GAMMON

13th March, 2015

**BOMBAY STOCK EXCHANGE LIMITED**
1st Floor, New Trading Ring,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

**THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED**
Exchange Plaza, 5th Floor,
Plot No. C/1, 'G' Block,
Bandra-Kurla Complex,
Bandra (East),
Mumbai – 400 051.

Dear Sir,

**Sub: SUBMISSION OF FORM B FOR THE NINE (9) MONTHS PERIOD ENDED 30th SEPTEMBER, 2014**

Please find enclosed herewith, Form B (Qualified/ Subject to/ Except for Audit Report) pursuant to Clause 31 of the Listing Agreement, in respect of the Audited Standalone and Consolidated Financial Statements of the Company for the Nine (9) Months ended 30th September, 2014.

Kindly note that six (6) copies of the Annual Report and Notice of the 93rd Annual General Meeting has been submitted by us vide our letter dated 9th March, 2015.

Kindly acknowledge the receipt of the same.

Thanking you,

Yours truly,

**For GAMMON INDIA LIMITED**

**GITA BADE**

**COMPANY SECREATRY**

Encl: As above

BSE LTD.
INWARD SECTION
13 MAR 2015
CONTENTS NOT VERIFIED
SIGN.........................

FORM B

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|---|---|---|
| 1 | Name of the Company | Gammon India Ltd |
| 2 | Annual financial statements (standalone) for the year ended | 30th September 2014 – Standalone |
| 3 | Type of Audit observation / qualification | **Auditor's Comments**<br>**(i) Matter of Emphasis**<br>**(a)Recognition of Revenue for Arbitration award:**<br>**Note: 35  Annual Report page: 102**<br>We draw attention to Note no 35 of the explanatory notes relating to recoverability of an amount of Rs. 167.23 Crore as at September 14 under trade receivables in respect of contract revenue where the Company has received arbitration awards in its favour in respect of which the client has preferred an appeal for setting aside the said arbitration awards, recognition of claims while evaluating the jobs of Rs. 451.56 Crore  towards work done on account of cost overruns arising due to client delays, changes of scope, deviation in design and other charges recoverable from the client which are pending approval or certification by the client and Rs. 123.80 Crore where the Company is confident of recovery based on advanced stage of negotiation and discussion. The recoverability is dependent upon the final outcome of the appeals & negotiations getting resolved in favour of the Company.<br>**(b)  Cash Losses from Operations:**<br>**Note: 36 Annual Report Page : 102**<br>The Company has cash losses from operations after reducing the interest payments and has unabsorbed losses to the tune of Rs. 775.32 Crore. These conditions, along with other matters as set forth in Note 36 of the Financial Statements, indicate the existence of an uncertainty as to timing and realisation of cash flow.<br>**(c)Investments in Sofinter S.p.A.:**<br>**Note: 33 (b)  Annual Report page: 99**<br>Note No 33(b) relating to the exposure of Rs. 197.16 Crore which includes non-fund based guarantees of Rs. 110.90 Crore towards acquisition of further stake of 35% in Sofinter. The transfer of shares to be done as detailed in the aforesaid note is essential to support the exposure of the Company towards the funded and non-funded exposure towards M/s Gammon Holding (Mauritius) Limited for the additional 35% equity stake in Sofinter. Further the management has made assertions about the investment and reasons why the same does not require any provision towards diminution in the value of investment and loans provided. Relying on the assertions and on the further acquisition of interest in M/s Sofinter as detailed in the aforesaid note no adjustments have been made in the financials towards possible impairment.<br>**(d)  Investments in Gactel and G&B Contacting LLC:**<br>**Note: 12(iv) and 12(v) Annual Report page: 91**<br>We also invite attention to Note 12(iv) & Note 12(v) in case of Gactel Turnkey Projects Limited & G&B Contracting LLC where the management has made assertions about the investment and reasons why the same does not require any provision towards diminution in |

the value of investment and loans provided. Relying on the assertions as detailed in Note 12(iv) and (v) no adjustments have been made in the financials towards possible impairment.

**(ii) Qualifications**:

**(a)** We invite attention to Note no 33 (c) (i) and (ii) relating to the accounts of one of the subsidiaries M/s Franco Tosi Meccanica S.p.A (FTM) which have not been audited since December 2011 and the details of the application for pre-insolvency composition agreement including the plans to sell the business of the Subsidiary. In view of the non-availability of the financial statements for reasons detailed in the aforesaid notes we are unable to comments on the adjustments to be made in the financials in respect thereof. The Company's exposure in the said Subsidiary (net of provisions and credit balance in Foreign exchange translation reserve) is Rs. 1162.87 Crore which includes the loans made and Investments made (net of provisions) of Rs. 268.06 Crore, the exposure of corporate guarantee towards the borrowing made by the overseas SPV through which the step down Subsidiary is held of Rs. 302.94 Crore and corporate guarantee exposures in respect of the said FTM by way of corporate guarantee issued by the Company towards the non-fund based limits granted to the said FTM based on which guarantees were given to the projects of the said Subsidiary of Rs. 591.87 Crore. In the absence of the financial statements and any indication of the outcome of the pre-insolvency composition agreement we are unable to comment on the adequacy of the provision towards diminution in the value of investments and loans resulting in the net carrying value as aforesaid.

**(b)** In respect of the corporate guarantees issued towards the jobs of FTM as detailed in note 33(c)(iii) the Company has received fresh demand for Euro 21.84 Million( Rs. 170.80 Crore) against which the Company has made a provision of Euro 4.04 Million (Rs. 31.59 Crore) towards liabilities arising from demand against some of the corporate guarantees. In respect of the other demand of Euro 17.80 Million (Rs. 139.21 Crore) in respect of another project no provision is made as the Company is in active negotiation with the clients of the Subsidiary for the cancellation of the demand. In view of the uncertainties involved in the negotiation settling in favour of the Company and the future of the business of FTM we are unable to comment upon possible further liabilities arising from such corporate guarantees.

**(c)** The Auditors of M/s SAE Powerlines Srl, Italy (SAE ) , a Subsidiary of the Company have expressed their inability to opine on the financial statements in view of the said SAE's ability to operate as a going concern being at risk and the directors of the said SAE have highlighted the liquidity crisis. The total exposure of the Company in SAE and ATSL Holdings B.V., Netherlands, the holding Company of SAE towards investments including guarantees towards the acquisition loan taken by SPV and guarantees towards the operating business of SAE is Rs. 328.06 Crore. The Company has made provision for impairment of investments and Loan of Rs. 110.45 Crore and provision for risk and contingencies towards corporate guarantees for acquisition loan of the SPV of Rs 88.29 Crore resulting in the net exposure of the Company at Rs.129.32 Crore. Attention is