN will cease to be a shareholder of Sadelmi from that date and will become a shareholder of Busi Power. The compliances is expected to be reached in ensuing year, at which time Busi Group will duly capitalize its wholly owned subsidiary in India with an equity infusion of Euro 2.5 million and will also permit it to freely draw up the references to undertake future projects in India, as was mentioned in the previous year consequent upon this arrangement. The management's assessments of the references indicate that the value of such references and the infusion of Euro 2.5 million by Busi Group would be in excess of the acquisition cost of such stake.

Consequent upon this arrangement, Busi Group will be wholly responsible for the operations and all future funding of Busi Power S.r.l. and Gammon will be wholly responsible for the operations and future funding of the Indian subsidiary for the projects undertaken by them in the territories identified respectively for them. The results of these operations will be consolidated in the Company after the Court scheme is given effect to and the fresh set of financial are drawn up.

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

(₹ in Crores)

Particulars	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
<b>Deferred Tax Liability:</b>		
– On Account of Depreciation	87.59	74.30
– On Foreign Exchange Translation Reserve	4.75	8.78
<b>Deferred Tax Assets:</b>		
– On Account of Gratuity/Leave Encashment Provision	5.85	4.20
– On Account of Interest on NCD	—	0.27
– On Account of Other Disallowances	5.06	6.88
<b>Net Balance</b>	<b>81.43</b>	<b>71.73</b>

31. Unpaid dividend includes ₹ 0.14 Crores (*Previous Year – ₹ 0.10 Crores*) and accrued interest includes ₹ 0.05 Crores (*Previous Year – ₹ 0.16 Crores*) towards interest on fixed deposits to be transferred to the Investor Education & Protection Fund.

32. **CONTINGENT LIABILITIES:**

(₹ in Crores)

Sr. No.	Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
1.	Liability on contracts remaining to be executed on Capital Accounts	12.59	73.83
2.	Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate Companies stand at	6,531.96	5,436.41
3.	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	556.31	463.36
4.	Disputed Sales Tax liability for which the Company has gone into Appeal is	24.66	23.88
5.	Claims against the Company not acknowledged as debts	47.26	47.76
6.	Disputed Excise Duty Liability	0.03	0.03
7.	Disputed Customs Duty Liability	0.32	0.32
8.	Disputed Service Tax Liability	18.61	29.27
9.	Contingent Liability on partly paid shares	—	—
10.	There is a disputed demand of UCO Bank pending since 1986, of US\$ 436,251 i.e. ₹ 1.72 Crores. Against this, UCO Bank has unilaterally adjusted the Company's Fixed Deposit of US\$ 30,584 i.e. ₹ 0.12 Crores, which adjustment has not been accepted by the Company.		
11.	The Company had deposited customs duty of ₹ 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.		
12.	In respect of Joint Venture and operations in Oman, Gammon India Limited – AL Matar JV, refer note no. 37.		
13.	Counter claims in arbitration matters referred by the Company – liability unascertainable.		

33. The balance with The Freyssinet Prestressed Concrete Company Limited is as per books of accounts and subject to reconciliation.
34. Cash & Bank balances include ₹ 2.00 Crores (*Previous Year ₹ 2.13 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.

Balances in Foreign Bank Accounts are as per ledger and in case of some of the banks are subject to reconciliation. Details of balances with Non Scheduled Banks are as follows:

(₹ in Crores)

Sr. No.	Name of the Bank	As on 31.03.2011	As on 31.03.2010	Maximum O/s 2010-2011	Maximum O/s 2009-2010
1.	Affairs of the USSR	1.83	1.83	1.83	1.83
2.	Rafidian Bank, Baghdad	0.06	0.06	0.06	0.06
3.	Uco Bank London	0.08	0.08	0.08	0.08
4.	Uco Bank US\$	0.02	0.02	0.02	0.02
5.	Nepal Arab Bank US\$	0.01	0.01	0.01	0.01
6.	Standard Chartered Bank, Bangladesh	—	0.01	—	0.01
7.	HSBC, Abudhabi	—	0.12	—	0.12
8.	BNA – Algeria – 65/88	0.02	0.45	1.01	3.26
9.	BNA – Algeria – 83/34	0.15	2.83	1.26	1.66
10.	BNP Paribas CEDAC	0.04	0.07	0.04	5.93
11.	BNA001-00602-0209-89/ G203	0.28	—	1.99	—
12.	BNA001-00602-0209-89/G202	0.18	—	3.91	—
13.	Barclays Bank – Italy	0.04	—	0.04	—
	<b>TOTAL</b>	<b>2.71</b>	<b>5.48</b>	<b>10.25</b>	<b>12.98</b>

35. During the F.Y. 2010-2011, search action was initiated against the Company u/s 132 of the Income Tax Act, On a prudent basis an additional tax provision of ₹ 17 Crores have been made in accounts of F.Y. 2009-2010.
36. **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 Srinivas	Jointly Controlled Operation	80.00%
2.	BBJ GIL	Jointly Controlled Operation	30.50%
3.	JAGER GIL	Jointly Controlled Operation	50.00%
4.	Jaeger Gammon	Jointly Controlled Operation	50.00%
5.	Patel Gammon	Jointly Controlled Operation	49.00%
6.	Gammon Patel	Jointly Controlled Operation	50.00%
7.	Hyundai Gammon	Jointly Controlled Operation	49.00%
8.	Jaeger Gammon	Jointly Controlled Operation	50.00%
9.	Gammon BBJ	Jointly Controlled Operation	50.00%
10.	BBJ Gammon	Jointly Controlled Operation	49.00%
11.	Gammon Technofab (Transmission & Distribution of Electricity & Water)	Jointly Controlled Operation	70.00%
12.	Gammon Limak (Vishnugod Pipalnote HEPP)	Jointly Controlled Operation	51.00%
13.	Gammon Tensacuai	Jointly Controlled Operation	80.00%
14.	Gammon Construtora Tensacuai	Jointly Controlled Operation	60.00%
15.	Lencon Gammon	Jointly Controlled Operation	51.00%
16.	Aydeniz Gammon	Jointly Controlled Operation	30.00%
17.	Gammon Aydinar (Rammam)	Jointly Controlled Operation	50.00%
18.	GIL Simplex (Khongsang Imphal)	Jointly Controlled Operation	51.00%
19.	GIL Simplex (Dholakal Tupul)	Jointly Controlled Operation	51.00%
20.	GIL Marti (Civil Work Sainj HEP)	Jointly Controlled Operation	51.00%
21.	GIL KCT (Rupiasagar Kasiabara HEP)	Jointly Controlled Operation	67.00%



Sr. No.	Name of Joint Venture	Description of Interest	% of involvement
22.	Gammon CMC (DFCC Eastern Corridor)	Jointly Controlled Operation	65.00%
23.	Sumitomo Corp., Gammon, C & C Const. Limited, Sadbhav Engg. Limited	Jointly Controlled Operation	15.00%
24.	Gammon Atlanta (Ghana Road Project)	Jointly Controlled Operation	75.00%
25.	Gammon Yuksel (Greenfield Airport, Sasan)	Jointly Controlled Operation	51.00%
26.	Gammon Mosmetrostroy (Bangalore Metro)	Jointly Controlled Operation	49.00%
27.	Gammon Cadagua (Guwahati WS Pkg. III)	Jointly Controlled Operation	51.00%
28.	Gammon Pratibha (Hogenkkal WS)	Jointly Controlled Operation	51.00%
29.	Gammon Ansaldo (Kakrapara BOT Pkg. I)	Jointly Controlled Operation	51.00%
30.	Gammon Marti	Jointly Controlled Operation	60.00%
31.	Afghanistan ATSL AEPC Consortium	Jointly Controlled Operation	75.00%
32.	Gammon Pratibha (BWSSB)	Jointly Controlled Operation	70.00%
33.	Gammon Atlanta	Jointly Controlled Operation	50.00%
34.	Gammon BBJ	Jointly Controlled Operation	50.00%
35.	GIL Archirodon	Jointly Controlled Operation	98.50%
36.	Gammon JMC	Jointly Controlled Operation	70.00%
37.	Gammon OSE	Jointly Controlled Operation	50.00%
38.	OSE GIL	Jointly Controlled Operation	50.00%
39.	Gammon Progressive	Jointly Controlled Operation	50.00%

- (b) Details of Income & Expenditure and Assets & Liabilities of Jointly controlled entities as per the audited accounts of the Joint Venture entity are as under:

(₹ in Crores)

Sr. No.	Particulars of JV with share	Share of Assets	Share of Liabilities	Share of Income	Share of Expenditure
1.	Gammon Al Matar (85%)	15.62 (68.68)	0.46 (80.14)	0.53 (16.95)	8.88 (29.66)
2.	Gammon Enee Consortium (51%)	4.74 (4.63)	1.41 (1.44)	2.01 (2.30)	2.01 (2.30)
3.	Jager Gammon (90%)	22.30 (44.95)	22.20 (52.49)	55.93 (58.09)	55.85 (58.05)
4.	Gammon Construtora Cidade Tensaccia Joint Venture (60%)	18.64 (-)	18.70 (-)	9.89 (-)	9.95 (-)
5.	Gammon OJSC Mosmetrostroy Joint Venture (51%)	38.20 (-)	38.20 (-)	- (-)	- (-)
6.	Bhutan Consortium Jyoti Structures Limited and Gammon India Limited	29.65 (-)	29.65 (-)	0.63 (-)	0.63 (-)

(Previous year figures are in brackets)

### 37. Joint venture and operations in Oman:

- (a) There are claims against the Joint venture not acknowledged as debts of RO 0.84 million (₹ 9.85 Crores) in respect of which the lower courts have ruled in favour of the claimant. The Management is hopeful of obtaining relief from the higher courts in the matter.
- (b) The joint venture has carried out certain works including operations and maintenance of the project based on work instructions received from the consultant/client which is subject to certification and acceptance by the client on account of certain disputes with the client which the management is hopeful of resolving in favour of the Joint venture. The total value of such works being carried as part of the job estimates is RO 0.91 million (₹ 10.67 Crores).
- (c) The banking facilities including fund and other non-fund based borrowings utilized by the Joint Venture entity which 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 and Corporate guarantees of Gammon India Limited of RO 1.25 million (₹ 14.66 Crores). The total of such borrowings as at 31<sup>st</sup> March, 2011 is RO 169,337 (₹ 1.99 Crores) [Previous Year RO 4,002,265 (₹ 46.99 Crores)] which consists of Fund based RO (208,554) (₹ 2.44 Crores) [Previous Year RO 3,628,768 (₹ 42.61 Crores)] and Non-fund based RO 377,891 (₹ 4.43 Crores) [Previous Year RO 373,498 (₹ 4.39 Crores)].

- (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.
- (e) During the year the Assets held by the Oman Branch have been transferred to India. The related Foreign Currency Translation Reserve has been reversed.

**38. 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:

(₹ in Crores)

Particulars	Amount Outstanding As at		Maximum Amount Outstanding for the period	
	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010	2010-11	2009-10
<b>Subsidiaries/Fellow Subsidiaries:</b>				
Gammon & Billimoria Limited	19.52	9.76	19.52	10.03
Gammon Infrastructure Projects Limited	73.96	0.06	76.06	0.56
Gammon Realty Limited	87.30	67.20	87.37	139.55
Gammon International FZE *	68.22	189.18	189.99	240.44
Deepmala Infrastructure Pvt. Limited	14.96	23.49	107.89	117.43
Gammon Holdings BV*	122.91	32.49	122.91	33.50
Gammon International BV*	102.75	61.37	103.63	66.96
Campo Puma Oriente SA	177.79	87.36	180.34	90.33
Gammon Power Limited*	0.14	0.14	0.14	0.19
Ansaldocaldaie Boilers India Pvt. Limited	0.57	—	6.47	—
Metropolitan Infra Housing Pvt. Limited	97.27	—	197.07	—
Transrail Lighting Limited	22.57	4.84	22.57	4.84
Associated Transrail Structures Limited, Nigeria	0.97	0.50	0.97	0.50
SAE Power Lines S.r.l.	28.48	25.56	28.66	29.54
Franco Tosi Turbines Pvt. Limited	0.10	0.10	—	—
ATSL Holdings BV Netherlands	12.76	3.41	12.76	3.75
<b>Associates &amp; Group Companies:</b>				
Fin Est S.p.A.	2.53	2.42	2.53	3.20

\* The above loans are interest free.

None of the above loanee companies hold any shares in the Company.

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 ₹ Crores. Those items which were not represented in the financial statement due to rounding off to the nearest ₹ Crores are given below:

**Balance Sheet Items**

(Amount in ₹)

REFER	DESCRIPTION	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Schedule 6	INVESTMENTS:		
	(a) Trade Investments:		
	Aircrew (India) Limited	1,000	1,000
	Bhagirathi Bridge Construction Co. Limited	30,000	30,000
	Alpine Environmental Engineers Limited	20,000	20,000
	Neptune Tower Properties Pvt. Limited	1,000	1,000
	(b) Other Investments:		
	Modern Flats Limited	22,100	22,100
	(c) Investment In Partnership – Capital Contribution		
	Gammon Shah	25,000	25,000
	(d) Mutual Fund:		
	HDFC Mutual Fund – Floating Rate Income Fund	17,255	—

(Amount in ₹)

REFER	DESCRIPTION	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
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	968
	(d) Umma Bank, Al-Fatah	8,000	8,000
	(e) Umma Bank, Tripoli	8,390	8,390
	(f) Nepal Bank Limited	511	511
	(g) Nabil Bank Site Account	3,967	3,967
	(h) Nabil Bank Collection Account	16,618	16,618
Schedule 10	DUES FROM / LOAN TO SUBSIDIARY COMPANIES:		
	(a) Gammon Retail Infra. Pvt. Limited	28,300	28,300
	(b) Youngthan Power Ventures Limited	8,105	8,105

**Notes To Accounts**

(Amount in ₹)

REFER	DESCRIPTION	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Note No. 34 (12)	Contingent liability on partly paid shares	19,000	19,000

As per our attached report of even date

For Natvarlal Vepari & Co.  
Chartered Accountants  
Firm Registration No. 106971W

N. JAYENDRAN  
Partner  
M. No. 40441

Mumbai, Dated :12<sup>th</sup> August, 2011

For and on behalf of the Board of Directors

ABHIJIT RAJAN  
Chairman & Managing Director

C. C. DAYAL  
Director

GIRISH BHAT  
Chief Financial Officer

Mumbai, Dated : 12<sup>th</sup> August, 2011

ROHIT MODI  
Deputy Managing Director

D. C. BAGDE  
Executive Director

GITA BADE  
Company Secretary

**SCHEDULE – 1**

**Related Party Disclosure (AS – 18):**

**(A) Relationships:**

<b>Subsidiaries/Fellow Subsidiaries:</b>	
1.	Andhra Expressway Limited
2.	Ansaldo Caldaie Boilers India Private Limited
3.	ATSL BV, Netherland
4.	ATSL Infrastructure Projects Limited
5.	Associated Transrail Structures Limited, Nigeria
6.	Campo Puma Oriente SA
7.	Chitoor Infra Company Private Limited
8.	Chitoor Infrastructure Projects Private Limited (formerly known as Satyavedu Infra Company Private Limited)
9.	Cochin Bridge Infrastructure Company Limited
10.	Deepmala Infrastructure Private Limited
11.	Dohan Renewable Energy Private Limited
12.	Franco Tosi Hydro Private Limited
13.	Franco Tosi Meccanica S.p.A.
14.	Franco Tosi Turbines Private Limited
15.	GACTEL Turnkey Projects Limited
16.	Gammon & Billimoria Limited
17.	Gammon & Billimoria LLC
18.	Gammon Holdings BV
19.	Gammon Holdings (Mauritius) Limited
20.	Gammon Infrastructure Projects Limited
21.	Gammon International BV
22.	Gammon International FZE
23.	Gammon International LLC, Oman
24.	Gammon Italy S.r.l.
25.	Gammon Logistics Limited
26.	Gammon Power Limited
27.	Gammon Projects Developers Limited
28.	Gammon Realty Limited
29.	Gammon Renewable Energy Infrastructure Limited
30.	Gammon Retail Infrastructure Private Limited
31.	Gammon Road Infrastructure Limited
32.	Gammon Seaport Infrastructure Limited
33.	Ghaggar Renewable Energy Private Limited
34.	Gorakhpur Infrastructure Company Limited
35.	Indori Renewable Energy Private Limited
36.	Jaguar Projects Developers Limited
37.	Kasavati Renewable Energy Private Limited
38.	Kosi Bridge Infrastructure Company Limited
39.	Lilac Infra Projects Developers Limited
40.	Marine Project Services Limited
41.	Markanda Renewable Energy Private Limited
42.	Metropolitan Infrahousing Private Limited
43.	Mumbai Nasik Expressway Limited
44.	P. Van Eerd Beheersmaatschappij BV – Netherlands
45.	Pataliputra Highway Limited
46.	Patna Highway Projects Limited
47.	Pravara Renewable Energy Limited
48.	Preeti Townships Private Limited
49.	Rajahmundry Expressway Limited
50.	Rajahmundry Godavari Bridge Limited
51.	RAS Cities and Townships Private Limited
52.	SAE Powerlines S.r.l.
53.	SAE Transmission India Limited
54.	Sikkim Hydro Power Ventures Limited
55.	Sirsa Renewable Energy Private Limited
56.	Sutlej Renewable Energy Private Limited
57.	Tada Infra Development Company Limited (formerly Gammon Hospitality Limited)
58.	Tada Infrastructure Projects Private Limited (formerly known as Tada SEZ Private Limited)
59.	Tangri Renewable Energy Private Limited
60.	Tidong Hydro Power Limited
61.	Transrail Lighting Limited
62.	Vizag Sea Port Private Limited
63.	Yamuna Renewable Energy Private Limited
64.	Youngthang Power Ventures Limited
<b>Joint Ventures:</b>	
1.	Afghanistan ATSL AEPC Consortium
2.	Aydeniz Gammon
3.	BBJ Gammon
4.	BBJ GIL
5.	Bhutan Consortium Jyoti Structures Limited and Gammon India Limited
6.	Blue Water Iron Ore Terminal Private Limited
7.	Gammon Al Matar
8.	Gammon Ansaldo (Kakrapara BOT Pkg. I)
9.	Gammon Atlanta
10.	Gammon Atlanta (Ghana Road Project)
11.	Gammon Aydinar (Rammam)
12.	Gammon BBJ
13.	Gammon Cadagua (Guwahati WS Pkg. III)
14.	Gammon CMC (DFCC Eastern Corridor)
15.	Gammon Construtora Cidade Tensaccia Joint Venture
16.	Gammon Construtora Tensacuai
17.	Gammon Eence Consortium
18.	Gammon Eence Rail (Consortium)
19.	Gammon JMC
20.	Gammon Limak (Vishnugod Pipalnote HEPP)
21.	Gammon Marti
22.	Gammon Mosmetrostroy (Bangalore Metro)
23.	Gammon OJSC Mosmetrostroy Joint Venture
24.	Gammon OSE
25.	Gammon Patel
26.	Gammon Pratibha (BWSSB)
27.	Gammon Pratibha (Hogenkkal WS)
28.	Gammon Progressive
29.	Gammon Sew
30.	Gammon Rizzani
31.	Gammon Srinivas
32.	Gammon Technofab (Transmission & Distribution of Electricity & Water)

33.	Gammon Tensacuai
34.	Gammon Yuksel (Greenfield Airport, Sasan)
35.	GIL Archirodon
36.	GIL KCT (Rupiasagar Kasiabara HEP)
37.	GIL Marti (Civil Work Sainj HEP)
38.	GIL Simplex (Dholakal Tupul)
39.	GIL Simplex (Khongsang Imphal)
40.	Haryana Biomass Power Limited
41.	Hyundai Gammon
42.	Indira Container Terminal Private Limited
43.	Jaeger Gammon
44.	Jager Gammon
45.	Lencon Gammon
46.	OSE GIL
47.	Patel Gammon
48.	Punjab Biomass Power Limited
49.	SEZ Adityapur Limited
50.	Sofinter S.p.A.
51.	Sumitomo Corp. Gammon, C & C Const. Limited, Sadbhav Engg. Limited

Associates & Group Companies:	
1.	Eversun Sparkle Maritime Services Private Limited
2.	Finest S.p.A. Italy
3.	Modern Toll Roads Limited
Entities where control exists:	
1.	Devyani Estate & Properties Private Limited
2.	First Asian Capital Resources Private Limited
3.	Masayor Enterprises Limited
4.	Nikhita Estate Developers Private Limited
5.	Pacific Energy Private Limited
Key Management Personnel & Relatives:	
1.	Mr. Abhijit Rajan
2.	Mr. Himanshu Parikh
3.	Mr. Rajul A. Bhansali
4.	Mr. Rohit Modi
5.	Mr. Harshit Rajan
6.	Mr. D. C. Bagde

(B) Related Parties transactions during the year in normal course of business :

(₹ in Crores)

Nature of Transactions/Relationship/Major Parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<b>SUBSIDIARIES</b>				
<b>Subcontracting Income</b>	<b>577.97</b>		<b>432.57</b>	
Mumbai Nasik Expressway Limited		<b>63.68</b>		<b>112.89</b>
Kosi Bridge Infrastructure Company Limited		<b>46.89</b>		<b>90.17</b>
Gorakhpur Infrastructure Company Limited		<b>195.69</b>		<b>89.08</b>
Patna Highway Projects Limited		<b>69.62</b>		<b>—</b>
Rajahmundry Godavari Bridge Limited		<b>201.90</b>		<b>140.43</b>
<b>Operating And Maintenance Income</b>	<b>17.08</b>		<b>105.20</b>	
Andhra Expressway Limited		<b>8.31</b>		<b>52.89</b>
Rajahmundry Expressway Limited		<b>8.77</b>		<b>52.32</b>
<b>Operating And Maintenance Expenses</b>	<b>17.08</b>		<b>105.20</b>	
Gammon Infrastructure Projects Limited		<b>17.08</b>		<b>105.20</b>
<b>Purchase of Goods</b>	<b>11.77</b>		<b>0.27</b>	
Transrail Lighting Limited (TLL)		<b>11.50</b>		<b>—</b>
GACTEL Turnkey Project Limited		<b>0.27</b>		<b>0.27</b>
<b>Sale of Goods</b>	<b>1.77</b>		<b>—</b>	
GACTEL Turnkey Project Limited		<b>1.33</b>		<b>—</b>
SAE Power Lines S.r.l.		<b>0.44</b>		<b>—</b>
<b>Sale of Assets</b>	<b>—</b>		<b>38.03</b>	
SAE Power Lines S.r.l.		<b>—</b>		<b>38.03</b>
<b>Purchase of Investments/Advances towards Equity/Allotment of Shares</b>	<b>42.70</b>		<b>31.98</b>	
Kosi Bridge Infrastructure Company Limited		<b>—</b>		<b>6.28</b>
RAS Cities		<b>—</b>		<b>25.00</b>
Ansaldo Caldaie Boilers India Private Limited		<b>37.15</b>		<b>—</b>
Gorakhpur Infrastructure Company Limited		<b>5.35</b>		<b>—</b>



(₹ in Crores)

Nature of Transactions/Relationship/Major Parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<b>Refund of Deposit for transfer of Beneficial Interest/Advance towards Equity</b>	<b>5.35</b>		<b>32.69</b>	
Gammon Infrastructure Projects Limited		5.35		32.69
<b>Rent Income</b>	<b>0.12</b>		<b>0.12</b>	
Gammon Infrastructure Projects Limited		0.12		0.12
<b>Receiving of Services</b>	<b>7.74</b>		<b>5.13</b>	
GACTEL Turnkey Project Limited		7.74		5.08
<b>Insurance Claim Received</b>	<b>0.71</b>		<b>1.57</b>	
Kosi Bridge Infrastructure Company Limited		0.36		—
Rajahmundry Godavari Bridge Limited		0.35		—
Andhra Expressway Limited		—		0.17
Rajahmundry Expressway Limited		—		0.19
Mumbai Nasik Expressway Limited		—		1.21
<b>Finance provided (incl. Loans and equity contribution in cash or in kind)</b>	<b>788.08</b>		<b>567.80</b>	
Gammon Internationl FZE		—		74.81
Gammon Infrastructure Projects Limited		73.62		—
Gammon International BV		66.50		66.96
Gammon Holdings BV		92.45		33.50
Campo Puma Orient SA		92.98		74.81
Metropolitan Infrahousing Private Limited		192.45		—
GACTEL Turnkey Project Limited		86.43		169.37
Deepmala Infrastructure Private Limited		118.47		115.33
<b>Finance provided for expenses &amp; on A/c payments</b>	<b>15.75</b>		<b>3.26</b>	
GACTEL Turnkey Project Limited		0.68		1.85
Gammon Infrastructure Projects Limited		0.32		0.75
Transrail Lighting Limited (TLL)		10.54		—
RAS Cities and Townships Private Limited		1.87		—
<b>Amount liquidated towards the finance provided</b>	<b>501.10</b>		<b>370.38</b>	
GACTEL Turnkey Project Limited		97.79		160.69
Deepmala Infrastructure Private Limited		127.00		100.00
Metropolitan Infrahousing Private Limited		101.41		—
Gammon Internationl FZE		123.19		—
Gammon Realty Limited		3.76		80.80
<b>Interest Income during the year</b>	<b>225.32</b>		<b>23.79</b>	
Metropolitan Infrahousing Private Limited		188.79		—
Gammon Realty Limited		7.72		15.75
Deepmala Infrastructure Private Limited		4.55		2.30
<b>Finance received (incl. Loans and equity contribution in cash or in kind)</b>	<b>2.21</b>		<b>0.06</b>	
ATSL Infrastructure Projects Limited		—		0.06
GACTEL Turnkey Project Limited		2.21		—
<b>Finance received for expenses &amp; on A/c payments</b>	<b>1.51</b>		<b>—</b>	
GACTEL Turnkey Project Limited		1.12		—
Gammon & Billimoria Limited		0.36		0.26
<b>Amount liquidated towards the above finance</b>	<b>—</b>		<b>0.03</b>	
ATSL Infrastructure Projects Limited		—		0.02
Andhra Expressway Limited		—		0.01

(₹ in Crores)

Nature of Transactions/Relationship/Major Parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<b>Interest Paid</b>	<b>0.03</b>		<b>0.08</b>	
Rajahmundry Godavari Bridge Limited		—		0.08
GACTEL Turnkey Project Limited		0.03		—
<b>Contract Advance Received</b>	<b>83.26</b>		<b>23.94</b>	
Mumbai Nasik Expressway Limited		25.00		—
Patna Highway Projects Limited		37.50		—
Rajahmundry Godavari Bridge Limited		14.81		23.94
<b>Refund against Contract Advance</b>	<b>56.05</b>		<b>93.37</b>	
Gorakhpur Infrastructure Company Limited		20.57		20.89
Rajahmundry Godavari Bridge Limited		10.48		34.62
Kosi Bridge Infrastructure Company Limited		—		12.77
Mumbai Nasik Expressway Limited		25.00		24.00
<b>Guarantees and Collaterals Outstanding</b>	<b>2,406.84</b>		<b>1,893.76</b>	
Deepmala Infrastructure Private Limited		233.80		133.80
SAE Power Lines S.r.l.		249.11		211.28
Franco Tosi Meccanica S.p.A.		388.81		244.06
Gammon Holding BV		248.74		347.58
Gammon International BV		323.04		433.34
Gammon Billimoria LLC		288.72		219.01
<b>Outstanding Balances Receivables</b>	<b>1,113.21</b>		<b>625.70</b>	
Gammon International BV		102.75		61.37
Campo Puma Orient SA		191.56		89.42
Gammon International FZE		68.22		189.18
Gammon Holding BV		122.91		32.49
Metropolitan Infrahousing Private Limited		267.64		—
Gammon Realty Limited		107.44		80.39
<b>Outstanding Balances Payable</b>	<b>158.11</b>		<b>99.36</b>	
Kosi Bridge Infrastructure Company Limited		12.38		23.09
Gammon Infrastructure Projects Limited		6.58		10.81
Patna Highway Projects Limited		68.24		—
Rajahmundry Godavari Bridge Limited		52.23		20.57
Gorakhpur Infrastructure Company Limited		9.36		44.48
<b>Deposit Outstanding (Payable)</b>	<b>70.91</b>		<b>65.56</b>	
Gammon Infrastructure Projects Limited		70.91		65.56
<b>TOTAL</b>	<b>6,104.68</b>		<b>4,519.84</b>	
<b>ASSOCIATES</b>				
<b>Amount liquidated towards the finance provided</b>	<b>—</b>		<b>0.66</b>	
Finest S.p.A.		—		0.66
<b>Interest Income during the year</b>	<b>0.22</b>		<b>0.22</b>	
Finest S.p.A.		0.22		0.22
<b>Outstanding Balances Receivables</b>	<b>3.21</b>		<b>2.87</b>	
Finest S.p.A.		3.21		2.87
<b>TOTAL</b>	<b>3.43</b>		<b>3.76</b>	

(₹ in Crores)

Nature of Transactions/Relationship/Major Parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<b>ENTITIES WHERE CONTROL EXISTS</b>				
<b>Dividend paid to Shareholders</b>	<b>3.41</b>		<b>1.50</b>	
Devyani Estate & Properties Private Limited		0.53		0.32
Masayor Enterprises Limited		0.12		—
Nikhita Estate Developers Private Limited		0.35		0.21
Pacific Energy Private Limited		1.63		0.90
First Asian Capital Resources Private Limited		0.68		0.02
Abhijit Rajan		0.10		0.06
<b>TOTAL</b>	<b>3.41</b>		<b>1.50</b>	
<b>KEY MANAGERIAL PERSONNEL</b>				
<b>Remuneration paid</b>	<b>9.51</b>		<b>6.48</b>	
Mr. Abhijit Rajan		4.28		1.42
Mr. H. V. Parikh		0.25		0.80
Mr. R. A. Bhansali		0.44		0.55
Mr. Rohit Modi		3.68		1.87
Mr. D. C. Bagde		0.86		1.84
<b>TOTAL</b>	<b>9.51</b>		<b>6.48</b>	
<b>JOINT VENTURE</b>				
<b>Subcontracting Income</b>	<b>453.62</b>		<b>385.20</b>	
Patel Gammon		198.27		118.10
Indira Container Terminal Private Limited		104.18		27.00
Jager Gammon		44.49		61.19
Gammon JMC		69.08		120.24
<b>Purchase of Investments/Advances towards Equity</b>	<b>—</b>		<b>10.91</b>	
Indira Container Terminal Private Limited		—		10.91
<b>Finance provided for expenses &amp; on A/c. payments</b>	<b>2.68</b>		<b>7.66</b>	
Gammon Enceerail		0.20		5.02
Gammon Rizzani		—		1.80
Gammon Progressive		0.67		0.20
Gammon Atlanta JV		0.81		—
Gammon Al Matar JV		0.83		0.37
<b>Amount liquidated towards the finance provided</b>	<b>2.33</b>		<b>26.41</b>	
Gammon Al Matar JV		2.33		25.92
<b>Interest Income during the year</b>	<b>0.29</b>		<b>1.76</b>	
Gammon Al Matar JV		0.29		1.76
<b>Finance received for expenses &amp; on A/c. payments</b>	<b>1.46</b>		<b>—</b>	
Gammon Al Matar JV		1.44		—
<b>Interest paid during the year</b>	<b>4.09</b>		<b>6.70</b>	
Jager Gammon		2.35		3.30
Gammon Al Matar JV		0.29		1.76
Gammon JMC		0.10		1.50
Gammon Cidade Tensacciai		1.15		—

(₹ in Crores)

Nature of Transactions/Relationship/Major Parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<b>Contract Advance received</b>	<b>120.19</b>		<b>94.05</b>	
Jager Gammon		5.76		18.81
Indira Containor Terminal Private Limited		—		38.48
Gammon Cidade Tensacciai		26.40		—
Gammon Mosmetro		70.53		—
Patel Gammon		17.50		28.08
<b>Refund received against Contract Advance</b>	<b>76.64</b>		<b>108.72</b>	
Jager Gammon		27.06		17.30
Gammon JMC		2.20		29.75
Patel Gammon		41.12		57.35
<b>Guarantees and Collaterals Outstanding</b>	<b>440.12</b>		<b>316.68</b>	
<b>Outstanding Balances Receivables</b>	<b>226.53</b>		<b>250.34</b>	
Gammon AL Matar JV		60.99		73.18
Jager Gammon		11.46		63.47
Patel Gammon		68.21		48.61
Gammon JMC		23.34		—
<b>Outstanding Balances Payable</b>	<b>195.53</b>		<b>149.67</b>	
Gammon Cidade Tensacciai		26.40		—
Gammon Mosmetro		70.53		—
Indira Containor Terminal Private Limited		33.35		55.13
Jager Gammon		16.34		37.35
Patel Gammon		3.72		14.92
Gammon AL Matar JV		41.07		39.63
<b>TOTAL</b>	<b>1,523.47</b>		<b>1,358.11</b>	

## BALANCE SHEET ABSTRACT OF COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details:

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

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

Total Liabilities					Total Assets												
	6	6	2	6	6	9	5	5		6	6	2	6	6	9	5	5

#### Sources of Funds

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

#### Application of Funds

Net Fixed Assets					Investments											
	1	3	8	2	6	5	4	8		2	1	1	2	9	7	6
Net Current Assets					Misc. Expenditure											
	2	7	3	0	4	2	9	2				N	I	L		
Accumulated Losses																
			N	I	L											

### IV. Performance of Company (Amount in ₹ Thousands)

Turnover					Total Expenditure												
	5	5	8	9	0	2	7	1		5	4	1	2	3	4	0	5
Profit Before Tax					Profit After Tax												
		1	7	6	6	8	6	6			1	1	8	4	5	5	4
Earning Per Share in ₹					Dividend Rate %												
				9	.	1	6			4	0	%					

### 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									

**DETAILS OF SUBSIDIARIES OF GAMMON INDIA LTD.**

(Pursuant to the Central Government Order under Section 212(8) of the Companies Act, 1956)

Sr. No.	Particulars	ATSL Infrastructure Projects Limited	Deepmala Infrastructure Private Limited	GACTEL Turnkey Projects Limited	Gammon & Billimoria Limited	Gammon Infrastructure Projects Limited	Gammon Power Limited	Gammon Realty Limited	Gammon Retail Infrastructure Private Limited	Transrail Lighting Limited
	Financial year ending on	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011
1.	Share Capital (including share application money pending allotment)	500,000	100,000	50,500,000	1,000,000	1,474,790,758	500,000	200,500,000	100,000	51,500,000
2.	Reserves	(124,444)	—	(127,525,619)	10,825,512	4,354,193,135	(1,348,608)	(390,150,750)	(59,358)	(55,331,249)
3.	Liabilities	200,043,926	4,545,347,021	2,192,074,901	592,072,480	2,235,019,050	1,431,836	1,084,580,571	64,595	835,955,949
4.	Total Liabilities	200,419,482	4,545,447,021	2,115,049,282	603,897,992	8,064,002,943	583,228	894,929,821	105,237	832,124,700
5.	Total Assets	200,419,482	4,545,447,021	2,115,049,282	603,897,992	8,064,002,943	583,228	894,929,821	105,237	832,124,700
6.	Investments (excluding subsidiary companies)	—	—	18,385,833	—	386,229,500	—	—	—	—
7.	Turnover	—	—	1,117,488,571	—	860,040,941	—	—	—	230,127,026
8.	Profit before taxation	(42,455)	—	1,201,242	3,865,955	459,257,644	(25,797)	(70,181,958)	(24,716)	(78,289,295)
9.	Provision for taxation	—	—	16,135,526	1,194,597	101,955,259	—	—	—	(24,639,872)
10.	Profit after taxation	(42,455)	—	(14,934,284)	2,671,358	357,302,385	(25,797)	(70,181,958)	(24,716)	(53,649,423)
11.	Dividend – Equity	—	—	—	—	—	—	—	—	—
12.	Dividend – Preference	—	—	—	—	—	—	—	—	—
13.	Proposed Dividend – Equity	—	—	—	—	—	—	—	—	—
14.	Proposed Dividend – Preference	—	—	—	—	—	—	—	—	—
	<b>Details of Investment</b>									
	<b>(I) Joint Ventures</b>									
	Punjab Biomass Power Limited	—	—	—	—	105,000,000	—	—	—	—
	Eversun Sparkle Maritimes Services Pvt. Limited	—	—	—	—	21,439,500	—	—	—	—
	SEZ Adityapur Limited	—	—	—	—	190,000	—	—	—	—
	Indira Container Terminal Pvt. Limited	—	—	—	—	243,758,400	—	—	—	—
	Modern Toll Roads	—	—	—	—	244,700	—	—	—	—
	Haryana Biomass Power Limited	—	—	—	—	250,000	—	—	—	—
	Blue Water Iron Ore Terminal Pvt. Limited	—	—	—	—	15,346,900	—	—	—	—
	<b>(II) Other</b>									
	Non Traded, Reddable, Quoted NCDs'	—	—	—	—	—	—	—	—	—
	Investment in Mutual Fund	—	—	18,385,833	—	—	—	—	—	—
	Partnership firm (Aparna Infra Energy)	—	—	—	—	—	—	—	—	—
	Other	—	—	—	—	—	—	—	—	—





## DETAILS OF SUBSIDIARIES OF GAMMON INDIA LTD.

(Pursuant to the Central Government Order under Section 212(8) of the Companies Act, 1956)

Sr. No.	Particulars	Gammon Road Infrastructure Limited*	Gammon Sea port Infrastructure Limited*	Gorakhpur Infrastructure Company Limited*	Jaguar Projects Developers Limited*	Kosi Bridge Infrastructure Company Limited*	Lilac Infra Projects Developers Limited*	Marine Projects Services Limited*	Mumbai Nasik Expressway Limited*
	Financial year ending on	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011	31-03-2011
1.	Share Capital (including share application money pending allotment)	500,000	500,000	542,870,500	500,000	483,000,000	500,000	500,000	520,000,000
2.	Reserves	(52,184)	(51,306)	(6,116,988)	668,643	(4,934,537)	(62,077)	2,153,618	519,324,992
3.	Liabilities	6,618	56,618	4,971,588,073	6,633	2,971,458,628	7,468	6,633	8,243,384,674
4.	Total Liabilities	454,434	505,312	5,508,341,585	1,175,276	3,449,524,091	445,391	2,660,251	9,282,709,666
5.	Total Assets	454,434	505,312	5,508,341,585	1,175,276	3,449,524,091	445,391	2,660,251	9,282,709,666
6.	Investments (excluding subsidiary companies)	—	—	—	740,341	—	—	740,341	—
7.	Turnover	—	—	—	—	—	—	—	612,670,047
8.	Profit before taxation	(24,545)	(23,757)	(339,576)	727,450	(220,196)	(62,077)	615,341	37,910,318
9.	Provision for taxation	—	—	—	—	—	—	—	7,000,528
10.	Profit after taxation	(24,545)	(23,757)	(339,576)	727,450	(220,196)	(62,077)	615,341	30,909,790
11.	Dividend – Equity	—	—	—	—	—	—	—	—
12.	Dividend – Preference	—	—	—	—	—	—	—	—
13.	Proposed Dividend – Equity	—	—	—	—	—	—	—	—
14.	Proposed Dividend – Preference	—	—	—	—	—	—	—	—
	<b>Details of Investment</b>								
	<b>(I) Joint Ventures</b>								
	Punjab Biomass Power Limited	—	—	—	—	—	—	—	—
	Eversun Sparkle Maritimes Services Pvt. Limited	—	—	—	—	—	—	—	—
	SEZ Adityapur Limited	—	—	—	—	—	—	—	—
	Indira Container Terminal Pvt. Limited	—	—	—	—	—	—	—	—
	Modern Toll Roads	—	—	—	—	—	—	—	—
	Haryana Biomass Power Limited	—	—	—	—	—	—	—	—
	Blue Water Iron Ore Terminal Pvt. Limited	—	—	—	—	—	—	—	—
	<b>(II) Other</b>								
	Non Traded, Redeemable, Quoted NCDs <sup>1</sup>	—	—	—	—	—	—	—	—
	Investment in mutual fund	—	—	—	—	—	—	—	—
	Partnership firm (Aparna Infra Energy)	—	—	—	740,341	—	—	740,341	—
	Other	—	—	—	—	—	—	—	—

\* Subsidiaries of Gammon Infrastructure Projects Limited (Subsidiary of Gammon India Limited)

# Subsidiary of Gammon Projects Developers Limited, a wholly owned subsidiary of Gammon Infrastructure Projects Limited ("the Company")

\*\*\* The companies became subsidiary during the year 2010-11.

<sup>1</sup> The name of 'Satyavedu Infrastructure Company Private Limited' was changed to 'Chitoor Infrastructure Projects Private Limited' w.e.f. 4<sup>th</sup> May, 2011 and the name of 'Tada SEZ Private Limited' was changed to 'Tada Infrastructure Projects Private Limited' w.e.f. 16<sup>th</sup> May, 2011.



## DETAILS OF SUBSIDIARIES OF GAMMON INDIA LTD.

(Pursuant to the Central Government Order under Section 212(8) of the Companies Act, 1956)

Sr. No.	Particulars	Gammon Italy Srl	SAE Powerlines Srl	P. Van Eerd Beheersmaatschappaji B.V. -Netherland	ATSL Holdings BV, Netherland	Associated Transrail Structures Ltd., Nigeria	Campo Puma Oriente S.A.
	Financial year ending on	31 <sup>st</sup> December, 2010	31 <sup>st</sup> December, 2010	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2011	31 <sup>st</sup> December, 2010
	Currency	EURO	EURO	EURO	EURO	Naira	USD
	Exchange rate on the last day of financial year	59.81	59.81	63.24	63.24	0.29	44.81
1.	Share Capital (including share application money pending allotment)	598,100	461,638,581	1,004,378	1,152,855	2,900,000	537,720
2.	Reserves	(714,909)	(437,824,761)	(176,728,830)	(85,833,781)	(12,678,541)	2,975,038
3.	Liabilities	421,182	2,190,124,547	671,856,429	760,995,944	10,381,157	2,039,414,127
4.	Total Liabilities	304,373	2,213,938,367	496,131,977	676,315,018	602,616	2,042,926,885
5.	Total Assets	304,373	2,213,938,367	496,131,977	676,315,018	602,616	2,042,926,885
6.	Investments (excluding subsidiary companies)	—	—	474,629,645	—	—	1,744,688,956
7.	Turnover	—	1,887,594,096	—	—	—	—
8.	Profit before taxation	(212,013)	(170,844,587)	(30,364,582)	(34,085,444)	(6,083,808)	—
9.	Provision for taxation	—	100,058,772	—	—	—	—
10.	Profit after taxation	(212,013)	(270,903,360)	(30,364,582)	(34,085,444)	(6,083,808)	—
11.	Dividend – Equity	—	—	—	—	—	—
12.	Dividend – Preference	—	—	—	—	—	—
13.	Proposed Dividend – Equity	—	—	—	—	—	—
14.	Proposed Dividend – Preference	—	—	—	—	—	—
	<b>Details of Investment</b>						
	<b>(I) Joint Ventures</b>						
	Punjab Biomass Power Limited	—	—	—	—	—	—
	Eversun Sparkle Maritimes Services Pvt. Limited	—	—	—	—	—	—
	SEZ Adityapur Limited	—	—	—	—	—	—
	Indira Container Terminal Pvt. Limited	—	—	—	—	—	—
	Modern Toll Roads	—	—	—	—	—	—
	ATSL Infrastructure Projects Limited	—	—	—	—	—	—
	Haryana Biomass Power Limited	—	—	—	—	—	—
	Blue Water Iron Ore Terminal Pvt. Limited	—	—	—	—	—	—
	Sadelmi Spa	—	—	474,629,645	—	—	—
	<b>(II) Other</b>						
	Non Traded, Redeemable, Quoted NCDs'	—	—	—	—	—	—
	Investment in Mutual Fund	—	—	—	—	—	—
	Partnership firm (Aparna Infra Energy)	—	—	—	—	—	—
	Other	—	—	—	—	—	1,744,688,956

\*\*\* The Companies became subsidiary during the year 2010-11.



**ANNEXURE TO INFORMATION REGARDING SUBSIDIARY COMPANIES**

**DETAILS OF INVESTMENTS AS AT 31-03-2011/31-12-2010**

Sr. No.	Particulars	No. of shares/ Units/Bonds	Face value	Book value	Quoted/ Unquoted
1.	<b>Gammon Infrastructure Projects Limited</b> <b>Long term investment (at cost):</b> <b>Jointly controlled entity:</b> <b>Fully paid equity shares:</b>				
	Punjab Biomass Power Limited	75,000,000	1	105,000,000	Unquoted
	SEZ Adityapur Limited	19,000	10	190,000	Unquoted
	Indira Container Terminal Pvt. Limited	24,375,840	10	243,758,400	Unquoted
	Haryana Biomass Power Limited	25,000	10	250,000	Unquoted
	Blue Water Iron Ore Terminal Pvt. Limited	1,534,690	10	15,346,900	Unquoted
	<b>TOTAL</b>			<b>364,545,300</b>	
	<b>Long term investment (at cost):</b> <b>Associates Companies:</b> <b>Fully paid equity shares:</b>				
	Eversun Sparkle Maritimes Services Pvt. Limited	2,143,950	10	21,439,500	Unquoted
	Modern Toll Roads	24,470	10	244,700	Unquoted
	<b>TOTAL</b>			<b>21,684,200</b>	
2.	<b>GACTEL Turnkey Projects Limited</b> <b>Current Investment (at cost)</b> <b>Other Companies</b>				
	Canara Robeco Liquid Plus Institutional Daily Dividend Fund	1,767,934,906	10	15,367,043	Quoted
	ING Liquid Fund - Daily Dividend Option	262,426,838	10	2,969,790	Quoted
	National Saving Certificate	7	5,000	35,000	Quoted
	National Saving Certificate	4	1,000	4,000	Quoted
	National Saving Certificate	1	10,000	10,000	Quoted
	<b>TOTAL</b>			<b>18,385,833</b>	
3.	<b>Rajahmundry Expressway Ltd.</b> <b>Long term investment (at cost):</b> <b>Other Companies</b>				
	Non Traded, Redeemable, Quoted NCDs'	30	1,000,000	30,000,000	Quoted
4.	<b>Campo Puma Oriente S.A.</b> <b>Long term investment (at cost):</b> <b>Other Companies</b>				
	Oil Exploration Assets			1,744,688,956	Unquoted
5.	<b>Jaguar Projects Developers Limited</b> <b>Long term investment (at cost):</b> <b>Other Companies</b>				
	Partnership firm (Aparna Infra Energy)			740,341	Unquoted



Sr. No.	Particulars	No. of shares/ Units/Bonds	Face value	Book value	Quoted/ Unquoted
6.	<b>Marine Projects Services Limited</b> Long term investment (at cost): Other Companies Partnership firm (Aparna Infra Energy)			740,341	Unquoted
7.	<b>Patliputra Highway Limited</b> Long term investment (at cost): Other Companies Partnership firm (Aparna Infra Energy)			400,850,997	Unquoted
8.	<b>Pravara Renewable Energy Limited</b> Long term investment (at cost): Other Companies Partnership firm (Aparna Infra Energy)			740,341	Unquoted
9.	<b>RAS Cities and Townships Private Limited</b> Long term investment (at cost): Other Companies Partnership firm (Aparna Infra Energy)			740,341	Unquoted
10.	<b>Tada Infra Development Company Limited</b> Long term investment (at cost): Other Companies Partnership firm (Aparna Infra Energy)			740,341	Unquoted
11.	<b>Youngthang Power Ventures Limited</b> Long term investment (at cost): Other Companies Partnership firm (Aparna Infra Energy)			740,341	Unquoted

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

1. We have audited the attached Consolidated Balance Sheet of Gammon India Limited (GIL) and its subsidiaries ('GIL Group'), Joint Ventures and Associates, as at 31<sup>st</sup> March 2011, 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 of the components of GIL group. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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.
3. We did not audit the financial statements of:
  - a. Certain Subsidiaries whose financial statements reflect total assets of ₹ 5,860.25 Crores, total revenue of ₹ 1,299.52 Crores and net cash flows of ₹ 16.67 Crores; and,
  - b. Certain Joint Ventures whose financial statements reflect total assets of ₹ 3,180.39 Crores, total revenue of ₹ 4,857.01 Crores and cash flows amounting to ₹ (58.73) Crores, the Company's share of such assets, revenues and cash flows being ₹ 1,548.39 Crores, ₹ 2,427.46 Crores and ₹ (29.22) Crores respectively.
  - c. Certain Associates whose financial statements reflect a net total profit of ₹ 1.38 Crores. The group's share of profit of such Associates being ₹ 0.35 Crores.
4. 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.
5. Apart from the above the following have been incorporated based on Un-audited Financial Statements:
  - (a) Certain other Subsidiaries whose financial statements reflect total assets of ₹ 206.10 Crores, total revenues of ₹ 0.00 Crores and net cash flows of ₹ 1.55 Crores.
  - (b) Certain Joint Ventures, whose financial statements reflect total assets of ₹ 106.00 Crores as at March 31, 2011, total revenues of ₹ 16.48 Crores and cash flows of ₹ 3.81 Crores for the year then ended, and the Group's share of such assets, revenues and cash flows being ₹ 56.85 Crores, ₹ 9.89 Crores and ₹ 2.15 Crores respectively, which are based on un-audited financial statements certified by management of the said Joint Ventures.
  - (c) Certain Associates whose financial statements reflect a net total profit of ₹ 0.76 Crores. The group's share of profit of such associates being ₹ 0.38 Crores.
6. The subsidiaries referred in para 3 (a) above does not include the standalone financial statements of Gammon Infrastructure Projects Limited, where the audit has been conducted by us as the joint statutory auditors of the Company.
7. 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 as notified under the Companies (Accounting Standards) Rules, 2006.
8. The statutory auditors of one of the components of the group have issued a modified report stating that the accounts and other receivables included amounts totaling to AED 61.1 Million i.e. ₹ 75.34 Crores including retention and other dues for which. they stated their inability to satisfy themselves to the extent of recoverability of receivables totaling to AED 61.1 million i.e. ₹ 75.34 Crores and have stated their view that a substantial portion of the same needs to be considered as impaired.
9. Without qualifying our report, we draw attention to:
  - (a) Note No. 2(d) to the notes to accounts relating to "Going concern assumption" of one of the Joint Ventures of the group which illustrates the measures taken by the management of the Joint Venture during the year, the uncertainties

existing at the date of preparation of the financial statements about the occurrence of certain future events that may affect the joint venture's ability to operate as a going concern, as well as the considerations that led them to conclude that the going concern basis of accounting was appropriate for the preparation of their consolidated financial statements as at 31<sup>st</sup> December, 2010.

- (b) Note 7 to the notes to accounts regarding deficit in one of the subsidiaries of the company engaged in oil exploration and any adjustments that would be required or classification that would be required to the recognised amounts or assets if the entity is not able to continue as a going concern.
  - (c) Note no. 17(b) to the notes to accounts relating to recoverability of an amount of ₹ 94.54 Crores under sundry debtors in respect of recognition of contract revenue in previous years where the company has received arbitration awards in its favour in respect of which the client has preferred an appeal for setting aside the said arbitration awards. The recoverability is dependent upon the final outcome of the appeals getting resolved in favour of the Company.
  - (d) Note no. 25C to the notes to accounts relating to the investments in one of the joint ventures of a wholly owned subsidiary which has applied for creditors' protection in a Court in Italy. The final outcome and the resultant investment would be dependent upon the approval of the courts to the composition scheme pending which no effects have been taken in these accounts..
  - (e) Note no. 31(b) to the notes to accounts relating to recognition of variation claims and revenue in respect of works carried out by the joint venture in Oman, where the final outcome of the project is dependent on the resolution of the disputes and settlement of the claims by the client
10. 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 subject to para 8 mentioned hereinabove, we are of the opinion that the attached consolidated financial statements and read with the 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 31<sup>st</sup> March 2011;
  - (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*  
Firm Registration No. 106971W

N Jayendran  
*Partner*  
M. No. 40441

Mumbai, Dated : 19<sup>th</sup> August, 2011.

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

	Schedule No.	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
		₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SOURCES OF FUNDS:</b>					
<b>Shareholders' Fund</b>					
Share Capital	1	27.49		25.83	
Employee Stock Options		2.08		4.01	
Equity Share Warrant Account		–		18.60	
Reserves & Surplus	2	<u>2,127.95</u>		<u>2,069.70</u>	
			2,157.52		2,118.14
<b>Minority Interest</b>			299.24		230.02
<b>Loan Funds</b>					
Secured Loans	3	4,126.25		3,265.58	
Unsecured Loans		<u>2,766.10</u>		<u>1,989.51</u>	
			6,892.35		5,255.09
Foreign Currency Monetary Item Translation Difference A/c			4.71		–
Deferred Tax Liability			235.60		247.80
Deferred Payment Liability (Refer Note B -1(f))			120.00		–
<b>TOTAL</b>			<u>9,709.42</u>		<u>7,851.05</u>
<b>APPLICATION OF FUNDS:</b>					
<b>Goodwill on Consolidation</b>			646.00		645.85
<b>Fixed Assets</b>					
Gross Block	4	5,001.54		4,150.22	
Less: Depreciation & Impairment		<u>1,383.88</u>		<u>1,218.93</u>	
Net Block		3,617.66		2,931.29	
Add: Capital Work-in-progress		<u>1,847.73</u>		<u>1,692.26</u>	
			5,465.39		4,623.55
<b>Investments</b>	5		257.69		92.54
Foreign Currency Monetary Item Translation Difference A/c			–		23.70
Deferred Tax Assets			76.51		81.45
<b>Current Assets, Loans and Advances</b>					
Interest Accrued Receivable		445.91		24.34	
Property Development		445.67		251.64	
Inventories	6	1,834.93		1,894.81	
Sundry Debtors	7	3,083.07		3,016.50	
Cash & Bank Balances	8	572.04		555.31	
Loans & Advances	9	<u>1,171.73</u>		<u>1,048.32</u>	
			7,553.35		6,790.92
<b>Less : Current Liabilities and Provisions</b>	10				
Current Liabilities		3,904.61		3,984.20	
Provisions		<u>384.91</u>		<u>422.76</u>	
			4,289.52		4,406.96
			3,263.83		2,383.96
<b>TOTAL</b>			<u>9,709.42</u>		<u>7,851.05</u>

Notes to Accounts

17

Schedule 1 to 17 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account.

As per our attached report of even date

For and on behalf of the Board of Directors

For Natvarlal Vepari & Co.  
Chartered Accountants  
Firm Registration No. 106971W  
N. JAYENDRAN  
Partner  
M. No. 40441

ABHIJIT RAJAN  
Chairman & Managing Director

ROHIT MODI  
Deputy Managing Director

C. C. DAYAL  
Director

D. C. BAGDE  
Executive Director

GIRISH BHAT  
Chief Financial Officer

GITA BADE  
Company Secretary

Mumbai, Dated : 19<sup>th</sup> August, 2011

Mumbai, Dated : 19<sup>th</sup> August, 2011

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

	Schedule No.	April 10 – March 11		April 09 – March 10	
		₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>INCOME</b>					
Sales / Turnover	11	8,899.69		7,113.62	
Less: Excise Duty		86.04		66.14	
		<u>8,813.65</u>		<u>7,047.48</u>	
Other Operating Income	12	29.99		20.15	
Other Income	13	53.49		72.96	
			<b>8,897.13</b>		<b>7,140.59</b>
<b>EXPENDITURE</b>					
Expenditure on Contracts / Direct Costs	14	7,783.20		5,850.49	
Establishment Expenses	15	549.00		530.93	
Financial Costs (Net)	16	47.10		386.89	
Depreciation		244.36		201.24	
Depreciation withdrawn from Revaluation Reserve		(3.13)		(3.13)	
			<b>8,620.53</b>		<b>6,966.42</b>
<b>PROFIT BEFORE TAX &amp; SHARE IN ASSOCIATES</b>			<b>276.60</b>		<b>174.17</b>
Add: Share of Profit / (Loss) in Associates (Refer Note B-3)			(7.70)		(6.56)
<b>PROFIT BEFORE TAX &amp; AFTER SHARE IN ASSOCIATES</b>			<b>268.90</b>		<b>167.61</b>
Provision for Taxation :					
– Current		164.24		91.05	
– Deferred		(7.50)		5.74	
– Foreign Tax Paid		0.23		0.68	
– MAT Credit Entitlement		(13.77)		–	
– Prior year Tax Adjustments		7.19		17.50	
			<b>150.39</b>		<b>114.97</b>
<b>PROFIT AFTER TAX</b>			<b>118.51</b>		<b>52.64</b>
Add / (Less)					
Prior Period Adjustments			(4.45)		(2.91)
Transferred to Minority Interest			(4.03)		(4.03)
<b>NET PROFIT AFTER PRIOR YEAR TAX CHARGE</b>			<b>110.03</b>		<b>45.70</b>
Profit Brought Forward from last year			<b>40.94</b>		<b>70.32</b>
			<b>150.97</b>		<b>116.02</b>
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>					
Amount Transferred to General Reserve		32.21		29.75	
Amount Transferred to Debenture Redemption Reserve		45.50		38.38	
Amount Transferred from Debenture Redemption Reserve		(19.16)		–	
Dividend from own shares		(0.58)		(0.35)	
Transferred to Foreign Currency Translation Reserve		6.06		(9.01)	
Amount Transferred to Capital Reserve		0.99		–	
Adjustments to Minority Interest		3.42		0.31	
Interim / Proposed Dividend					
– Equity Shares		10.63		7.65	
– Preference Shares		–		6.07	
Tax on Dividend		7.52		2.28	
			<b>86.60</b>		<b>75.08</b>
<b>BALANCE CARRIED TO BALANCE SHEET</b>			<b>64.37</b>		<b>40.94</b>
Earnings per Share (Refer Note B-23)					
After Prior Year Tax Charges					
Basic			<b>8.51</b>		<b>3.49</b>
Diluted			<b>8.45</b>		<b>3.34</b>

Notes to Accounts

17

Schedule 1 to 17 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

As per our attached report of even date

For and on behalf of the Board of Directors

For Natvarlal Vepari & Co.  
*Chartered Accountants*  
Firm Registration No. 106971W  
N. JAYENDRAN  
*Partner*  
M. No. 40441

ABHIJIT RAJAN  
*Chairman & Managing Director*

C. C. DAYAL  
*Director*

GIRISH BHAT  
*Chief Financial Officer*

ROHIT MODI  
*Deputy Managing Director*

D. C. BAGDE  
*Executive Director*

GITA BADE  
*Company Secretary*

Mumbai, Dated : 19<sup>th</sup> August, 2011

Mumbai, Dated : 19<sup>th</sup> August, 2011

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	12 Months April 2010 – March 2011 ₹ in Crores	12 Months April 2009 – March 2010 ₹ in Crores
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Tax and extraordinary items	268.90	167.60
Adjustments for :		
Depreciation	241.23	198.11
Profit/Loss on Sale of Assets	0.11	(0.09)
Profit/Loss on Sale of Investments	(27.07)	(42.47)
Employees Compensation Expenses	1.32	3.01
Dividend Income	(4.11)	(5.88)
Interest (Net)	47.09	386.89
Foreign Exchange loss /gain	(0.69)	0.65
Preliminary Expenses Written off	0.97	1.18
Foreign Currency Monetary Translation Difference	28.41	37.56
Prior Period Adjustments	(4.45)	(1.58)
Share of Loss in Associates	7.70	6.56
Amount Written off	21.28	16.24
	311.79	600.18
<b>Operating Profit before Working Capital Changes</b>	<b>580.69</b>	<b>767.78</b>
Adjustments for :		
Effect of Foreign Currency Translation of Cash Flows	(46.85)	101.81
Trade and Other Receivables	(75.00)	(310.88)
Inventories	131.43	(334.74)
Trade Payables & Working Capital Finance	(214.18)	42.87
Loan and Advances	(138.86)	65.64
Property Development	(194.03)	(28.56)
	(537.49)	(463.86)
<b>Cash Generated from the Operations</b>	<b>(43.20)</b>	<b>303.92</b>
Direct Taxes paid	(121.40)	(96.26)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(78.20)</b>	<b>207.66</b>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets (including CWIP)	(972.03)	(978.87)
Sale of Fixed Assets	5.07	1.34
Cash & Bank balance taken over on Acquisition	50.21	-
Share Application Money Pending Allotment	6.30	(8.71)
Loans given to Subsidiaries, Associates and others	(26.02)	(25.25)
Loans Refund from Subsidiaries, Associates and others	76.08	36.53
Purchase of Investments in – Associates	(4.71)	(5.61)
– Others	(895.28)	(968.66)
Sale of Investments in – Others	747.91	1,022.29
Acquisition of Stake in Subsidiaries	(77.43)	(35.98)
Interest received	26.75	18.81
Dividend received	4.11	0.48
<b>NET CASH FROM INVESTMENT ACTIVITIES</b>	<b>(1,059.04)</b>	<b>(943.65)</b>



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

	12 Months April 2010 – March 2011 ₹ in Crores	12 Months April 2009 – March 2010 ₹ in Crores
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest Paid	(468.70)	(421.12)
Proceeds from issue of Share Capital & Share Premium	47.47	395.07
Capital grant received	15.43	–
Minority Interest Contribution	44.18	1.30
Foreign Currency Translation Reserve	7.08	(5.48)
Repayment of Preference Share Capital	–	(105.00)
Proceeds from/(Repayment of) borrowings (Net)	1,535.91	828.70
Preliminary Expenses	(0.97)	(0.22)
Dividend Paid (Including Tax)	(27.11)	(12.67)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>1,153.29</b>	<b>680.58</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16.05</b>	<b>(55.41)</b>
Balance as on 31.03.2010	555.95	611.36
Balance as on 31.03.2011	572.00	555.95
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16.05</b>	<b>(55.41)</b>

**Note:**

Figure in brackets denote outflows

Cash and Cash Equivalents include ₹ 2.71 Crores as on 31.03.2011 (Previous Year – ₹ 1.93 Crores as on 31.03.10) with Bank Branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the Company.

	As At 31.3.2011	As At 31.3.2010
Cash and Cash Equivalents	572.04	555.30
Effect of Exchange Rate Charges	(0.04)	0.65
Balance Restated above	572.00	555.95

As per our attached report of even date

For Natvarlal Vepari & Co.  
*Chartered Accountants*  
Firm Registration No. 106971W  
N. JAYENDRAN  
*Partner*  
M. No. 40441

Mumbai, Dated : 19<sup>th</sup> August, 2011

For and on behalf of the Board of Directors

ABHIJIT RAJAN  
*Chairman & Managing Director*

C. C. DAYAL  
*Director*

GIRISH BHAT  
*Chief Financial Officer*

Mumbai, Dated : 19<sup>th</sup> August, 2011

ROHIT MODI  
*Deputy Managing Director*

D. C. BAGDE  
*Executive Director*

GITA BADE  
*Company Secretary*

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET  
AS AT 31<sup>ST</sup> MARCH, 2011**

	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
355,000,000 (Previous Year 35,50,00,000) Equity Shares of ₹ 2/- each		71.00		71.00
3,000,000 6% Optionally Convertible Preference Shares of ₹ 350/- each		105.00		105.00
		<u>176.00</u>		<u>176.00</u>
<b>ISSUED</b>				
137,319,722 Equity Shares of ₹ 2/- each fully paid (Previous Year 129,019,238 Equity Shares of ₹ 2/- each)		27.46		25.80
<b>SUBSCRIBED AND PAID-UP</b>				
135,739,182 Equity Shares of ₹ 2/- each (Previous Year 127,438,698 Equity Shares of ₹ 2/- each)		27.15		25.49
<b>SHARE FORFEITURE ACCOUNT</b>				
		0.34		0.34
		<u>27.49</u>		<u>25.83</u>
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
Capital Redemption Reserve		105.00		105.00
General Reserve Account		234.22		201.82
Securities Premium Account		1,296.90		1,230.53
Revaluation Reserve		257.03		262.32
Debenture Redemption Reserve Account		121.00		94.65
Other Reserves (As Per Subsidiary Accounts)		2.11		1.01
Special Contingency Reserve		50.00		50.00
Capital Reserve (Grant Received From NHA)		49.67		33.24
Foreign Currency Translation Reserve		(52.35)		50.19
Profit And Loss Account		64.37		40.94
		<u>2,127.95</u>		<u>2,069.70</u>
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
(Refer Note B-4)				
Non Convertible Debentures placed with Banks and Financial Institutions		377.50		300.00
Working Capital Loan from Banks		338.51		121.69
Term Loan from Banks		906.50		883.54
Loan From Leasing Company		105.82		97.08
Project Loans – Public Private Partnership Projects SPVs (Including interest accrued and due)		2,397.92		1,863.27
		<u>4,126.25</u>		<u>3,265.58</u>
<b>UNSECURED LOANS</b>				
Short Term Loans from Banks (Including interest accrued and due)		2,024.33		1,516.74
<b>Other Loans :</b>				
– From Banks		65.00		92.10
– From Financial Institutions		259.76		70.66
– From Others		417.01		310.01
		<u>741.77</u>		<u>472.77</u>
		<u>2,766.10</u>		<u>1,989.51</u>

**SCHEDULE 4  
FIXED ASSETS**

Particulars	GROSS BLOCK										NET BLOCK			
	As At 01.04.2010	Opening on A/C of Amalgama- tion/Further Acquisition	Addi- tions	Deduc- tions / Adjust- ments	Foreign Transla- tion Adjust- ments	As at 31.03.2011	As at 01.04.2010	Opening on A/C of Amalgama- tion/Further Acquisition	For the Year	Deduc- tions/ Adjust- ments	Foreign Transla- tion Adjust- ments	Impair- ment	As at 31.03.2011	As at 31.03.2010
<b>Tangible Assets</b>														
Leasehold Land	190.49	-	4.35	-	(18.98)	175.86	22.90	-	4.24	0.03	(2.53)	-	24.65	151.21
Freehold Property	944.33	-	86.98	(0.13)	(65.65)	965.52	117.05	-	18.67	0.01	(9.82)	-	125.91	839.62
Plant and Machinery	1,831.09	0.01	341.95	(17.62)	(82.57)	2,072.86	636.75	0.00	118.99	(12.08)	(35.35)	0.01	708.33	1,364.53
Office Equipments	84.40	4.36	32.31	(3.05)	(2.79)	115.22	51.29	1.73	8.35	(1.74)	(2.05)	0.01	57.59	57.64
Motor Vehicles	162.41	0.33	15.32	(8.86)	(2.06)	167.13	76.50	-	11.09	(7.89)	(0.41)	-	79.29	87.84
Road & Project Bridges	575.92	-	0.52	-	-	576.44	181.76	-	50.80	-	-	-	232.56	343.87
Project Berth	203.82	-	-	(0.00)	-	203.82	35.32	-	7.55	0.27	-	-	43.15	160.68
Windmills	26.95	-	-	-	-	26.95	8.43	-	2.79	-	-	-	11.22	15.73
	4,019.41	4.69	481.43	(29.67)	(172.06)	4,303.80	1,130.00	1.73	222.48	(21.38)	(50.16)	0.02	1,282.68	3,021.12
<b>Intangible Asset</b>														
Toll Concession Rights	-	-	575.82	-	-	575.82	-	-	11.71	-	-	-	11.71	564.11
Others	130.81	-	3.54	(0.00)	(12.42)	121.93	88.93	-	10.20	(0.07)	(9.57)	-	89.49	32.44
	130.81	-	579.36	(0.00)	(12.42)	697.74	88.93	-	21.90	(0.07)	(9.57)	-	101.20	596.55
<b>Total</b>	<b>4,150.22</b>	<b>4.69</b>	<b>1,060.78</b>	<b>(29.67)</b>	<b>(184.48)</b>	<b>5,001.54</b>	<b>1,218.93</b>	<b>1.73</b>	<b>244.39</b>	<b>(21.45)</b>	<b>(59.74)</b>	<b>0.02</b>	<b>1,383.88</b>	<b>3,617.67</b>
Previous Year	3,682.74	152.67	407.81	(55.78)	(37.22)	4,150.22	1,043.05	22.15	201.27	(33.48)	(14.06)	-	1,218.93	1,847.73
<b>Add: Capital WIP</b>														
														1,692.26
														5,465.39
														4,623.54

**NOTES:**

- Leasehold Land is at cost less amount written off.
- The Company has once again revalued on 31<sup>st</sup> March, 2007 all its Freehold Property, most of which were revalued earlier on 31<sup>st</sup> March, 1999 by Approved valuers. The consequent increase in the value of Fixed Assets pursuant to the second revaluation amounted to ₹ 1,868,928,586/- and has been credited to the Revaluation Reserve A/c.
- Depreciation for the Year Ended 31<sup>st</sup> March, 2011 amounts to ₹ 244.39 Crores (Previous Year Ended 31.03.2010 ₹ 201.27 Crores) from which has been deducted a sum of ₹ 3.13 Crores (Previous Year ended 31.03.2010 ₹ 3.13 Crores) being the Depreciation in respect of Revaluation of Fixed Assets which has been drawn from the Revaluation Reserve A/c. Depreciation for the Year ended 31<sup>st</sup> March, 2011 amounts to ₹ 0.02 Crores has been transferred to Capital WIP and ₹ 0.01 Crores is transferred to pre-operative expenses.

	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 5</b>				
<b>INVESTMENTS</b>				
<b>INVESTMENTS (AT BOOK VALUE)</b>				
INVESTMENT IN GOVERNMENT SECURITIES:		0.35		0.23
INVESTMENT IN SHARES & DEBENTURES:				
(a) Trade Investments				
Associates Accounted as per AS-23 (Refer Note B-3)		22.55		25.54
(b) Other Investments				
Quoted		4.74		2.37
Unquoted (Refer Note B-25c)		49.16		49.94
INVESTMENT IN PARTNERSHIP – CAPITAL CONTRIBUTION				
Gammon Shah (Fully Provided) (₹ 25,000)		–		–
Investment In Mutual Funds		5.77		7.18
Share Application Money Pending Allotment		–		6.30
Investment in Own Shares through GIL Trust Account		1.69		1.69
Investment Properties:				
– Oil Exploration Assets (Refer Note B-7(j))		174.47		–
<b>GRAND TOTAL</b>		<b>258.73</b>		<b>93.25</b>
Less: Provisions for Diminution in the value of Investment		1.04		0.71
		<b>257.69</b>		<b>92.54</b>
<b>SCHEDULE 6</b>				
<b>INVENTORIES</b>				
Raw Material		160.71		173.20
Stores and Construction Materials verified and valued by Site Auditors	506.51		393.84	
Less: Value of Materials drawn from Contractees				
Contra – Refer Schedule 10		–	0.24	
		<b>506.51</b>		<b>393.60</b>
Work In Progress				
– Construction		1,056.52		1,269.96
– Manufacturing		14.04		39.53
Finished Goods		39.15		18.52
Stock in Transit		1.70		–
Stock of Non-Convertible Debentures (Refer Note B-14)		56.30		–
		<b>1,834.93</b>		<b>1,894.81</b>
<b>SCHEDULE 7</b>				
<b>SUNDRY DEBTORS (Refer Note B-17)</b>				
Unsecured Considered Good				
Outstanding for over six months (Including Retention Money)		1,267.63		1,435.70
Other Debts (Including Retention Money)		1,807.61		1,570.07
		<b>3,075.24</b>		<b>3,005.77</b>
Less: Provision for Doubtful Debts		40.01		27.10
		<b>3,035.23</b>		<b>2,978.67</b>
Accrued Income		47.84		37.83
		<b>3,083.07</b>		<b>3,016.50</b>
<b>SCHEDULE 8</b>				
<b>CASH AND BANK BALANCES</b>				
Cash in Hand		6.46		6.20
Funds-in-Transit and in hand		1.55		22.07
Balances in Current and Deposit Account				
– With Scheduled Banks		254.70		172.18
– With Non-Scheduled Banks		309.33		354.86
		<b>572.04</b>		<b>555.31</b>

	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 9</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good, unless otherwise stated)				
Project Advances	84.78		80.17	
Advance recoverable in cash or kind for value to be received	673.98		604.43	
Less: Provision made	2.21		2.57	
		756.55		682.03
Balance with Tax Authorities		156.12		172.98
Advance for Purchase of Development Rights		20.00		-
Advance for Purchase of Equity Shares		16.30		-
MAT Credit Entitlement		14.76		-
Tender Deposits		26.68		17.34
Other Deposits/Advances		110.49		73.39
Deposits with Joint Stock Companies:				
Considered Good				
– Secured	-		50.00	
– Other	70.83		52.58	
Considered doubtful (including interest)	6.40		6.40	
Less: Provisions made	(6.40)		(6.40)	
		70.83		102.58
		1,171.73		1,048.32
<b>SCHEDULE 10</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors		2,442.64		2,864.69
Advances from Clients	1,399.12		1,083.67	
Less: Value of Materials drawn from Contractees				
Contra (Refer Schedule 6)	-		0.24	
		1,399.12		1,083.43
Interest accrued but not due on Loans		62.05		35.35
Unclaimed Dividends		0.72		0.60
Unclaimed Matured Fixed Deposits		0.08		0.13
		3,904.61		3,984.20
<b>PROVISIONS</b>				
Proposed Dividend				
– Equity Shares		5.46		7.65
– Preference Shares		-		6.08
Provision for Tax	722.43		568.39	
Less: Direct Taxes Paid	(598.13)	124.30	(480.37)	88.02
Provision for Tax on Dividend		0.88		2.28
Provision for Risks and Contingencies		138.89		190.85
Provision for Staff Benefits		115.38		127.88
		384.91		422.76

**SCHEDULES FORMING PART OF THE CONSOLIDATED  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

	April 10 – March 11		April 09 – March 10	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 11</b>				
<b>SALES/TURNOVER</b>				
Sales/Turnover		8,599.62		6,891.64
Toll Proceeds		55.01		3.87
Air Cargo Revenue		0.52		10.99
Annuity Income		116.60		116.60
Project Berth Revenue		127.75		90.52
Revenue from Power Projects		0.19		–
		<u>8,899.69</u>		<u>7,113.62</u>
<b>SCHEDULE 12</b>				
<b>OTHER OPERATING INCOME</b>				
Fees & Miscellaneous receipts		29.99		20.15
		<u>29.99</u>		<u>20.15</u>
<b>SCHEDULE 13</b>				
<b>OTHER INCOME</b>				
Dividend Income		4.11		5.88
Miscellaneous Income		22.29		24.17
Profit on Sale of Assets		0.02		0.44
Profit on Sale of Investments (Net)		27.07		42.47
		<u>53.49</u>		<u>72.96</u>
<b>SCHEDULE 14</b>				
<b>EXPENDITURE ON CONTRACTS/DIRECT COSTS</b>				
Purchases of Materials	3,184.15		3,018.15	
Sub Contract Expenses	1,859.47		1,983.31	
Plant Hire Charges	83.64		59.78	
Insurance	52.20		36.97	
Fees and Consultations	115.70		106.26	
Consumption of Spares	51.74		58.03	
Outward Freight	92.67		97.81	
Sales Tax	72.03		63.26	
Service Tax	59.73		53.33	
Power and Fuel	209.84		144.49	
Site Personnel Expenses	551.59		538.22	
Operation & Maintenance Expenses	117.69		144.57	
Sundry Expenses (As per Schedule 14A annexed)	258.15		225.80	
Insurance Claim Received	(62.92)		(12.57)	
	<u>6,645.68</u>		<u>6,517.42</u>	
A.....				
Add: (Increase)/Decrease in Stores & Construction Materials including Materials drawn from Contractees ₹ Nil (Previous year ₹ 0.24 Crores)		(104.70)		(180.19)
(Increase)/Decrease in Work-in-progress including estimated profits		<u>1,237.56</u>		<u>(518.76)</u>
B.....		1,132.86		(698.95)
(A+B).....		7,778.52		5,818.47
<b>Finished Good and WIP (Manufacturing)</b>				
Opening Stock				
– WIP - Mfg		39.44		45.10
– Finished Goods		18.73		44.97
Less: Closing stock				
– WIP - Mfg		(14.04)		(39.53)
– Finished Goods		<u>(39.45)</u>		<u>(18.52)</u>
		4.68		32.02
		<u>7,783.20</u>		<u>5,850.49</u>



	April 10 – March 11		April 09 – March 10	
	₹ in Crores	₹ in Crores	₹ in Crores	₹ in Crores
<b>SCHEDULE 14A</b>				
<b>SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE OF CONTRACT</b>				
Plant Repairs		28.92		34.39
Rent, Rates & Taxes		30.74		17.08
Staff Welfare		25.75		19.16
Travelling Expenses		45.67		39.21
Guarantee Bond Commission and Bank Charges		17.10		17.40
Other Site Expenses *		109.97		98.56
		<u>258.15</u>		<u>225.80</u>
* None of the individual items included in Other Site Expenses exceeds one percent of the total turnover.				
<b>SCHEDULE 15</b>				
<b>ESTABLISHMENT EXPENSES:</b>				
Electricity Charges		2.61		1.84
Rent		20.02		17.17
Salaries incl. Provision for Commission and Bonus		194.98		158.92
Contribution to Employees Provident Fund, ESIS & Other Funds		42.47		43.79
Contribution to Gratuity Fund		4.57		1.91
Staff welfare expenses		10.87		12.38
Insurance		13.39		13.54
Rates and Taxes		20.16		5.65
Communication Expenses		12.05		11.97
Travelling, Leave Passage and Motor Car Expenses		22.70		15.05
Professional Fees		83.46		89.75
Advertisement and publicity expenses		28.05		17.22
Miscellaneous Expenses		35.10		47.01
Repairs & Maintenance		14.41		10.15
Auditors Remuneration:				
– Audit Fees including Tax Audit Fees & Consolidation	0.68		0.51	
– Limited Review	0.09		0.07	
– Certification	0.01		0.07	
– Other Services	0.06		0.05	
– Reimbursement of Out of Pocket Expenses	–	0.84	0.01	0.71
Branch Auditors' Fees		0.45		0.20
Directors Sitting Fees		3.19		5.56
Management Remuneration		9.51		6.32
Write off against Leasehold Land		0.03		0.01
Bad Debts/Interest written off		16.94		11.49
Provision for doubtful debts (Net)		4.32		4.73
Donation		0.60		0.52
Exchange Loss		7.76		50.51
Loss on Sale of Assets		0.13		0.34
Preliminary/Deferred Revenue Expenses		0.97		1.18
Expenses Transferred to Capital WIP		(1.89)		–
Employee Compensation Expense – ESOS		1.32		3.00
		<u>549.00</u>		<u>530.92</u>
<b>SCHEDULE 16</b>				
<b>FINANCIAL COST</b>				
<b>INTEREST PAID ON:</b>				
On Fixed Period Loans		346.95		173.79
Other Loans		108.53		169.10
Provision for Marked to Market Loss		(2.36)		(3.23)
Other Finance Charges		68.74		78.58
		<u>521.86</u>		<u>418.24</u>
<b>Less: INTEREST EARNED ON</b>				
Fixed Deposits with Banks		2.83		3.71
Others (Refer Note B-14)		445.48		27.65
		<u>448.31</u>		<u>31.36</u>
Less: Amount Transferred to Capital WIP		26.45		–
		<u>47.10</u>		<u>386.88</u>

**SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**A. ACCOUNTING POLICIES:**

**1. Principles of consolidation**

The Consolidated Financial Statements comprise the financial statements of GAMMON INDIA LIMITED ("the Company") and its Subsidiary companies (the Company and its subsidiaries are hereinafter referred to as 'the Group'), Associates and Joint Ventures (JV's) in the form of jointly controlled entities. The Consolidated Financial Statement has been prepared on the following basis:

(a) Interests in Subsidiaries

- The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding 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 as per Accounting Standard-21 "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India ('AS-21').
- The Consolidated Financial Statements have been prepared using uniform policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.
- The excess of cost of investments of the Company over its share of equity in the Subsidiary is recognised as goodwill. The excess of share of equity of Subsidiary over the cost of investments is recognised as capital reserve.
- The revenue related to construction services in respect of the BOT contracts, which are governed by Service Concession Agreements with government authorities (grantor), is considered as exchanged with the grantor against toll collection rights/annuities receivable, profit from such contracts is considered as realized. Accordingly, BOT contracts awarded where work is subcontracted within the group, the inter group transactions on BOT contracts and the profits arising thereon are taken as realised and not eliminated.

(b) Interests in Joint Ventures

The Company's interests in Joint Ventures in the nature of jointly controlled entities are included in these Consolidated Financial Statements using the Proportionate Consolidation Method as per the Accounting Standard-27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India ('AS-27'). The group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, on a line by line basis.

(c) Investment in Associates

Investments in Associate Companies are accounted under the equity method as per the Accounting Standard-23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India ('AS -23').

Under the Equity Method, the investment in associates is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. The income statement reflects the Group's share of the results of operations of the associates.

The excess of the Company's cost of investment over its share of net assets in the associate on the date of acquisition of investment is accounted for as goodwill. The excess of the Company's share of net assets in the associate over the cost of its investment is accounted for as capital reserve.

Goodwill/Capital Reserve is included/adjusted in the carrying amount of the investment.

**2. Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent 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. The percentage of work completed is determined by the expenditure incurred on the job till each review date to total expected expenditure of the job.

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) In case of certain high end boilers the milestones method is used for the measurement of the stage of completion, so as to ensure greater compliance of the valuation in the financial statements with respect to the effective stage of completion of the activities.
- (c) On supply of materials related to the transmission towers, revenue is recognized upon the delivery of goods to the client in accordance with the terms of contract. Sales include excise duty & other receivable from the customers but exclude VAT, wherever applicable.
- (d) Revenue from providing services are recognized in income statement at the moment said services are completed. As for works in progress, they are measured based on the status of completion of work. Whenever the results of the agreement cannot be reliably evaluated, revenues are recognized only to the extent that costs are deemed to be recoverable.
- (e) Insurance claims are accounted for on cash basis.
- (f) On Infrastructure Development Business:
  - (i) Annuity and Toll Receipts:  
The toll fees collection from the users is accounted when the amount is due and recovered.

The cash compensation on account of multiple entries of cars has been accounted on accrual basis as per the order of Government of Kerala for which Supplementary Concession Agreement is being worked out between the Government of Kerala, Greater Cochin Development Authority and Cochin Bridge Infrastructure Company Limited. (a subsidiary of the Company).

The annuity income earned from Build, Operate, Transfer ('BOT') projects 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, wharfage, barge freight, other charges etc. are recognised 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 operating income is recognised on an accrual basis when the same is due.

(g) **Cargo freight income:**

Cargo freight income is recognized at the time of booking of the consignment and is being accounted net of rebates, discounts and booking commission.

(h) **Revenue for design and assemblies are recognized on the basis of work progress reports provided for each contract.**

(i) **Interest income is recognised on time proportion method basis taking into account the amounts outstanding and the rate applicable.**

(j) **Dividend Income is accounted when the right to receive the same is established. The dividend declared by the subsidiary companies after the date of Balance Sheet are also included if they are in respect of accounting period which closed on or before the date of Company's Balance Sheet.**

**4. Turnover**

Turnover represents work certified upto and after taking into consideration the actual cost incurred and profit evaluated by adopting the percentage of the work completion method of accounting.

Turnover in respect of the BOT contracts, governed by Service concession agreements with government authorities (grantor), is considered as exchanged with the grantor against toll collection rights/annuities receivable and not eliminated.

Turnover also includes the revenue from the supply of material in the transmission tower contracts in accordance with the terms of contract and revenues in respect of the infrastructure development business.

**5. Research and Development Expenses**

The Costs of research are charged at the moment they are borne.

The Costs for development in relation to a specific project are capitalized only when the Company is able to show the technical possibility of carrying out the intangible asset in order to make it available for use and sale, its intention to make it available for use and sale, the modalities the activity can provide for future economic benefits, the availability of technical, financial, as well as any other kind of resources in order to carry out development and its capacity to reliably assess the cost attributable to the activity during its development.

After the original recognition, the costs of development are assessed net of the corresponding quotas of amortization and of the impairment loss. Further capitalized costs for development are amortized with reference to the period of time where it is expected that the project thereof will produce revenue for the Company.

**6. 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.**

**7. Employee Retirement Benefits**

The companies of the Group have both defined contribution plans and defined benefit plans.

Retirement benefits in the form of provident fund and superannuation is a defined contribution scheme and contributions are charged to the Profit and Loss Account for the year/period when the contributions are due.

Gratuity, a Defined Benefit Obligation is provided on the basis of an actuarial valuation made at the end of each year/period on projected Unit Credit Method.

Leave encashment is recognised on the basis of an actuarial valuation made at the end of each year on projected Unit Credit Method.

Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

In case of certain subsidiaries and a joint venture the 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 based on the laws of the respective country. The expected costs of these benefits are accrued over the period of employment. 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. Fixed Assets**

Fixed Assets are valued and stated at cost of acquisition less accumulated depreciation thereon. Revalued assets are stated at the revalued amount. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition of its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Assets held by virtue of financial lease agreements, through which the risks and benefits associated with ownership thereof are essentially transferred to the Group, are recognised as Group assets and accounted for at their current value or, if lower, the current value of the minimum payments due for the leasing, including any sum to be paid for exercising the purchase option. The corresponding liability to the lessor is represented in the accounts under financial payables.

Capital work in progress represents the costs incurred on project activity till completion of the project. It includes all direct material, labour and sub-contracting costs and those indirect costs related to constructions that are identifiable with or allocable to the project including borrowing costs.

#### Depreciation and Amortization

##### Indian Operations

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) Expenses incurred by the Company on periodic maintenance (required to be incurred by it in the 5<sup>th</sup>, 10<sup>th</sup> and 15<sup>th</sup> year as per the Contract with NHAI) are capitalised on the completion of said activity as the same enhances the useful life of the project. These costs are amortised over the period up to which the next periodic maintenance is due. The periodic maintenance of 15<sup>th</sup> year is written off over the balance concession period.

##### Overseas Operations

Depreciation is charged on a straight line basis over the useful life of the assets or as prescribed as per the relevant local laws of such country. Where the asset being depreciated is made up of distinctly identifiable elements, whose useful life significantly differs from that of the other parts the depreciation is provided separately in accordance with the component approach.

The estimated useful lives of the assets for calculating depreciation are as follows:

ASSET	From	To
Building	20 Years	40 Years
Plant & Machinery	3 Years	20 Years
Computer	3 Years	7 Years
Furniture & Fixtures	3 Years	10 Years
Office Equipment	2 Years	15 Years
Motor Vehicles	3 Years	8 Years
Temporary Site Office	2 Years	8 Years

##### Intangible Assets

Intangible assets are amortised over the period of the useful life of the rights and it begins when the asset is available for use. Intangible assets of infinite useful lives are not amortized but subject to impairment test, on an annual basis.

Intangible assets are represented by non-monetary elements, identifiable and lacking physical consistency, controllable and capable of generating future economic benefits. These elements are recorded at purchase and/or production cost, inclusive of any directly attributable expenses for preparing the asset for use, net of accumulated amortisation and any impairment losses.

Intangible assets also represents the concession rights in relation to toll roads to collect toll fees for improvement, operations and maintenance, rehabilitation and strengthening of existing 2 lane road and widening to 4 lane divided carriageway from Km. 539.500 to Km. 440.000 (Vadape-Gonde Section) of NH-3 on Build, Operate and Transfer (BOT) basis in the State of Maharashtra. Such costs include all construction costs including sub-contract costs and other costs attributable to the said project asset including borrowing costs and the proportionate cash payout (negative grant) at the end of concession period to NHAI.

Concession rights are amortised on the pro-rata basis of Actual Tollable Traffic volume for the period over the Total Projected Tollable Traffic volume over the Toll Periods granted for the Project. The projections for the Total Traffic Volume are based on the Report of Independent Professionals for this purpose. The Volume of Traffic is reviewed on periodic intervals for its consistency and appropriateness. If the Right to Collect Toll being amortised is revised on account of the material change in the Projected Traffic Volume arising out of the periodic review, the amortization would be revised accordingly.

## 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. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long term investments.

Investments in associates are accounted under Equity Method as per Accounting Standard-23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by Institute of Chartered Accountants of India ('AS 23').

## 11. Inventories

- (i) In case of the Indian Operations, the 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. Raw materials are valued at cost, net of Excise duty and Value Added Tax, wherever applicable. Stores and spares, loose tools are valued at cost except unserviceable and obsolete items that are valued at estimated realizable value thereof. Costs are determined on FIFO method.
- (ii) Work-in-progress on construction contracts reflects value of material inputs and expenses incurred on contracts including estimated profit in evaluated jobs.
- (iii) Work in progress from manufacturing operation is valued at cost and costs are determined on FIFO method.
- (iv) Finished goods are valued at cost or net realizable value, whichever is lower. Costs are determined on FIFO method except in case of overseas operations and an Indian subsidiary where the Finished goods are valued on Weighted Average Cost basis.
- (v) In case of the overseas Operations and an Indian subsidiary, the Stores & spares and Construction materials are valued at Weighted Average Cost basis.
- (vi) Works in progress for service contracts are measured based on the status of completion of work. Whenever the results of the agreement cannot be reliably evaluated, revenues are recognized only to the extent that costs are deemed to be recoverable. The costs for purchasing goods and services are recognized in the income statement on accrual basis and develop into decreases in economic benefits, which occur in the form of cash outflows, or of impairment of assets or incurring liabilities.

## 12. Foreign Currency Translation

### Initial Recognition

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transactions. Fixed Assets acquired in foreign currencies are translated at the rate prevailing on the date of Bill of Lading.

### Conversion

Current Assets and Current Liabilities are translated at the year end rate or forward contract rate.

### Exchange Differences

- (a) Any Gain or Loss on account of exchange difference either on settlement or translation is recognized in the Profit and Loss Account.
- (b) The exchange gain/loss on long term loans to non integral operations being subsidiaries are restated to Foreign Exchange Translation Reserve Account and will be transferred to the Profit & Loss Account in the year when the disposal of or otherwise transfer of the operations are done.

### Translation

- (a) 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.
- (b) The transactions of branches at Kenya, Nigeria, Bhutan and Algeria are accounted as integral operation.
- (c) The conversion of component financial statements expressed in foreign currency are as follows:
  - the assets and liabilities are converted using the exchange rates in effect as of the Balance Sheet date;
  - the income and expenditure are converted using the average exchange rate for the period/year;
  - the "Foreign Exchange Translation Reserve" comprises both the exchange differences generated by the conversion of the economic quantities using a rate other than the closing one and those generated by the conversion of the opening shareholders' equities at an exchange rate other than the closing one for the reporting period;
  - goodwill and adjustments deriving from the fair value linked to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted using the period end exchange rate.
- (d) In line with notification of the Companies (Accounting Standards) Amendment Rules 2011 issued by Ministry of Corporate Affairs on 31<sup>st</sup> March, 2011 amending Accounting Standard-11 (AS-11) "The Effects of Changes in Foreign Exchange Rates (revised 2003)", the Company has chosen to exercise the option under para 46 inserted in the standard by the notification. Accordingly, exchange differences on all long term monetary items, with retrospective effect from 1<sup>st</sup> April, 2007, are:
  1. To the extent such items are used for the acquisition of a depreciable capital asset are added to/deducted from the cost of the asset and depreciated over the balance life of the asset.
  2. In other cases accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond 31<sup>st</sup> March, 2012.

## 13. Borrowing Cost

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as expenses in the period in which they are incurred. In determining the amount of borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.

#### 14. Employee Stock Option Scheme

Employee stock options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed under Guidance Note on "Accounting for Employee Share-based payments" issued by the ICAI read with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option outstanding which is shown under Reserves and Surplus.

#### 15. Taxation

Tax expenses comprise Current Tax & Deferred 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 incomes 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.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Few Subsidiaries are eligible for 100% tax holiday under section 80-IA of the Income Tax Act, 1961. As a result, timing differences arising and reversing during the tax holiday period are not recognized by the Company.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

At each balance sheet date the Company re-assesses un-recognised deferred tax assets. It recognises the unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In case of overseas subsidiaries and joint ventures, current taxes are calculated on the basis of the taxable income for the year, applying the tax rate in force, in those countries, as of the balance sheet date.

#### 16. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Provisions for risks and charges are recognized for losses and liabilities whose existence is certain or probable but the timing or amount of the obligation is uncertain as of the financial year end date.

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.

#### 17. Earnings per share

Basic and diluted 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.

#### 18. Operating Lease

Lease where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating lease. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

#### 19. Derivatives

As of the date the contract is entered into, the derivative instruments are recorded at fair value and, if the derivative instruments do not qualify for being recorded as hedging instruments, the changes in the fair value recorded after initial statement as handled as components of the operating result for the year if they relate to forward transactions (sales or purchases) and the financial result for the year if relating to interest rate swaps. If instead the derivative instruments satisfy the requirements for being classified as hedging instruments, the subsequent changes in the fair value are recorded following the specific criteria indicated below. With regard to each financial derivative qualified for recording as a hedging instrument, its relationship with the hedged item is documented, along with the risk management objectives, the hedging strategy and the methods for checking the effectiveness. The effectiveness of each hedge is checked both at the time of initiating each derivative instrument, and over its duration. As a rule, a hedge is considered highly effective if, both at the start and over its duration, the changes in the fair value in the event of a fair value hedge or in the cash flows expected in the future in the event of a cash flow hedge of the hedged element, are essentially offset by the changes in the fair value of the cash flows of the hedging instrument.



When the hedge concerns the fair value changes of assets or liabilities recorded in the financial statements (fair value hedge), both the changes in the fair value of the hedging instruments and the changes in the hedged item are charged to the income statement. If the hedge is not perfectly effective, or differences are noted between the aforementioned changes, the "ineffective" part represents financial expense/income recorded among the negative/positive components of the profit for the year.

In the event of hedging aimed at neutralising the risk of the changes in cash flows originated by the future execution of obligations contractually defined at the balance sheet date (cash flow hedge), the changes in the fair value of the derivative instrument registered after the initial statement are recorded, solely in relation to the effective part, under the item "Cash flow reserve" as part of the shareholders' equity. When the economic effects originated by the hedged item occur, the reserve is transferred to the income statement. If the hedge is not perfectly effective, the fair value change of the hedging instrument, referring to the ineffective portion of it is immediately recorded in the income statement. If, over the duration of a derivative instrument, the occurrence of the expected cash flows and the hedged item is no longer considered highly probable, the portion of the "cash flow reserve" relating to this instrument is immediately transferred to the income statement for the year. Vice versa, in the event that a derivative instrument is transferred or can no longer be qualified as an effective hedging instrument, the portion of the "Cash flow reserve" representative of the fair value changes of the instrument, recorded up to that moment, is maintained as a component of shareholders' equity and transferred to the income statement following the classification approach described above, at the same time as the manifestation of the transaction originally hedged.

The fair value of financial instruments listed on an active market is based on the market prices as of the balance sheet date. The fair value of instruments which are not listed on an organised market is determined by using valuation techniques based on a series of methods and assumptions linked to market conditions as of the balance sheet date. Other techniques, such as the estimation of the discounted cash flows, are used for the purpose of determining the fair value of the other financial instruments. The fair value of interest rate swaps is calculated using the average rate at maturity as of the balance sheet date.

Given the short-term characteristics of trade receivables and payables, it is deemed that the book values, net of any bad debts provisions for doubtful receivables, represent a good approximation of the fair value.

## 20. Grant

Public Grants, in the presence of a formal allocation resolution, and in any event, when the right to their disbursement is considered definitive since reasonably certainty exists that the Group will observe the conditions envisaged for perception thereof and that the grants will be collected, are recorded on an accrual basis in direct correlation with the costs incurred. The public grants provided for investments are therefore booked against the purchase price or the production costs of the asset. Other operating grants are credited to the income statement under the item "Other revenues and income".

The SPV on receipt of grant as equity support from NHA1 accounts the same under Shareholders funds under Reserves and Surplus, in accordance with the terms of the concession granted to the Company. The grant related to operations not forming part of equity support will be credited to the Profit and Loss account.

## 21. Deferred Payment Liability:

The deferred payment liability represents the cash payout (Negative grant) payable to the NHA1 as per the terms of the Concession agreement at the end of the Concession period. The said deferred payment liability does not carry any interest thereon.

## 22. Minority Interest

Minority interest comprises of amount of equity attributable to the minority shareholders at the date on which investments are made by the Company in the Subsidiaries and further movements in their share in the equity, subsequent to the date of the investments.

## B. NOTES TO ACCOUNTS

### 1. SUBSIDIARIES

(a) The following subsidiaries companies have been consolidated in the Financial Statements:

	Name of Subsidiaries	Country of Incorporation	For the Year 2010-11		For the Year 2009-10	
			Ownership Interest	Effective Interest	Ownership Interest	Effective Interest
	<b>GIPL GROUP</b>					
1	Gammon Infrastructure Projects Limited (GIPL)	India	75.44%	75.44%	75.89%	75.89%
2	Andhra Expressway Limited (AEL)	India	100.00%	75.44%	100.00%	75.89%
3	Cochin Bridge Infrastructure Co. Limited (CBICL)	India	97.66%	73.68%	97.66%	74.11%
4	Tada Infra Development Limited (TIDCL) (previously known as Gammon Hospitality Limited (GHL))	India	100.00%	75.44%	100.00%	75.89%
5	Gammon Logistics Limited (GLL)	India	100.00%	75.44%	100.00%	75.89%
6	Gammon Renewable Energy Infrastructure Limited (GREIL)	India	100.00%	75.44%	100.00%	75.89%
7	Gammon Road Infrastructure Limited (GRIL)	India	100.00%	75.44%	100.00%	75.89%
8	Gammon Seaport Infrastructure Limited (GSIL)	India	100.00%	75.44%	100.00%	75.89%
9	Gammon Projects Developers Limited (GPD)	India	100.00%	75.44%	100.00%	75.89%

	Name of Subsidiaries	Country of Incorporation	For the Year 2010-11		For the Year 2009-10	
			Ownership Interest	Effective Interest	Ownership Interest	Effective Interest
10	Gorakhpur Infrastructure Company Limited (GICL)	India	100.00%	76.70%	100.00%	77.12%
11	Jaguar Projects Developers Limited (JPDL)	India	100.00%	75.44%	100.00%	75.89%
12	Kosi Bridge Infrastructure Company Limited (KBICL)	India	100.00%	75.44%	100.00%	75.89%
13	Marine Projects Service Limited (MPSL)	India	100.00%	75.44%	100.00%	75.89%
14	Mumbai Nasik Expressway Limited (MNEL)	India	79.99%	60.34%	79.99%	60.70%
15	Patna Highway Projects Limited (PHPL)	India	100.00%	75.44%	100.00%	75.89%
16	Pataliputra Highway Limited	India	100.00%	75.44%	100.00%	75.89%
17	Pravara Renewable Energy Limited (PREL)	India	100.00%	75.44%	100.00%	75.89%
18	Rajahmundry Godavari Bridge Limited (RGBL)	India	51.00%	38.48%	100.00%	76.06%
19	Rajahmundry Expressway Limited (REL)	India	100.00%	75.44%	100.00%	75.89%
20	Ras Cities and Townships Pvt. Limited (RCTPL)	India	100.00%	75.44%	100.00%	75.89%
21	Sikkim Hydro Power Ventures Limited (SHPVL)	India	100.00%	75.44%	100.00%	75.89%
22	Tidong Hydro Power Limited (THPL)	India	51.00%	38.48%	51.00%	38.70%
23	Vizag Seaport Pvt. Limited ('VSPL')	India	73.76%	55.65%	73.76%	55.98%
24	Youngthang Power Ventures Limited (YPVL)	India	100.00%	75.44%	100.00%	75.89%
25	ATSL Infrastructure Projects Limited	India	100.00%	87.97%	100.00%	88.19%
26	Chitoor Infra Company Pvt. Limited ('CICPL')	India	100.00%	75.44%	—	—
27	Dohan Renewable Energy Pvt. Limited ('DREPL')	India	100.00%	75.44%	—	—
28	Ghaggar Renewable Energy Pvt. Limited ('GREPL')	India	100.00%	75.44%	—	—
29	Indori Renewable Energy Pvt. Limited ('IREPL')	India	100.00%	75.44%	—	—
30	Kasavati Renewable Energy Pvt. Limited ('KREPL')	India	100.00%	75.44%	—	—
31	Lilac Infrastructure Development Limited ('LIDL')	India	100.00%	75.44%	—	—
32	Markanda Renewable Energy Pvt. Limited ('MREPL')	India	100.00%	75.44%	—	—
33	Sutlej Renewable Energy Pvt. Limited ('SREPL')	India	100.00%	75.44%	—	—
34	Satyavedu Infra Development Limited ('SICPL')	India	100.00%	75.44%	—	—
35	Sirsa Renewable Energy Pvt. Limited ('Sirsa REPL')	India	100.00%	75.44%	—	—
36	Tada Sez Pvt. Limited ('TSPL')	India	100.00%	75.44%	—	—
37	Tangri Renewable Energy Pvt. Limited ('TREPL')	India	100.00%	75.44%	—	—
38	Yamuna Renewable Energy Pvt. Limited ('YREPL')	India	100.00%	75.44%	—	—
	<b>Others</b>					
39	GACTEL Turnkey Projects Limited	India	100.00%	100.00%	100.00%	100.00%
40	Gammon & Billimoria Limited	India	50.94%	50.94%	50.94%	50.94%
41	Gammon & Billimoria LLC *	Dubai	49.00%	49.00%	49.00%	49.00%
42	Gammon International LLC, OMAN	Oman	69.00%	69.00%	69.00%	69.00%
43	Gammon International FZE	Dubai	100.00%	100.00%	100.00%	100.00%

	Name of Subsidiaries	Country of Incorporation	For the Year 2010-11		For the Year 2009-10	
			Ownership Interest	Effective Interest	Ownership Interest	Effective Interest
44	P.Van Eerd Beheersma atschappaji B.V. – Netherlands**	Netherland	100.00%	100.00%	100.00%	100.00%
45	Deepmala Infrastructure Pvt. Limited	India	51.00%	51.00%	51.00%	51.00%
46	Gammon Retail Infrastructure Pvt. Limited	India	99.00%	99.00%	99.00%	99.00%
47	Gammon Power Limited	India	100.00%	100.00%	100.00%	100.00%
48	Campo Puma Oriente S.A.	Panama	66.39%	66.39%	66.39%	66.39%
49	ATSL Holding B.V., Netherlands	Netherlands	100.00%	100.00%	100.00%	100.00%
50	SAE Powerlines S.r.l. (subsidiary of ATSL Holdings BV)	Italy	100.00%	100.00%	100.00%	100.00%
51	Transrail Lighting Limited	India	100.00%	100.00%	100.00%	100.00%
52	Associated Transrail Structures Limited, Nigeria	Nigeria	100.00%	100.00%	100.00%	100.00%
53	Gammon Realty Limited (GRL)	India	75.06%	75.06%	75.06%	75.06%
54	Gammon Holding B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
55	Franco Tosi Meccanica S.p.A. (subsidiary of Gammon Holding B.V.)	Italy	75.10%	75.10%	75.10%	75.10%
56	Gammon Italy S.r.l. (subsidiary of Gammon Holding B.V.)	Italy	100.00%	100.00%	100.00%	100.00%
57	Gammon International B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
58	Metropolitan Infrahousing Pvt. Limited (MIPL)	India	84.16%	84.16%	—	—
59	SAE Transmission India Limited	India	100.00%	100.00%	—	—
60	Franco Tosi Hydro Pvt. Limited	India	100.00%	100.00%	—	—
61	Franco Tosi Turbines Pvt Limited	India	100.00%	100.00%	—	—
62	Preeti Townships Pvt. Limited	India	60.00%	45.04%	—	—
63	Ansaldocaldaie Boilers India Pvt. Limited (ACB)	India	73.40%	86.40%	—	—
64	Gammon Holdings (Mauritius) Limited	India	100.00%	100.00%	—	—

\*\* In Previous Year Shareholding is through subsidiary – Gammon International FZE.

The results for Franco Tosi Meccanica, Campo Puma Oriente SA and SAE S.r.l. for the period January 2010 to December 2010 have been consolidated in the above results being the financial year of the said companies. The figures for the period January to March 2011 have not been consolidated in the said accounts as the same are not available

- (b) \*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.
- (c) During the year, the Company has acquired the shares of the following Subsidiary Companies.

(₹ in Crores)

Company Name	No. of Shares	Face Value	Amount
Metropolitan Infrahousing Pvt. Limited	8,416	₹ 10	0.01
Ansaldocaldaie Boilers India Pvt. Limited*	36,700,000	₹ 10	3715
Franco Tosi Turbines Pvt. Limited	10,000	₹ 10	0.01
Franco Tosi Hydro Pvt. Limited	10,000	₹ 10	0.01
Gorakhpur Infrastructure Co. Limited	5,350,315	₹ 10	5.35
SAE Transmission India Limited	50,000	₹ 10	0.05
P.Van Eerd Beheersmaatschappij B.V	35	€453.78	0.05
Gammon Holdings (Mauritius) Limited	15,000	\$1	0.07
Preeti Townships Pvt. Limited (Through Gammon Realty Limited)	60,000	₹ 10	0.12

\*Out of the above 4,538,461 shares amounting to ₹ 10 Crores has been allotted to the Company pursuant to conversion of loan granted in terms of the loan agreement.

(d) Effect of acquisition of subsidiaries during the year on Financial Statements.

(₹ in Crores)

Name of the Company	Current Year	Previous Year	Current Year	Previous Year
	Effect on Group Profit/(Loss) after Minority Interest		Net Assets	
Vizag Seaport Pvt. Limited	—	14.14	—	285.92
Metropolitan Infrahousing Pvt. Limited	123.53	—	122.05	—
SAE Transmission India Limited	0.06	—	0.05	—
Franco Tosi Hydro Pvt. Limited	(0.00)	—	0.01	—
Franco Tosi Turbines Pvt. Limited	0.02	—	0.03	—
Preeti Townships Pvt. Limited	(0.00)	—	0.02	—
Ansaldocaldaie Boilers India Pvt. Limited	0.63	—	57.28	—
Gammon Holdings (Mauritius) Limited	(0.04)	—	(0.08)	—

(e) MNEL, a subsidiary of GIPL, had received provisional completion certificate for a chainage of 50 Kms for the purposes of tolling vide certificate dated 23<sup>rd</sup> December, 2009 and a further provisional certificate for additional chainage of 14 Kms vide certificate dated 11<sup>th</sup> May, 2010. MNEL has also received the tolling notification issued by Government of India dated 21<sup>st</sup> April, 2010 for the entire stretch which enables MNEL to open the road to traffic and putting it for its intended use. Pursuant to this, the first stretch of road was opened for toll collection on 29<sup>th</sup> May, 2010 after adherence to the requirements of the concession agreement and the cost attributable to it was capitalised as "Toll Concession Rights" on that date. The balance cost pertaining to the balance portion is being continued as a Capital work in progress and would be capitalised on completion.

(f) As per the terms of the concession agreement MNEL is required to make a cash payout ('Negative Grant') of ₹ 120 Crores in the last year of the concession period. The same is capitalised as Toll Concession Rights and Capital work in progress on a proportionate basis and is represented as Deferred Payment Liability in the financial statements..

(g) During the year, KBICL, a wholly owned subsidiary of GIPL, the Independent consultant jointly appointed by NHAI and KBICL has, as per the terms of the concession agreement, determined an extension of project completion date by 631 days. The original scheduled project completion date of the project was 1<sup>st</sup> April, 2010, however the project due to reasons beyond the control of KBICL has been delayed and now is expected to be completed by 31<sup>st</sup> December, 2011.

(h) Under the Concession Agreement with NHAI, the Scheduled Project Completion Date for completion of construction of the GICL's Project Road was 4<sup>th</sup> September, 2009. The completion of construction has been delayed beyond this date. GICL believes this delay is not on account of any default by it and is in discussions with the NHAI for extension of this date to January 2012. Pending the outcome of the discussions, management believes no adjustments are required to be made to the financial statements in respect of this matter.

## 2. Jointly Controlled Entities

The following Jointly Controlled Entities have been considered applying AS-27 on the basis of audited accounts (except stated otherwise) for the year ended 31<sup>st</sup> March, 2011.

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

Name of the Joint Venture	% of Interest As at 31 <sup>st</sup> March, 2011	% of Interest As at 31 <sup>st</sup> March, 2010
	Blue Water Iron Ore Terminal Pvt. Limited ('BWOTPL')#	28.14%
Haryana Biomass Power Limited ('HBPL')#	37.72%	37.95%
Indira Container Terminal Pvt. Limited ('ICTPL')#	37.72%	37.95%
Punjab Biomass Power Limited ('PBPL')#	37.72%	37.95%
SEZ Adityapur Limited ('SEZAL')*#	28.67%	28.84%
Gammon Al Matar (GALM)	85.00%	85.00%
Gammon Enee Rail (Consortium)	51.00%	51.00%
Sofinter S.p.A.	50.00%	50.00%
Gammon - Cons - Tensaccia - JV (GCT)*	60.00%	—
Gammon - Ojsc Mosmetrostroy - JV (GOM)*	51.00%	—
Jaeger Gammon (JG)*	90.00%	90.00%

\* - As per unaudited management accounts

# Shareholding is through subsidiary Gammon Infrastructure Projects Limited

- (b) In Case of Sofinter the financial statements for the period January 2010 to 31<sup>st</sup> December, 2010 have been considered for consolidation and accordingly the results of operations from January to March, 2011 have not been included in the consolidated financial statements as the same are not available. The details of the companies that are consolidated as part of Sofinter group are tabulated hereunder.

**Subsidiaries:**

Name of Subsidiaries	Country of Incorporation	Ownership Interest	
		2010-11	2009-10
Ansaldo Caldale S.p.A.	Italy	100.00%	100.00%
Europower S.p.A.	Italy	100.00%	100.00%
S.C. Euroboiler S.r.l.	Romania	100.00%	100.00%
Commissioning Italia S.r.l.	Italy	100.00%	100.00%
Consorzio Macchi Idromacchine	Italy	70.00%	70.00%
S.W.S. Saline Water Specialists S.r.l.	Italy	100.00%	100.00%
Nitco S.p.A.	Italy	79.59%	79.59%
Itea S.p.A.	Italy	100.00%	89.86%
TAG – Tubi Alettati Gioia S.p.A.	Italy	100.00%	100.00%
CCA Centro Combustione Ambiente S.r.l.	Italy	100.00%	100.00%
Ansaldo Caldaie Boilers India Pvt. Limited	India	—	85.00%
Ansaldo Caldaie Boilers Egypt SAE	Egypt	98.00%	98.00%
Eco engineering Impianti S.r.l.	Italy	100.00%	100.00%
Consorzio Ecosar	Italy	97.00%	97.00%
Consorzio Nitcomisa	Italy	67.50%	67.50%

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

(₹ in Crores)

	As at 31.3.2011		As at 31.3.2010	
<b>ASSETS</b>				
<b>Fixed Assets:</b>	<b>458.06</b>		<b>477.47</b>	
Less : Depreciation	225.51	232.55	233.71	243.76
Capital WIP		129.73		98.43
Advance for Capital Expenditure		—		—
<b>Current Assets:</b>				
Inventories	203.74		445.01	
Sundry Debtors	526.47		700.88	
Cash & Bank Balances	176.16		203.29	
Loan & Advances	201.64		187.78	
<b>Total Current Assets (A)</b>	<b>1,108.02</b>		<b>1,536.97</b>	
<b>Current Liabilities (B)</b>	<b>845.36</b>		<b>1,148.43</b>	
<b>Net Current Assets (A-B)</b>		<b>262.66</b>		<b>388.54</b>
Preliminary & Share Issue Exp.		0		0
<b>Total Assets</b>		<b>624.94</b>		<b>761.41</b>
<b>LIABILITIES</b>				
<b>Loan Funds:</b>				
Secured Loans	280.46		266.42	
Unsecured Loans	288.76		480.28	746.70
Deferred Tax Liability	11.04			11.91
<b>Reserves &amp; Surplus:</b>	<b>(232.59)</b>			<b>37.12</b>
<b>Total Liabilities</b>	<b>347.67</b>			<b>795.73</b>
<b>REVENUE ITEMS</b>				
Turnover		2,408.97		1,270.62
Less : Expenditure				
Contract expenditure & other expenditure	2,205.80		1,043.82	
Administration Expenses	147.76		132.11	
Finance Cost	41.12		57.85	
Depreciation	19.92		24.30	
Preliminary/Share Exp. written Off	0.04		0.13	
<b>Total Expenses</b>		<b>2,414.64</b>		<b>1,258.22</b>
Profit/(Loss) Before Tax		(5.67)		12.40
Provision for Tax		8.66		21.97
<b>Profit/(Loss) After tax</b>		<b>(14.33)</b>		<b>(9.57)</b>

- (c) The above figures pertaining to the Joint Venture Companies are based on the audited accounts for the year ended 31<sup>st</sup> March, 2011 except for BWIOTPL, HBPL, SEZAL GCT, GOM and JG which are based on the un-audited management accounts.
- (d) **Sofinter** – The entry into force of the agreement executed on 1<sup>st</sup> December, 2009 between credit institutions and a number of companies part of the Sofinter Group for the restructuring of debts and signature credit lines (the "Agreement") has involved:
- a complex series of compliance requirements and contractual conditions, including a commitment to implement a number of actions aimed at strengthening the equity of the Sofinter Group;
  - the execution of operations to strengthen the capital through capital increases, including by third parties, and through the exploitation of the equity investments in the subsidiaries Ansaldo Caldaie and Itea;
  - the compliance with specific financial covenants throughout the entire term of the Agreement.

As part of the agreement with credit institutions, The sofinter group assessed the offers received for the acquisition of a shareholding in the subsidiary Ansaldo Caldaie and selected an offer from a New Investor by which the New Investor is required to make investments which in addition to strengthening the groups equity structure, should bring a concrete contribution to developing activities on international markets, more specifically the Indian market. The agreement reached, which was authorised on 27<sup>th</sup> May, 2011 by the Italian Antitrust Authority, should be executed shortly.

The requests contained in the offer made by the new investor and the partial failure to comply with certain provisions contained in the Agreement made it necessary to re-start negotiations with the banks in January, 2011. Said negotiations are mainly about the extension of the term of the Agreement and the confirmation of the credit lines, including the increase thereof, as specified in the Report on Operations under "Corporate Transactions" and the re-negotiation of new financial covenants. The cited increase is necessary in order to implement the new 2011/2014 strategic plan of the Sofinter Group.

In connection with the re-negotiation of the new strategic plan, an expert appointed pursuant to art. 67 of Italian Law will assess the plan's reasonableness and suitability to allow repayment of debts and to restore the Group's financial position.

The economic forecast contained in the aforesaid strategic plan involve a consolidation of Ansaldo Caldaie's position in its historic markets as well as a development of new markets, also thanks to a number of agreements between the Sofinter Group and its new investors. The positive market trends as regards demand for the products offered by the Sofinter Group, which have been recently observed and are forecast for the near future by major sector analyst, lead the Directors to believe that the targets set by the new strategic plan may reasonably be met, although within the limits which are normally intrinsic to the degree of probability that future events take place in line with the forecasts made.

Achievement of the plan's targets therefore ultimately depends on the support of the banks, which have not yet signed the new agreement, and for this reason an uncertainty still exists that may cast significant doubt on the Group's ability to continue operating as a going concern. However, in the light of the development of the negotiations with the credit institutions currently being finalised, an agreement having been reached on the key terms of the new agreement, and considering that the matters still pending will not prevent a successful completion of the negotiations, also in light of the favourable attitude of credit institutions, the Directors believe it is reasonable to expect that the new agreement, while not yet executed, will be executed in the month of July. The here above mentioned uncertainty is deriving, at the date of approval of this financial statement, from the pending undersigning of the bank Agreement, and will be effectively overcome upon the signature of the Agreement expected to happen during this month of July, 2011.

Therefore, after carrying out the necessary checks and assessing the degree of occurrence of the uncertain events referred to above, as well as obtaining appropriate comfort from credit institutions about the likely outcome of the negotiations on the new agreement, in drawing up these Financial Statements, the Directors have deemed it appropriate to adopt the going concern basis of accounting.

### 3. Associates

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".

(₹ in Crores)

Name of Company	% Share Held	Original Cost of Investments	Goodwill/ (Capital Reserve)	Adjusted/ Accumulated Profit/(Loss) upto previous period	Profit for the Current Period	Other Adjustments	Carrying Amount of Investment
Itro PTE Limited *	24.50%	7.26	0.00	-8.81	-6.66	8.21	0.00
Ecopower S.r.l.*	10.00%	0.16	0.00	0.57	0.05	0.00	0.78
SWS G&B *	25.00%	0.03	0.00	0.00	0.00	0.00	0.03
Europower Middle East *	24.50%	0.15	0.00	0.00	0.00	0.00	0.15
Cons Ansaldo energie riun.*	12.50%	0.08	0.00	0.00	0.00	0.00	0.08
Multiservice *	17.50%	0.11	0.00	0.00	0.00	0.00	0.11
Oristano Ambiente *	20.00%	0.13	0.00	0.00	0.00	0.00	0.13
Eversun Sparkle Maritime Services Pvt. Limited ('ESMSPL') **	25.12%	1.70	0.44	-1.17	0.55	0.00	1.08
Modern Toll Roads Limited **	36.92%	0.02	0.00	0.00	0.00	0.00	0.02
Fin Est S.p.A.	50.00%	19.52	7.57	0.27	0.38	0.00	20.17
<b>TOTAL</b>		<b>29.16</b>	<b>8.01</b>	<b>-9.14</b>	<b>-5.68</b>	<b>8.21</b>	<b>22.55</b>

\* Marked companies are associates of Joint Venture, Sofinter Group and hence proportionate share of its investments and share of profit/(loss) is taken.

\*\* Marked companies are associates of subsidiary GIPL.



The particulars of Investment in Associates are as under :-

- The above figures pertaining to the Associate Companies are based on the audited accounts for the year ended 31<sup>st</sup> March, 2011, except MTRL and Finest S.p.A which is based on the un-audited management accounts.
- In respect of the associates of Sofinter S.p.A the accounting of profit as per AS – 23 is carried out on the basis of consolidated audited accounts of Sofinter Group for the period from January '10 to December '10.
- The above profit from associate and investment in associate does not include profit from M/s Ansaldoaldaie Boilers India Pvt. Ltd. (ACB) consolidated as a subsidiary by the group which has not been shown in the table of Investment in Associates as the same represents the groups share of Minority interest arising from the groups 50% share in Sofinter. The said share in ACB arising from Sofinter has accordingly been adjusted in the Minority interest and therefore not shown in the above table and the net minority interest in ACB representing the joint venture partners share in ACB has been show as Minority interest.

#### 4. SECURITY FOR LOAN AVAILED BY THE GROUP:

- Secured Loans in the consolidated financial statements comprises of the following loans:

(₹ in Crores)

Company Name	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010
GIL	760.29	488.54
Project SPV's	2,396.43	1,864.82
GBLLC	32.35	0.22
GTPL	0.09	0.06
TLL	42.52	31.10
Franco Tosi	31.48	71.37
Investment SPV's	664.24	616.27
Sofinter	191.54	219.66
MIPL	99.89	—
ACB	5.01	—
<b>TOTAL</b>	<b>4,223.84</b>	<b>3,292.03</b>

##### A. GIL:

###### NCD:

8.75% – Secured Redeemable Non Convertible Debentures of ₹ 5 Crores are secured by hypothecation of specific Plant & Machinery and paripassu charge by mortgage of immovable property in Gujarat. Out of ₹ 5 Crores, based on contractual terms, debentures valuing ₹ 1.5 Crores have been redeemed on 30<sup>th</sup> March, 2011. The debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment. i.e. 30<sup>th</sup> March, 2003.

7.50% – Redeemable Non Convertible Debentures of ₹ 15 Crores and 7.25% – Redeemable Non Convertible Debentures of ₹ 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 ₹ 3.5 Crores. The Debenture holders holding ₹ 15 Crores of 7.50% Redeemable Non Convertible Debentures and ₹ 6 Crores of 7.25% Redeemable Non Convertible Debentures have exercised their put option and accordingly same have been redeemed on 29<sup>th</sup> September, 2010.

7.50% – Redeemable Non-Convertible Debentures of ₹ 50 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 ₹ 3.5 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment i.e. 5<sup>th</sup> August, 2005.

9.95% – Redeemable Non Convertible Debentures of ₹ 50 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 ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being, 24<sup>th</sup> March, 2008.

10.80% – Redeemable Non Convertible Debentures of ₹ 100 Crores are secured by hypothecation of specific Plant & Machinery with paripassu charge by mortgage of immovable property in Gujarat with 9.95% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> year from the date of allotment being, 25<sup>th</sup> July, 2008.

10.50% – Redeemable Non Convertible Debentures of ₹ 74 Crores are secured by hypothecation of specific Plant & Machinery with paripassu charge by mortgage of immovable property in Gujarat with 10.80% Secured Redeemable Non-Convertible Debentures of ₹ 100 Crores and 9.95% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being, 7<sup>th</sup> May, 2009.

9.50% – Redeemable Non Convertible Debentures of ₹ 50 Crores are secured by hypothecation of specific Plant & Machinery with paripassu charge by mortgage of immovable property in Gujarat with 10.50% Secured Redeemable Non-Convertible Debentures of ₹ 74 Crores and 10.80% Secured Redeemable Non-Convertible Debentures of ₹ 100 Crores and 9.95% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being 18<sup>th</sup> June, 2010

9.50% – Redeemable Non Convertible Debentures of ₹ 50 Crores are secured by hypothecation of specific Plant & Machinery with paripassu charge by mortgage of immovable property in Gujarat with 9.50% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 10.50% Secured Redeemable Non-Convertible Debentures of ₹ 74 Crores and 10.80% Secured Redeemable

Non-Convertible Debentures of ₹ 100 Crores and 9.95% Secured Redeemable Non-Convertible Debentures of ₹ 50 Crores and 8.75% Secured Redeemable Non-Convertible Debentures of ₹ 3.5 Crores and 7.50% Secured Non-convertible Debenture of ₹ 50 Crores. The Debentures are due for repayment at the end of 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from the date of allotment being 5<sup>th</sup> September, 2010.

**B. Project Loans SPV's**

These loans on the books of project Special Purpose Vehicles ('SPV') companies, are project finance loans, secured principally by the project assets (immovable and movable), project contracts and future cash flow from these projects. The lenders of these projects have a "very limited recourse" to the sponsor, viz. GIPL. This limited recourse to GIPL comes in the form of Corporate Guarantees and/or Comfort Letter provided to cover:

- the difference between outstanding loans and the termination payments receivable by the SPV from clients (in case of termination of the project due to concessionaire's event of default and/or force majeure events).
- the shortfall in payment of annuity due to non-availability of road to traffic, for annuity projects.
- increase in O&M expenses beyond those covered in the Financing Documents, for annuity projects.
- increase in tax payments beyond those covered in the Financing Documents, for annuity projects of REL and AEL.

**PROJECT SPV's : AEL, REL, MNEL, RGL, ICTPL, KBICL, PBPL & GICL:**

The project Loans together with all upfront fee, interest, further interest, additional interest, liquidated damages, premium on prepayment, costs, expenses and other monies whatsoever stipulated in this Agreement ("Secured Obligations") shall be secured by a first mortgage and charge on all the Borrower's immovable properties, both present and future and a first charge by way of hypothecation of all the Borrower's moveable assets both present and future, Borrower's Receivables except bonus, all bank accounts, all intangibles of the Borrower including but not limited to goodwill, rights, undertakings and uncalled capital, present and future, assignment or otherwise creation of Security Interest in all the right, title, interest, benefits, claims and demands whatsoever of the Borrower in the Project Documents, duly acknowledged and consented to by the relevant counter-parties to such Project Documents to the extent not expressly provided in each such Project Document, all as amended, varied or supplemented from time to time including all guarantees and bonds issued or to be issued in terms thereof, the right, title and interest of the Borrower by way of first charge in, to and under all the Government Approvals, all the right, title, interest, benefits, claims and demands whatsoever of the Borrower in any letter of credit, guarantee including contractor guarantees and liquidated damages and performance bond provided by any party to the Project Documents, all insurance contracts/ insurance proceeds, Pledge of 51% of equity shares held by GIL and GIPL in case of MNEL, REL, AEL, RGL, ICTPL and 26% in case of KBICL and GICL and 30% of promoters of PBPL, PHPL.

**CBICL:**

Secured against mortgage of residential property of the Company. Assignment of all future receivables of the Company, the Pledge of shares of the Company, Corporate Guarantee of the holding Company Gammon Infrastructure Projects Limited.

**VSPL:**

Secured Loans are hypothecation of movable assets and receivables of the Company.

**PBPL:**

Vehicle loan is secured by hypothecation of car purchased under the scheme from ICICI Bank Limited.

**C. 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.

**D. GTPL:**

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

**E. TLL:**

Term Loans from IDBI Bank are secured by first charge on all fixed and current assets of the Company and counter corporate guarantee by Gammon India Limited.

**F. FRANCO TOSI:**

Borrowings from Bank are secured by first mortgage on the Company property called "Area Sud" in the municipality of Legnano – Milano.

**G. 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.

**H. Ansaldocaldaie Boilers India Pvt. Limited:**

Borrowings from Bank are secured by paripassu charge on all the movable & immovable assets of the Company, both present & future.

**I. Metropolitan Infrahousing Pvt. Limited**

Secured by the Company's guarantee to acquire the land and on the failure of purchase it is to be repaid within 90 days of the loan given.

**J. Investments SPVs:**

**GHBV, GIBV, PVAN and ATSL BV:**

Term Loans from ICICI Bank are secured by charge over all the assets/investments of the Company. The Parent Company has also pledged its entire shareholding of the Company with the Bank and Corporate Guarantee by ultimate Parent Company.

**K. SOFINTER:**

The loan envisages the granting of secured guarantees which comprise a senior pledge in favour of the financing bank granted on the shares of Ansaldo Caldaie and Sofinter. The shares issued after the share capital increase resolved as of 26<sup>th</sup> August, 2008 and fully registered in the name of Gammon have been excluded from said pledge. The financial Leases obligations are secured by the underlying assets.

(II) During the year the total amount of borrowing cost capitalized was ₹ 139.16 Crores (*Previous Year ₹ 142.10 Crores*).

5. Issued Share Capital includes 725,800 shares of ₹ 2/- each kept in abeyance. Share Forfeited account includes ₹ 0.26 Crores of Share Premium collected on application in respect of forfeited shares.
6. In terms of the approval of the shareholders in the Extra Ordinary General Meeting of the Company on 17<sup>th</sup> June, 2009 the Company issued 16,000,000 equity warrants to the promoter group on the preferential basis, entitling them to apply for and obtain allotment of one equity shares of ₹ 2/- each at a premium of ₹ 88.20 per share. During F.Y. 2009-2010, the promoter group had exercised 7,750,000 warrants for conversion to equity shares and paid in an amount equivalent to 25% of the 8,250,000 outstanding warrants. The balance warrant of 8,250,000 have been exercised during the year for conversion to equity share and accordingly 8,250,000 shares have been allotted on 7<sup>th</sup> January, 2011.

**7. Investment In Campo Puma Oriente & Consorcio Pegaso**

- (a) Consorcio Pegaso was established in Quito – Ecuador on 31<sup>st</sup> October, 2006 comprising of several companies making it an independent economic unit in order to carry out in partnership agreements for exploration and exploitation oil. During the year 2010, on 1<sup>st</sup> July one of the members of the consortium transferred the rights and obligations to the extent 67% in favor of the Company Campo Puma Oriente S.A., The Ministry had on 30<sup>th</sup> December, 2009 authorized the change of the Operator of the Contract for the Exploitation of Crude Oil and Additional Exploration of Hydrocarbons of Campo Marginal PUMA, to CPO.
- (b) During 2010, Pegaso incurred a deficit of US\$. 7,629,111 making the accumulated deficit to US\$. 13,632,650 at 31<sup>st</sup> December, 2010. The Management believes that once all the wells are drilled and completed, the Committed Plan undertaken within the New Amending Contract of Servicing, it would generate revenue to cover the accumulated losses, costs and expenses and generate cash flow for the normal development of its operations and it to meet its obligations.
- (c) The consortium as at 31<sup>st</sup> December, 2010, incurred substantial investments, such as drilling of five development wells and seismic acquisition 3D of 68.14 Km<sub>2</sub> and 15.85 km linear of 2D seismic to define the drilling locations of the new wells with a view to discover new deposits in the area of Campo Marginal Puma, amounting to US\$ 28,062,862.
- (d) CPO entered into a New Amending Contract negotiated in December, 2010 and signed on 21<sup>st</sup> January, 2011, the Consortium contemplates a rise in crude oil production for the year 2011 with which will obtain revenues which will allow it to continue operating as a going concern. Significantly it is projected to have net income that allows it to absorb the generated losses and it is estimated to carry the corresponding amortization of accumulated deficit in three years as from 2011, drilling of two wells, purchase and installation of additional production facilities and completion of the facilities for the oil control and acquisition of other support equipment.
- (e) The contract has been modified to a Servicing Contract with effective date at 1<sup>st</sup> February, 2011 with a view to lend services to the Minister of Hydrocarbons by the Contractor, with its own resources and at its risk, for exploration and exploitation of hydrocarbons, including crude oil, in the Area of the Contract, in accordance with the terms and conditions set in the Amending Contract and established in the Applicable Law.
- (f) The contractor shall receive for its services the payment of a tariff in dollars for Fields in Production, for barrel of net crude oil extracted in the Area of the Contract and delivered to the Control and Delivery Center, payable in dollars or in crude oil, as established in the Amending Contract. In the case of additional services, where the existence of new fields in the Contract Area is proven, the Contractor and the Minister shall agree the rate for New Fields.
- (g) The term of this Amending Contract is from the registration date of the Amending Contract in the register of hydrocarbons until 27<sup>th</sup> March, 2028 except for the development of another commercially exploitable oil field, the term of the amending contract will be extended according to the respective Development Plan, in accordance with the provisions of the Hydrocarbons Law.
- (h) On the basis of technical studies realized in the existing wells that determined the base curve for the adjudication of the Contract of Camp Marginal Puma, the Review of the Base Curve was requested. On conclusions of the negotiations of the Servicing Contract, it was decided to appoint a consultant under the terms of the new contract to solve the revision of the Base Curve within the ninety days term from the effective Date. The decisions reached by the Consultant shall be binding upon the parties, and its effect would be recorded in the period to be determined.
- (i) Subsequent to December 2010 with the approval of the ministry M/s Campo Puma Oriente acquired 23% of rights and obligations from its partners. Consequently, once completed the percentage of rights and obligations of the Company within the Consorcio Pegaso and the Contract is 90%.
- (j) As at 31<sup>st</sup> December, 2010, the Capitalised investments which represents the expenditure incurred on the oil exploration as detailed above including the deficit is shown as Investment Properties in Oil Exploration Assets aggregating to ₹ 174.47 Crores.
- (k) The related Accounting policies of the Consortium is as follows  
 Investments in Progress – At 31<sup>st</sup> December, 2010 represent values by investment of production and additional exploration carried out during the year 2010 and some that are were not completed since 2009. On these investments on amortization is calculated.  
 Capitalized Investment – At 31<sup>st</sup> December, 2010 represent values of pre-production and production investments executed and completed by 31<sup>st</sup> December, 2009, for which its respective amortization will carried out.  
 Amortization of investments – At 31<sup>st</sup> December, 2010 and 2009 includes the amortization of the production and pre-production period, which is done annually by each unit of production from the next fiscal year in which they were capitalized and by straight line over a 5 years period, respectively.

8. Loans and advances include ₹ Nil (*Previous year ₹ 50.00 Crores*) which are secured by pledge of equity shares of a private Company. The security value is adequate to recover the amount advanced. The said loan has been repaid during the year.

9. **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 ₹ 0.25 Crores is available to cover any liability arising there from.

10. **Pledge of Shares**

Gammon Infrastructure Projects Limited (GIPL) has pledged the following shares in favour of the lenders to the projects as part of the terms of financing agreements of the respective companies and for availing non fund based limits from the banks:

Company Name	No. of Equity Shares pledged		Rate
	As at		
	31 <sup>st</sup> March, 2011	31 <sup>st</sup> March, 2010	(₹)
Andhra Expressway Limited	12,919,897	9,135,010	10/-
Cochin Bridge Infrastructure Company Limited	1,664,019	1,664,019	10/-
Rajahmundry Expressway Limited	14,744,579	14,266,318	10/-
Mumbai Nasik Expressway Limited	16,120,000	16,120,000	10/-
Gorakhpur Infrastructure Projects Limited	9,593,233	9,593,233	10/-
Kosi Bridge Infrastructure Company Limited	12,558,000	6,281,730	10/-
Punjab Biomass Power Limited	22,750,000	15,250,000	1/-
Vizag Seaport Private Limited	20,589,729	20,589,729	10/-
Rajahmundry Godavari Bridge Limited	750,000	—	10/-
Patna Highway Projects Limited	54,116,100	—	10/-

(\*) Includes 7,500,000 (*Previous year Nil*) equity shares pledged unconfirmed by the bank.

Sofinter Group has pledged following shares

(₹ in Crores)

Company Name	No. of Equity Shares		Face Value
	Current Year	Previous Year	
Sofinter S.p.A.	78,682,127	78,682,127	186.76
Ansaldo Caldaie S.p.A.	3,000,000	3,000,000	89.72
Europower S.p.A.	257,100	—	7.93

11. **ESOP:**

**GIL:**

Pursuant to the amalgamation of ATSL with the Company, the outstanding options of the employees of the erstwhile ATSL outstanding as on 1<sup>st</sup> April, 2008 have been taken up as an obligation by the Company in accordance with the Scheme approved by the court. Accordingly the Company has accounted for the grant of 1,06,300 options to such employees at an exercise price of ₹ 80 per share. The Company will issue two equity shares against each option in terms of the scheme of amalgamation approved by the Courts.

The options were granted by the erstwhile ATSL on 27<sup>th</sup> March, 2007. The options vest in a graded manner over the period of four years and are exercisable during a period of three years from the date of vesting thereof.

Since the assets and liabilities of the erstwhile ATSL has been accounted at the book value, the accounting effect in the accounts are continued at the same value.

The fair value of the option however has been computed under the Black Scholes method considering the data of the Company as on the date of grant of option for the purpose of disclosure as required under Guidance note on Employee share based payments.

**GIPL:**

GIPL has instituted an ESOP Scheme "GIPL ESOP 2007" scheme during the year 2007-08, approved by the shareholders vide their resolution dated 4<sup>th</sup> May, 2007, as per which the Board of Directors of the Company granted 1,640,000 stock options to its employees pursuant to the ESOP Scheme on 1<sup>st</sup> July, 2007 and 1<sup>st</sup> October, 2007. Each option entitles an employee to subscribe to 1 equity share of the Company at an exercise price of ₹ 80 per share. During the year 2008-09, the Compensation Committee of the Board of the Directors of the Company at its meeting held on 1<sup>st</sup> October, 2008, has further granted 920,000 options to eligible employees of the Company at the market price of ₹ 63.95 per equity share, prevailing on 30<sup>th</sup> September, 2008 upon expiry of the respective vesting period which ranges from one to three years. During the current year, 150,000 (*Previous year 180,000*) options were forfeited/lapsed. Out of the options granted, 715,250 (*Previous year 1,555,000*) are outstanding at the end of the year.

During the year 2008-09, the Compensation Committee of the Board of the Directors of the Company at its meeting held on 1<sup>st</sup> October, 2008, instituted a new ESOP Scheme "GIPL ESOP 2008" scheme as per which the Company has further granted 490,000 options to eligible employees of the Company at the market price of ₹ 63.95 per equity share of ₹ 10 each, prevailing on 30<sup>th</sup> September, 2008 upon expiry of the respective vesting period which ranges from one to three years. During the current year, 25,000 (*Previous year 185,000*) options were forfeited/lapsed. Out of the options granted, 126,668 (*Previous year 305,000*) are outstanding at the end of the year.

Further, during the year 2009-10, the Compensation Committee of the Board of the Directors of the Company at its meeting held on 8<sup>th</sup> May, 2009 has further granted 210,000 equity-settled options to eligible employees of the Company at the market price of ₹ 72.10 per equity share of ₹ 10 each, prevailing on that date upon expiry of the vesting period of three years. During the current year, 68,000 (*Previous year Nil*) options were forfeited/lapsed. Out of the options granted, 125,000 (*Previous year 210,000*) are outstanding at the end of the year.

**12. Retention Bonus for employees:**

During the previous years, the Compensation Committee of the Board of Directors of GIPL has implemented a scheme of Retention Bonus for its employees. Under this scheme, employees (excluding the managing Director), to whom stock options were offered in the current year are entitled to a cash alternative to the options which would be payable in lieu of their not exercising the right to apply for the shares against the options granted under the ESOP schemes. During the year, a provision of ₹ 1.14 Crores (P.Y. ₹ 1.11 Crores) against Cash Compensation in accordance with guidance note on accounting of employees share based payments.

**13. Disclosure in accordance with Accounting Standard-7 (Revised), in respect of contracts entered into on or after 1<sup>st</sup> April, 2003:**

(₹ in Crores)

Particulars	2010-2011	2009-2010
Turnover for the year	4,435.88	3,630.94
Aggregate Expenditure (Net of inventory adjustments) for contracts existing as at the year end	13,413.20	12,301.64
Aggregate Contract Profits/Losses recognized for contracts existing as at the year end	1,554.00	1,541.07
Contract Advances (Net)	753.16	807.75
Gross Amount due from Customers for contract work	1,028.10	1,163.12
Gross Amount due to customers for contract work	43.56	59.30

Disclosure under AS-7 has been done only for the parent Company and the Indian Subsidiaries in the absence of similar disclosure information being available from the other component companies in those financial statements especially the overseas subsidiaries and joint ventures.

**14. Metropolitan Infrahousing Private Limited (MIPL)**

(a) The Company (MIPL) held Non Convertible Debentures (NCDS) of Pal Peugeot carrying a coupon rate of 15% per annum. The se debentures are secured by First Mortgage and Charge in favour of the Debenture Trustees over the Pal Peugeot's movable and immovable properties situated at Kalyan in the state of Maharashtra. The said Pal Peugeot had defaulted in payment of interest pursuant to which the trustees to the debentures field a suit in Mumbai High Court. The Court Receiver was appointed to settle the claims of the creditors including debentures holders. Pal Peugeot went into liquidation on account of uncertainty and the default in payment of interest by Pal Peugeot, the Company (MIPL) was not accruing interest on these debentures.

(b) Pursuant to the suit filed by the Court receiver in the Mumbai High Court, auction of the property of the said Pal Peugeot had been carried out under a court directive during the year ended 31<sup>st</sup> March, 2011. The Company (MIPL) was declared as the highest bidder by the Court Receiver, which was confirmed by the Mumbai High Court.

(c) In terms of directive of the Mumbai High Court, the Company (MIPL) is entitled to set off the principal and the accrued interest on these NCDs against its liability for the acquisition of land which it won pursuant to the auction. The amount due to the Company (MIPL) on its debentures and the amount of set off have been determined by the court based on which the Company has recognised accrued interest on its debentures as income in its amounts for the year ended 31.03.2011, since the uncertainty over the receipt of interest no longer exists. Accordingly an amount of ₹ 416.38 has been recognised as interest income in the accounts for the year ended 31<sup>st</sup> March, 2011. The actual extinguishment of the debentures and the final conveyance and the transfer of title of the land in favour of the Company will take place in the following year i.e. in the year ending 31<sup>st</sup> March, 2012.

(d) The amount to be paid towards the balance consideration for the acquisition of land has been shown as capital commitment at ₹ 148.72 Crores.

15. The group undertakes various projects on build-operate-transfer basis as per the Service Concession Agreements with the government authorities. The construction cost incurred by the operator on contracts with the group companies are considered as exchanged with the grantor against toll collection/annuity rights from such agreements and therefore the profits from such intra-group contracts is considered realized by the group and not eliminated for consolidation under AS-21 Consolidated Financial Statements. The revenue and profit during the year from such contracts not eliminated in the above results is ₹ 602.4 Crores (P.Y. ₹ 432.57 Crores) and ₹ 101.60 Crores (P.Y. ₹ 49.31 Crores) respectively.

**16. Disclosure relating to Employee Benefits**

As per Accounting Standard-15 "Employee Benefits" and as defined in the accounting standard the summarized components of net benefit expense recognized (Gratuity) in the profit and loss account and the funded status and amounts recognized in the balance sheet are given herein below:

(₹ in Crores)

Sr. No.	Particulars	Gratuity 2010-11	Gratuity 2009-10
I.	<b>Change in Benefit Obligation</b>		
	Liability at the beginning of the year.	6.98	6.29
	Interest cost.	0.55	0.52
	Current Service Cost.	0.99	0.74
	Past Service Cost (Non Vested Benefit)	—	—
	Past Service Cost (Vested Benefit)	0.04	—
	Benefit Paid	(1.05)	(0.57)
	Actuarial (gain)/loss on obligations	2.37	0.01
	Curtailements and Settlements	—	—
	Liability at the end of the year	9.88	6.99

(₹ in Crores)

Sr. No.	Particulars	Gratuity 2010-11	Gratuity 2009-10
<b>II.</b>	<b>Fair Value of Plan Assets</b>		
	Fair Value of Plan Assets at the beginning of the year	5.09	4.05
	Expected Return on Plan Assets	0.45	0.38
	Contributions	0.96	1.23
	Benefit paid	(0.92)	(0.57)
	Actuarial gain/(loss) on Plan Assets	—	—
	Fair Value of Plan Assets at the end of the year	5.58	5.09
	Total Actuarial (gain)/loss to be Recognised.	2.37	0.07
<b>III.</b>	<b>Actual Return on Plan Assets</b>		
	Expected Return on Plan Assets	0.45	0.38
	Actuarial gain/(loss) on Plan Assets	—	—
	Actual Return on Plan Assets	0.45	0.38
<b>IV.</b>	<b>Amount Recognised in the Balance Sheet.</b>		
	Liability at the end of the year	9.44	6.61
	Fair Value of Plan Assets at the end of the year.	5.58	5.09
	Difference	3.82	1.52
	Unrecognised Past Service Cost.	—	—
	Amount Recognised in the Balance Sheet.	3.82	1.52
<b>V.</b>	<b>Expenses Recognised in the Income Statement</b>		
	Current Service Cost	0.99	0.76
	Interest Cost	0.56	0.49
	Expected Return on Plan Assets	(0.46)	(0.38)
	Net Actuarial (gain)/loss to be Recognised	2.37	0.01
	Past Service Cost (Non Vested Benefit) Recognised	—	—
	Past Service Cost (Vested Benefit) Recognised	0.02	—
	Effect of Curtailment or Settlements.	(0.01)	—
	Expense Recognised in Profit and Loss Account	3.47	0.88
<b>VI.</b>	<b>Balance Sheet Reconciliation</b>		
	Opening Net Liability	1.89	2.24
	Expense as above	3.47	0.88
	Employers Contribution	(1.05)	(1.23)
	Effect of Curtailment or Settlements	—	—
	Amount Recognised in Balance Sheet	4.31	1.89
<b>VII.</b>	<b>Actuarial Assumptions</b>		
	Discount Rate Current	8.00%	8.00%

- (i) Employer's contribution includes payments made by the Company directly to its past employees.
- (ii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (iii) The Company's Gratuity fund is managed by Life Insurance Corporation of India. The plan assets under the fund are deposited under approved securities.
- (iv) The Company's Leave Encashment is entirely unfunded.
- (v) The above information is presented only to the extent of the information available for the Indian Companies including the Parent.

## 17. Sundry Debtors/Loans and Advances

### (a) Annuity receivable from Greater Cochin Development Authority ('GCDA')

Under the Concession Agreement dated 27<sup>th</sup> October, 1999, executed between Cochin Bridge Infrastructure Company Limited, Government of Kerala (GOK), Greater Cochin Development Authority (GCDA) and Gammon India Limited dated 6<sup>th</sup> January, 2001; the entire project has been assigned to the Company as a Concessionaire for the purpose of developing, operating and maintaining the infrastructure facility on BOT basis for 13 years and nine months.

Subsequently, a Supplementary Concession Agreement is to be executed as per the Government of Kerala's Order Nos. G.O. (M.S.) No. 11/2005/PWD dated 24<sup>th</sup> January, 2005 and G.O. (M.S.) No. 16/2005/PWD dated 1<sup>st</sup> March, 2005 between the Government of Kerala, Greater Cochin Development Authority and the Company. In terms of the order, the period of concession has been increased by 6 years and the Company is entitled to yearly annuity receipts which it is accounting as Sundry Debtors. The Company has not made any provision against the said receivables.

- (b) In respect of the road projects undertaken by the Company, in furtherance to the recommendation of the Dispute Resolution Board (DRB), the Company has been awarded claims by the Arbitration Tribunal for an aggregate amount of ₹ 94.54 Crores. The Company contends that such awards have reached finality for the determination of the amounts of such claims and are reasonably confident of recovery of such claims although the client has moved the court to set aside the awards.

Considering the fact that the Company has received favorable awards from the DRB and the arbitration tribunal, the Management is reasonably certain that the claims will get favorable verdict from the courts.

- (c) The Company has taken 15 acres of land on lease basis for the period of 30 years renewable for each period of 30 years at a time without any additional cost to the Company. The land is to be used for development of reality facilities such as Retail Mall, Commercial Offices and Hotel etc. Therefore the cost of leased land and expenditure during development stage has been debited to Profit & Loss Account and the total expenditure is carried forward as closing working progress expenditure as on 31.03.2011 and shown under the head Current Assets.
- (d) In pursuance of development agreement (as amended from time to time) entered into between Government of Madhya Pradesh & Madhya Pradesh Housing Board and the Company for the acquisition of 15 acres of land in South TT Nagar, Bhopal for ₹ 335.30 Crores (*Previous year ₹ 338 Crores*) on lease hold basis, the Company has paid an advance of ₹ 335.30 Crores (*Previous year ₹ 202.08 Crores*). The advance of ₹ 335.30 Crores (*Previous year ₹ 202.08 Crores*) has been shown as advance against lease agreement since final lease agreement has not yet been finalized and executed.

**18. Breakup of Gross Increase/Decrease in works in progress for the year:**

(₹ in Crores)

Particulars	Current Year	Previous Year
Closing Work In progress	4,131.57	6,025.91
Opening Work In progress	(5,369.12)	(5,507.15)
Net Increase/(Decrease)	(1,237.56)	518.76

**19. Capital Grant**

As per terms of the concession agreement between MNEL and NHAI, MNEL is entitled to receive capital grant from NHAI of ₹ 51 Crores during the construction period. During the year, MNEL has received capital grant amounting to ₹ 16.43 Crores (*Previous year ₹ 33.24 Crores*). Total capital grant received from NHAI as on 31<sup>st</sup> March, 2011 is ₹ 49.67 Crores (*Previous year ₹ 33.24 Crores*). Capital Grant has been shown as Capital Reserve under Reserves and Surplus Account.

**20. TAXATION:**

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

(₹ in Crores)

Particulars	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
<b>Deferred Tax liability</b>		
– On Account of Depreciation	216.96	220.21
– On Account of Foreign Translation Reserve	4.75	8.78
– On Account of Lease	9.47	10.43
– On Account of Gratuity/Leave Encashment Provision	0.60	0.75
– Others	15.61	19.88
<b>Deferred Tax Assets</b>		
– On Account of Gratuity/Leave Encashment Provision	6.73	5.11
– On Account of Interest on NCD	—	0.27
– On Account Delay in payment of TDS	—	—
– On Account of Risk and Contingencies	20.58	17.80
– On Account of Tax Losses	44.93	41.49
– Other Disallowances	10.67	28.99
– On account of Preliminary Expenses fully W/off	0.06	0.06
<b>Net Deferred Tax Liability</b>	159.09	166.35
<b>Deferred Tax Asset Represented in Balance Sheet</b>	76.51	81.45
<b>Deferred Tax Liability Represented in Balance Sheet</b>	235.60	247.80

AEL, REL, CBICL and MNEL, are eligible for a 10-year tax holiday under Section 80 IA of the Income Tax Act, 1961. As a result, timing differences arising and reversing during the tax holiday period are not recognized by the respective companies.

21. Significant Accounting Policies followed by the Company are attached with the Standalone Financial Statements. Due to inherent diversities in the legal and regulatory environment governing accounting principles, the accounting policies would be better understood when referred from the individual Financial Statements. However, the following are instances of diverse accounting policies followed by the subsidiaries, which may materially vary with these Consolidated Financial Statements.

- a. Inventory of certain overseas JV's and Subsidiaries are valued at weighted average method as against FIFO method followed by the Company and the other subsidiaries. The inventory of the JV's and Subsidiaries constitutes 6.89% (*previous year 9.08%*) of the total inventory.
- b. In case of SAE the Work-in-progress has been recorded on the basis of the *criterion of the completion or the status of progress*; the revenues and the job margin are recognized according to the progress of the productive activity as against the method of computing the percentage of work completed is determined by the expenditure incurred on the job till each review date to total expenditure of the job.



- c. In the absence of disclosures made in the accounts of one of the overseas joint venture Company regarding effect of acquisition and disposal of subsidiaries, no such disclosure is possible to be made in the Consolidated Account.
- d. Disclosures relating to the employee benefits for the overseas components have not been given in the absence of data in the required format.

**22. Disclosure under AS-29**

(₹ In Crores)

Account Head	Opening Balance	Provisions made during the year	Paid/Utilized during the year	Closing Balance
Provision for Risks and Contingencies	190.85	22.03	73.99	138.89
	(221.52)	(14.48)	(40.10)	(190.85)

(Previous period figures in brackets)

**23. Earnings Per Share (EPS):**

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

Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Net Profit After Taxation (₹ in Crores)	110.03	45.70
Preference Dividend (incl. Dividend Distribution Tax)	—	7.08
Net profit attributable to the Equity Share holders	110.03	38.62
Weighted Number of Shares during the period – Basic	129,365,956	110,624,017
Weighted Number of Shares during the period – Diluted	130,169,428	115,609,343
Earnings Per Share – Basic (₹)	8.51	3.49
Earnings Per Share – Diluted (₹)	8.45	3.34

Reconciliation of weighted number of shares outstanding during the year:

Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Nominal Value of Equity Shares (₹ per share)	2	2
<b>For Basic EPS:</b>		
Number of Equity Shares at the beginning	127,438,698	106,850,776
Add : Issue of shares under ESOP	50,484	28,522
Add : Issue of shares under QIP	—	12,809,400
Add : On conversion of warrants	82,50,000	7,750,000
Number of Equity Shares at the end	135,739,182	127,438,698
Weighted average of equity shares at the end	129,365,956	110,624,017
<b>For Dilutive EPS:</b>		
Weighted average no. of shares in calculating basic EPS	129,365,956	110,624,017
Add : Shares kept in abeyance	725,800	725,800
Add : On grant of stock option under ESOP	77,671	131,099
Add : On account of convertible warrant	—	4,128,427
Weighted average no. of shares in calculating dilutive EPS	130,169,428	115,609,343

For the purposes of computation of earning per shares the equity shares to be issued against the Equity Share Suspense account pursuant to the scheme of amalgamation, preference dividend on preference share suspense account and the options granted to the employees of the erstwhile ATSL have been considered in the weighted average shares during the period. Similarly 7,25,800 equity shares kept in abeyance from earlier equity offerings have also been considered for dilution. The weighted shares have been determined with reference to the respective dates of allotment of the shares issued under QIP, ESOPS and the Warrants respectively.

24. (a) Foreign currency exposure un-hedged as at 31<sup>st</sup> March, 2011 is ₹ 678.28 Crores (Previous year ₹ 579.34 Crores) receivables and ₹ 201.03 Crores (Previous year ₹ 189.68 Crores) payables. Currency wise unhedged amounts are as follows:

Currency	As at 31 <sup>st</sup> March, 2011		As at 31 <sup>st</sup> March, 2010	
	Receivables	Payables	Receivables	Payables
USD	99,943,121	20,764,391	35,951,700	1,38,092,074
EURO	23,802,114	5,284,398	12,935,099	13,630,489
GBP	—	—	—	181,342
AED	55,560	—	—	—
OMR	5,252,748	3,720,673	6,257,892	3,375,490
DZD	263,342,163	200,720,302	217,629,782	160,514,270
NGN	—	6,213,707	—	6,213,707
KSH	30,567,932	3,200,359	8,992,397	5,381,707
BTN	27,323,645	181,743,200	—	—

- (b) In respect of currency swap derivative contracts entered into by the Company, the Company has Marked to Market (Gain)/Loss of ₹ 2.36 Crores (*Previous year ₹ 3.92 Crores*) as at 31<sup>st</sup> March, 2010 based on the valuation given by the bankers. Following the principle of prudence and in accordance with the announcement of the ICAI, the Company has made a provision for the same. Since the same was entered into to reduce the cost of borrowings, the said MTM loss is included under Financial Costs.
- (c) The breakup of the outstanding derivative position of the overseas subsidiaries is tabulated hereunder.

(₹ in Crores)

Particulars	As at 31 <sup>st</sup> December, 2010		As at 31 <sup>st</sup> December, 2009	
	Assets	Liabilities	Assets	Liabilities
Derivatives on exchange rates	0.22	4.55	0.11	1.98
Derivatives on interest rates	1.79	1.88	—	0.54
Total non-current derivatives	2.01	6.43	0.11	2.52

- (d) In line with notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on 31<sup>st</sup> March, 2009 amending Accounting Standard-11 (AS-11) "The Effects of Changes in Foreign Exchange Rates (revised 2003)", some of the overseas subsidiaries who have prepared the accounts as per Indian GAAP for the purposes of consolidation have chosen to exercise the option under para 46 inserted in the standard by the notification.
- During the year ₹ 4.71 Crores has been credited (*P.Y. ₹ 38.76 Crores debited*) to the profit and loss account out of Foreign Currency Monetary Item translation Difference Account.
  - ₹ 4.71 Crores (credit) (*P.Y. ₹ 23.69 Crores (debit)*) accumulated in the "Foreign Currency Monetary Item translation Difference Account", being the amount remaining to be realized as at 31<sup>st</sup> March, 2011.

## 25. Diminution in the Value of Investments

- A. The Company through its Special Purpose Investment Vehicle holds the following stakes:
- (1) Franco Tosi Meccanica S.p.A., Italy
  - (2) Sofinter, Italy
  - (3) Sadelmi, Italy
  - (4) SAE Powerline S.r.l., Italy
- B. The Company has carried out its impairment test of the investments of Franco Tosi Meccanica, Sofinter and SAE Italy. Considering the business plans of these entities and the results of the tests and the fact that all these entities have healthy order book positions and adequate references in international markets notwithstanding the turbulent market conditions in Europe, the management is of the view that there is no impairment in its investments in these companies.
- C. The Company through its step down subsidiary P. Van Eerd Beheersmaatschappij B. V, Netherlands (PVAN) held a 50% shareholding in Sadelmi S.p.A for Euro 7.5 Million., Italy (Sadelmi) with the remaining 50% held by Busi Impianti S.p.A, Italy since April 2008. Due to the economic conditions prevailing in different parts of the world where Sadelmi was present some of the projects under execution encountered serious contractual problems. Sadelmi therefore sought creditors' protection through a Court in Italy and simultaneously, as part of scheme, applied for transferring the remaining projects and leased all references standing in its name since inception to a new Company Busi Power S.r.l. wholly held by Busi Group. By an Agreement dated 2<sup>nd</sup> March, 2009, Busi Group agreed to give PVAN 50% stake in lieu of its stake in Sadelmi for a consideration of Euro 1 and convert the S.r.l. status into an S.p.A. to facilitate the same. Consequently PVAN will cease to be a shareholder of Sadelmi from that date and will become a shareholder of Busi Power. The compliances is expected to be reached in ensuing year, at which time Busi Group will duly capitalize its wholly owned subsidiary in India with an equity infusion of Euro 2.5 Million and will also permit it to freely draw up the references to undertake future projects in India, as was mentioned in the previous year consequent upon this arrangement. The management's assessments of the references indicate that the value of such references and the infusion of Euro 2.5 Million by Busi group would be in excess of the acquisition cost of such stake.
- Consequent upon this arrangement, Busi Group will be wholly responsible for the operations and all future funding of Busi Power S.r.l. and Gammon will be wholly responsible for the operations and future funding of the Indian subsidiary for the projects undertaken by them in the territories identified respectively for them. The results of these operations will be consolidated in the Company after the Court scheme is given effect to and the fresh set of financial are drawn up.

## 26. CONTINGENT LIABILITIES:

(₹ in Crores)

Sr. No.	Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
(i)	Liability on contracts remaining to be executed on capital accounts	3,871.45	4,084.52
(ii)	Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate companies stand at	4,822.69	4,274.14
(iii)	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	626.82	468.14
(iv)	Corporate Guarantees and Counter Guarantees given to Bankers by a step down subsidiary & Joint Venture for their Projects	1,237.60	1,417.72
(v)	Disputed Sales Tax liability for which the Company has gone into Appeal	25.71	23.88
(vi)	Claims against the Company not acknowledged as debt	78.09	4.81
(vii)	Disputed Excise Duty liability	0.03	0.03

(₹ in Crores)

Sr. No.	Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
(viii)	Disputed Customs Duty liability	0.32	0.32
(ix)	Disputed Service Tax Liability	18.61	29.27
(x)	Disputed Income Tax – Demand for which the Company Appeals are pending before Appellant Authority	—	3.22
(xi)	Counter claims in arbitration matter referred by the Company – liability unascertainable		
(xii)	There is a disputed demand of UCO Bank pending since 1986, of US\$ 436251 i.e. ₹ 1.72 Crores. Against this, UCO Bank has unilaterally adjusted the Company's Fixed Deposit of US\$ 30584 i.e. ₹ 0.12 Crores which adjustment has not been accepted by the Company		
(xiii)	In respect of Joint Venture and operations in Oman, Gammon India Limited – AL Matar JV, refer note no. 30		

(a) The Contingent Liability detailed hereinabove includes the Group's share of contingent liability in the joint venture companies amounting to ₹ 2.40 Crores (*Previous year ₹ Nil*).

(b) Claims against the Company not acknowledged as debt includes:

- (i) As per the intimation received u/s Section 143(1) of the Income Tax Act, 1961 for the Assessment year 2007-08, from the Income-tax department, ₹ 0.73 Crores is payable by AEL, a subsidiary of the Company. However, the assessing officer has not given credit for the TDS certificates amounting to ₹ 1.81 Crores while assessing the tax payable. The original copies of the said TDS certificates were submitted to the assessing officer on 4<sup>th</sup> February, 2010 for which acknowledgement from the department has been received. AEL is of the view that the said order will be rectified after accounting the TDS certificates, hence the liability of ₹ 0.73 Crores has not been provided for in their books of accounts.
- (ii) An amount of ₹ 17.77 Crores claimed by the Collector and District Registrar, Rajahmundry, pursuant to the Order dated 15<sup>th</sup> March, 2005, as deficit stamp duty payable on the Concession Agreement entered into between REL, a subsidiary of the Company and 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.
- (iii) A winding up petition against GLL, a subsidiary of the Company has been filed by a creditor for recovery of ₹ 1.41 Crores. GLL is disputing the said amount and has recognised ₹ 0.17 Crores payable as there are claims and counter claims by both parties. Pending the final outcome of such proceeding, the claim from the creditor is disclosed as a contingent liability. The management is of the view that the same would be settled and does not expect any additional liabilities towards the same.
- (iv) Demand draft deposited with the Honorable Delhi High Court, for ₹ 0.70 Crores (*Previous year ₹ Nil*) towards 5% of the bid security for a project of NHAI.
- (v) Under the License Agreement (LA), Mumbai Port Trust ('MbPt'), is entitled to recover electricity charges from ICTPL (a 50% joint venture of the Company), against the existing Ballard Pier Station ('BPS') terminal. Out of the total amount claimed by MbPT, ₹ 0.19 Crores is disputed by the ICTPL. The matter requires resolution through an expert as per the LA. Management believes that no part of this ₹ 0.19 Crores will need to be paid by ICTPL. The share in the contingent liability of the Company stands at ₹ 0.10 Crores.
- (vi) The penalty for non-achievement of Minimum Guaranteed Throughput of approximately ₹ 4.60 Crores payable to the MbPT as per the License Agreement has not been provided for by ICTPL in their financial statements because under an arrangement this penalty would be borne by one of the shareholders in case this amount is ultimately determined to be payable to MbPT. The Company's share stands at ₹ 2.30 Crores.
- (vii) Export Commitment in Joint Venture VSPL:

(₹ in Crores)

Particulars	As at 31 <sup>st</sup> March, 2011	As at 31 <sup>st</sup> March, 2010
Under EPCG Scheme	20.90	18.54

27. Balances in Foreign Bank Accounts are as per ledger and are subject to reconciliation. Cash and Bank Balances include an amount of ₹ 74.92 Crores (*Previous year ₹ 195.02 Crores*) kept as a margin for the guarantees/Bid Bonds issued by overseas subsidiary and joint ventures. Cash & Bank balances include ₹ 2.00 Crores (*Previous year ₹ 2.13 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.
28. During the F.Y. 2010-2011, search action was initiated against the Company u/s 132 of the Income Tax Act, on a prudent basis an additional tax provision of ₹ 17 Crores have been made in accounts of F.Y. 2009-2010.
29. Disclosure under Accounting Standard-19 "Leases", issued by the Institute of Chartered Accountants of India.

The Company has taken various residential/godowns/office 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.

VSPL, a subsidiary of the Company, leases land from Vizag Port Trust ("VPT") under non-cancellable operating lease agreements and temporary housing from others under cancellable operating lease agreements. Total rental expense under non-cancellable operating leases was ₹ 0.64 Crores (Previous year ₹ 0.62 Crores) and under cancellable operating leases was ₹ 0.09 Crores (Previous year ₹ 0.08 Crores) which has been disclosed as lease rentals in the Profit and Loss Account.

A detailed break up of amount payable to leasing companies is as follows:

(₹ in Crores)

Particulars	Amount payable to Leasing Companies 2010-2011	Amount payable to Leasing Companies 2009-2010
Within 1 Year	5.52	6.81
Between 1 and 5 Years	23.17	31.55
Beyond 5 Years	83.69	110.49

### 30. Joint Venture:

Details of Joint Ventures entered into by the Company:

Sr. No	Name of Joint Venture	Description of Interest	% of involvement
1.	Gammon Srinivas	Jointly Controlled Operation	80.00%
2.	BBJ GIL	Jointly Controlled Operation	30.50%
3.	JAGER GIL	Jointly Controlled Operation	50.00%
4.	Jaeger Gammon	Jointly Controlled Operation	50.00%
5.	Patel Gammon	Jointly Controlled Operation	49.00%
6.	Gammon Patel	Jointly Controlled Operation	50.00%
7.	Hyundai Gammon	Jointly Controlled Operation	49.00%
8.	Jaeger Gammon	Jointly Controlled Operation	50.00%
9.	Gammon BBJ	Jointly Controlled Operation	50.00%
10.	BBJ Gammon	Jointly Controlled Operation	49.00%
11.	Gammon Technofab (Transmission & Distribution of Electricity & Water)	Jointly Controlled Operation	70.00%
12.	Gammon Limak (Vishnugod Pipalnote HEPP)	Jointly Controlled Operation	51.00%
13.	Gammon Tensacuai	Jointly Controlled Operation	80.00%
14.	Gammon Construtora Tensacuai	Jointly Controlled Operation	60.00%
15.	Lencon Gammon	Jointly Controlled Operation	51.00%
16.	Aydeniz Gammon	Jointly Controlled Operation	30.00%
17.	Gammon Aydinar (Rammam)	Jointly Controlled Operation	50.00%
18.	GIL Simplex (Khongsang Imphal)	Jointly Controlled Operation	51.00%
19.	GIL Simplex (Dholakal Tupul)	Jointly Controlled Operation	51.00%
20.	GIL Marti (Civil Work Sainj HEP)	Jointly Controlled Operation	51.00%
21.	GIL KCT (Rupiasagar Kasiabara HEP)	Jointly Controlled Operation	67.00%
22.	Gammon CMC (DFCC Eastern Corridor)	Jointly Controlled Operation	65.00%
23.	Sumitomo corp, Gammon, C & C Const. Limited, Sadbhav Engg. Limited	Jointly Controlled Operation	15.00%
24.	Gammon Atlanta (Ghana Road Project)	Jointly Controlled Operation	75.00%
25.	Gammon Yuksel (Greenfield Airport, Sasan)	Jointly Controlled Operation	51.00%
26.	Gammon Mosmetrostroy (Bangalore Metro)	Jointly Controlled Operation	49.00%
27.	Gammon Cadagua (Guwahati WS Pkg. III)	Jointly Controlled Operation	51.00%
28.	Gammon Pratibha (Hogekkal WS)	Jointly Controlled Operation	51.00%
29.	Gammon Ansaldo (Kakrapara BOT Pkg. I)	Jointly Controlled Operation	51.00%
30.	Gammon Marti	Jointly Controlled Operation	60.00%
31.	Afghanistan ATSL AEPC Consortium	Jointly Controlled Operation	75.00%
32.	Gammon Pratibha (BWSSB)	Jointly Controlled Operation	70.00%
33.	Gammon Atlanta	Jointly Controlled Operation	50.00%
34.	Gammon BBJ	Jointly Controlled Operation	50.00%
35.	GIL Archirodon	Jointly Controlled Operation	98.50%
36.	Gammon JMC	Jointly Controlled Operation	70.00%
37.	Gammon OSE	Jointly Controlled Operation	50.00%
38.	OSE GIL	Jointly Controlled Operation	50.00%
39.	Gammon Progressive	Jointly Controlled Operation	50.00%

**31. Joint venture and operations in Oman:**

- (a) There are claims against the Joint venture not acknowledged as debts of OR ₹ 0.84 Million (₹ 9.85 Crores) in respect of which the lower courts have ruled in favour of the claimant. The Management is hopeful of obtaining relief from the higher courts in the matter.
- (b) The joint venture has carried out certain works including operations and maintenance of the project based on work instructions received from the consultant/client which is subject to certification and acceptance by the client on account of certain disputes with the client which the management is hopeful of resolving in favour of the Joint venture. The total value of such works being carried as part of the job estimates is OR 0.91 Million (₹ 10.67 Crores).
- (c) The banking facilities including fund and other non-fund based borrowings utilized by the Joint Venture entity which 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 and corporate guarantees of Gammon India Limited of RO 1.25 Million (₹ 14.66 Crores). The total of such borrowings as at 31<sup>st</sup> March, 2011 is RO 169,337 (₹ 1.99 Crores) [Previous year RO 4,002,265 (₹ 46.99 Crores)] which consists of Fund based (RO 208,554) (₹ 2.44 Crores) [Previous year RO 3,628,768 (₹ 42.61 Crores)] and Non-fund based RO 377,890 (₹ 4.43 Crores) [Previous year RO 373,498 (₹ 4.39 Crores)].
- (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.
- (e) During the year the Assets held by the Oman Branch have been transferred to India. The related Foreign Currency Translation Reserve has been reversed.

32. The Company is engaged in three segments – "Construction and Engineering, Oil exploration and Realty Development" including businesses acquired on account of new acquisitions. The revenue from oil exploration and realty development are less than threshold limit of 10% and hence no disclosure of separate segment reporting is made in terms of Accounting Standard (AS-17).

The Group although operates on a worldwide basis across the globe, they operate in two principal geographical areas of the world in India and the other countries. The following table presents the break-up of the revenues and assets regarding the geographical.

Particulars	Amount (₹ in Crores)			Percentage (%)	
	Domestic	Overseas	Total	Domestic	Overseas
Segment Revenue	5,995.50 (4,758.21)	2,848.14 (2,309.42)	8,843.64 (7,067.63)	67.79 (67.32)	32.21 (32.68)
Segment Asset	9,910.32 (7,577.92)	3,442.63 (4,034.24)	13,352.95 (11,612.16)	74.22 (65.26)	25.78 (34.74)
Capital Expenditure	4,455.23 (3,359.07)	1,010.16 (1,264.47)	5,465.39 (4,623.54)	81.52 (72.65)	18.48 (27.35)

(Previous period figures in brackets)

33. 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-1.
34. Figures pertaining to the subsidiary companies and joint venture acquired during the previous year and the other companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.
35. Previous period figures are regrouped and rearranged wherever necessary to facilitate limited comparability with that of current period.
36. Annexure I forms an integral part of these financial statements.

As per our attached report of even date

For Natvarlal Vepari & Co.  
Chartered Accountants  
Firm Registration No. 106971W

N. JAYENDRAN  
Partner  
M. No. 40441

Mumbai, Dated : 19<sup>th</sup> August, 2011

For and on behalf of the Board of Directors

ABHIJIT RAJAN  
Chairman & Managing Director

C. C. DAYAL  
Director

GIRISH BHAT  
Chief Financial Officer

Mumbai, Dated : 19<sup>th</sup> August, 2011

ROHIT MODI  
Deputy Managing Director

D. C. BAGDE  
Executive Director

GITA BADE  
Company Secretary

**Annexure I**
**Related party Disclosure as required by AS-18 " Related Party Disclosures"**
**(A) Relationships:**

Entities where control exists:			
1.	Pacific Energy Pvt. Limited	16.	Gammon Eence Consortium
2.	Nikhita Estate Developers Pvt. Limited	17.	Gammon Eence Rail (Consortium)
3.	Masayor Enterprises Limited	18.	Gammon JMC
4.	First Asian Capital Resources Pvt. Limited	19.	Gammon Limak (Vishnugod Pipalnote HEPP)
5.	Devyani Estate & Properties Pvt. Limited	20.	Gammon Marti
6.	Abhijit Rajan	21.	Gammon Mosmetrostroy (Bangalore Metro)
Associates & Group Companies:		22.	Gammon OJSC Mosmetrostroy Joint Venture
1.	Eversun Sparkle Maritime Services Pvt. Limited	23.	Gammon OSE
2.	Modern Tollroads Limited	24.	Gammon Patel
3.	FIN EST SPA	25.	Gammon Pratibha (BWSSB)
Key Management Personnel & Relatives		26.	Gammon Pratibha (Hogenkkal WS)
1.	Mr. Abhijit Rajan	27.	Gammon Progressive
2.	Mr. Himanshu Parikh	28.	Gammon Sew
3.	Mr. Rajul A. Bhansali	29.	Gammon Rizzani
4.	Mr. Rohit Modi	30.	Gammon Srinivas
5.	Mr. D. C. Bagde	31.	Gammon Technofab (Transmission & Distribution of Electricity & Water)
6.	Mr. Harshit Rajan	32.	Gammon Tensaccia
7.	Mr. Parvez Umrigar	33.	Gammon Yuksel (Greenfield Airport, Sasan)
Joint Ventures:		34.	GIL Archirodon
1.	Afghanistan ATSL AEPC Consortium	35.	GIL KCT (Rupiasagar Kasiabara HEP)
2.	Aydeniz Gammon	36.	GIL Marti (Civil Work Sainj HEP)
3.	BBJ Gammon	37.	GIL Simplex (Dholakal Tupul)
4.	BBJ GIL	38.	GIL Simplex (Khongsang Imphal)
5.	Bhutan Consortium Jyoti Structures Limited & Gammon India Limited	39.	Haryana Biomass Power Limited
6.	Blue Water Iron Ore Terminal Private Limited	40.	Hyundai Gammon
7.	Gammon Ansaldo (Kakrapara BOT Pkg. I)	41.	Jaeger Gammon
8.	Gammon Atlanta	42.	Jager Gammon
9.	Gammon Atlanta (Ghana Road Project)	43.	JAGER GIL
10.	Gammon Aydinar (Rammam)	44.	Lencon Gammon
11.	Gammon BBJ	45.	OSE GIL
12.	Gammon Cadagua (Guwahati WS Pkg. III)	46.	Patel Gammon
13.	Gammon CMC (DFCC Eastern Corridor)	47.	Punjab Biomass Power Limited
14.	Gammon Construtora Cidade Tensaccia Joint Venture	48.	SEZ Adityapur Limited
15.	Gammon Construtora Tensaccia	49.	Sumitomo corp, Gammon, C & C Const. Limited, Sadbhav Engg. Limited

**(B) Related Parties transactions during the year in normal course of business:**

(₹ in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<b>Associates</b>				
Subcontracting Income	—	—	1.01	—
Ansaldo Caldaie S.p.A.				1.01
Amount liquidated towards the finance provided	—	—	0.66	—
Finest S.p.A.				0.66
Interest Income during the year	0.22	0.22	0.22	0.22
Finest S.p.A.				
Outstanding Balances Receivables	3.21	—	4.13	1.25
Ansaldo Caldaie S.p.A.				1.25
Finest S.p.A.		3.21		2.87
<b>TOTAL</b>	<b>3.43</b>		<b>6.02</b>	
<b>Entities where control exists</b>				
Dividend paid to Shareholders	3.41	—	1.50	—
Devyani Estate & Properties Pvt. Limited		0.53		0.32
Masayor Enterprises Limited		0.12		—
Nikhita Estate Developers Pvt. Limited		0.35		0.21
Pacific Energy Pvt. Limited		1.63		0.90
First Asian Capital Resources Pvt. Limited		0.68		0.02
Abhijit Rajan		0.10		0.06
<b>TOTAL</b>	<b>3.41</b>		<b>1.50</b>	

(₹ in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<b>Key Managerial Personnel</b>				
Remuneration paid:	11.78		8.41	
Mr. Abhijit Rajan		4.34		1.45
Mr. H. V. Parikh		1.44		0.83
Mr. R. A. Bhansali		0.79		0.74
Mr. Rohit Modi		3.68		1.87
Mr. D. C. Bagde		0.86		1.84
Mr. Parvez Umrigar		0.67		1.68
Gross Value of Stock Option Issued:	—		—	
Mr. Parvez Umrigar		—		—
Gross Value of Stock Option Vested:	4.75		2.17	
Mr. Parvez Umrigar		4.75		2.17
Amortization of Option Issued:	—		1.31	
Mr. Parvez Umrigar		—		1.31
Finance received (incl. Loans and Equity contribution in cash or in kind):	3.84		0.50	
Mr. Parvez Umrigar		3.84		0.50
<b>TOTAL</b>	<b>20.37</b>		<b>12.39</b>	
<b>Joint Venture</b>				
Subcontracting Income	349.45		358.21	
Patel Gammon		198.27		118.10
Jager Gammon		44.49		61.19
Gammon JMC		69.08		120.24
Finance provided for expenses & on a/c payments	1.73		7.16	
Gammon Enceerail		0.20		5.02
Gammon Rizzani		—		1.80
Gammon Atlanta JV		0.81		—
Gammon Progressive		0.67		—
Amount liquidated towards the finance provided	—		0.49	
Gammon Enceerail		—		0.49
Finance received for expenses & on a/c. payments	0.02		0.28	
Gammon Enceerail		0.02		0.28
Interest paid during the year	3.80		4.94	
Jager – Gammon		2.35		3.30
Gammon JMC		0.10		1.50
Gammon Cidade Tensacciai		1.15		—
Contract Advance received	120.19		55.57	
Jager – Gammon		5.76		18.81
Gammon – JMC		—		8.69
Gammon Cidade Tensacciai		26.40		—
Gammon Mosmetro		70.53		—
Patel Gammon		17.50		28.08
Refund received against Contract Advance	70.55		108.72	
Jager – Gammon		27.06		17.30
Gammon JMC		2.20		29.75
Patel Gammon		41.12		57.35
Guarantees and Collaterals Outstanding	373.00		316.31	
Gammon Mosmetro		175.62		—
Jager – Gammon		46.60		58.17
Patel Gammon		21.21		96.58
Outstanding Balances Receivables	155.10		176.55	
Jager – Gammon		11.46		63.47
Patel Gammon		68.21		48.61
Gammon JMC		23.34		18.35
Outstanding Balances Payable	121.11		54.91	
Jaeger Gammon		16.34		37.35
Patel Gammon		3.72		14.92
Gammon Cidade Tensacciai		26.40		—
Gammon Mosmetro		70.53		—
<b>TOTAL</b>	<b>1,194.94</b>		<b>1,083.16</b>	





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