



GAMMON INDIA LIMITED

Unaudited Financial Results for the Quarter and Period Ended 30 June 2016

(Rupees in Crore)

S.No.	Particulars	Quarter Ended	
		Unaudited	Unaudited
		30 Jun 2016	30 Jun 2015
1	Income from Operations		
	Net Sales / Income from Operations	861.10	747.76
2	Expenses		
	Cost of Material Consumed	330.37	328.84
	Excise Duty	3.08	10.03
	Purchases of Stock-in-trade	48.86	23.25
	Change in inventory of WIP and FG	11.83	7.54
	Subcontracting Expenses	209.63	203.86
	Employee Benefits Expenses	77.95	92.77
	Depreciation and Amortisation	29.23	36.36
	Other Expenses	136.23	140.76
	Total Expenses	847.18	843.41
3	Profit/(Loss) from Operations Before Other Income, Finance Costs	13.92	(95.65)
4	Interest & Other Income	71.93	102.06
5	Profit/(Loss) from Ordinary Activities Before Finance Costs and Forex Fluctuation	85.85	6.41
6	Finance Cost	164.60	172.35
7	Forex Fluctuation (Gain) / Loss	(22.43)	(13.91)
8	Exceptional Items	40.98	-
9	Profit Before Tax	(97.30)	(152.03)
10	Tax Expenses	(6.68)	(2.89)
11	Net Profit/(Loss) for the period	(90.63)	(149.14)
12	Other Comprehensive Income	(1.49)	(0.05)
13	Total Comprehensive Income (after tax) (11+12)	(92.12)	(149.19)
14	Paid-up Equity Share Capital (Face Value Rs.2/- per Equity Share)	74.11	27.16
15	Earning Per Share (Rupees)		
	Basic	(2.48)	(10.98)
	Diluted	(2.47)	(10.93)

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GAMMON INDIA LIMITED

An ISO 9001 Company

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CIN: L74999MH1922PLC000997



Notes:

1. The Unaudited Financial Results for the quarter ended 30 June 2016 are in accordance with the Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs, which are applicable to the Company for the accounting periods beginning on or after 1st April, 2016. Consequently, the results for the corresponding quarter ended 30th June, 2015 have been restated as per the requirements of the said notification to comply with Ind AS to make them comparable.
2. The Audit Committee has reviewed these results and the Board of Directors have approved the above results at their respective meetings held on 13th September 2016. The Statutory Auditors of the Company have carried out limited review of the results for the quarter ended 30th June 2016. The Ind AS compliant financial results, pertaining to the corresponding quarter ended 30th June 2015 has not been subjected to limited review or audit. However, the management has exercised necessary due diligence to ensure that the financial results provide a true and fair view of its affairs for comparison purposes.
3. Reconciliation of Net Profit as previously reported on account of transition from the previous Indian GAAP to Ind AS for the quarter ended 30th June 2015.

Particulars	Quarter ended June '15
Net Profit for the period under previous Indian GAAP	(187.51)
Adjustments related to Financial Instrument on application of Ind AS 109	16.42
Adjustments related on application of Ind AS 18	2.85
Re-measurement of employee benefit plan	0.01
Exchange Gain/Loss adjustment settle on application of Ind AS 21	23.96
Others	0.79
Deferred Tax	(5.71)
Net profit for the period under Ind AS	(149.19)

4. The Company's funded and non-funded exposure towards Franco Tosi Mecannica S.p.A (FTM) group is Rs. 1011.03 crores (net of provisions already made) as at June 30, 2016 including Investments and guarantees towards the acquisition loan taken by the SPV.

The commissioner in charge of the Extraordinary Administration of Franco Tosi Meccanica S.p.A. has already concluded the sale of the operating business of FTM to the successful bidder and has commenced the disposal of the non-core assets (i.e. those assets which were not part of the sale of operating business), which includes 60 acres of land in Legnano, Italy. The commissioner has not started the actual disposal of the property. The valuation pegged by the commissioner is based on the valuation of land in adjoining premises which is also under administration. However the liabilities to be discharged against the surplus on disposal (net of tax) have not been made available by the commissioner. Despite these factors the management expects that the surplus available to the equity shareholder will be adequate to cover the exposure of the Company towards FTM and no provision for impairment is accordingly made

The Commissioner or the said FTM has not released any financials since 31st December 2011 and therefore no further effects have been taken in respect of the said FTM in these financials.

The auditors have qualified their report on this account as follows



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disposal of non-core assets of FTM after paying off all other creditors/liabilities of FTM. The funded and non-funded exposure of the Company to FTM is Rs. 1011.03 crores as at 30th June 2016 including towards the corporate guarantees issued towards the bank guarantees issued in favour of the said FTM. The management as detailed in the said note is awaiting the details of the surplus arising out of the disposal of the non-core assets and the recovery of the liabilities therefrom. The management expects that the surplus will be adequate to cover the exposure however in the absence of any indication of the value of the non-core assets or the surplus we are unable to quantify the possible provision towards the exposure of the Company and therefore also the effect on the loss/profit of the Company for the quarter ended 30th June 2016. This matter has been qualified in our earlier reports on the audited annual financial statements and the limited review of the quarterly financial statements.”

5. The exposure of the Branch in SAE Powerlines Srl, Italy (“SAE”), a subsidiary of the Company and ATSL BV, Netherlands, the holding company of SAE, towards investments, loans, including guarantees towards the acquisition loan taken by the SPV is Rs. 223.35 crores. The Branch has made provision for impairment of investments and Loan aggregating to Rs. 63.34 crores and provision of Rs. 88.29 crores for risk and contingencies for corporate guarantees for acquisition loan of the SPV and thus, the net exposure of the Branch is Rs. 71.72 crores. The Branch has a further exposure of Rs. 102.05 crores net of provision of Rs.106.55 crores towards receivables due from SAE which are outstanding for a long time. The Company had carried out a valuation of the business of SAE by an independent valuer in September, 2014, who determined an enterprise value of Rs. 71.15 crores, which however is not updated to cover the present financial position. The Management is of the opinion that considering the order book position and adequate references and strengths in international markets especially the African and European Markets, the provision made by it for impairment of its investment, loan and trade receivable is adequate.

The auditors have qualified their report on this account as follows.

“As reported by the branch auditors, The exposure of the Branch in SAE Powerlines Srl, Italy (“SAE”), a subsidiary of the Company and ATSL BV, Netherlands, the holding company of SAE, towards investments, loans, including guarantees towards the acquisition loan taken by the SPV is Rs. 215.27 crores. The Branch has made provision for impairment of investments and Loan aggregating to Rs. 63.34 crores and provision of Rs. 88.29 crores for risk and contingencies for corporate guarantees for acquisition loan of the SPV and thus, the net exposure of the Branch is Rs. 63.64 crores. The Branch has a further exposure of Rs. 102.05 crores net of provision of Rs.106.55 crores towards receivables due from SAE which are outstanding for a long time. The Company had carried out a valuation of the business of SAE by an independent valuer in September, 2014, who determined an enterprise value of Rs. 71.15 crores, which however is not updated to cover the present financial position. In the absence of a fresh valuation of the business of SAE and in the absence of audited financial Statements of SAE for the period ended 31st December 2015, we are unable to comment whether further provision for impairment is required with respect to the total net exposure of the Branch of Rs. 173.78 crores in respect of loans, investment and receivables”

6. The Ministry of Corporate affairs vide its letter dated 5th February, 2016 has directed the Company to either recover remuneration paid to Mr. Abhijit Rajan – Chairman and Managing Director for the period from 1st April, 2012 to 30th September, 2014 or to file application for waiver of remuneration paid . The Board on the recommendation of the Nomination and Remuneration Committee has, subject to shareholders approval, decided to seek approval from the Central Government for waiver of excess remuneration paid. Further the Company has also made a request to the Ministry for review of its decision and the same is awaited. The remuneration paid/ provided for the period from October 1, 2014 to March 31, 2016 is Rs. 9.11 crores. The total amount of excess remuneration till March 31, 2016 is



26.29 crores which are pending for either approval for waiver of recovery or approval for payment of excess.

Similarly the Company is applying for waiver of recovery of remuneration paid to its erstwhile executive director Mr. Himanshu Parikh for an aggregate amount of Rs. 0.60 crores. In view of the above facts, no adjustments are made in these financials.

The auditors have qualified their report on this account as follows

"The Company's Application for managerial remuneration aggregating to Rs. 26.29 crores for the Chairman and Managing Director has been rejected for the accounting years 2012-13 and 9-month period ended December 2013 and 30th September 2014 and for the current eighteen months ended 31st March 2016 for want of NOC from the CDR lenders. The MCA has directed to recover the excess remuneration or make an application for waiver. The Company had once again made applications to the Ministry for the aforementioned periods on obtaining the NOC from the CDR Lenders. The Board however on the recommendation of the Nomination and Remuneration Committee has decided to seek approval from the Central Government for waiver of excess remuneration paid. The shareholders of the Company have in the meeting by postal ballot dated 10th August 2016 approved the waiver of the recovery of the remuneration. Pending the approval of the MCA as aforesaid no adjustments have been made for the amount of Rs. 26.29 crores. In the absence of the final decision of the MCA pursuant to the application being made by the Company we are unable to ascertain the impact on profits on this account for the quarter ended 30th June 2016. (Refer note 6 of the results.)"

7. There are disputes in six projects of the Company. The total exposure against these projects is Rs. 413.75 Crore. The Company is pursuing legal recourse / negotiations for addressing the disputes in favour of the Company and is of the opinion that it has a good case in the matter hence does not require any provision considering the claims of the Company against the Clients.

The auditors have qualified their report on this account as follows

"Trade receivables and loans and advances include an amount of Rs. 413.75 crores in respect of disputes in six projects of the Company and/or its SPVs. The Company is pursuing legal recourse/ negotiations for addressing the disputes in favour of the Company. Pending the conclusion of the matters we are unable to state whether any provisions would be required against the Company's exposure (refer Note 7)"

8. The Company has granted unsecured loans to its joint ventures, aggregating to Rs. 64.47 crores including the facility provided by the bankers for the purposes of business operation out of the limits of the company. This loan facility is in excess of the limits specified U/s 186 of the Companies Act 2013. The Company will obtain the shareholders consent in the next General Meeting.

The auditors have qualified their report on this account as follows.

"The Company has given unsecured loans of Rs. 64.47 crores to its joint ventures as a lead partner for which it does not have any prior approval of the members."

9. The Company in evaluating its jobs has considered an amount of Rs. 153.29 Crore relating to the likelihood of the claim materializing in favour of the Company, arising out of claims for work done, cost overruns arising due to client delays, changes of scope, escalation claims, variation orders, deviation in design and other charges recoverable from the client which are pending acceptance or certification by the client or referred the matter to the dispute resolution board / arbitration panel. In furtherance to the recommendation of the Dispute Resolution Board (DRB) and Arbitration Awards in the Company's favour, the Company has recognized income to the extent of Rs.135.75 Crore, which is part of Long Term Trade Receivable. The Company contends that such awards have reached finality for the determination of the amounts of such claims and are reasonably confident of recovery of such



claims although the client has moved the court to set aside the awards. Considering the fact that the Company has received favourable awards from the DRB and the Arbitration Tribunal, the management is reasonably certain that the claims will get favourable verdict from the courts.

Trade Receivables includes Rs. 165.67 Crore in respect of its project based on advanced negotiation and discussion with the client and is confident of realising the same, pending the final revision in contract value.

10. The Board of Directors in their meeting held on June 17, 2016 has decided to defer the decision to sell the stake in Gammon Infrastructure Projects Limited upto 30% and pursue negotiation with the banks in connection therewith. Therefore the said shares held though the wholly owned subsidiary has been considered as strategic non-current investments. Further the carrying value of the equity interest in Gammon Infrastructure Projects Limited is Rs. 899.53 crores held through two wholly owned subsidiaries. The current market value based on the traded price as on June 30, 2016 is Rs. 316.48 crores. The market price is not indicative of the intrinsic value of Gammon Infrastructure Projects Limited considering that the same is a strategic investment and being held for a long period of time. The diminution in the value is temporary in nature and does not require any provision for the same.

The auditors have qualified their report on this account as follows.

"We invite attention to note no 10 relating to the decision for sale of 30% interest of Gammon Infrastructure Projects Limited (GIPL) held through two wholly owned subsidiaries and its consequent classification and valuation in these financial statements. The carrying value of the equity interest in GIPL is Rs. 899.53 crores held through the two wholly owned subsidiaries. The current market value based on the traded price as on June 30, 2016 is Rs. 316.48 crores. The management contends that the market price is not indicative of the intrinsic value of GIPL considering that the same is a strategic investment. However in the absence of a detailed valuation of the intrinsic value of GIPL being carried out by the Management we are unable to comment whether any provision for diminution or impairment in the carrying amount of the equity interest is required"

11. The Company, as part of its restructuring scheme in which it is carving out the EPC and T & D business into separate entities with residual non-core assets and some claims remaining in the main Company, had during the eighteen month period evaluated its existing claims in respect of on-going, completed and/or terminated contracts with the help of an independent expert in the field of claims and arbitration to assess the likely amount of claims being settled in favour of the Company. The expert had reviewed the claims and had opined that an amount aggregating to Rs. 1657.22 will be reasonably certain to be settled in favour of the Company.

Based on the above opinion, the Company has during the previous year ended March 31, 2016 recognised claims of an aggregate amount of Rs. 1343.97 crores excluding amounts recognised earlier of Rs. 313.25 crores based on management estimates of reasonable realisation. These claims have been accounted as unbilled revenue and the management expects 25% of such claims other than on terminated projects to be realised within the operating cycle. Accordingly unbilled revenue has been disclosed as current and non-current in the Balance sheet. The effects in the statement of profit and loss are dependent upon the percentage of completion of the project.

The auditors have qualified their conclusion.

"We invite attention to note no 11, detailing the recognition of claims during the year ended 31st March 2016 in respect of on-going, completed and/or terminated contracts aggregating to Rs. 1343.97 crores but excluding amounts recognised earlier of Rs. 313.25 based on management estimates of reasonable realisation which were subject matter of our emphasis of matter in our earlier reports. These additional claims are recognised only on the basis of opinion of an expert in the field of claims and arbitration as part of the requirement of the Strategic Debt Restructuring scheme with the lenders. In view of the

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above-mentioned circumstances and facts we are unable to comment upon the amounts recognised, its realisation and the consequent effect on the financial results of the quarter ended 30th June 2016 “

12. The Company's operating result have been affected in the last few years by various factors including liquidity crunch, unavailability of resources on timely basis , delays in execution of projects, delays in land acquisition, approval of design etc. by client, scarcity in availability of labour & materials, operational issues etc. Company's overseas operations are characterized due to weak order booking, paucity of working capital and uncertain business environment. This has also resulted in various winding up claims filed against the Company. The Company is exploring several options for overcoming the liquidity crisis. The Group is in the process of development of its land parcel as well as monetizing its overseas investments and to divest some of its businesses, recovery towards final bills, retention money, settlement of non-routine collection including claims, arbitration awards etc. to meet the working capital needs. The Company is also in discussion with client for overcoming bottlenecks in timely executing the existing projects and to increase the order book. The Company is having a good order book in hand as on June 30, 2016 of Rs. 10,500 crores.

The Company continues to negotiate with vendors for settlement, improved commercial terms and better credit facility and is in process of arranging additional working capital finance to improve short term liquidity position. The Company is evaluating and exploring various courses of action for raising funds for Company's operations, including options for strategic restructuring.

However due to the continuing stress and the inability of the promoters to infuse fresh funds into the Company and the continuing losses, The Corporate Debt Restructuring Empowered group in its meeting held on 23rd November, 2015 has discussed and noted the proposal of the CDR Lenders for invocation of Strategic Debt Restructuring ("SDR") in the Company and carve out of the Civil Engineering, Procurement and Construction Business and the Transmission and Distribution businesses with change of management. The "Reference date" for the purpose of the SDR is 17th November 2015. The lenders have invoked SDR and the requisite majority for approval of the SDR scheme in value and numbers had already been received and the CDR lenders have converted part of their loans and interest by taking a 63.07% stake in the Company upto the period ended June 30, 2016. The Company has also as part of the SDR formulated a detailed restructuring package, which is detailed in a later paragraph.

Based on various developments including SDR by lenders resulting in lenders having majority stake and restructuring of businesses, the management is of the view that the Company will remain as going concern for future on the basis of existing order book, restructuring proposal, monetization of the various non-core assets, future business potential, pre-qualifications for project bidding and previous track record

13. Pursuant to the put option exercised, one of the Subsidiaries of the Company had paid USD 32 Million for acquisition of further 35% stake in Sofinter Group. The transferor has created pledge in favour of the lenders of the transferee company. The process of transferring the ownership in favour of the transferee company is completed and the Group now controls 67.50% of the total equity capital of Sofinter through two of its wholly owned overseas subsidiaries. Considering the holding of 67.5% in Sofinter Group, the order book position, the valuation carried out of the said Sofinter Group by an independent valuer and the current financials of Sofinter, the Management is of the view that no impairment is required in the exposure of the Company towards its combined exposure of Rs. 997.71 crores in Sofinter Group.



14. **SDR and Restructuring**

Strategic Debt Restructuring

The lenders invoked SDR with reference date of 17th November 2015. CDR EG noted the same in their meeting held on 23rd November 2015 and approved by Joint Lenders Forum in its meeting held on 23rd November 2015. As per the SDR proposal lenders can convert their debt into equity upto Rs. 300 crores. As on date lenders have converted Rs. 277.12 crores of the debt into equity representing 63.07 % of equity capital.

Restructuring

The Company as part of its revival plan has decided to carve out the Transmission and Distribution Business (T&D) and the Civil EPC Business into separate companies in two phases viz: through a slump sale and a Scheme of Arrangement

T & D Business

As part of the plan a Business Transfer Agreement (BTA) has been executed with TLL for transfer of part of the T & D Business in October, 2015. The BTA has become effective from 1st January, 2016. Pursuant to an Investment Agreement entered into October 2015 with Ajanma Holdings Private Limited (formerly Bilav Software Private Limited) ("Investor"), the Investor has acquired 75% stake in TLL from the Company at a cost of Rs. 2.33 crores and will invest a sum of Rs. 47.70 crores in TLL. The investor has invested Rs. 15 crores in TLL till date. A Scheme of Arrangement for transfer of the remaining T&D Undertaking into TLL has been filed with the High Court of Bombay after due approval from the Stock exchanges. On sanction of the Scheme, TLL will discharge the consideration by issuing 7,25,000 equity shares of Rs 10 each to GIL against the fair value of the T&D Undertaking. As part of the carve out proposal, Rs. 505 Crores funded and Rs. 3350 Crores non-funded CDR debts will be transferred to TLL out of which Rs. 230 crores of funded and 3350 non-funded debt has already been transferred and novated as part of the BTA.

Civil EPC

As part of the plan, the Civil EPC Business is proposed to be transferred in two phases to the Company's wholly owned indirect subsidiary Gammon Engineers and Contractors Private Limited ("Gammon Engineers") i.e through a slump sale and a Scheme of Arrangement effective from 1st July, 2016. Accordingly a Business Transfer Agreement has been executed on 21st July, 2016 with Gammon Engineers for transfer of part of the identified civil EPC Business for a consideration of Rs. 8,05,00,000 (Rupees Eight Crores and Five lakhs) which will be discharged by Gammon Engineers by issue of 23,00,000 equity shares of face value of Rs. 10/- each at a price of Rs. 35 per share (including premium of Rs. 25/- per share) to the Company. Further a Scheme of Arrangement has also been approved by the Board for transfer of the balance civil EPC Business into Gammon Engineers. On sanction of the Scheme by the Courts, Gammon Engineers will issue 1,18,85,714 fully paid up equity shares of Rs. 10 each to GIL against the fair value of the Civil EPC Undertaking.

On 21st July, 2016, the Company also executed an Investment cum Shareholders Agreement with G.P Group of Thailand ("Investor") who will invest a sum of Rs. 150.01 crores into Gammon Engineers in which the Civil EPC Business is proposed to be transferred. The Investor will acquire 75% stake in Gammon Engineers.

As part of the carve out proposal of Civil EPC Business Rs. 1,500 Crores funded and Rs. 5,012.10 Crores non-funded exposure will be transferred to Gammon Engineers





The carve out of the Civil EPC Business is subject to the approval of the shareholders ,lenders , Court and all such approvals as may be necessary .

Post the carve out of the Transmission and Distribution business and the Civil EPC Business as aforementioned ,Gammon India will continue to hold 25% stake in TLL as well as Gammon Engineers .

Non-Core Assets

Companies will develop/monetise its investments in India and also outside India in coming years to repay the loans remaining in the Company.

15. Discontinuing operations.

As part of the restructuring of its business in order to create sector focused companies and to invite investments by strategic investors the company decided to carve out its Transmission and Distribution business into Transrail Lighting Limited. The company entered into shareholders agreement with M/s Bilav Software Private Limited to divest 75% of its stake in Transrail Lighting limited. The Restructuring plan contemplated carving out of a portion of business vide a business transfer agreement and the balance portion of the T&D business by way of a scheme of arrangement of the retained T&D business in GIL through a court process. Accordingly the businesses transferred under the BTA and proposed to be transferred under the court scheme are treated as discontinuing operations.

Similarly, the EPC business is proposed to be transferred out into a wholly owned subsidiary through a combination of BTA and Scheme as detailed in note 14 above. Attention is invited to note no 14 where the identification of the investor and other terms of the same are detailed. The said EPC business proposed to be carved out are also included in as discontinuing operations.

The disclosures of discontinuing operations are given herein below.

(Rs in Crores)

Particulars	3 month ended 30 th June 2016	3month ended 30 th June 2015
Profit/ (Loss) from Discontinuing Operations	(31.05)	(93.92)
(-) Tax Expenses	(0.24)	(1.02)
Profit/ (Loss) After Tax from Discontinuing Operations	(31.29)	(94.94)

16. The Company is engaged mainly in "Construction and Engineering" segment. The Company also has "Real Estate Development" and Windmills as other segments. Revenue from such activities is not significant and accounts for less than 10% of the total revenue and total assets of the Company. Therefore no disclosure of separate segment reporting as required in terms of Accounting Standard AS - 17 is done in respect of these segments.

17. The accounts of a subsidiary M/s Campo Puma Oriente S.A. have not been audited since December 2012, due to certain disputes with the partner in the project. The exposure of the Company in the said subsidiary is Rs. 420.67 crores net of provisions made. The company has received a valuation report for \$ 60 Million approximately from an independent merchant banker for its share. Furthermore, the company is in the process of enhancing its output of oil field from the current level, which is expected to further improve the value. Further the disputes between the partners are expected to be resolved within a short time after which the financial statements will be signed and released. In light of the same the management is confident that there will be no provision required for impairment.





18. Exceptional item of Rs. 40.98 crores represents provision made for doubtful debts due from SAE Powerline Srl, Italy, a subsidiary.
19. The Company has exposure to Gammon and Billimoria Limited, a subsidiary of the Company, which has equity interest in the Company G & B contracting LLC, Dubai. Although the said G & B Contracting LLC has a negative net worth it has bagged orders, which are under execution, and based on the projections and the business plans of the said G & B contracting LLC, no provision is required against the exposure of the Company to Gammon & Billimoria Limited.
20. During the quarter the Company allotted 41,24,496 further equity shares of Rs. 2 each at a premium of Rs. 9.89 per share to some of the banks as part of its SDR process. The Combined shareholding of the bankers pursuant to the above allotment is 63.07%.
21. Corresponding figures of the previous period have been regrouped / rearranged wherever necessary.

For Gammon India Limited

A handwritten signature in black ink, appearing to be 'Abhijit Rajan', written over a horizontal line.

Abhijit Rajan
Chairman & Managing Director
Mumbai, 13 September 2016



Review Report

To
The Board of Directors
Gammon India Limited,
Mumbai.

1. We have reviewed the accompanying statement of standalone unaudited financial results ("Statement") of Gammon India Limited ("the Company") for the quarter ended June 30, 2016 being submitted by the Company pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, as modified by Circular No. CIR / CFD / FAC / 62 / 2016 dated July 5, 2016. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. This Statement has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" (Ind-AS 34) prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on this Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. Basis of Qualified Conclusion
 - a. *We invite attention to note no 4 relating to one of the subsidiaries M/s Franco Tosi Meccanica S.p.A (FTM). As described in the note, the control of the operating/core asset of the said FTM has been transferred to the successful bidder and the Company is entitled only to the surplus arising out of disposal of non-core assets of FTM after paying off all other creditors/liabilities of FTM. The funded and non-funded exposure of the Company to FTM is Rs. 1011.03 crores as at 30th June 2016 including towards the corporate guarantees issued towards the bank guarantees issued in favour of the said FTM. The management as detailed in the said note is awaiting the details of the surplus arising out of the disposal of the non-core assets and the recovery of the liabilities therefrom. The management expects that the surplus will be adequate to cover the exposure however in the absence of any*



Natvarlal Vepari & Co.

CHARTERED ACCOUNTANTS

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indication of the value of the non-core assets or the surplus we are unable to quantify the possible provision towards the exposure of the Company and therefore the effect on the loss/profit of the Company for the quarter ended 30th June 2016. This matter has been qualified in our earlier reports on the audited annual financial statements and the limited review of the quarterly financial statements.

- b. *We invite attention to note no 11, detailing the recognition of claims during the previous year ended 31st March 2016 in respect of on-going, completed and/or terminated contracts aggregating to Rs. 1343.97 crores but excluding amounts recognised in of Rs. 313.25 based on management estimates of reasonable realisation which were subject matter of our emphasis of matter in our earlier reports. These additional claims are recognised only on the basis of opinion of an expert in the field of claims and arbitration as part of the requirement of the Strategic Debt Restructuring scheme with the lenders. In view of the above-mentioned circumstances and facts we are unable to comment upon the amounts recognised, its realisation and the consequent effect on the financial results of the quarter ended 30th June 2016*
- c. *We invite attention to note no 5, As reported by the branch auditors, The exposure of the Branch in SAE Powerlines Srl, Italy ("SAE"), a subsidiary of the Company and ATSL BV, Netherlands, the holding company of SAE, towards investments, loans, including guarantees towards the acquisition loan taken by the SPV is Rs. 223.35 crores. The Branch has made provision for impairment of investments and Loan aggregating to Rs. 63.34 crores and provision of Rs. 88.29 crores for risk and contingencies for corporate guarantees for acquisition loan of the SPV and thus, the net exposure of the Branch is Rs. 71.72 crores. The Branch has a further exposure of Rs. 102.05 crores net of provision of Rs.106.55 crores towards receivables due from SAE which are outstanding for a long time. The Company had carried out a valuation of the business of SAE by an independent valuer in September, 2014, who determined an enterprise value of Rs. 71.15 crores, which however is not updated to cover the present financial position. In the absence of a fresh valuation of the business of SAE and in the absence of audited financial Statements of SAE for the period ended 31st December 2015, we are unable to comment whether further provision for impairment is required with respect to the total net exposure of the Branch of Rs. 173.78 crores in respect of loans, investment and receivables.*
- d. *The Company's Application for managerial remuneration aggregating to Rs. 26.29 crores for the Chairman and Managing Director has been rejected for the accounting years 2012-13 and 9-month period ended December 2013 and 30th September 2014 and for the current eighteen months ended 31st March 2016 for want of NOC from the CDR lenders. The MCA has directed to recover the excess remuneration or make an application for waiver. The Company had once again made applications to the Ministry for the aforementioned periods on obtaining the NOC from the CDR Lenders. The Board however on the recommendation of the Nomination and*



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Remuneration Committee has decided to seek approval from the Central Government for waiver of excess remuneration paid. The shareholders of the Company have in the meeting by postal ballot dated 10th August 2016 approved the waiver of the recovery of the remuneration. Pending the approval of the MCA as aforesaid no adjustments have been made for the amount of Rs. 26.29 crores. In the absence of the final decision of the MCA pursuant to the application being made by the Company we are unable to ascertain the impact on profits on this account for the quarter ended 30th June 2016. (refer note 6 of the results.)

- e. *Trade receivables and loans and advances includes an amount of Rs. 413.75 crores in respect of disputes in six projects of the Company and/or its SPVs. The Company is pursuing legal recourse/ negotiations for addressing the disputes in favour of the Company. Pending the conclusion of the matters we are unable to state whether any provisions would be required against the Company's exposure (refer Note 7).*
- f. *The Company has given unsecured loans of Rs. 64.47 crores to its joint ventures as a lead partner for which it does not have any prior approval of the members (refer Note 8).*
- g. *We invite attention to note no 10 relating to the decision for sale of 30% interest of Gammon Infrastructure Projects Limited (GIPL) held through two wholly owned subsidiaries and its consequent classification and valuation in these financial statements. The carrying value of the equity interest in GIPL is Rs. 899.53 crores held through the two wholly owned subsidiaries. The current market value based on the traded price as on June 30, 2016 is Rs. 316.48 crores. The management contends that the market price is not indicative of the intrinsic value of GIPL considering that the same is a strategic investment. However in the absence of a detailed valuation of the intrinsic value of GIPL being carried out by the Management we are unable to comment whether any provision for diminution or impairment in the carrying amount of the equity interest is required.*

4. Qualified Conclusion

Except for the possible effects arising out of the matters mentioned in our basis for qualified conclusion mentioned hereinabove, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with applicable accounting standards as specified under section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI circular bearing nos. Circular No. CIR / CFD / CMD / 15 / 2015 dated November 30, 2015 and CIR / CFD / FAC / 62 / 2016 dated July 5, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.



Natvarlal Vepari & Co.

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5. Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters;

- (a) We draw attention to Note no 9 of the financial results relating to recoverability of an amount of Rs.135.75 crores as at 30th June 2016 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. 153.29 crores and Rs. 165.67 crores where the Company is confident of recovery based on advanced stage of negotiation and discussion. The recoverability is dependent upon the final outcome of the appeals & negotiations getting resolved in favour of the company.
- (b) Note no 12 and 14 detailing that the lenders have invoked Strategic Debt Restructuring and have converted part of their principal and interest outstanding into equity shares and as part of the SDR scheme is in the process of approving the restructuring scheme, which includes carving out the EPC business, and the T & D business into separate entities wherein new investors would be invited to take control as detailed in the Note. Pending the same due to the liquidity situation and the continuing losses the Company is unable to meet its various liabilities on time. These conditions, along with other matters as set forth in the Notes, indicate the existence of a significant uncertainty as to timing and realisation of cash flow to support the going concern assumption and operations of the Company.
- (c) The Company as detailed in Note 13 has exposure of Rs. 997.71 crores towards the combined stake of 67.50 %. Considering the combined stake held through two separate SPVs, the management contends Company's exposure does not require any impairment which is supported by the order book position and valuation made by an independent valuer.
- (d) Note no 17 the accounts of a subsidiary M/s Campo Puma Oriente S.A. have not been audited since December 2012, due to certain disputes with the partner in the project. The exposure of the Company in the said subsidiary is Rs. 420.67 crores net of provisions made. The company has received a valuation report for \$ 60 Million approximately from an independent merchant banker for its share. On the basis of this report and the other matters detailed in the note the management is confident that there will be no provision required for impairment
- (e) Note no 18 G&B Contracting LLC where the management has made assertions about the investment and reasons why the same does not require any provision towards diminution in the value of investment and loans provided. Relying on the assertions no adjustments have been made in the financials towards possible impairment.



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6. We did not review the statement of unaudited financial results of Gammon India Limited – Nagpur Branch including the overseas branches at Algeria, Nigeria, Kenya, Bhutan, Ethiopia, Rwanda, Yemen & Italy, whose financial information includes total revenues of Rs. 205.56 crores for the three months ended 30th June 2016. The financial information of the aforesaid branch has been reviewed by the Branch Auditors whose report has been received by us. Our conclusion so far as transactions of the said Branches are concerned, is based solely on the limited review report of the Branch Auditors’.
7. We draw attention to the fact that we were neither engaged to review nor have we reviewed the comparative figures for the quarter ended June 30, 2015 including the reconciliation of net profit referred to in note 3 of the accompanying Statement.

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

Nuzhat

Nuzhat Khan

Partner

M. No. 124960

Mumbai, Dated: - 13th September 2016

