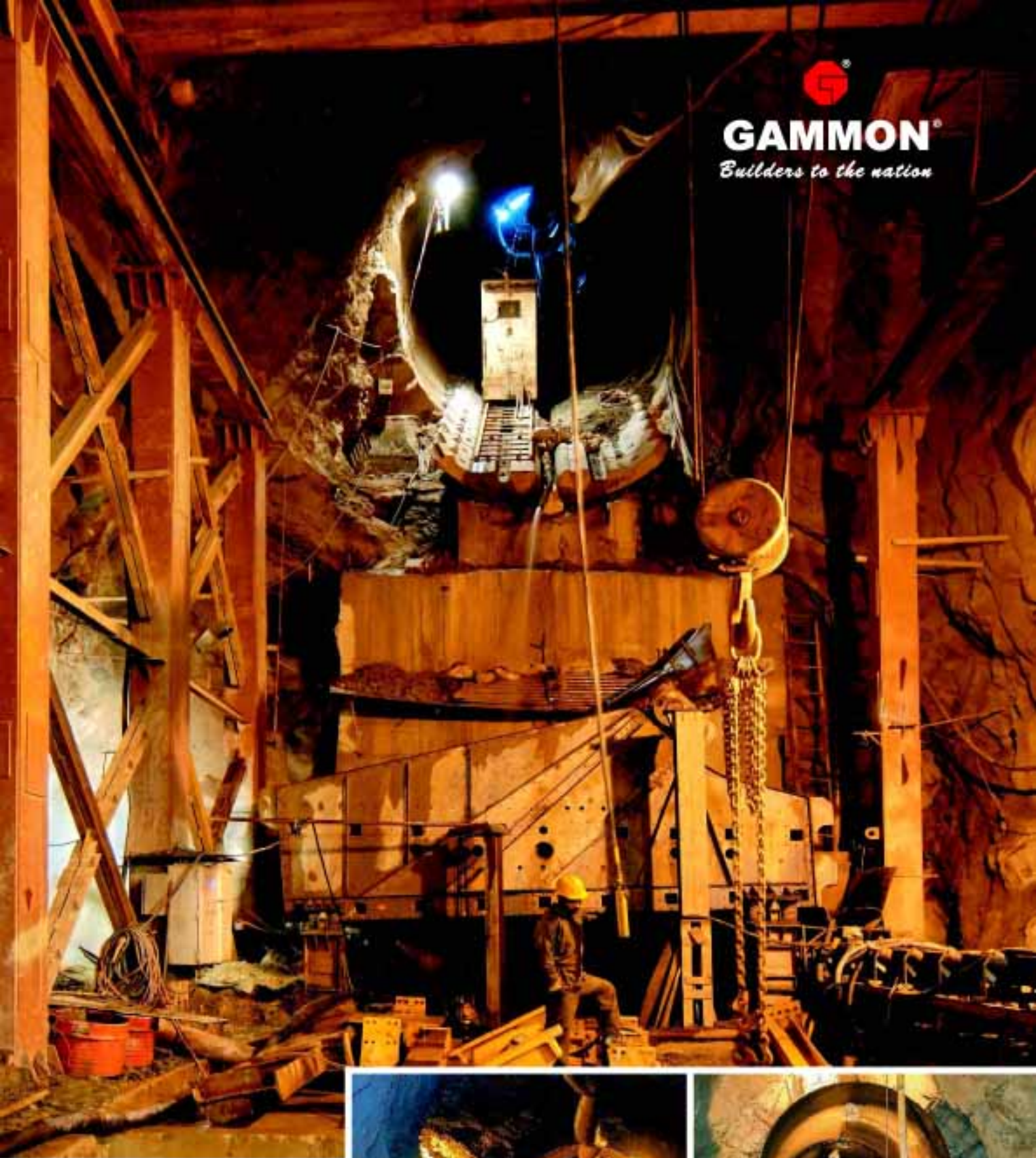




GAMMON
Builders to the nation



Annual
Report
2007-08





Jachakata Bridge



Rajmohan Atomic Power Project, Kota

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Gujarat Pipeline

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Chairman's letter

Dear Stakeholders

It gives me pleasure in sharing with you the highlights of another year of progress. Your Company achieved a Turnover of Rs. 2341 crores during the year ended 31st March, 2008, recording a growth of over 26% as compared to the previous year while the Net Profit of the Company after tax increased from Rs. 44.38 crores in the previous year to Rs. 86.13 crores during the year under review.

New Projects in sectors such as Power, Oil and Gas, Ports, Roads, Railways, Urban Infrastructure, Industrial Projects (Steel, Aluminum and Cement Plants) contribute over 50 % of the revenues of the Indian Construction Industry. Given the number of large infrastructure projects on the anvil, the construction sector is poised for a big expansion. Gammon being one of the major players in the Construction industry has entered into the field of Dedicated Railway Freight Corridors announced by the Ministry of Railway valued at Rs. 1000 crores and also for Civil works of the Aluminium plant at Jharsuguda, Orissa. The Clearance of Indo-US agreement on Nuclear energy will now open up opportunities for the floating of various nuclear power plants in the country and the Company is fully equipped to tap this opportunity and will participate in other nuclear power plants which are expected in Gujarat, Tamilnadu in addition to the recently completed Kaiga Nuclear Power Plant for unit 3 & 4.

In the construction world it is often said that we are living in exigent times. The economic uncertainty in key markets, fierce competition, local beneficiation and many more variables present new challenges to the construction and infrastructure industry. With our vast experience of over eight decades, we are facing these challenges with conviction and adequate means and a will to succeed.

The construction and infrastructure industry is changing quickly, creating new opportunities and new challenges every day. To meet this we have taken number of initiatives to improve our operating model, maximize the use of technology to amplify efficiencies and advantages of scale, as well as improve our budgetary discipline. We continue to leverage the best - a prestigious heritage, quality products, innovative spirit, superior service capabilities and the passion for excellence. GAMMON is poised today to leverage attractive opportunities to build market leadership.

With a view to increasing our global presence we have acquired several overseas companies details of which have been highlighted in the Director's Report. To compliment its Power Sector work, these acquisitions will help your Company to be in a better position to bid for international

contracts in the Power Sector. In addition your Company has also made a foray in the oil exploration sector. The current order book of the Company is over Rs. 9000 (Rupees Nine Thousand crores) and with emphasis on infrastructure development it is likely to grow still further.

With many milestones ahead to inspire and enthuse us and enormous opportunities ahead, our journey seems to have just begun. We rededicate ourselves as 'BUILDERS TO THE NATION' with renewed vigour to address and accept the challenges and to enhance the shareholder value.

I take this opportunity to thank all stakeholders and our dedicated team of Gammonites for their unstinted support in concluding this year and looking forward to another eventful year.



Abhijit Rajan
Chairman & Managing Director



Chairman's letter

Board of Directors

Peter Gammon
Chairman Emeritus

Abhijit Rajan
Chairman & Managing Director

Himanshu Parikh
Executive Director

Rajul A. Bhansali
Executive Director

C. C. Dayal
Director

Atul Dayal
Director

Dr. Naushad Forbes
Director

Jagdish Sheth
Director

Urvashi Saxena
Director

Gita Bade
Company Secretary

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

Tel : +91-22-6744 4000
+91-22-2430 6761
+91-22-2430 1084

Fax : +91-22-2430 0529
+91-22-2430 0221
+91-22-6664 4025

Email: gammon@gammonindia.com

Vizag Seaport



Jingxi Creek Bridge





D M B C



Floating Gantry for Erection of Box Girder



CONSORTIUM Bankers

Consortium Bankers

Canara Bank

Punjab National Bank

Allahabad Bank

ICICI Bank

Syndicate Bank

IDBI Bank

ING Vysya Bank

Auditors

Natvarlal Vepari & Co.





Undale Water Treatment Plant



Uran Pipeline

Consolidating position as an industry leader

Balance Sheet (Rs. In Crores)

Particulars	As at 31st March 2009	As at 31st March 1998	Particulars	As at 31st March 2009	As at 31st March 1998
SOURCES OF FUNDS:			APPLICATION OF FUNDS:		
Own Funds	979.00	39.52	Fixed Assets	541.79	46.22
Borrowed Funds	377.00	36.66	Investments	160.78	7.24
Deferred Tax Liability	37.17	-	Working Capital	690.66	22.72
	1393.23	76.18		1393.23	76.18

Profit & Loss Account (Rs. In Crores)

Particulars	2007-08	2006-07	Jan. 06 to Mar. 06 (15 Months)	Apr.04 to Dec.04 (9 Months)	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
Turnover	2513.74	2084.33	1645.69	936.60	1119.72	726.65	513.99	503.76	451.67	327.68
Profit Before Tax	139.34	143.06	111.19	51.59	54.46	35.29	31.58	20.16	18.20	12.41

Strong Financial Ratings

CARE has assigned the following ratings:

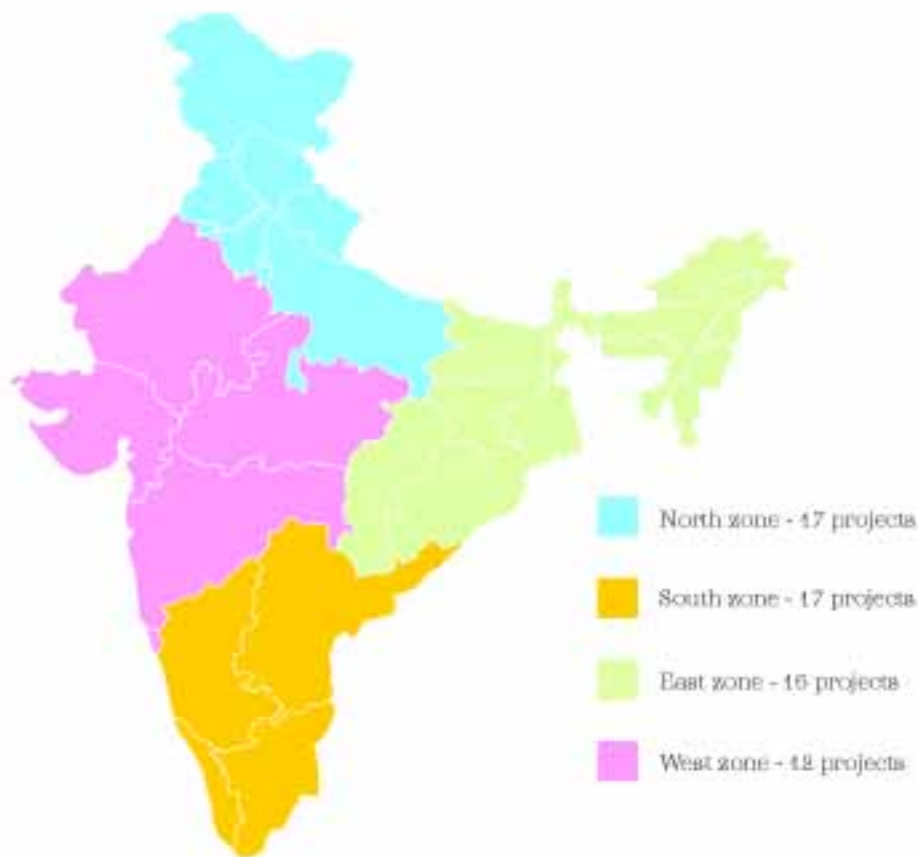
	TEGNURE (Months)	AMOUNT (Rs. in Crores)	RATING
Short Term	12	225	PR1 +
Long Term	120	300	AA+

CRIBIL has assigned "AA, stable rating" for Non Convertible Debentures of Rs. 50 Crores.



Projects being executed as on 31st March, 2008

Areas of Specialization	North	South	East	West	Total
Transport Engineering	9	5	9	4	25
Energy Projects / High-rise Structures / Industrial Structures	4	8	6	2	20
Hydro Power / Tunnel / Irrigation Projects	5	4	-	-	9
Building Works	-	-	-	3	3
Ground Engineering & Environment Protection	-	-	-	1	1
Pipelines	-	-	2	2	4
Total	17	17	16	12	62



Doyang Dam



Amaravati Flyover



Projects being executed
as on 31st March, 2008



Tarapur Intake



Haringli Aquaduct

Ten years Financial Highlights

	1998-99	1999-00	2000-01	2001-02
A. FINANCIAL POSITION :				
LIABILITIES :				
Share Capital	6.30	6.31	6.57	12.84
Reserves & surplus (Excluding Revaluation of Assets)	58.46	69.36	81.19	98.31
Revaluation Reserve	78.60	76.75	74.99	73.32
SHAREHOLDERS' FUNDS	143.36	152.42	162.75	184.47
Loan Funds	39.10	65.58	88.85	149.17
Deferred Tax Liability	-	-	-	17.46
TOTAL CAPITAL EMPLOYED	182.46	218.00	251.60	351.10
ASSETS:				
Fixed Assets (Net) (Excluding Revaluation of Assets)	58.91	82.13	102.98	167.87
Amount of Revaluation	78.60	76.75	74.99	73.32
Total Net Fixed Assets (Including Revaluation of Assets)	137.51	158.88	177.97	241.19
Current Assets (Net)	28.32	41.37	56.38	94.21
Investments	16.63	17.75	17.25	15.70
TOTAL ASSETS	182.46	218.00	251.60	351.10
B. OPERATING RESULTS:				
TURNOVER	327.68	451.67	503.76	513.99
Other Income	2.96	5.09	7.01	6.61
TOTAL INCOME :	330.64	456.76	510.77	520.60
Net Profit After Tax	10.01	13.98	14.86	19.67
Dividend Distributed	0.95	1.17	2.53	1.26
Tax on Dividend	0.10	0.13	0.26	-
Cash Profits	14.92	20.69	23.85	35.83
C. EQUITY SHARE DATA				
Earning Per Share (Rs) (On Base Capital 1998-99)	46.00	65.00	69.00	91.00
Earning Per Share (Rs) (On Weighted Average Capital)	25.00	22.00	24.00	25.00
D. IMPORTANT RATIOS:				
Debt Equity Ratio	0.60	0.87	1.01	1.34
Sales / Average of Net Fixed Assets (Number of Times)	6.23	6.40	5.44	3.80
Sales / Average of Net Working Capital (Number of Times)	12.84	12.96	10.31	6.83
Book Value of Share (Without Revaluation Reserve)	-	-	-	-
Book Value of Share (With Revaluation Reserve)	-	-	-	-



Vival Creek Bridge



Ten years Financial Highlights

Rs. In Crores					
2002-03	2003-04	Apr 04 -Dec 04 (9 Months)	Jan 05 -Mar 05* (15 Months)	2006-07	2007-08
12.04	12.04	15.58	17.09	17.69	17.69
113.55	139.25	309.62	840.79	879.78	961.31
71.73	70.22	69.13	67.34	252.00	249.66
198.12	222.31	394.33	925.82	1150.27	1228.66
188.26	218.18	303.10	170.59	371.49	377.06
26.61	31.00	36.59	34.53	37.92	37.17
442.99	472.47	734.02	1130.94	1559.68	1642.89
215.17	225.09	253.33	309.70	448.68	541.79
71.73	70.22	69.13	67.34	252.00	249.66
286.90	295.34	322.47	377.04	701.48	791.45
49.19	96.66	321.92	637.71	707.76	690.68
76.90	80.50	89.63	116.19	150.44	160.78
442.99	472.47	734.02	1130.94	1559.68	1642.89
726.05	1119.72	866.60	1645.69	2084.33	2513.74
9.62	9.07	16.03	33.20	55.15	24.38
736.27	1129.69	882.63	1678.89	2139.48	2538.12
20.93	34.09	42.90	102.83	98.36	88.32
3.16	3.16	3.85	5.25	4.37	4.34
0.40	0.40	0.55	0.73	0.64	0.74
47.00	59.40	63.96	137.86	136.98	133.78
97.00	158.00	199.00	476.00	455.00	409.00
15.00	23.00	30.00	13.00	11.00	10.00
1.49	1.43	0.93	0.20	0.41	0.41
3.79	5.09	3.62	5.89	5.49	5.08
10.13	15.35	4.14	3.46	3.10	3.59
-	-	208.74	98.97	103.46	112.92
-	-	253.12	106.72	132.60	141.64

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

Wingsail Chimney





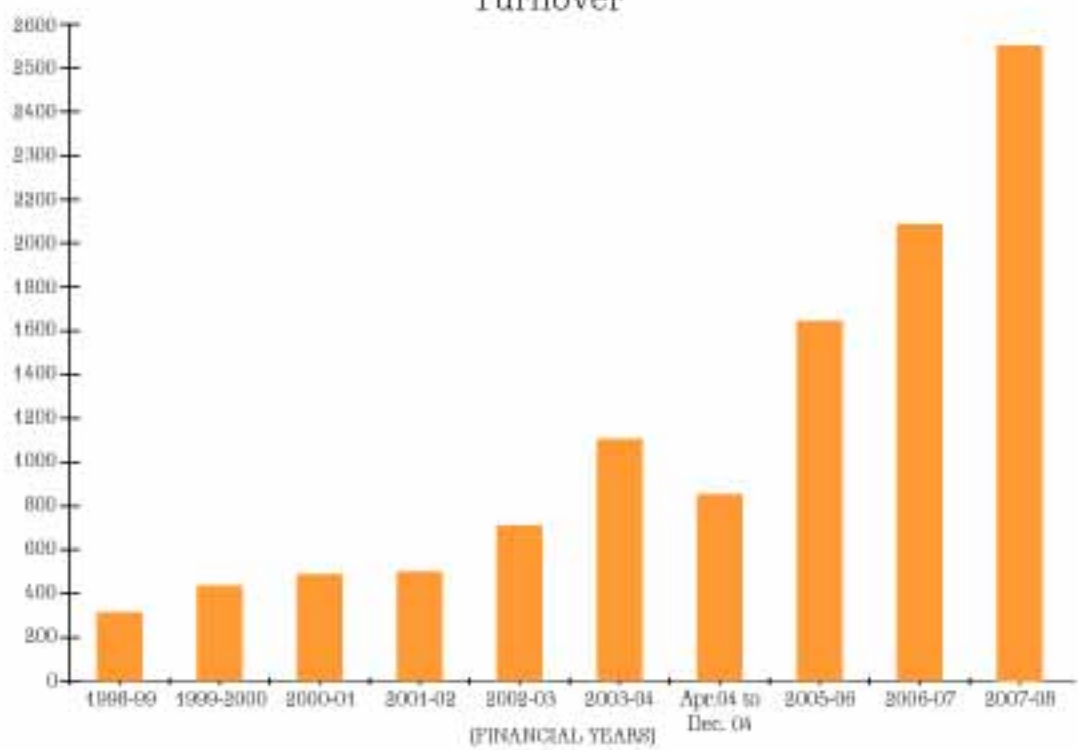
Kolar Dam Power House



Jagdishpur Filling Tower

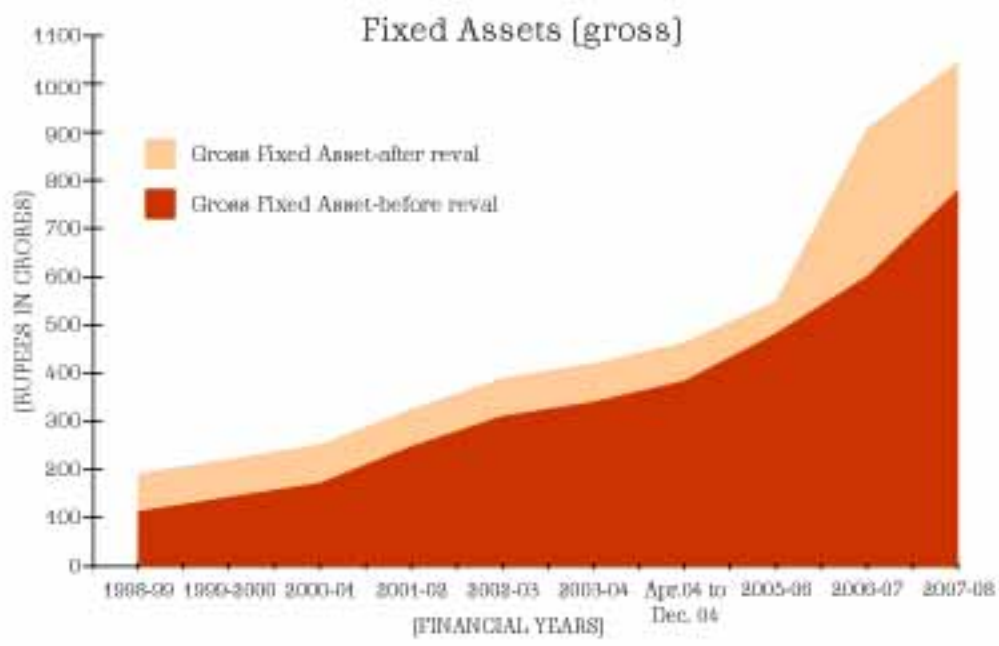
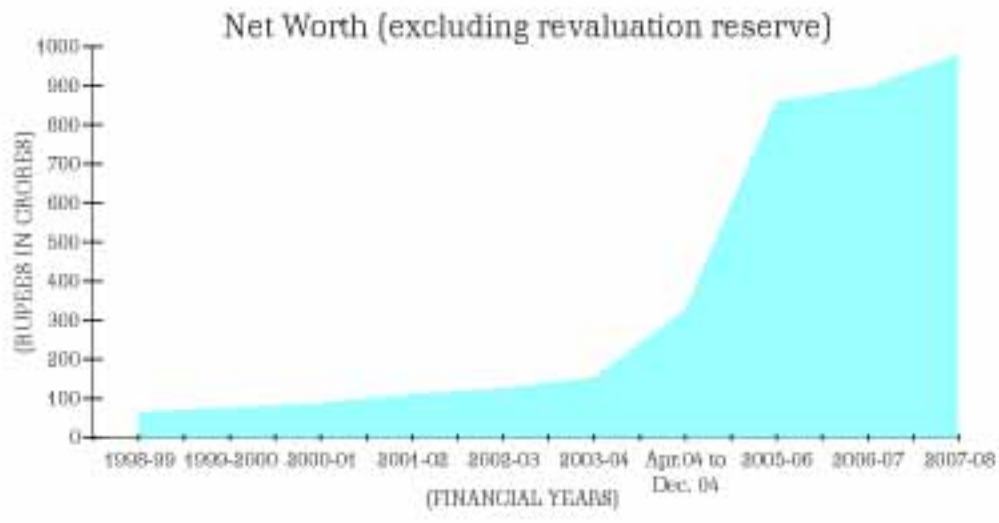
Performance highlights

Turnover



Net Profit After Tax





Jindal Chimney, Raigarh, Chhattisgarh

Coke Oven Plant (Silos) JSW Steel Plant, Orissa



Top projects under execution

Name of the Project	VADAPE-GONDE ROAD (99.5KM) NH-3
Client	National Highway Authority of India
Project Profile	Improvement, operation and maintenance of rehabilitation and strengthening of existing 2 lane road and widening to 4 lane divided carriageway from km 539.500 to km 440.000
Cost	Rs. 624 Crs
Name of the Project	PARBATI HYDROELECTRIC PROJECT - LOT PB3
Client	National Hydroelectric Power Corporation Limited
Project Profile	Construction of Part Head Race Tunnel, Surge Shaft, Pressure Shaft, Under Ground Power House and Tail Race Tunnel
Cost	Rs. 325 Crs
Name of the Project	RAMPUR HYDROELECTRIC PROJECT - PACKAGE 1 & 2
Client	Satuj Jal Vidhyut Nigam Limited
Project Profile	Construction of Civil Works for Head Race Tunnel inclusive cut & cover Section, River Diversion Works, Adits, Surge Shaft, Pressure Shafts, Valve House, Power House Complex, Tail Race Tunnel Adits and Hydro Mechanical Works
Cost	Rs. 403. 50 Crs
Name of the Project	WEST BENGAL CORRIDOR PROJECT
Client	Government of West Bengal PW road Directorate
Project Profile	State Highway & Rural Access Roads Component - Improvement of Gajol Hilli Section of SH-10 With a Link From Patiram to Balurghat Contract Package- D SH-10 (97.428 km)
Cost	Rs. 223 .09 Crs
Name of the Project	BRAMHAPUTRA BRIDGE
Client	National Highway Authority of India
Project Profile	Construction of new Bramhaputra Bridge near Guwahati on NH-34 in the State of Assam Civil Package (AS-26)
Cost	Rs. 238. 40 Crs





Farhadi Tunnel Work



Vidape-Gonde Road

Name of the Project	CONTRACT - BC-25, BC-27, BC-28, BC-29, BC-30R
Client	Delhi Metro Rail Corporation Limited
Project Profile	BC-25 & 27 - Design and Construction of Viaduct Lajpat Nagar & Mookhand Delhi MRTS Projects. BC-28 & BC-29 - Design & Construction of elevated stations Govindpuri & Okhla and East of Kailash Nehru place and Kalkaji mandir BC-30R- Part design and construction of elevated station at Jasola, Mohan estate, Tughlakabad and Badarpur of Delhi MRTS
Cost	Rs. 315.81 Crs
Name of the Project	GORAKHPUR BYE PASS
Client	Gorakhpur Infrastructure Company Limited
Project Profile	Design, Construction, Finance , Operation and Maintainance of km 0.00 to km 32.27 of Gorakhpur Bypass on NH-28 in the state of Uttarpradesh on Annuity Basis
Cost	Rs. 551.90 Crs
Name of the Project	KOSI BRIDGE
Client	Kosi Bridge Infrastructure Company Limited
Project Profile	Design, Construction, Finance, Operation and Maintenance of 4 lane Bridge across river Kosi, including approaches, Guide Bund & Afflux Bund from KM 155.00 to KM 165.00 on NH-57 in the state of Bihar on annuity basis
Cost	Rs. 347.05 Crs
Name of the Project	MAIN PLANT AND OFFSITE CIVIL WORKS PACKAGE
Client	NTPC Tamilnadu Energy Co. Limited
Project Profile	Main Plant and Offsite Civil Works Package for NTPC Tamilnadu Energy Co. Limited Power Project 2 x 500 MW
Cost	Rs. 286.32 Crs
Name of the Project	ND COOLING TOWER FOR JHAJJAR
Client	NTPC
Project Profile	Design, supply, erection of ND cooling tower for Jhajjar
Cost	Rs. 217 Crs
Name of the Project	BHUSAWAL COOLING TOWER & CHIMNEY
Client	TATA Projects Limited
Project Profile	Supply, erection of ND cooling tower and chimney
Cost	Rs. 166.17 Crs
Name of the Project	KALWAKURTHY LIFT IBBIGATION SCHEME
Client	Government of Andhra Pradesh, Irrigation and CAD Department
Project Profile	Execution of Stage-3 Pumping station (5 x 30 MW) of Kalwakurthy Lift Irrigation Scheme, Mahboobnagar, Dist. Andhra Pradesh
Cost	Rs. 634 Crs



Rajahmundry Expressway Ltd.



Andhra Expressway Ltd.

Our presence in
Public Private Partnership Projects
 through Gammon Infrastructure Projects Ltd.

Rajahmundry Expressway Ltd.

- 53 Km. road stretch connecting Rajahmundry to Dharmavaram
- Client-National Highways Authority of India
- Annuity road project with Total project cost of Rs. 256 Crores
- Concession period-17.5 years with 2.5 years of construction
- Commercial operations started from September 20, 2004, 70 days ahead of schedule

Vizag Seaport Private Ltd.

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

Cochin Bridge Infrastructure Company Ltd.

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

Mumbai Nashik Expressway Ltd.





Cochin Bridge Infrastructure Company Ltd.

Mumbai Nasik Expressway Ltd.

- Client - National Highways Authority of India (NHAI)
- Largest BOT road project from NHAI at the time of award
- 99.5 km road stretch connecting Vadape (towards Mumbai) and Gonde (towards Nasik) on NH-3
- Total project cost - Rs. 753 Crores
- Concession period 20 years (including 3 years of construction)
- 65% of construction works completed

Andhra Expressway Ltd.

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



Our presence in

Public Private Partnership Projects

through Gammon Infrastructure Projects Ltd.



Ghndrupur Thermal Power Project

Gammon's projects



Nepal Bridge



Westcott Road Flyover, Chennai

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 86th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2008.

1. FINANCIAL PERFORMANCE:

	Current Year 2007-08 Rs. in Crores	<i>Previous Year 2006-07 Rs. in Crores</i>
The Profit for the year before providing Depreciation and Taxation amounted to:	185.55	178.28
From which is to be deducted:		
Depreciation	46.21	35.22
Profit Before Taxation	139.34	143.06
Provision for Taxation:		
— Current Tax	50.12	40.10
— Deferred Tax	(0.75)	3.40
— Fringe Benefit Tax	1.65	1.20
	51.02	44.70
Profit After Tax	88.32	98.36
<i>Add/(Less)</i>		
Excess/(Short) Provision of taxation for earlier years	(2.19)	(53.88)
Net Profit After Prior Year Tax Charge	86.13	44.48
Profit Brought Forward from last year	111.58	102.82
Profit Available For Appropriation	197.71	147.30
<i>Less:</i>		
Amount Transferred to General Reserve	(14.95)	(10.00)
Amount Transferred from Debenture Redemption Reserve	13.75	—
Amount Transferred to Debenture Redemption Reserve	(11.51)	(10.71)
Amount Transferred to Special Contingency Reserve	(20.00)	(10.00)
Proposed Dividend	(4.34)	(0.87)
Interim Dividend	—	(3.50)
Tax on Dividend	(0.74)	(0.64)
	(37.79)	(35.72)
Balance Carried to Balance Sheet	159.92	111.58

Your Company achieved a Turnover of Rs. 2,340.84 Crores (excluding Company's share of turnover in Joint Venture aggregating to Rs. 172.90 Crores) during the year ended 31st March, 2008 as compared to a Turnover of Rs. 1,844.84 Crores (excluding Company's share of turnover in Joint Venture aggregating to Rs. 239.49 Crores) for the previous year ended 31st March, 2007 thereby registering an increase of 26.89% on annualized basis.

The Net Profit of the Company after tax increased from Rs. 44.48 Crores in the previous year to Rs. 86.13 Crores during the year under review.

2. DIVIDEND:

The Board of Directors at its meeting held on 30th June, 2008 has, subject to the shareholder's approval recommended a final dividend of 25% (Rs. 0.50 per share of Rs. 2/- each) for the year 2008. The total

dividend for the year under review works out to Rs. 4.34 Crores. Dividend Distribution Tax aggregates to Rs. 0.74 Crores.

3. FINANCE:

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

As on 31st March, 2008, total amount outstanding towards issue of Non-Convertible Debentures on private placement basis to banks and financial institutions stood at Rs. 126 Crores. CARE has assigned AA+ rating for the same.

The following credit ratings from CARE continue:

- (i) PR1+ for short-term commercial paper of Rs. 225 Crores
- (ii) AA+ for Non-Convertible Debentures of Rs. 300 Crores
- (iii) CARE AA+ for Long Term Bank Facilities and PR1+ for Short Term Bank Facilities aggregating to Rs. 3,000 Crore.

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

Capital expenditure on plant and machinery during the year amounted to Rs. 111.89 Crores which was financed from internal accruals, short term funding and External Commercial Borrowings.

Gammon Infrastructure Projects Limited (subsidiary of Gammon India Limited) became a listed entity with the Initial Public Offering comprising of 1,65,50,000 Equity Shares for a price of Rs. 167 per share (including premium of Rs. 157). The issue was oversubscribed by 3.42 times. It raised an amount of Rs. 276.39 Crores through the public issue.

4. FIXED DEPOSITS:

Your Company did not invite or accept deposits from the public during the year under review. 158 deposits (pertaining to previous years) aggregating to Rs. 0.18 Crores remained unclaimed as on 31st March, 2008.

5. DEPOSITORY MECHANISM:

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on March 31, 2008, almost 97.04% of the Company's total share capital representing 8,48,81,247 shares were in dematerialized form. In view of the numerous advantages offered by the Depository system, members holding shares in physical mode are advised to avail of the facility of dematerialization with either of the Depositories.

6. OVERSEAS EXPANSION:

During the year under review, your Company has already undertaken several projects in the Middle-East and South Africa and other countries and is seeking out new business opportunities overseas. Your Company has successfully completed an Independent Water and Power Project at Sohar – Water Transmission System Project for Ministry of Housing Electricity and Water, Sultanate of Oman – the Single largest water transmission project ever awarded by the Ministry.

In continuing with its overseas ventures, your Company emerged as a successful lowest-bidder for Civil and site development work at Wonji/Shoa Sugar Factory, Ethiopia. The Company set up two special purpose vehicle companies in Netherlands viz. P. Van Eerd Beheersmaatschappij B.V. and Gammon Holdings B.V. as overseas step-down subsidiaries for following acquisitions:

Sadelmi S.p.A, an Italian Company engaged in the business of balance of plant for the Power Sector.

Franco Tosi Mecannica S.p.A an Italian Company engaged in the business of design, manufacture and servicing of Industrial Turbines, Steam Turbines for Power Generation and Hydraulic Turbines.

Your Directors are of the opinion that since the activities of these companies are complementary and in some cases similar to that of the Company, these acquisitions will lead to synergies in operations and help the Company gain a foothold in new areas of Infrastructure development.

The acquisition of these Companies will help your Company to become more global in its outlook and reach.

7. EMPLOYEES STOCK OPTION SCHEME:

With the objective of attracting and retaining efficient employees and rewarding them for their contribution to the Company's growth, your Company has with your approval, introduced Gammon India Limited – Employees Stock Option Scheme 2007 for issue of 20,00,000 stock options to eligible employees of the Company and its subsidiaries. The Board has constituted an ESOP Compensation Committee which has been entrusted with the responsibility of administering the Scheme. In pursuance thereof, the Committee has granted and issued 15,00,000 options on 15th May, 2008 at a price of Rs. 395.75 per share as per Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. Details of the Options granted under ESOP, as also the disclosure in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, are set out in Annexure II to this report.

8. BUSINESS PROSPECTS:

The infrastructure industry has been growing on a massive scale, registering an impressive growth of almost 8.3% during the financial year 2007-08. New Projects in sectors such as Power, Oil, Gas, Ports, Roads, Railways, Urban Infrastructure and Industrial Projects (Steel, Aluminum, and Cement Plants) contribute over 50% of the revenues of the Indian Construction Industry. Given the number of large infrastructure projects on the anvil, the construction sector is poised for a big expansion. As most of the infrastructure sectors have lined up ambitious plans, the construction sector can certainly be expected to be a major beneficiary. Your company being one of the major players in the construction industry has entered into the field of Dedicated Railway Freight Corridors announced by the Ministry of Railway valued at Rs. 1,000 Crores and also for Civil works of the Aluminium plant at Jharsuguda, Orissa. Your Company's performance, business outlook and future prospects has been detailed in the Management Discussion and Analysis Report.

9. INVESTMENTS IN INFRASTRUCTURE ACTIVITIES:

Your Company participates in the development of infrastructure projects in India by undertaking projects on a Public Private Partnership ("PPP") basis through its subsidiary Gammon Infrastructure Projects Limited (GIPL). GIPL is among the first company in India to be modeled as an infrastructure development company, undertaking projects on a PPP basis. It undertakes and develops roads, bridges, ports, hydroelectric, power and biomass power projects. In addition it also undertakes, projects in various sectors such as – urban infrastructure, airports, mass rapid transit systems, power transmission lines and SEZs. It also offers services in other areas of project development, such as project advisory services, project funding and operations and maintenance activities. Presently, the infrastructure project development business includes fourteen projects – housed under separate special purpose vehicle companies. Of these, four are already in the operations phase and the other ten in various stages of development.

10. SUBSIDIARY COMPANIES:

At the commencement of the year the Company had 13 (Thirteen) subsidiaries. It has further incorporated the following subsidiaries during the year under review:

- (1) Gammon International FZE – UAE
- (2) P. Van Eerd Beheersmaatschappij B.V. – Netherlands
- (3) Gammon International L.L.C. – Oman
- (4) Tidong Hydro Power Limited
- (5) Gammon Logistics Limited
- (6) Haryana Biomass Power Limited

In addition to the above the following companies have become step down subsidiaries of your Company:

- (1) Gammon Holdings B.V. – Netherlands
- (2) Gammon International B.V. – Netherlands
- (3) Deepmala Infrastructure Private Limited

A Statement pursuant to Section 212 of the Companies Act, 1956 containing details of the subsidiaries of the Company form part of the Annual Report.

Your Company has applied to the Central Government under Section 212(8) of the Companies Act, 1956 seeking an exemption from attaching copies of the Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of its subsidiary Companies.

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

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

Report on Corporate Governance and Management Discussion and Analysis statement will form part of Annual Report.

12. DIRECTORS:

Mr. Himanshu Parikh, Whole-time Director of the Company, whose term ended on 30th April, 2008, was re-appointed as the Whole-time Director of the Company for a further period of 5 (five) years w.e.f. 1st May, 2008, subject to the approval of the shareholders at the ensuing Annual General Meeting.

Mr. S. K. Guha Thakurta, Director of the Company expired on 29th September, 2007. Your Directors would like to place on record their appreciation for the valuable services rendered by Mr. Thakurta during his tenure as a Director.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Peter Gammon and Dr. Naushad Forbes retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Jagdish Sheth and Mrs. Urvashi Saxena were appointed as Additional Directors w.e.f. 29th September, 2007 and 31st January, 2008 respectively.

Mr. Jagdish Sheth was the Chairman and Managing Director of the Shipping Corporation of India Ltd. and has been associated with the Shipping Industry in India for the last 50 years.

Mrs. Urvashi Saxena was the former Chairperson of the Income Tax Settlement Commission, New-Delhi and the Former Chief Commissioner of Income Tax, Mumbai.

Brief resumes of these directors are included in the notes to the notice convening the Annual General Meeting which includes the proposal for appointment and re-appointment of the aforementioned Directors.

13. DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. The applicable accounting standards have been followed by the Company in preparation of the annual accounts for the year ended 31st March, 2008;
2. The Directors have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year ended 31st March, 2008; and of the Profit of the Company for the said financial year ended 31st March, 2008;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts are prepared on a going concern basis.

14. HEALTH, SAFETY & ENVIRONMENT:

We at Gammon believe that safety of our employees is of great importance and we rank it at par with quality and progress of work. The commitment of providing a safe and healthy working environment is being achieved by

proactive planning during the inception stage, providing necessary safety gadgets during the execution stage and constant upgradation of our safety standards as per the rapid changing technology in construction.

During the year under review your Company has been successful in;

- Maintaining a good safety record with up to 50% decrease in the accident frequency rate and accident incidence rate.
- Implementation of safety action plan at project sites through effective training at all levels and promotional activities.
- Ensuring good health of our employees and spreading awareness at project sites by organizing health check up camps and HIV/AIDS awareness programmes.
- Receiving appreciation from some of our esteemed clients for project team achievements like completion of seven million safe man-hours and excellence in safety.
- Achievement of ISO: 14001-2004 EMS and OSHA: 18001-1999 by our BC-12 & 13, Delhi Metro Rail Corporation project site.
- Publishing a safety hand book titled "The Bad and Good of Safety". This book is an answer to the regular complaint that 'construction workers are illiterate'. The book gives pictorial safety education.

15. RESEARCH & DEVELOPMENT:

Indian construction industry is passing through evolutionary phase and to survive this era there is a need to have strong Research and Development quest to develop modern techniques to accelerate the operational skills and to meet the challenges of construction activities e.g.

- Scheme is developed to launch the segments using span by span technique for Kosi River Bridge. Maximum weight of segment is about 90 MT. Specially developed Camel gantry will be used to feed the segments. Launching girder fabricated with high tensile steel plates will be used for erection of segments.
- Spud Barge of size 18m x 22m having capacity to carry 100 MT on crawler crane for piling and erection works in mid sea is being developed for Mumbai Port Trust.
- Various such techniques have been developed & sustained efforts are being made to improve upon existing techniques and development of new ones.

16. AUDITORS:

The existing Statutory Auditors M/s. Natvarlal Vepari & Co., Chartered Accountants, 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 under Section 224(1B) of the Companies Act, 1956 has been received from them.

The Board has recommended the appointment of M/s. Natvarlal Vepari & Co., Chartered Accountants, as Statutory Auditors of the Company and also as the Branch Auditors, Oman Branch and any other branch, subject to members' approval.

17. AUDITORS' REPORT:

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

18. PARTICULARS OF EMPLOYEES:

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

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

A. Conservation of Energy:

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

**B. Technology Absorption:**

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

C. Foreign Exchange earnings and outgo:

Total foreign exchange used and earned during the year.

	(Rupees in Crores)	
	Current Period	Previous Period
Foreign Exchange used	68.17	120.30
Foreign Exchange Earned	12.67	40.92

20. 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 for the dedicated efforts put in by Gammonites at all levels and wish to thank the Shareholders and Deposit holders for their unstinted support and co-operation.

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai

Dated : 30th June, 2008

ANNEXURE I

(FORMING PART OF THE DIRECTORS' REPORT)

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

Name	Designation	Qualification	Age	Joining Date	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment – Designation
Abhijit Rajan	Chairman & Managing Director	Commerce Graduate, LSE (London)	47	17-05-1991	28	1,42,64,301	IPCA Laboratories Ltd., Whole Time Director
Anurag Choudhury	Vice President Finance & Banking	B.Sc., M.Sc., CAIIB, MFM	53	22-01-1991	29	24,09,843	Bank of Maharashtra, Manager
C. Bhattacharjee	Chief Executive – Nuclear & Heavy Engineering Projects	B.E. (Civil), Diploma in Financial Management	57	08-02-1987	36	33,35,520	Amiantit Oman S.A.O, Construction Manager
P. M. Baride	Vice President Procurement	B.E. (Production)	52	12-05-1995	31	25,05,598	Asia Foundation & Construction Co. Ltd, Materials Manager
Rajul A. Bhansali	Executive Director	Commerce Graduate and Chartered Accountant	52	30-03-2003	30	34,73,596	Afcon Infrastructure Ltd., Deputy Managing Director
Subodh V. Kamat	Chief Executive Roads	BE	54	15-04-2004	33	36,25,250	Patel Engineering Ltd., Vice President
Manoj R. Gupta	CEO – ID Cooling Towers	BE., MBA	39	23-08-2004	17	32,56,213	Hamon Thermopack Engrs (P) Ltd., Sr. Business Manager
Surendra Y. Warty	Vice President – Underground works	B.E. (Civil)	59	17-11-2004	37	25,40,645	Skanska Cementation India Ltd., Vice President
Himanshu V. Parikh	Executive Director	Commerce Graduate	48	02-08-2004	28	36,41,337	Vizag Seaport Pvt. Ltd., Managing Director
P. M. Jakkal	President Pipelines	Diploma in Civil Engineering	62	26-07-1999	40	24,00,000	Aban Constructions, VP – Pipelines
Dr. N. V. Nayak	President Monitoring Committee	B.E., M.Tech, Phd.	71	04-01-1996	—	40,00,200	—
Virendra Kumar Sharma	President – Operation	B.E. (Mech)	67	03-03-2005	44	25,22,865	NPCIL, Sr. Executive Director
R. K. Malhotra	Chief Executive Bridges and Flyover	B.E., M.Tech	55	08-01-1979	30	34,68,497	—
A. B. Desai	Chief Executive Power Structure	B.E.	51	01-09-1979	29	30,53,511	G. L. Raheja & Associate, Jr. Engineer
M. V. Jatkar	Vice President Construction Systems	B.E., M.E.	53	01-07-1980	28	33,98,956	—
Naresh Kumar Bhatia	Senior General Manager – (P)	BE – Civil	53	11-07-1977	31	25,59,469	—
S. N. Sanyal	Vice President Projects	B.E. – Civil	58	01-01-1976	32	29,20,449	—
Pratap Shankar Raizada	General Manger – Projects	B.E. – Civil	54	01-08-1980	29	24,65,934	Jaiprakash Ass. Pvt. Ltd. Field Engineer
V. H. Heggade	General Manager Technical	B.E. Civil, P.D.C.M, MAM	46	14-06-1985	24	24,57,791	Consulting Engineer – Sagar, Jr. Engineer
R. D. Varangaonkar	Chief Executive – River Valley Projects	B.E. Civil	64	25-09-1968	40	26,31,188	—

Notes

- Gross Remuneration includes salary, allowance, contribution to Provident, Superannuation Fund, Gratuity and taxable value of perquisites.
- The nature of employment is contractual.
- None of the above hold more than 2% of paid up capital of the Company.
- Designation denotes nature of duties also.
- No employee is related to any Director.

ANNEXURE II

Disclosure pursuant to the provision of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

GIL Employee Stock Option Scheme, 2007

(a)	Option Granted	15,00,000
(b)	The Pricing formula	The latest available closing price (on a Stock Exchange where there is highest trading volume) prior to the date of the meeting of the Board/ESOP Compensation Committee at which the Board/Committee finalised the specific number of Options to be granted.
	Options	15,00,000
	Price of Option	Rs. 395.75
	Date of Compensation committee meeting	15 th May, 2008
(c)	Option Vested	N.A.
(d)	Options Exercised	N.A.
(e)	The total number of shares arising as a result of exercising of Option	N.A.
(f)	Options lapsed	N.A.
(g)	Variation of terms of Options	N.A.
(h)	Money realized by exercise of Options	N.A.
(i)	Total Number of Options in force	15,00,000
(j)	Employee wise detail of Options granted to:	
	(i) Senior Managerial Personnel	A summary of Options granted to managerial personnel are as under: No. of employees covered – 125 (One Hundred and Twenty-Five only). No. of Options granted to such personnel – 15,00,000 (Fifteen lakhs) Only summary given due to sensitive nature of information.
	(ii) any other employee who receive a grant in any one year of Options amounting to 5% or more of Options granted during the year.	N.A.
	(iii) identified employees who were granting 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.	N.A.
(k)	Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with the Accounting Standard (AS) 20 'Earning per Share'.	N.A.*
(l)	(i) Method of calculating employee compensation cost.	N.A.*
	(ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options.	N.A.*
	(iii) The impact of this difference on the profits and on EPS of the Company.	N.A.*
(m)	Weighted – average exercise price and weighted average fair values of Options (to be disclosed separately for Options whose exercise price either equals or exceeds or is less than the market price of the stock).	N.A.*
(n)	Method and significant assumption used to estimate the fair value of options granted during the year.	N.A.*
	(a) Method	—
	(b) Significant Assumptions	
	(i) risk free interest rate	—
	(ii) expected life of options	—
	(iii) expected volatility	—
	(iv) expected Dividend	—
	(v) Closing Market price of share on date of option grant	—

* Since the Options are granted after 31st March, 2008.

Auditors' certificate on Employee Stock Option Scheme

We have examined the Books of Accounts and other relevant records and based on the information and explanations given to us, certify that in our opinion, the Company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and resolution of the Company passed via postal ballot dated 21st January, 2008.

For NATVARLAL VEPARI & CO.
Chartered Accountant
N. Jayendran
Partner
M. No. 40441

Mumbai, Dated: 30th June, 2008.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

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

2. BOARD OF DIRECTORS (BOARD) :

(a) Composition :

The Company has an optimum combination of Executive and Non-Executive Independent Directors to maintain the independence of the Board and to separate the Board functions of governance and management. The present strength of the Board is 9 (Nine) members. More than 50% of the Board members are Non-Executive and Independent Directors. All the members of the Board are persons with considerable experience and expertise in industry, finance, management and law.

None of the Directors on the Board is a Member of more than 10 (Ten) Committees and Chairman of more than 5 (Five) Committees (as 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 :

During the year under review the Company held 6 (Six) Board Meetings on 22/05/2007, 30/06/2007, 31/07/2007, 30/10/2007, 12/12/2007, 31/01/2008 and the gap between two meetings did not exceed four months.

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

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

Name and Designation of Director	Category of Directors	No. of Board Meetings attended (01.04.2007 to 31.03.2008)	Whether attended last A.G.M. (held on 18 th September, 2007)	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	0	No	0	0	0
Mr. Abhijit Rajan Chairman & Managing Director	Promoter/Executive/Non Independent	6	Yes	4	—	—
Mr. Rajul A. Bhansali Executive Director	Executive/Non Independent	6	Yes	1	—	—
Mr. Himanshu Parikh Director	Executive/Non Independent	6	Yes	5	1	1
Mr. C. C. Dayal Director	Non-Executive/Independent	5	Yes	10	1	5

Name and Designation of Director	Category of Directors	No. of Board Meetings attended (01.04.2007 to 31.03.2008)	Whether attended last A.G.M. (held on 18 th September, 2007)	No. of Directorships in other Public Companies	No. of Chairmanship and Membership of Committees of other public companies	
					Chairman	Member
Mr. Atul Dayal Director	Non-Executive/ Independent	6	No	4	—	1
Dr. Naushad Forbes Director	Non Executive/ Independent	2	No	1	—	—
Mr. Jagdish Sheth **	Non-Executive/ Independent	1	N.A.	—	—	—
Ms. Urvashi Saxena @	Non-Executive/ Independent	1	N.A.	1	—	—
Mr. S. K. Guha Thakurta * Director	Non-Executive/ Independent	3	No	N.A.	N.A.	N.A.

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) With effect from 29/09/2007
* Mr. S. K. Guha Thakurta ceased to be a Director by virtue of his demise.
** Mr. Jagdish Sheth was appointed as an Additional Director.
- (d) With effect from 31/01/2008
@ Ms. Urvashi Saxena was appointed as an Additional Director.
- (e) Mr. C. C. Dayal and Mr. Atul Dayal are related to each other.

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.

(d) Details of Remuneration paid to Directors during the year ended 31st March, 2008 :

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 31st March, 2008 is as follows :

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Commission (Rs.) ##	Total (Rs.)
Mr. Abhijit Rajan	78,00,000	54,64,301	10,00,000	1,42,64,301
Mr. Himanshu Parikh	15,00,000	11,41,337	10,00,000	36,41,337
Mr. Rajul Bhansali	12,60,000	12,13,596	10,00,000	34,73,596
Total	1,05,60,000	78,19,234	30,00,000	2,13,79,234

Payable for the year 2007-08.

SERVICE CONTRACT/SEVERANCE FEES :

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

Mr. Himanshu Parikh has been re-appointed as an Executive Director for a period of 5 (Five) years with effect from 1st May, 2008 to 30th April, 2013. The re-appointment of Mr. Himanshu Parikh is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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

Notice Period :

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

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

NON-EXECUTIVE DIRECTORS :

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

Details of Sitting Fees paid to Non-Executive Directors for attending Board and Committee Meetings during the year 2007-08 are given below :

Name	Board Meeting (Rs.)	Committee Meeting (Rs.) **	Total (Rs.)
Mr. C. C. Dayal	60,000	4,80,000	5,40,000
Mr. S. K. Guha Thakurtha*	1,500	NIL	1,500
Mr. Atul Dayal	61,500	NIL	61,500
Dr. Naushad Forbes	40,000	NIL	40,000
Mr. Jagdish Sheth	20,000	NIL	20,000
Ms. Urvashi Saxena	20,000	NIL	20,000

Note: (*) Mr. S. K. Guha Thakurta ceased to be Director w.e.f. 29/09/2007.

(**) Includes Financial Review Committee Meeting.

3. BOARD COMMITTEES :

The Board has constituted the following committees of Directors: (1) Audit Committee (2) Shareholders/ Investors' grievance Committee (3) Financial Review Committee (4) ESOP Compensation Committee.

(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 comprised of 3 (Three) Non Executive Independent Directors viz.: (1) Mr. C. C. Dayal (2) Mr. Atul Dayal and (3) Mr. S. K. Guha Thakurtha. However, with the sad demise of Mr. S. K. Guha Thakurta on 29th September, 2007, the Audit Committee was reconstituted with the following Directors as Members viz.: (1) Mr. C. C. Dayal (Chairman), (2) Mr. Atul Dayal (Both are Non-Executive and Independent Directors) and (3) 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 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 the appointment and removal of statutory 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 judgments 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.
- (d) Reviewing with the management, Statutory and Internal Auditors, internal controls and the adequacy of internal control systems.
- (e) Reviewing the quarterly and half yearly financial results.
- (f) 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.
- (g) Discussion with Internal Auditors, any significant findings and follow up thereon.
- (h) 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.
- (i) Discussions with Statutory Auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- (j) Reviewing the Company's financial and risk management policies.
- (k) 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.
- (l) Reviewing the operations, new initiatives and performance of the business divisions.

During the period under review, the Audit Committee met 5 (Five) times and the dates of such meetings were: 22/05/2007, 30/06/2007, 31/07/2007, 30/10/2007 and 31/01/2008.

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

Name of the Member	Category	No. of Audit Committee Meetings attended
Mr. C. C. Dayal	Non-Executive – Independent	5
Mr. S. K. Guha Thakurta*	Non-Executive – Independent	3
Mr. Atul Dayal	Non-Executive – Independent	5
Mr. Himanshu Parikh**	Executive/Non – Independent	2

Note: (*) Mr. S. K. Guha Thakurta ceased to be member w.e.f. 29/09/2007.

(**) Mr. Himanshu Parikh was inducted as member w.e.f. 29/09/2007.

Mr. C. C. Dayal, Chairman of the Audit Committee was present at the previous Annual General Meeting held on 18th September, 2007.

(b) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

The Shareholders/Investors Grievance Committee which comprised of 3 (Three) Non Executive Independent Directors viz.: (1) Mr. C. C. Dayal (2) Mr. Himanshu Parikh and (3) Mr. S. K. Guha Thakurtha., was reconstituted on 29th September, 2007, with the following Directors as Members viz.: (1) Mr. C. C. Dayal (Chairman) (2) Mr. Atul Dayal and (3) Mr. Himanshu Parikh, due to the sad demise of Mr. S. K. Guha Thakurta.

The Company Secretary, Mrs. 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 2006-07 the Committee held 24 (Twenty Four) meetings on 16/04/2007, 30/04/2007, 15/05/2007, 31/05/2007, 15/06/2007, 30/06/2007, 16/07/07, 31/07/2007, 16/08/2007, 31/08/2007, 13/09/2007, 29/09/2007, 15/10/2007, 31/10/2007, 15/11/2007, 30/11/2007, 15/12/2007, 31/12/2007, 15/01/2008, 31/01/2008, 15/02/2008, 29/2/2008, 15/03/2008 and 31/03/2008. The minutes of the shareholders'/Investors' Grievance Committee are reviewed and noted by the Board.

The Composition of the Shareholders/Investors Grievance Committee and the details of the meetings attended by the Directors is given below :

Attendance of each member during the year 2007-2008 are detailed below :

Name of the Director	Executive/Non-Executive	No. of Committee Meetings attended
Mr. C. C. Dayal	Non-Executive – Chairman	24
Mr. Atul Dayal**	Non-Executive – Independent	13
Mr. S. K. Guha Thakurta*	Non-Executive – Independent	—
Mr. Himanshu Parikh	Executive – Non-Independent	22

Note: (*) Mr. S. K. Guha Thakurta ceased to be member w.e.f. 29/09/2007.

(**) Mr. Atul Dayal was inducted as member w.e.f. 29/09/2007.

A total of 38 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 March 31, 2008, there were no pending letters/complaints. The status of Shareholders' complaints received upto 31st March, 2008 is as stated below :

No. of Complaints received during the twelve months period ended 31 st March, 2008.	38
No. of Complaints resolved as on 31 st March, 2008.	38
No of Complaints pending as on 31 st March, 2008.	Nil
No. of pending share transfers as on 31 st March, 2008.	Nil

Name, Designation and address of Compliance Officer :

Mrs. Gita Bade

Company Secretary

Gammon India Limited

Gammon House, Veer Savarkar Marg,

Prabhadevi, Mumbai 400 025.

Telephone : 022-6744 4000

Facsimile : 022-2430 0529

(c) EMPLOYEES STOCK COMPENSATION COMMITTEE :

Composition :

The Employees Stock Compensation Committee was constituted on 12th December, 2007, to formulate the detailed terms and conditions of Gammon India Limited Employee Stock Option Scheme-2007 ("Scheme") and to implement and administer the same in accordance with the SEBI Guidelines. The Employees Stock Compensation Committee of the Board comprises of the following as members namely: (1) Mr. C. C. Dayal (2) Mr. Atul Dayal (Both are Non-Executive and Independent Directors) and (3) Mr. Himanshu Parikh, Executive Director.

Mr. C. C. Dayal is the Chairman of the Committee.

Terms of Reference :

The Committee was formed inter alia to formulate detailed terms and conditions of the Employees Stock Option Scheme including but not limited to the following :

1. The quantum of options to be granted under Employees Stock Option Scheme per employee and in aggregate;

2. The conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
3. The exercise period within which the employee should exercise the option and that the option would lapse on failure to exercise the option within the exercise period;
4. The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
5. The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
6. The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issue, bonus issue, merger, sale of division and others;

MEETINGS :

A meeting of Employees Stock Compensation Committee was held on 23rd January, 2008.

(d) FINANCIAL REVIEW COMMITTEE :

In addition to the above Committees, the Company has also constituted a Financial Review Committee with two Directors as members' viz.: Mr. C. C. Dayal and Mr. Rajul Bhansali – Executive Director. The Committee reviews all financial transactions, various issues and compliances relating thereto. Mr. C. C. Dayal is paid sitting fees of Rs. 20,000/- per meeting for attending the meetings.

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. 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) CORPORATE GOVERNANCE MANUAL :

The Board of Directors of the Company approved and adopted a comprehensive Corporate Governance Manual setting out the Procedures for effective functioning of the Board and its Committees. It also incorporates the Code of Business Conduct and Ethics for Directors and Senior Management, Code of Ethics for Employees and Policy on Prohibition of Insider Trading. These Policies are regularly monitored and reviewed.

(c) GENERAL BODY MEETINGS :**(i) Location, date and time of General Meetings held during the last 3 years :**

The last three Annual General Meetings of the Company were held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Mumbai-400 034.

Annual General Meeting (AGM)

AGM	Financial Year	Date & Time
85 th	2006-2007	18 th September, 2007 at 3.00 p.m.
84 th	Fifteen Months ended 31 st March, 2006	26 th September, 2006 at 3.00 p.m.
83 rd	Nine Months ended 31 st December, 2004	28 th June, 2005 at 3.00 p.m.

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

Date of AGM	Particulars of Special Resolutions passed
18 th September, 2007	(i) Authorizing the Board to borrow in excess of the paid-up capital and free reserves of the Company under section 293(1) (d). (ii) Mortgaging and/or charging all or some or any immovable and/or movable properties of the Company, in favour of the lender(s) including debenture-trustees for the holders of debentures that may be issued whether privately placed/to be placed with the financial institutions, banks, bodies corporate and others with power to the lender(s) or debenture-trustees to take over the management of the business and concern of the Company in certain events and upon the terms and conditions decided/to be decided by the Board of Directors of the Company under section 293(1)(a). (iii) Altering the Object Clause of Memorandum of Association of the Company by inserting new sub-clause 36F. (iv) Making loans, investments, giving guarantees etc. to various bodies corporate and for ratification of the issue of Counter/Corporate Guarantees issued by the Company on behalf of other body Corporate under Section 372A of the Companies Act, 1956.
26 th September, 2006	(i) Alteration of Articles of Association of the Company by deleting Article Nos. 235 to 244. (ii) Making loans, investments, giving guarantees etc. to various bodies corporate and for ratification of the issue of Counter/Corporate Guarantees issued by the Company on behalf of other body Corporate under Section 372A of the Companies Act, 1956 which was passed by postal ballot.
28 th June, 2005	(i) Keeping the Register of Members and Debentures and Other related documents at the office of M/s Intime Spectrum Registry Limited., Registrar and Share Transfer Agent. (ii) Making of loans, investments, giving guarantees etc. to various bodies corporate under Section 372A of the Companies Act, 1956.

(iii) Resolutions Passed by Postal Ballot during 2007-08 :

The following resolutions were passed by Postal Ballot during the year 2007-08:

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

- (a) Special Resolution: Approval of the Members sought pursuant to Section 81(1A) of the Companies Act, 1956 for issue upto 20,00,000 Equity Shares under the Employees Stock Option Scheme to the employees 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	3,10,69,721	88.02
Against the Resolution	42,27,581	11.98
Total	3,52,97,302	100

The Resolution was passed by requisite majority.

- (b) Special Resolution: Approval of the Members sought pursuant to Section 81(1A) of the Companies Act, 1956 for issue upto 20,00,000 Equity Shares under the Employees Stock Option Scheme to the employees of Subsidiary Companies. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	3,01,74,915	85.49
Against the Resolution	51,22,387	14.51
Total	3,52,97,302	100

The Resolution was passed by requisite majority.

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

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	2,41,22,227	99.99
Against the Resolution	553	0.01
Total	2,41,22,783	100

The Resolution was passed by requisite majority.

- (d) Special Resolution: Approval of the Members sought pursuant to Section 17 of the Companies Act, 1956 for changing the Object Clause of Memorandum of Association of the Company by insertion of new clause. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	2,41,16,517	99.97
Against the Resolution	6,263	0.03
Total	2,41,22,780	100

The Resolution was passed by requisite majority.

- (e) Ordinary Resolution: Approval of the Members sought pursuant to Section 293(1)(a) of the Companies Act, 1956 for mortgaging and/or charging on such terms and conditions at such time(s) and in such form and manner and with such ranking as to priority (whether pari passu with subsisting charges or otherwise) as it may think fit all or some or any immoveable and/or movable properties of the Company for the availment of loans or issue of the said debentures/bonds subject to the maximum amount of Rupees Three Thousand Crores in aggregate including the charges subsisting. The details of voting pattern are as under :

Particulars	No. of votes cast	% of total votes cast
In favour of the Resolution	2,41,16,177	99.97
Against the Resolution	6,604	0.03
Total	2,41,22,781	100

The Resolution was passed by requisite majority.

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

No Special Resolution is proposed at the ensuing Annual General Meeting.

Procedure for Conducting Postal Ballot :

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

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

- (a) Not to divest, transfer, sell or alienate in any way its shareholding in Gammon Infrastructure Projects Ltd ("The Company's subsidiary) for a period of 3 years from the date of the allotment in the public issue of GIPL, and
- (b) Not to access the capital market directly or indirectly for a period of one year from the date of the order i.e., 21/12/2006.

The Company had preferred an appeal against the aforementioned SEBI Order to the Securities and Appellate Tribunal on 5th February, 2007. The Tribunal vide its order dated 20th June, 2008 dismissed the appeal.

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

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

- (iv) The Chairman and Managing Director and the Chief Financial Officer have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO Certification for the year ended 31st March, 2008.

6. MEANS OF COMMUNICATION :

- (a) **Financial Results:** As required under the Listing Agreement, Quarterly and Half-Yearly results of the Company are published within one month from the end of the respective quarter and the annual audited results are announced within three months from the end of the financial year. The financial results are published usually in the Economic Times and Maharashtra Times.
- (b) **News Releases, Presentations, etc.:** Official news releases, detailed presentations made to media, analysts, institutional investors, etc. are displayed on the Company's website www.gammonindia.com. Official Media Releases are sent to the Stock Exchanges.
- (c) **Website:** The Company's website www.gammonindia.com 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 form.
- (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.
- (e) **Chairman's Communique:** Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meeting.

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 reportings 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 the following means :

- (a) Financial statements, in particular the investments made by the unlisted subsidiary companies, are reviewed quarterly by the Audit Committee of the Company.
- (b) All minutes of the meetings of the unlisted subsidiary companies are placed before the Company's Board regularly.
- (c) A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board.

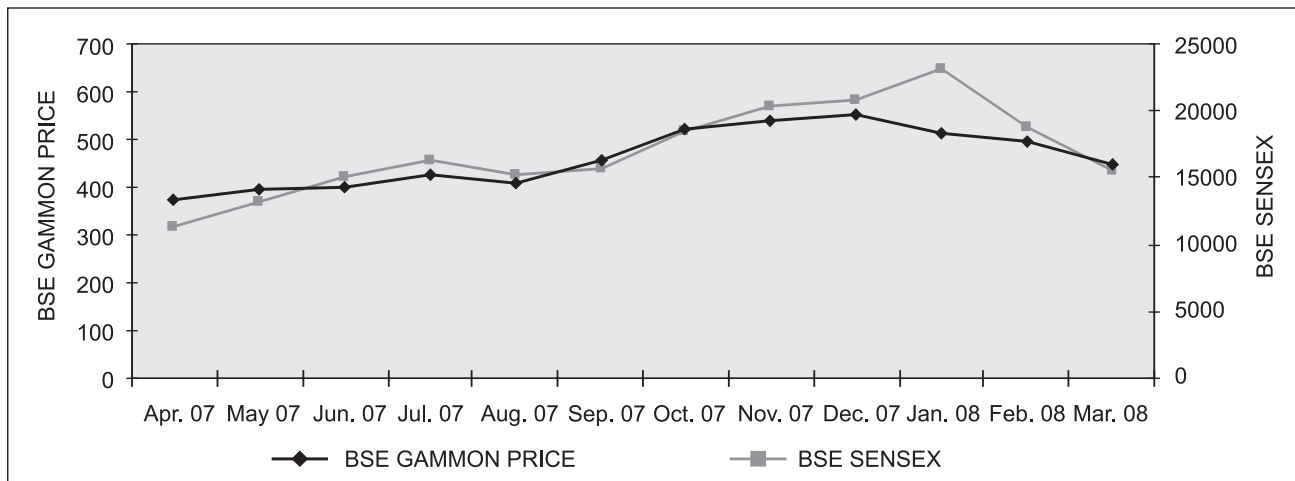
9. GENERAL SHAREHOLDER INFORMATION :

Date, Time and Venue of the 86 th Annual General Meeting	Thursday, 25 th day of September, 2008 at 3.30 p.m. at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Mumbai 400 034.
Financial Calendar for the year 2008-09 (Tentative)	Results for the quarter ending 30 th June, 2008 – 31 st July, 2008. Results for the Half year ending 30 th September, 2008 – Last week of October, 2008. Results for the quarter ending 31 st December, 2008 – Last week of January, 2009. Results for the year ending 31 st March, 2009 – Last week of June, 2009.
Date of Book Closure	Friday, 19 th September, 2008 to Thursday, 25 th September, 2008 (Both days inclusive).
Dividend payment date	On or before 24 th October, 2008.
Listing on Stock Exchanges ➤ Equity Shares	Bombay Stock Exchange Limited., P. J. Towers, Dalal Street, Fort, Mumbai 400 001. Telephone : 022 – 2272 1233/34 Facsimile : 022 – 2272 3353/55 (Stock code – 509550) AND The National Stock Exchange of India Limited., Exchange Plaza, Plot No. C/1, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. Telephone : 022 – 2659 8100/8114 Facsimile : 022 – 2659 8237/8238 (Stock code – GAMMONIND EQ)
➤ Global Depository Receipts	Luxembourg Stock Exchange 11, Avenue de la Porte-Neuve B.P.165 L-2011 Luxembourg. Telephone : +352 47 79 36-1 Telefax : +352 47 32 98 Cusip No. : 36467M200 Common Code : 20772565
Listing Fees	Paid to the above Stock Exchanges for the Financial Year 2008-2009
International Securities Identification No. (ISIN)	Equity : INE 259B01020 GDR : US36467M2008
Registrar & Share Transfer Agents	M/s. Intime Spectrum Registry Limited., C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400 078. Telephone : 022 – 2596 3838 Facsimile : 022 – 2594 6969 e-mail : ISRL@INTIMESPECTRUM.COM
Share Transfer System	Trading in Company's Shares on the Stock Exchanges takes place in electronic form. However physical shares are normally transferred and returned within 15 days from the date of lodgment provided the necessary documents are in order.

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

MONTH	BSE		NSE	
	High	Low	High	Low
April, 2007	354.85	280.2	359	266.65
May, 2007	415.85	320	420	327.75
June, 2007	465.60	377	440	371.05
July, 2007	503.90	409.10	505	410.5
August, 2007	478.95	376.3	477.80	360.05
September, 2007	475	401.10	475	400
October, 2007	594.90	442	600	405
November, 2007	620	515	615	501.15
December, 2007	625	537.40	625.15	530.15
January, 2008	845	452.10	844	458
February, 2008	595	455.5	573	438
March, 2008	493	379.95	490	375

STOCK PERFORMANCE IN COMPARISON TO BSE SENSEX



10. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2008 :

Shareholding of Nominal Value (Rs.)	No. of Shareholders	% of Total	Share Capital Amount (Rs.)	% of Total
Upto – 500	17402	89.5030	1629473	1.8630
501 – 1000	969	4.9840	746326	0.8530
1001 – 2000	568	2.9210	834223	0.9540
2001 – 3000	165	0.8490	416441	0.4760
3001 – 4000	63	0.3240	224032	0.2560
4001 – 5000	47	0.2420	219207	0.2510
5001 – 10000	81	0.4170	585678	0.6700
10001 – and above	148	0.7610	82815090	94.6780
TOTAL	19443	100	87470470	100

11. DEMATERIALISATION OF SHARES AS ON 31ST MARCH, 2008 :

Particulars	No. of Equity Shares	% to Share Capital
NSDL	7,80,89,427	89.28
CDSL	67,91,820	7.76
Physical	25,89,223*	2.96
Total	8,74,70,470	100

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

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

1.	Parbati HE Project Stage II, Gammon India Ltd., Parbati Power House, P.O. & Village-Sainj, Dist.-Kullu, Himachal Pradesh – 175 134.
2.	Anji Khad Bridge, Gammon India Ltd., Anjikhad Bridge Project, P.O. Gran Mode (Reasi), District-Reasi, Jammu & Kashmir, Pin – 182 311.
3.	Earth work of GNSS Main Canal PKG 2 - cuddapah, Government of Andhra Pradesh, Irrigation and CAD Department.
4.	BOT Nasik-Wadape-Gonde 4-Laning, Gammon India Limited., Vadape-Gonde NH-3 Road Project, Old Highway Sansar Hotel @ Km. 464, Opp. Traffic Police Chowki, Igatpuri, Dist. Nasik (MS) – 422 403.
5.	Stage 3 Pumping station (5 X 30 MW) of Kalwakurthy Lift irrigation Scheme, Gammon India Ltd., Mahaboobnagar District, Andhra Pradesh.
6.	Construction of Part Head Race Tunnel surge shaft, pressure shaft, power house and tail race tunnel (civil works) pkg. III, Lot-2, Parbati HE Pr. stage III, Gammon India Ltd., Parbati Power House, P.O. & Village - Bihali - Sainj, Dist. Kullu, Himachal Pradesh – 175 134.
7.	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, Gammon India Limited., At Village & P.O. Madhubani, via Pratapgang, Dist. Supoul, Bihar.

8.	Brahmaputra Bridge near Guwahati on NH-31 in Assam, Gammon India Ltd., New Brahmaputra Bridge, Guwahati, Sadilapur, Ward No. #1, Near Jalukbari, Guwahati – 781 012. Dist. Kamrup, Assam.
9.	Construction of 4 Lane Bridge across river Kosi-BOT, Gammon India Ltd., 4 Lane Bridge Across River Kosi, Gupta Bhavan, Main Road, Nirmali, Via. Dharbhanga, Dist. Supoul, Bihar – 847 452.
10.	Construction of Gorakhpur Bypass in the state of U.P.-BOT Gammon India Ltd., Jarlahi Road, Vill & P.O. - Baghagada, Dist. Gorakhpur, U.P., Pin – 273 401.
11.	Delhi MRTS Project-BC-12 & BC-13, 24, 25, 26, 27, 29 & 30 - Part Design & Construction of Viaduct and Structural work of three Elevated Stations, Gammon India Limited., DMRC Proj, Opp. Millenium Park, Sarai Kale Khan, Beside L&T RMC Batching Plant, New Delhi – 110 013.
12.	Rampur HE Project package – I Gammon India Limited., Rampur HE Project Package-1, Village: Averi, Post: Nogli, Tehsil Nirmand, Dist. Kullu, Himachal Pradesh – 172 201.
13.	Gajol-Hilli Road Project in West Bengal, Gammon India Ltd., C/o. Mr. Mahendra Sarkar, Raiganj-Buniadpur Road, Vill. + P.O. - Buniadpur, Dist. D. Dinajpur, Pin – 733 121.
14.	Main Plant and Offsite Civil Works Package for NTPC – Tamilnadu Energy Company Limited Power Project, (2 X 500 MW), Gammon India Limited., Vallur Thermal Power Project, Vallur Camp, Ennur, Chennai – 600 120.
15.	Kalpakkam, Gammon India Limited., C/o. Bhavani, PFBR Site, Kalpakkam Post, Kanchipuram Dist., Tamil Nadu – 603 102.
16.	SEWA HEP, Gammon India Limited., C/o. NHPC, Sewa H.E. Project, Stage II, Vill: Gatti, P.O. Bani, Via. Basoli, Dist. Kathua, Jammu and Kashmir.

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

Gammon House, Veer Savarkar Marg,
Prabhadevi, Mumbai 400 025.
Telephone : 022 – 6744 4000
Facsimile : 022 – 2430 0529
Website : www.gammonindia.com
Email : investors@gammonindia.com

14. CATEGORIES OF SHAREHOLDERS : (AS ON 31ST MARCH, 2008)

Category	No. of shares	Percentage
Promoters Holdings :		
Resident	2,41,26,840	27.58
Non-resident	30,86,435	3.53
Non-Promoter Holdings :		
Indian Public	51,83,462	5.93
Indian Public & Others :		
Mutual Fund & UTI	1,44,48,467	16.52
Corporate Bodies	93,93,223	10.74
Banks, Financial Institutions, State & Central Govt.	6,04,609	0.69
Foreign Institutional Investors	2,47,21,984	28.26
NRIs/OCBs/Foreign Nationals/GDRs	59,05,450	6.75
GRAND TOTAL	8,74,70,470	100

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

GAMMON INDIA LIMITED

1. We have examined the compliance of conditions of Corporate Governance by **GAMMON INDIA LIMITED** for the financial year ended on 31st March, 2008 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.
4. We state that no investor grievance is pending for a period exceeding one month against the Company from the date of receipt of the grievance by the company as per the records and other documents maintained by the Shareholders/ Investors Grievance Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated : 31st July, 2008.

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

To
The Members of
GAMMON INDIA LIMITED

I, Abhijit Rajan, Chairman & Managing Director of Gammon India Limited hereby declare that all the members of the Board of Directors and the senior management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2008.

For GAMMON INDIA LIMITED

**ABHIJIT RAJAN
Chairman & Managing Director**

Place : Mumbai
Date : 31st July, 2008.

CEO/CFO CERTIFICATION

To
**The Board of Directors
Gammon India Limited.**

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

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2008 and that to the best of our knowledge and belief :
 - (i) these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct,
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee
 - (i) significant changes in internal control during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they have become aware and that the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control systems.

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director & Chief Financial Officer

Place : Mumbai
Date : 31st July, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENT:

The current scenario of Indian economy has been characterised by optimistic growth and strong macro-economic fundamentals, particularly with tangible progress towards fiscal consolidation and a strong balance of payments position, indicating strong growth especially with respect to Indian infrastructure industry. The advance estimates (AE) of Central Statistical Organization suggest that real Gross Domestic Product (GDP) in India grew by 8.7%. Looking back at 2007-08, it is safe to say that the US led global real sector slowdown has not significantly affected the Indian economy.

The infrastructure sector has been expanding on a massive scale. The overall index of six core industries having a direct bearing on infrastructure registered a growth of 8.3 per cent in the current year, which is higher than the 5.5 per cent growth registered during the previous year. In the first nine months of 2007-08, due to abnormal increase in the cost of petroleum products the prices for construction material like steel & cement increased sharply which number escalation formulae could not compensate the contractor for such abnormal increase. This naturally resulted in the slow down of infrastructure projects. Also, the Government is actively pursuing Public Private Partnerships (PPP's) to bridge the infrastructure deficit in the country. Several initiatives have been taken to promote PPP's in sectors like power, ports, highways, airports, tourism and urban infrastructure. The outlook for the Indian construction industry is positive.

2. OPPORTUNITIES AND THREATS:

New Projects in sectors such as Power, Oil and Gas, Ports, Roads, Railways, Urban Infrastructure, Industrial Projects (Steel, Aluminum, and Cement Plants) contribute over 50 % of the revenues of the Indian Construction Industry. Given the number of large infrastructure projects on the anvil, the construction sector is poised for a big expansion.

As most of the infrastructure sectors have lined up ambitious plans, the construction sector can certainly be expected to be a major beneficiary.

Your company being one of the major players in the construction industry has entered into the field of Dedicated Railway Freight Corridors announced by the Ministry of Railway valued at Rs.1000 crores and also for Civil works of the Aluminium plant at Jharsuguda, Orissa.

Indian cities as well as Africa and Middle East continues to grow at fast pace and offers ample opportunities in Transportation, Hydro, Industrial Structures, Water Supply Projects. Your Company already has significant presence in middle east, in the current year we have tapped the opportunities in African market and we were successful in securing order for Civil and site development work at Wonji/Shoa Sugar Factory, Ethiopia.

While much has happened, Infrastructure development has certainly not grown in line with the opportunities that the Indian Economy presents. With the increasing demand of the infrastructure development, there is considerable shortage and uncertainties of human expertise. At the same time we have to face immense competition not only from the domestic but also from international bidders. Inflationary pressure, abnormal increase in steel price puts a strong pressure on margins. Your Company is striving hard and taking adequate measures to fight these threats in order to increase its order book with minimum risk.

3. SPECTRUM OF ACTIVITY AND REVIEW OF PERFORMANCE:

In line with the extensive growth in the construction sector, your Company has a strong order booking position. For the year under review i.e. as on 31/3/2008 the order book position stood at over Rs. 9000 crores as against Rs. 6000 crores as on 31/03/07.

1. Transportation Engineering :

(a) Roads

India has one of the largest Road Networks in the world consisting of Expressways, National and State Highways and other District Roads.

National Highways Development Project is being implemented by NHAI in 4 phases I, II, IIIA & V. The present phases envisage improving more than 25,785 km of National Highways to international standards. NHDP phase I & II are likely to be completed by December 2008 whereas phase IIIA is scheduled for completion by December 2009. The total length completed as on 30th April 2007 is 7240 km and under implementation is 8194 km.

- (b) Your company has secured 11 (Eleven) contracts amounting to Rs. 3352 crores as on date. Out of these, 5 (Five) contracts have been successfully completed/likely to be completed during the year.

2. **Bridges, Metro Viaducts & Flyovers:**

In the current scenario the government has accorded priority to improve infrastructure in cities by giving boost to Metro Rail in almost all metros and major cities. Also the Government is giving high priority to projects like the Golden Quadrilateral connecting the metropolitan cities of Delhi-Mumbai-Chennai-Kolkata-Delhi thereby indicating a promising scope for bridges and flyover projects. The freight corridors of Indian Railways will offer tremendous opportunities for bridges and flyovers. During the year under review your Company has secured Projects worth Rs. 500 crores (approx) for Bridges and Flyovers comprising of various elevated structures and station buildings for Delhi Metro Rail Corporation (DMRC) for Delhi MRTS Project, Karnataka Bridge Packages – I, IV. The Company will be completing a total length of 30 km of elevated viaduct for DMRC.

3. **Hydro Electric Projects :**

The Hydro Sector continues to grow at a much faster pace, since the government has announced an ambitious plan of completing 50,000 mw Hydropower Projects by 2012. Hydro Power is an environmental friendly and renewable energy. Project sizes are increasing larger and larger. Also irrigation projects in Andhra Pradesh are coming up in large way including lift irrigation schemes. In addition to conventional contracting various state governments have also announced hydropower projects on BOT Basis. Some of the Hydro Power projects being executed/completed by Gammon include :

(a) *Teesta HRT*

In terms of Length and diameter, this is the largest tunnel created by the Company for Teesta V Project of NHPC and has an installed capacity of 510 mw. The 13.8 km long tunnel with 9.5 m diameter horse shoe shaped tunnel was completed in November 2007 and successfully commissioned.

(b) *Parbati Stage II*

Gammon is executing package – 3 of Parbati Hydroelectric Project, Stage II which is valued at Rs. 603.50 crores. The work is in advanced stage of construction and about 80% of the work has been completed. An outstanding feature of this project are the two inclined pressure shafts at 30° having excavated diameter of 4.8 m are bored by Double Shield Tunnel Boring Machine (TBM) with precast segmental lining and the inclined tunnel. Boring of shafts of this length of 1542 m each at 30° inclination was not done earlier anywhere in the world and therefore it was a real risk and challenge to attempt this by using tunnel boring machine and hence created world record which added one more feather in Gammon's Cap.

(c) *Parbati Stage III*

The work at Parbati Stg. III for installed capacity of 540 mw was started last year and is progressing well. The major components of this project are HRT having 7.25 m finished diameter and length of 2 km having underground powerhouse, underground transformer cavern, tail race tunnel of 8.1 m diameter and 2.7 km length, two vertical pressure shafts of 300 m depth each having finished diameter of 4.5 m and a surge shaft of 134 m deep and diameter of 13 m. The boring for this was to be done by raised borer. Special equipment was brought from Sweden for boring pilot hole of 2.4 m diameter with RVD attachments. Surge shafts and one pressure shaft boring has been completed with this equipment and second pressure shaft boring is likely to be completed by end June 2008. Powerhouse crane beam concrete is complete and the work is progressing as per schedule.

(d) *Sewa HEP*

Sewa HEP is in the State of Jammu & Kashmir having installed capacity of 120 mw. It has long tunnel of 11.8 km length and finished diameter of 3.8 m. A concrete gravity dam of 110 m long and 46 m height. The work on the dam is nearing completion and tunnel boring will be completed in the current financial year.

(e) *Rampur HEP*

The project is awarded by Sutluj Jalvidyut Nigam Ltd. to Patel-Gammon JV (51:49) along with Package-2. This is a World Bank funded project and the works on this project have started recently. The Project has river diversion 224 m long and 10 m diameter horseshoe shaped Diversion Tunnel and Cofferdams, Head Race Tunnel 12900 m long and 10.15 m diameter horse shoe shaped, surge tunnel 400 m long and 10 diameter horse shaped and Adit Plug 3 numbers and 1 number of Bulkhead Gate.

(f) *Kol Dam*

This is first Hydro Project of NTPC. Kol Dam has a surface powerhouse, penstock tunnels. Boring of all penstock tunnels including inclined tunnel have been completed and fixing of steel liner is also almost complete. Powerhouse works also are in the advanced stage of construction. The work at Koldam having installed capacity of 800 mw is in advanced stages of completion and likely to be completed before December, 2008.

(g) *Karbi Langpi Dam*

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

The Hydroelectric Projects are large plant oriented jobs requiring efficient capital allocation, high quantity and timely execution. Capital Inputs are high. Presently there is very large demand on the plant. The delivery time by the manufacturers on the plant is very long which delays the mobilization at site. However Gammon has been effective in rendering timely completion of these projects.

4. Nuclear Power Plants :

Government of India has planned to produce 60000 mw by the year 2020 through Nuclear Power Plant. Due to the scarcity of the nuclear fuel and uncertainty of imports there was a slack in Construction of Nuclear Power Plants. However, the Light of hope has now illuminated with the positive talks going between the Government of India with several countries such as Russia France, Japan and USA for its nuclear power programme. Clearance of Indo-US agreement on Nuclear energy will now open the opportunities for the floating of various nuclear power plants in the country and your Company is fully equipped to tap this opportunity and will participate in other nuclear power plants which are expected in Gujarat, Tamilnadu in addition to the recently completed Kaiga Nuclear Power Plant for unit 3 & 4.

Your Company is also doing the major part of the work for the first fast breeder Reactor Unit of India at Kalpakkam where the work is going on in full swing and execution is carried out with the complete satisfaction of the Atomic Energy Dept. In the review year we have also secured Civil & Architectural works for PFBR Project at Kalpakkam valued at Rs. 86.30 crores.

4. CHIMNEYS & COOLING TOWERS :

Cooling Tower industry is technology sensitive and highly specialized. Very few companies in the world possess this technology and Gammon is one of them. Today your Company is a leading player in this industry with expertise in Nature Draft towers and in Mechanical Draft Towers. Almost 90% of the Natural Draft Cooling Towers contracts for refiners, power plants and steel plants in India and abroad. We have recently completed tallest chimney for Bellary of Length 270 m. Your company has secured order over Rs. 600 crores.

5. IRRIGATION PROJECTS :

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

6. UNDERGROUND WORKS :

The Company has bagged the project for construction of Diaphragm Wall on Sabarmati River from Sabarmati River Front Development Corporation Limited, Ahmedabad worth Rs. 94.63 crores. The project is planned to be completed by end 2008. The total length of the wall is 15 kms out of which approximately 7 kms have been completed; which is the longest underground Diaphragm Wall work done by the Company as of date.

7. WATER AND ENVIRONMENT :

The Government of India is according high priority to water supply Sector in the Country. Under the Jawaharlal Nehru Urban Renewal Mission (JNURM) scheme, funds aggregating more than Rs. 40000 crores have already been sanctioned and several other projects are under active consideration. Besides this, under other schemes also a massive outlay has been provided for this sector. The future of this sector seems to be promising. Your Company has recently completed Independent Water and Power Project at Sohar – Water Transmission System Project for Ministry of Housing, Electricity and Water, Sultanate of Oman – the single largest water transmission project ever awarded by the Ministry, water supply projects at Surendra Nagar & Mangalore.

8. CROSS COUNTRY PIPELINE FOR PETROLEUM PRODUCTS :

Gammon's pipeline division undertakes a single point responsibility for implementation of lump sum contracts from revered clients in India and overseas both in the public and private sectors. Gammon ranks among the leaders in pipeline construction in the hydrocarbon sector incessantly expanding and adapting skills and services to satisfy market demands. The Company has ongoing projects of approximately 700 kms where either work is in progress or nearing completion with various clients. One of the major achievements being completion of the 191 kms 30" diameter DAHEJ URAN PIPELINE PROJECT for GAIL (India) LIMITED valued at Rs. 196 crores was completed in a record time and gas being successfully transmitted to RATNAGARI POWER PLANT better known as DABHOL POWER PLANT in Dabhol, Maharashtra, India. This was a project of National importance and we were instrumental in completing the construction as per schedule. Other Pipeline projects like the Numaligarh Pipeline Project and the Koyali-Ratlam project continue to progress satisfactorily.

With government policy to use clean and eco friendly fuel provides Piped Natural Gas (PNG) to domestic consumers and Compressed Natural Gas (CNG) to transport sector in turn invites more pipeline projects for gas transportation in the near future. The sector is rapidly evolving in to a strong, mature and industry driven engine to achieve sustained economic growth.

9. THERMAL POWER PROJECT :

Gammon's capabilities in power generation have gained recognition, in India and overseas by designing and constructing of power stations in India and North Africa (Tripoli, Libya) during the last five decades. During current review period your company has secured Main Plant and Offsite Civil Works Package for NTPC Tamilnadu Energy Co. Limited valued at Rs. 286.32 crores.

10. INDUSTRIAL STRUCTURES :

The infrastructure sector has been expanding on a massive scale. This has given a major spur to your Company in pocketing many industrial projects in the year under review. The Company has secured industrial Projects to the tune of Rs. 485 crores which include Civil works cement plant for expansion project at Torangullu, Civil work of Hot strip mill at Dubrii, civil works for Coke oven for Jindal Steel Works, Dubrii civil works of cold rolling mills and we have made entry to Aluminum plant industry by securing order for Civil and Associated works of Aluminum smelter project at Jharsuguda, Orissa.

11. MULTISTOREY BUILDINGS :

Your Company was recently awarded with a number of housing and commercial building projects, specially in Bangalore city valued at approximately Rs. 200 crores. These include a residential complex for Godrej Properties. During the current financial year your Company has secured the project for construction of Leela Palace Hotel in Chennai valued at Rs.120 crores. Overall the building industry will certainly see a substantial growth and the Company is fully geared up to secure more contracts during the current financial year also. There has also been an overall increase in the housing and commercial building works. Construction of Pebble

bay at Dollars Colony valued at Rs. 65 crores & Construction of Galleria Mall valued at Rs. 89 crores. Progress on works for Godrej Properties, Neelkanth Realty and Knowledge Park continues to be satisfactory.

12. OVERSEAS PROJECTS :

Your Company has already undertaken several projects in the Middle- East and South Africa & other countries and is seeking out new business opportunities overseas.

In continuing with its overseas ventures, your Company were successful as the lowest-bidder for Civil and site development work at Wonji/Shoa Sugar Factory, Ethiopia.

In order to cater to the growing demand of power sector your Company has acquired majority stake in Sadelmi S.p.A, Franco Tosi Meccania S.p.A., both companies in Italy, who are manufacturers of plants for Thermal Power Projects, Turbines and Generators for Hydro Electro Project respectively.

Further your Company has also set up a Company in Nigeria and another Wholly-owned subsidiary Company "Gammon International FZE in the Hamriyah Free Zone at Sharjah, UAE"

13. PRESENCE IN PUBLIC PRIVATE PARTNERSHIP PROJECTS :

The Company currently undertakes Private Partnership Projects through its subsidiary Gammon Infrastructure Projects Limited ("GIPL"). GIPL is an infrastructure project development company which participates in the development of infrastructure projects in India and is among the first companies in India to be modelled as an infrastructure development company, undertaking projects on a public - private partnership basis ("PPP").

The Company currently undertakes and develops projects such as roads, bridges, ports, hydroelectric power and biomass power projects on a PPP basis. In addition, projects in various sectors such as – urban infrastructure, airports, mass rapid transit systems, power transmission lines and SEZs – have been identified as areas of focus for project development. GIPL also offers services in other areas of project development, such as project advisory services, project funding and operations and maintenance activities.

Presently, the infrastructure project development business includes fourteen projects – housed under separate special purpose vehicle companies. Of these, four are already in the operations phase and the other ten at various stages of development.

Operational Projects :

1. *Rajahmundry Expressway Limited (REL)* – A special purpose vehicle company set up for widening and strengthening of a 53 km stretch between Rajahmundry and Dharmavaram in Andhra Pradesh on National Highway ("NH") 5, connecting Chennai and Kolkata. The project has achieved commercial operations date (COD) on September 20, 2004, 70 days ahead of schedule. The project has a concession period of 17.5 years, including operations period of 2.5 years. The project has been capitalised at Rs. 256 crores.
2. *Andhra Expressway Limited (AEL)* – AEL is a step down subsidiary of the Company, which has developed the project for widening and strengthening of the 47 km stretch between Dharmavaram and Tuni in Andhra Pradesh on National Highway ("NH") 5, connecting Chennai and Kolkata. The project has a concession period of 17.5 years, including operations period of 2.5 years. The project has been capitalised at Rs. 248 crores.
3. *Cochin Bridge Infrastructure Company Limited (CBICL)* – CBICL is a step down subsidiary of the Company which had developed the New Mattancherry Bridge Project, in Cochin, Kerala on BOT (toll) basis. The 700 m long bridge connects Fort Kochi to Willingdon Island in the Cochin Port Trust area and is operational since last 6.5 years.
4. *Vizag Seaport Private Limited (VSPL)* – VSPL is a special purpose vehicle company formed to develop, construct, operate and manage two multipurpose berths in the northern arm of the inner harbour at Visakhapatnam Port on a BOT basis.

Projects under Development:

1. *Mumbai Nasik Expressway Limited (MNEL)* – MNEL is a special purpose vehicle company 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 (Twenty) years, including a construction period of three years. The total project cost is estimated to be Rs. 753 crores. Engineering, Procurement & Construction (EPC) Contract for the project has been awarded to Gammon India Limited (GIL) and responsibilities of tolling (“Tolling Services”) and maintenance (“Maintenance Services”) of the project have been granted to its subsidiary GIPL.
2. *Sikkim Hydropower Ventures Limited (SHPVL)* – A special purpose vehicle company which is developing the 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.
3. *Punjab Biomass Power Limited (PBPL)* – PBPL is a special purpose vehicle company formed to develop nine biomass based power projects, each having power generation potential in the range of 10 mw to 15 mw, in the State of Punjab, on BOO basis. These projects use rice straw as the feedstock to generate power.
4. *Kosi Bridge Infrastructure Company Limited (KBICL)* – A special purpose vehicle company 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 total project cost is estimated to be Rs. 440 crores.
Engineering, Procurement & Construction (EPC) – Contract for the project has been awarded to Gammon India Limited (GIL). The responsibilities of maintenance (“Maintenance Services”) of the project have been granted to its subsidiary GIPL. The Maintenance Services shall commence from the COD until the expiry of the entire concession period.
5. *Gorakhpur Infrastructure Company Limited (GICL)* – A special purpose vehicle company set up for design, construction, finance and maintenance of a 32 kilometer long four-lane bypass to Gorakhpur town on NH 28 in the State of Uttar Pradesh on BOT (Annuity) basis. The total project cost is estimated to be Rs. 640 crores.
6. *Indira Container Terminal Private Limited (ICTPL)* – ICTPL has been incorporated for construction of two offshore container berths and development of a container terminal in Mumbai Harbour and management of the existing Ballard Pier Station Container Terminal. ICTPL also has the right to develop the third berth in addition to the two berths on achieving certain throughput conditions as per the License Agreement.
7. *SEZ Adityapur Limited (SEZAL)* – SEZAL is implementing the project of development of a SEZ for automobile and auto components at Adityapur, in the state of Jharkhand in eastern India.
8. *Haryana Biomass Power Limited (HBPL)* – Haryana Renewable Energy Development Agency (HAREDA) has issued a letter of intent for establishing eight biomass based power projects (out of which GIPL intends to develop six) in Haryana to a consortium consisting of GIL and a private developer. The capacity of the projects is likely to be in the range of 10 to 12 mw each. These projects use rice straw as the feedstock for generation of power.
9. *TIDONG Hydropower* – The Government of Himachal (GOH) has allotted the 60 mw Tidong – II Hydro Electric Project to a consortium consisting of GIL and a private party.

14. FINANCIAL AND OPERATIONAL PERFORMANCE :

The Turnover of the company stood at Rs. 2513.74 crores for the year ended 31st March, 2008. Operating profit (PBDIT) amounted to Rs. 211.96 crores (Rs. 191.85 crores previous year). After providing Rs. 46.21 crores (Rs. 35.22 crores previous year) towards depreciation and Rs. 53.21 crores (Rs. 44.48 crores previous year) towards (current tax, deferred tax and fringe benefit tax) the net profit amounted to Rs. 86.13 crores (Rs. 98.58 crores previous year). The annualised percentage increase in net profit over previous year amounted to 93.64 %.

The order book position of your company as on 31st March, 2008 was approx Rs. 9,000 crores. Some important financial statistics and ratios are stated below :

Return on Capital Employed (ROCE)	12.22 %
Debt Equity Ratio	0.39: 1
Face Value of Share	Rs. 2/- per share
Book Value of Share (Without Revaluation Reserves)	Rs.112.86 per share
Earnings Per Share:	
Basic	Rs. 9.93
Diluted	Rs. 9.85

15. RISK MANAGEMENT :

The Company regularly deliberates on issues affecting management in all aspects of its activities namely, engineering, procurement, tendering and construction of projects to name some of the more important ones. Over the last 7 decades, it has built processes to assess and evaluate these risks. During the project construction time, which ranges between 15 months to 75 months, the changing features of construction management are under constant review of the management. Adequate steps are taken to mitigate the risks involved.

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

1. Most of the contracts have an escalation clause and in case of those contracts which does not have an escalation clause, increases are extra-polated in the estimates at the tender stage to cater for the same should they arise. In both the situations, nevertheless, the key to manage the risk is in timely execution, which would not only ensure that costs are contained but also that penalties are obviated. To this end, the Company continuously reviews its business processes to strengthen its project management capabilities, tighten contract management, improve information flow and manpower retentions and enhance client relationship.

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

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

7. The internal audit cell of the Company has in place a comprehensive program across the Company. The internal controls of the Company are robust to quickly detect and minimize the risks of fraud and misreporting. The reports of the Internal Audit Cell and the internal controls are regularly reviewed by Audit Committee of the Board and their recommendation for better effectiveness implemented.

16. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The Company has in place adequate internal control systems to oversee the entire gamut of its activities both from the commercial as well as regulatory aspect.

Financial controls operate through in-house and continuous internal audit, ERP System and distribution of functional responsibilities. Wherever necessary assistance is taken from independent professional firms to augment the system controls. The efficacy and effectiveness of internal control systems is reviewed by the Internal auditors and the Audit Committee and the observations made in internal audit reports of internal control deficiencies, if any, and the status on implementation of recommended reports are reviewed by the Audit Committee and also placed before the Board.

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

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

17. TECHNOLOGY UPGRADATION/ERP IMPLEMENTATION :

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

Your Company is in the midst of strengthening its IT infrastructure in terms of capitalizing on the setup invested in. With the help of BSNL, reaching out to far flung places through broadband, we are now able to bring good speed to our CUG (closed user group) for faster operations. The Company now has a core virtual private network using high bandwidth VSATs supplemented by satellite bandwidth and broadband facilities for the remote locations.

Gammon is in the midst of a significant initiative of training, HR, planning, operations related softwares along with adopting BEST practices, policies and procedures. It has implemented ERP in all its project sites and at the head office.

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

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

Through all these initiatives information security & a reliable disaster recovery management have been ensured. The Company also carries out regular exercises to identify vulnerabilities & plug them systemically. IT at Gammon is assuming new levels each year.

18. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED :

The year under review has been memorable, in terms of challenges encountered and the strategies adopted. The recruitment drive was done across the country, which took us to almost all the states of India. This exercise has strengthened the Gammon family by 400 additional Gammonites out of which 75% are technical. This year we laid a great deal of stress on the competency assessment and development of our senior management team. Training and development is a continuous process for every Gammonite to meet their individual and organizational requirements and we have been conducting training sessions across various levels of employees.

New HR initiatives have been undertaken. Human Resources Information System (HRIS) being introduced by us is an integrated system which will facilitate in enhancing open communications, information sharing, positive organizational culture, more effective HR process implementation. This will also link the employees at different sites closer to the organization leading to higher employee morale and productivity at all levels.

Periodical compensation surveys have been taken and compensation packages of employees have been increased to match industry standards. With a view to give thrust to merit and performance, we have introduced "Performance Based Incentive Scheme". The "Employee Stock Option Plan" is newly introduced in the Gammon's HR policy. The objective of the scheme is to partner core members of Gammon in the long term growth process of the Company and reward them through suitable Stock Options. We expect this scheme will further help us attract and retain best talent on a long term basis.

Knowledge is power and is the key to progress. Hence the retention of employee's pool of knowledge becomes very imperative. We are proud to inform that we have succeeded in curbing the attrition rate, add new talent and maintain them reasonably well with the industry standards. We are poised for new challenges, higher turn over, increased productivity and profitability and meet the expectations of all our stake holders.

19. CAUTIONARY STATEMENT :

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

For GAMMON INDIA LIMITED

ABHIJIT RAJAN
Chairman & Managing Director

Place : Mumbai

Dated : 31st July, 2008.

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

1. We have audited the attached Balance Sheet of **Gammon India Limited** as at 31st March 2008 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report we invite attention to Note no. 12 to the notes to accounts relating to recognition of turnover of Rs. 57.04 crores and recoverability of the said amount under sundry debtors which is dependent upon the final outcome of the appeals/disputes getting resolved in favour of the company.
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.
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.
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of the written representation received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of Clause (g) of Sub-section (1) of section 274 of the Companies Act, 1956 on the said date.
 - (vi) In our opinion and to the best of our information and according to the explanation given to us, the accounts read with note 35 relating to the company's Joint venture in Oman and the other notes thereon give the information required by the Companies Act, 1956 in the manner so require and give a true and fair view.
 - (a) in the case of Balance Sheet of the State of Affairs of the Company as at 31st March 2008 and
 - (b) in the case of Profit and Loss Account of the year ended on 31st March 2008.
 - (c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated : June 30, 2008

ANNEXURE TO THE AUDITORS' REPORT
(REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE)

- (i) (a) The Company is maintaining proper records showing particulars, including quantitative details and situation of fixed assets;
- (b) The company has a regular program for physical verification of its fixed assets which in our opinion is reasonable having regard to the size of the company and the nature of its assets and operations. In accordance with this programme, the management during the current year has physically verified significant fixed assets and no material discrepancies have been identified on such verification.
- (c) The Company has not disposed off any substantial part of the fixed assets.
- (ii) (a) The company is a construction company having work sites spread all over India and abroad. The records of materials, stores are maintained at the respective sites, which have been verified by the management during the year at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of stock followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The discrepancies noticed between the physical stocks and books stocks were not material and the valuation of stock has been done on the basis of physically verified quantity. Therefore Shortage/Excess automatically get adjusted and the same is properly dealt in the books of accounts.
- (iii) (a) The company has during the year granted unsecured loans to 2 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 71.48 crores and at the end of the year balance of loans granted to such parties was Rs. 29.57 crores.
- (b) In our opinion the rate of interest wherever charged and the other terms and conditions of such loans are not prima-facie prejudicial to the interest of the company.
- (c) There are no stipulations for the repayment of principal and the interest. The outstanding interest receivable as at 31st March 2008 was Rs. 0.94 crores.
- (d) The Company has not taken any loans from the parties listed in the register maintained under section 301 of the Company.
- (iv) In our opinion and according to the information and explanations given to us there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. We have not come across any continuing failure to correct major weaknesses in internal control.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered into a register in pursuance of section 301 of the Act has been properly entered.
- (b) All the transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and the nature of services rendered by such parties.
- (vi) The Company has not accepted any deposits from the public during the year under review and consequently the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under are not applicable. We are further informed that no orders have been passed by the company law board in the case of the company requiring compliance.
- (vii) Although the Company has an Internal Audit system in our opinion the same requires to be further strengthened to make it commensurate with the size of the company and the nature of its business.
- (viii) According to the records produced and information given to us, the Central Government has not prescribed the maintenance of the cost records and accounts under section 209(1)(d) of the Companies Act, 1956.
- (ix) (a) The company is generally regular in depositing Provident Fund, Employees State Insurance, Income tax, Wealth tax and Sales tax dues with the appropriate authorities observed on a test check basis except for certain delays observed in deposit of TDS and PF at sites. On the basis of the audit procedures followed,

test checks of the transaction and the representation from the Management there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable except Rs. 0.05 Crores to be deposited with Investor Education and Protection Fund and 0.09 crores to be deposited with the service tax authorities.

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

Name of the Statute	State	Nature of the Dues	Amount (Rs. 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.	Disallowance of Labour charges	0.15	2001-02	Tribunal
	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	2002-03	Tribunal/H.C.
	A.P.	Rejection of Form G	1.77	2000-01	D.C. Appeals
Sales Tax	Gujarat	Levy of penalty	0.01	2001-02	Tribunal
	Gujarat	Levy of penalty	0.20	2003-04	Tribunal
Sales Tax	M.P.	Entry Tax	0.005	1992-93 & 93-94	A.C. Appeals
Sales Tax	Maharastra	Denial of deduction on pre-cost component	0.79	1993-94 to 1997-98	Tribunal/A.C. Appeals
	Maharastra	Disallowance of WCT & BST	729.76	1998-99 to 2001-02	Jt.Appeals/Tribunal
	Maharastra	Lease Matter	0.20	1998-99 to 2001-02	Tribunal/D.C. Appeals
Sales Tax	Orissa	Lab & Service Charges disallowed	0.11	1992-93 to 1999-00	AC-Appeals
		Various disallowances	0.73	2001-02 to 2003-04	AC-Appeals
Sales Tax	W.B.	CTO wrongly estimated Transfer Price	0.64	1994-95 to 2002-03	Tribunal
Sales Tax	Jharkhand	Non receipt of F Form	0.04	2001-02	C.T.
Sales Tax	H.P.	Disallowance of deduction	0.94	1999-00 to 2001-02	AC-Appeals
Sales Tax	Kerala	Best Judgement Offer	8.87	1999-00 to 2001-02	D.C. Appeals/H. Court
Service Tax	Gujarat – Sabarmati Job	River Deveploment matter	3.38	2005-06	
	Gujarat – Sipat job	River Deveploment matter	1.34	2005-06	
Excise	Chennai	Disputed Demand	0.03	2006	CESTAT Chennai
Custom Duty		Disputed demand of NHAJ project	0.32	2001-02	Supreme Court
ESIC Matter		Old disputed demands	0.21	Nov'92 to Dec'95	Addnl. District Judge, Rourkela

- (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.

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- (xiv) The company has maintained proper records of securities and other investments, which it has traded in and also in respect of shares and other securities, held as investments and the said investments are in the name of the company except in case of certain shares where the company holds beneficial interest as mentioned vide note 37 to the notes to accounts.
- (xv) According to the information and explanations the company has given corporate guarantee for loans taken by other companies from banks or financial institutions for which it has obtained counter guarantee from the other entities. The other terms and conditions are not prejudicial to the interest of the company.
- (xvi) The term loans taken during the year have been applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanation given to us, on an over all examination of the Balance sheet of the company and the necessary representations from the management including those represented to the bankers and lenders in the Credit Monitoring Arrangement Statement, we report that no short term funds have been applied towards long term application.
- (xviii) The Company has not made preferential allotment during the year to parties and companies other than those covered in the Register maintained under section 301 of the Act. Accordingly clause (xviii) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- (xix) The Company has raised secured redeemable debentures aggregating to Rs. 50 crores during the year the securities in respect of which was pending to be created as at the Balance Sheet date.
- (xx) The Company had in the earlier year ended 31st March 2006 raised money by way of Global Depository Receipts on the Luxemburg Stock Exchange. The management has disclosed the use of proceeds for the issue vide note 8 of the notes to accounts.
- (xxi) Based on the audit procedures performed and the information and explanation given by the management we report that no fraud on or by the company has been noticed or reported during the year.

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated : June 30, 2008

BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule No.	As at 31st March, 2008		As at 31st March, 2007	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SOURCES OF FUNDS :					
Shareholders' Funds					
Capital	1	17.69		17.69	
Reserves & Surplus	2	<u>1,210.97</u>		<u>1,132.58</u>	
			1,228.66		1,150.27
Loan Funds					
Secured Loans	3	243.99		230.32	
Unsecured Loans	4	<u>133.07</u>		<u>141.17</u>	
			377.06		371.49
Deferred Tax Liability (Refer Note 25)			37.17		37.92
TOTAL			<u>1,642.89</u>		<u>1,559.68</u>
APPLICATION OF FUNDS :					
Fixed Assets					
Gross Block	5	1,026.83		896.21	
Less : Depreciation & Impairment		<u>253.57</u>		<u>205.10</u>	
Net Block		773.26		691.11	
Add : Capital Work-in-progress		<u>18.19</u>		<u>10.37</u>	
			791.45		701.48
Investments	6		160.78		150.44
Current Assets, Loans and Advances					
Interest Accrued Receivable		7.87		6.42	
Inventories	7	704.98		529.00	
Sundry Debtors	8	517.15		303.35	
Cash & Bank Balances	9	38.09		95.99	
Loans & Advances	10	<u>499.41</u>		<u>545.68</u>	
		1,767.50		1,480.44	
Less : Current Liabilities and Provisions	11				
Current Liabilities		904.31		657.34	
Provisions		<u>172.53</u>		<u>115.34</u>	
		1,076.84		772.68	
			690.66		707.76
TOTAL			<u>1,642.89</u>		<u>1,559.68</u>
Notes to Accounts	16				

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

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. JAYENDRAN
Partner
M. No. 40441

Mumbai, Dated : June 30, 2008

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

Mumbai, Dated : June 30, 2008

C. C. DAYAL
Director

GITA BADE
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule No.	2007- 08		2006- 07	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
INCOME :					
Turnover	12	2,513.74		2,084.33	
Less : Company's Share of Turnover in JV		172.90		239.49	
		<u>2,340.84</u>		<u>1,844.84</u>	
Other Operating Income	12A	4.07		6.85	
Company's Share in Profit of Joint Venture (Refer Note B-35)		(11.28)		13.05	
Other Income	12B	4.52		6.64	
			<u>2,338.15</u>		<u>1,871.38</u>
EXPENDITURE :					
Expenditure on Contracts	13	2,053.39		1,636.17	
Establishment Expenses	14	72.80		43.36	
Financial Cost (Net)	15	26.41		13.57	
Depreciation		46.21		35.22	
			<u>2,198.81</u>		<u>1,728.32</u>
PROFIT BEFORE TAX			<u>139.34</u>		<u>143.06</u>
Provision for Taxation :					
– Current Tax		50.12		40.10	
– Deferred Tax		(0.75)		3.40	
– Fringe Benefit Tax		1.65		1.20	
			<u>51.02</u>		<u>44.70</u>
PROFIT AFTER TAX			<u>88.32</u>		<u>98.36</u>
Add/(Less) :					
Excess/(Short) Provision of taxation for earlier years			(2.19)		(53.88)
NET PROFIT AFTER PRIOR YEAR TAX CHARGE			<u>86.13</u>		<u>44.48</u>
Profit Brought Forward from last year			111.58		102.82
PROFIT AVAILABLE FOR APPROPRIATION			<u>197.71</u>		<u>147.30</u>
Amount Transferred to General Reserve		(14.95)		(10.00)	
Amount Transferred from Debenture Redemption Reserve		13.75		—	
Amount Transferred to Debenture Redemption Reserve		(11.51)		(10.71)	
Amount Transferred to Special Contingency Reserve		(20.00)		(10.00)	
Proposed Dividend		(4.34)		(0.87)	
Interim Dividend		—		(3.50)	
Tax on Dividend		(0.74)		(0.64)	
			<u>(37.79)</u>		<u>(35.72)</u>
Balance Carried to Balance Sheet			<u>159.92</u>		<u>111.58</u>
Earnings Per Share (Refer Note B-23)					
Basic			9.93		5.12
Diluted			9.85		5.06
Notes to Accounts	16				

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

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. JAYENDRAN
Partner
M. No. 40441

Mumbai, Dated : June 30, 2008

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

Mumbai, Dated : June 30, 2008

C. C. DAYAL
Director

GITA BADE
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	12 Months April 2007 - March 2008 Rs. in Crores	12 Months April 2006 - March 2007 Rs. in Crores
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and extraordinary items	139.34	143.06
Adjustments for :		
Depreciation	46.21	35.22
Profit/Loss on Sale of Assets	(0.08)	0.20
Profit/Loss on Sale of Investments	-	(4.74)
Dividend Income	(0.73)	(0.75)
Interest (Net)	26.41	13.57
Foreign Exchange loss /gain	0.13	0.10
Write off against Leasehold Land	0.01	0.02
Bad Debts Written off	1.51	3.18
	73.46	46.80
Operating Profit before Working Capital Changes	212.80	189.86
Adjustments for :		
Trade and Other Receivables	(215.31)	(68.51)
Inventories	(175.98)	(58.41)
Trade Payables & Working Capital Finance	249.22	162.63
Loan and Advances	156.86	(203.13)
	14.79	(167.42)
CASH GENERATED FROM THE OPERATIONS	227.59	22.44
Direct Taxes paid	(112.78)	(26.86)
NET CASH FROM OPERATING ACTIVITIES	114.81	(4.42)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	(139.44)	(176.63)
Sale of Fixed Assets	0.20	2.21
Share Application Money Pending Allotment	0.06	(0.06)
Purchase of Investments :		
- Subsidiary, Joint Ventures & Associates	(26.64)	(34.63)
- Deposit paid on acquisition of shares	-	-
- Others	(49.67)	(89.14)
Sale of Investments :		
- Subsidiary, Joint Ventures & Associates	1.02	5.16
- Deposit received on transfer of beneficial interest	15.88	-
- Others	49.03	89.16
Interest received	25.62	24.27
Dividend received	0.70	0.75
	(123.24)	(178.91)
NET CASH AFTER INVESTMENT ACTIVITIES	(8.43)	(183.33)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(50.86)	(45.28)
Proceeds from issue of Share Capital & Share Premium	-	-
Foreign Currency Translation Reserve	0.48	(0.48)
Proceeds from/(Repayment of) borrowings	5.57	200.90
Proposed Dividend (Including Tax)	(4.53)	(9.98)
	(49.34)	145.16
NET INCREASE IN CASH AND CASH EQUIVALENTS	(57.77)	(38.17)
Balance as on 31.03.2007	95.99	134.28
Balance as on 31.03.2008	38.22	96.11
NET INCREASE IN CASH AND CASH EQUIVALENTS	(57.77)	(38.17)
Note: - Figure in brackets denote outflows		
- Cash and Cash Equivalents include Rs. 3.18 Crores as on 31.03.2008 (Previous Year - Rs. 3.15 Crores as on 31.03.07) with Bank Branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the Company.		
	As At	As At
	31.3.2008	31.3.2007
Cash and Cash Equivalents	38.09	95.99
Effect of Exchange Rate Charges	0.13	0.12
Balance Restated above	38.22	96.11

As per our attached report of even date

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

Mumbai, Dated : June 30, 2008

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing DirectorRAJUL A. BHANSALI
Executive Director

Mumbai, Dated : June 30, 2008

C. C. DAYAL
DirectorGITA BADE
Company Secretary

SCHEDULES FORMING PART OF BALANCE SHEET

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 1				
SHARE CAPITAL				
AUTHORISED				
25,00,00,000 Equity Shares of Rs. 2/- each (Previous Year 25,00,00,000 Equity Shares of Rs. 2/- each)		<u>50.00</u>		<u>50.00</u>
ISSUED				
8,83,25,210 Equity Shares of Rs. 2/- each fully paid (Previous Year 8,83,25,210 Equity Shares of Rs. 2/- each)		<u>17.67</u>		<u>17.67</u>
SUBSCRIBED AND PAID-UP				
8,67,44,670 Equity Shares of Rs. 2/- each (Previous Year 8,67,44,670 Equity Shares of Rs. 2/- each)		17.35		17.35
Of the above 2,64,000 Shares are issued for consideration other than Cash 58,06,700 Shares are issued as fully paid Bonus Shares by Capitalisation of Rs. 0.70 Crores from Reserves and Rs. 0.45 Crores from Share Premium Account				
SHARE FORFEITURE ACCOUNT				
Money received in respect of 1,70,948 Rights shares of Rs. 10/- each forfeited		0.34		0.34
		<u>17.69</u>		<u>17.69</u>
SCHEDULE 2				
RESERVES AND SURPLUS				
FOREIGN PROJECTS RESERVE				
As per last Balance Sheet		0.32		0.32
GENERAL RESERVE				
As per last Balance Sheet	110.05		100.05	
Add : Transferred from Profit & Loss A/c	<u>14.95</u>		<u>10.00</u>	
		125.00		110.05
SECURITY PREMIUM				
As per last Balance Sheet		594.63		594.63
REVALUATION RESERVE				
As per last Balance Sheet	252.80		67.34	
Add : On A/c of Revaluation (Refer Note 4 of Schedule 5)	-		186.90	
Less : Depreciation on Revalued Assets	<u>3.14</u>		<u>1.44</u>	
		249.66		252.80
Carried forward		<u>969.61</u>		<u>957.80</u>



	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Brought forward		969.61		957.80
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	33.61		22.90	
Add : Transferred from Profit and Loss A/c	11.51		10.71	
Less : Transferred to Profit and Loss A/c on repayment of Debentures	13.75		—	
		31.37		33.61
SPECIAL CONTINGENCY RESERVE				
As per last Balance Sheet	30.00		20.00	
Add : Transferred from Profit and Loss A/c (Refer Note B-13)	20.00		10.00	
		50.00		30.00
FOREIGN CURRENCY TRANSLATION RESERVE				
Arising out of current year		0.07		(0.41)
PROFIT AND LOSS ACCOUNT		159.92		111.58
		<u>1,210.97</u>		<u>1,132.58</u>
SCHEDULE 3				
SECURED LOANS				
Non Convertible Debentures placed with Banks and Financial Institutions (Refer Note B-2)		126.00		100.00
From Canara Bank Led Consortium:				
Short term loan secured by a charge over all the Company's Assets in India (excluding Leasehold Property, Freehold Property and Plant & Machinery hypothecated to the bankers and Financial Institutions under various Asset Financing Schemes):		117.95		130.25
Loans (Secured by hypothecation of assets purchased under various financing schemes):				
Ford Credit Kotak Mahindra Ltd.		0.02		0.03
ICICI Bank Ltd.		0.02		0.04
(Out of the above loans Rs. 0.02 Crores are due for repayment within one year, Previous year Rs. 0.07 Crore)				
		<u>243.99</u>		<u>230.32</u>
SCHEDULE 4				
UNSECURED LOANS				
External Commercial Borrowings (Secured by Guarantee of Consortium Bankers)		108.07		91.17
(Amount repayable with in one year Rs. 108.07 Crores, Previous Year Rs. 91.17 Crores)				
Other Short Term Loans from Banks		25.00		50.00
		<u>133.07</u>		<u>141.17</u>

SCHEDULE 5
FIXED ASSETS

(Rs. In Crores)

PARTICULARS	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	AS AT 01.04.2007	ADDITIONS	REVALUATION	DEDUCTIONS/ ADJUSTMENTS	AS AT 31.03.2008	AS AT 01.04.2007	FOR THE YEAR	DEDUCTIONS/ ADJUSTMENTS	AS AT 31.03.2008	AS AT 31.03.2008	AS AT 31.03.2007
LEASEHOLD LAND	0.80	–	–	0.01	0.79	–	–	–	–	0.79	0.80
FREEHOLD PROPERTY	274.90	0.52	–	–	275.42	14.82	3.28	–	18.10	257.32	260.08
PLANT AND MACHINERY	520.30	111.89	–	1.81	630.38	150.68	35.29	0.34	185.63	444.75	369.62
MOTOR VEHICLES	88.41	19.48	–	0.71	107.18	34.37	9.78	0.52	43.63	63.55	54.04
OFFICE EQUIPMENTS	11.80	1.26	–	–	13.06	5.23	0.98	–	6.21	6.85	6.57
TOTAL	896.21	133.15	–	2.53	1,026.83	205.10	49.33	0.86	253.57	773.26	691.11
PREVIOUS YEAR	542.00	174.16	186.90	6.85	896.21	172.27	39.32	6.49	205.10		
ADD: CAPITAL WORK IN PROGRESS INCLUDING CAPITAL ADVANCES										18.19	10.37
										791.45	701.48

NOTES :

- Total of Gross Block of Fixed Assets includes cost of Fixed Assets at Foreign Sites Rs. 22.87 Crores (Previous Year Rs. 25.05 Crores)
- Freehold Property includes cost of Freehold Land Rs. 3.56 crores. (Previous Year Rs. 3.56 Crores)
- Leasehold Land is at cost less amount written off.
- The Company had again revalued on 31st March, 2007 all its Freehold Property, most of which were revalued earlier on 31st March, 1999 by Approved valuers. The consequent increase after both revaluations amounted to Rs. 265.5 crores and has been credited to the Revaluation Reserve A/c.
- Depreciation for the Year Ended 31st March, 2008 amounts to Rs. 49.33 Crores (Previous Year Rs. 39.32 Crores) from which has been deducted a sum of Rs. 3.14 Crores. (Previous Year Rs. 1.44 Crores) being the Depreciation in respect of Revaluation of Fixed Assets which has been drawn from the Revaluation Reserve A/c.
- Exchange Difference Capitalised/(Decapitalised) during the Period Rs. Nil (Previous Year Rs. (1.60 Crores))
- Exchange Valuation difference in respect of Oman Fixed Assets Rs. 2.12 Crores (Previous Year Rs. 0.55 Crore) being transferred to Foreign Currency Translation reserve.
- Borrowing cost capitalised to Capital Work In Progress is Rs. 0.56 Crore (Previous Year Rs. 0.21 Crore)

SCHEDULE 6
INVESTMENTS
INVESTMENTS (AT BOOK VALUE)

(Long term unless otherwise stated)

1. INVESTMENT IN GOVERNMENT SECURITIES:

	Face Value Rupees	Nos. as on 31.03.2008	Nos. as on 31.03.2007	31.03.2008 Rs. in Crores	31.03.2007 Rs. in Crores
(a) 6.75% Tax Free US64 Bonds	100	17,775	17,775	0.18	0.18
MKVDC Bonds	100,000	98	98	0.98	0.98
(b) Other Government Securities lodged with Contractees as Deposit:					
Unquoted:					
Sardar Sarovar Narmada Nigam Ltd. – Bonds				0.10	0.10
Others				0.12	0.12
Government Securities Others – Unquoted (Indira Vikas Patras and National Savings Certificates)				0.01	0.01
Carried forward (A)				1.39	1.39

	Face Value Rupees	Nos. as on 31.03.2008	Nos. as on 31.03.2007	31.03.2008 Rs. in Crores	31.03.2007 Rs. in Crores
Brought forward (A)				1.39	1.39
2. INVESTMENT IN SHARES & DEBENTURES:					
(a) TRADE INVESTMENTS (FOREIGN)					
Ordinary Shares: (Unquoted, fully paid-up)					
Gammon Mideast Ltd., Dhs. 1,000 each Dhs. 7,85,000 (Under Liquidation) (Fully Provided)		1,142	1,142	0.18	0.18
Finest SPA, Italy	1 Euro	780,000	780,000	19.52	19.52
(B)				19.70	19.70
(b) TRADE INVESTMENTS (INDIAN) (Fully paid-up unless otherwise stated)					
Ordinary Shares: (Unquoted)					
Shah Gammon Ltd.	100	835	835	0.01	0.01
STFA Piling (India) Ltd. (Fully Provided)	10	217,321	217,321	0.22	0.22
Technofab Engineering Ltd.	10	67,500	–	0.67	–
Indira Container Terminal Pvt. Ltd. (Refer Note B-37)	10	8,518,068	–	8.52	–
Gammon Turnkeys Ltd.	100	600	600	0.01	0.01
Ordinary Shares: (Quoted)					
Associated Transrail Structures Ltd.	10	2,902,340	2,902,340	1.69	1.69
Sadbhav Engineering Ltd.	10	1,100,000	1,100,000	6.60	6.60
(C)				17.72	8.53
(c) INVESTMENT IN SUBSIDIARY COMPANIES (FOREIGN) (Fully paid-up unless otherwise stated)					
Ordinary Shares: (Unquoted)					
Gammon International LLC	1 RO	103,500	–	1.10	–
Gammon International FZE	150,000 AED	1	–	0.17	–
				1.27	
(d) INVESTMENT IN SUBSIDIARY COMPANIES (INDIAN)					
Ordinary Shares: (Unquoted)					
Gammon Infrastructure Projects Ltd.	10	105,600,000	105,600,000	105.60	105.60
Gammon Cooling Towers Ltd.	10	50,000	50,000	0.05	0.05
Gammon & Billimoria Ltd.	10	50,940	50,940	0.05	0.05
Gorakhpur Infrastructure Co. Ltd. (Refer Note B-37)	10	9,596,923	25,500	9.60	0.03
Kosi Bridge Infrastructure Company Ltd. (Refer Note B-37)	10	6,284,146	25,500	6.28	0.03
Gammon Realty Ltd.	10	15,049,940	15,049,940	15.05	15.05
Rajahmundry Expressway Ltd. (Refer Note B-34 & B-37)	10	11,092,500	11,092,500	13.53	13.53
Andhra Expressway Ltd. (Refer Note B-34 & B-37)	10	11,092,500	11,092,500	13.65	13.65
				163.81	147.99
Add : Acquisition of Beneficial Interest in REL & AEL in lieu of Deposit paid (Refer Note B-37)				5.66	5.66
				169.47	153.65
Less : Transfer of Beneficial Interest in REL & AEL in lieu of Deposit received (Refer Note B-37)				(48.72)	(32.84)
Carried forward (D)				120.75	120.81

	Face Value Rupees	Nos. as on 31.03.2008	Nos. as on 31.03.2007	31.03.2008 Rs. in Crores 120.75	31.03.2007 Rs. in Crores 120.81
Brought forward (D)					
(e) OTHER INVESTMENTS (Fully paid-up unless otherwise stated) – Current					
Ordinary Shares: (Quoted)					
Housing Development Finance Corporation Ltd.	10	8,000	8,000	0.18	0.18
HDFC Bank Ltd.	10	1,000	1,000	0.02	0.02
ICICI Bank Ltd.	10	2,500	2,500	0.04	0.04
Infosys Ltd.	5	400	200	0.03	0.03
Larsen & Toubro Ltd.	2	4,000	2,000	0.05	0.05
Ultratech Cement Ltd.	10	1,600	1,600	0.04	0.04
	(E)			0.36	0.36
(f) SHARE APPLICATION MONEY PENDING ALLOTMENT	(F)			–	0.06
GRAND TOTAL (A+B+C+D+E+F)				161.19	150.85
Less : Provisions for Diminution in the value of Investment				0.41	0.41
				160.78	150.44

SUMMARY OF INVESTMENTS:

Unquoted

Aggregate Book Value of Foreign Investments

20.97 19.70

Aggregate Book Value of Indian Investments (including Share Application money)

131.57 122.50

152.54 142.20

Quoted

Aggregate value of Indian Investments

8.65 8.65

GRAND TOTAL

161.19 150.85

Market Value of Quoted Investments

141.95 46.31

31st March, 2008
Rs. in Crores Rs. in Crores

31st March, 2007
Rs. in Crores Rs. in Crores

SCHEDULE 7**INVENTORIES**

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

183.69

198.33

Less : Value of Materials drawn from Contractees Contra – Refer Schedule 11

3.28

3.53

180.41

194.80

Construction Work in Progress

524.57

334.20

704.98

529.00

SCHEDULE 8**SUNDRY DEBTORS** (Refer Note B-12)

Unsecured Considered Good

Outstanding for over six months (including Retention Money Rs. 53.99 Crores, Previous Year Rs. 62.27 Crores)

123.60

79.85

Other Debts (including Retention Money Rs 46.38 Crores, Previous Year Rs. 23.33 Crores)

393.55

223.50

517.15

303.35



	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
	Maximum		Maximum	
	due at any time		due at any time	
	during the year		during the year	
SCHEDULE 9				
CASH AND BANK BALANCES				
Cash on Hand (Including at Foreign Sites Rs. 0.004 Crores, <i>Previous Year Rs. 0.004 Crores</i>)		1.35		1.35
Funds-in-Transit and in hand		4.33		3.41
With Scheduled Banks:				
(a) On Current Accounts		28.85		24.01
(b) Unpaid Dividend Bank Account		0.26		3.76
(c) On Fixed Deposit Account *		-		60.13
With Non-Scheduled Banks: (Refer Note B-32)				
(a) On Current Accounts:				
Rafidian Bank, Baghdad	0.06	0.06	0.06	0.06
Nabil Bank US \$ Account	0.01	0.01	0.01	0.01
Affairs of the USSR	1.84	1.83	1.83	1.83
Standard Chartered Bank, Bangladesh	1.16	1.16	1.16	1.16
Allahabad Bank, Dolphin Jetty	0.02	0.02	0.02	0.02
HSBC, Abu Dhabi		0.12	0.19	0.15
(b) On Call Deposits:				
UCO Bank, London	0.02	0.02	0.02	0.02
(c) On Fixed Deposits:				
UCO Bank, London	0.08	0.08	0.08	0.08
* Out of this Rs. NIL represents the unutilised amount out of the GDR issue made in the Year 2005-06 (<i>Previous Year Rs. 60 Crores</i>)		<u>38.09</u>		<u>95.99</u>
SCHEDULE 10				
LOANS AND ADVANCES				
(Unsecured, considered good, unless otherwise stated)				
Project Advances	102.12		187.09	
Other Advances recoverable in cash or in kind for value to be received	31.01		32.01	
Less : Provision made	<u>0.96</u>		<u>0.96</u>	
		132.17		218.14
Dues from/loans to Subsidiary Companies:				
Gammon & Billmorla Ltd.	8.82		9.10	
Gammon Infrastructure Projects Ltd.	28.99		2.37	
Gammon Realty Ltd.	0.27		41.02	
Gammon International FZE	6.49		-	
Kosi Bridge Infrastructure Company Ltd.	0.03		-	
P. Van Eerd Beheersmaatschappij BV	0.20		-	
Sikkim Hydro Power Ventures Ltd.	-		0.28	
Tidong Hydro Power Ltd.	0.60		-	
Andhra Expressway Ltd.	0.10		-	
Rajahmundry Expressway Ltd.	0.30		-	
Gammon Cooling Towers Ltd.	<u>0.29</u>		<u>0.04</u>	
		46.09		52.81
Carried forward		<u>178.26</u>		<u>270.95</u>

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Brought forward		178.26		270.95
Dues from Gammon Al matar J V		81.41		83.66
Direct Taxes Paid		187.29		76.70
Tender Deposits		22.27		19.82
Other Deposits		19.14		21.03
Deposits with Joint Stock Companies:				
Secured (Refer Note B-7)	11.04		50.00	
Unsecured				
Considered Good	-		23.52	
Considered doubtful (including interest)	6.40		6.40	
Less : Provisions made	(6.40)		(6.40)	
		11.04		73.52
		499.41		545.68
SCHEDULE 11				
CURRENT LIABILITIES				
Sundry Creditors		455.38		306.78
Due to Gammon Al Matar J V		35.38		23.69
Advances from Clients	392.02		304.64	
Less : Value of Materials drawn from Contractees Contra – Refer Schedule 7	3.28		3.53	
		388.74		301.11
Interest accrued but not due on Loans		24.37		21.75
Unpaid Dividends (Refer Note B-27)		0.26		3.77
Unpaid Matured Fixed Deposits		0.18		0.23
		904.31		657.33
PROVISIONS				
Proposed Dividend		4.34		0.87
Provision for Taxation		160.66		108.89
Provision for Tax on Dividend		0.74		0.15
Provision for Gratuity		1.41		1.70
Provision for Leave Encashment		5.38		3.74
		172.53		115.34

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNTS

	2007- 08		2006 - 07	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 12				
TURNOVER				
Construction Contract Revenue		2,340.84		1,820.57
Other Contractual Revenue	15.20		38.61	
Less : Sub-contract Cost	15.20		14.34	
		-		24.27
Company's share in turnover of Joint Venture [Refer Note 33(b)]		172.90		239.49
		2,513.74		2,084.33

	2007- 08		2006 - 07	
	April 2007 - March 2008		April 2006 - March 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 12A				
OTHER OPERATING INCOME				
Fees & Miscellaneous receipts		4.07		6.85
		<u>4.07</u>		<u>6.85</u>
SCHEDULE 12B				
OTHER INCOME				
Dividend Income		0.73		0.75
Miscellaneous Income		3.79		1.15
Profit on Sale of Investments		-		4.74
		<u>4.52</u>		<u>6.64</u>
SCHEDULE 13				
EXPENDITURE ON CONTRACTS				
Opening Works-in-progress :				
Stores and Construction Material at Sites and Godowns	198.33		128.54	
Expenditure on Contracts	<u>334.20</u>		<u>347.69</u>	
		532.53		476.23
Add :				
Purchases of Materials	744.52		606.30	
Sub-Contract Expenses	1,048.07		661.67	
Plant Hire Charges	28.00		26.16	
Consumption of Spares	27.45		28.49	
Sales Tax	35.74		28.75	
Service Tax	30.33		19.13	
Power and Fuel	81.70		77.09	
Fees and Consultations	12.86		39.43	
Insurance	9.44		16.46	
Site Personnel Expenses	120.17		119.46	
Sundry Expenses (As per schedule 13A annexed)	<u>90.84</u>		<u>69.53</u>	
		2,229.12		1,692.47
Less :				
Closing Stock of Stores & Construction Materials including Materials drawn from Contractees Rs. 3.28 Crores (Previous Year Rs. 3.53 Crores)	183.69		198.33	
Closing Work-in-progress including estimated profits	<u>524.57</u>		<u>334.20</u>	
		708.26		532.53
		<u>2,053.39</u>		<u>1,636.17</u>
SCHEDULE 13A				
SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE OF CONTRACTS				
Plant Repairs		10.70		10.17
Rent, Rates & Taxes		10.10		10.52
Staff Welfare		12.94		6.70
Travelling Expenses		17.60		8.60
Guarantee Bond Commission and Bank Charges		6.11		6.38
Other Site Expenses *		<u>33.39</u>		<u>27.16</u>
		<u>90.84</u>		<u>69.53</u>

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

	12 months April 2007 - March 2008		12 months April 2006 - March 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 14				
ESTABLISHMENT EXPENSES				
Electricity Charges		1.07		0.71
Rent		0.23		0.14
Salaries including Provision for Commission and Bonus		25.89		19.20
Contribution to Employees' Provident Fund, ESIS & Other Funds		3.51		2.83
Contribution to Gratuity Fund		0.14		0.65
Staff welfare expenses		0.78		0.38
Insurance		6.21		3.62
Rates and Taxes		0.99		0.63
Communication Expenses		1.84		1.87
Travelling, Leave Passage and Motor Car Expenses		2.96		1.67
Professional Fees		2.61		3.97
General Charges		2.13		1.05
Repairs & Maintenance		2.98		2.60
Auditors Remuneration :				
– Audit Fees including Tax Audit Fees & Consolidation	0.42		0.31	
– Limited Review	0.03		0.03	
– Certification	0.01		0.01	
– Other Services	0.01		–	
– Reimbursement of Out of Pocket Expenses	0.01		–	
		0.48		0.35
Directors Fees		0.07		–
Write off against Leasehold Land		0.01		0.02
Bad Debts written off		1.51		3.18
Donation		0.03		–
Agency commission expenses		13.61		–
Foreign Exchange Loss		5.83		0.29
Loss on Sale of Assets		(0.08)		0.20
		<u>72.80</u>		<u>43.36</u>
SCHEDULE 15				
FINANCIAL COST (NET)				
INTEREST EXPENSED ON				
Fixed Period Loans	13.06		12.46	
Other Loans	34.62		28.65	
Other Finance Charges	1.20		1.07	
Provision for Mark to Market loss (Refer Note B-9c)	4.60		–	
		53.48		42.18
Less : INTEREST EARNED ON				
Fixed Deposits with Banks	0.83		7.17	
(TDS Rs. 0.16 Crores; Previous Year Rs. 1.53 Crores)				
Fixed Deposits with Joint Stock Companies	14.10		8.31	
(TDS Rs. 3.37 Crores; Previous Year Rs. 1.88 Crores)				
Others (TDS Rs. 0.24 Crores; Previous Year Rs. 0.53 Crores)	12.14		13.13	
		27.07		28.61
		<u>26.41</u>		<u>13.57</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 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) Insurance claims are accounted for on cash basis.**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.

5. Joint Venture:

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

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

6. Research and Development Expenses:

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

7. Employee Retirement Benefits:

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.

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

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. 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.

Depreciation for the accounting period is provided on:

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

- (b) Written Down Value Method, for assets acquired on or prior to 2-4-1987, at the rates as specified in Schedule XIV to the Companies Act, 1956.
- (c) Depreciation on revalued component of the assets is withdrawn from the Revaluation Reserve.
- (d) The depreciation on assets used for construction has been treated as period cost.

9. Impairment of Assets:

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

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

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

10. Investments:

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

11. Inventories:

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

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

12. Foreign Currency Translation:

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

13. Taxation:

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

Current Tax is calculated after considering benefits admissible under Income tax Act, 1961. Deferred Tax is recognized on timing differences being the differences between the taxable 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.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognised 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.

14. Sales Tax/VAT/WCT:

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

15. Provision, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are 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.

16. Earning per share:

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

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

17. Prior Period Items:

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

B. NOTES TO ACCOUNTS:

1. Provident Fund:

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

However, a provision of Rs. 0.25 Crores is available to cover any liability arising there from.

2. 8.75% – Secured Redeemable Non Convertible Debentures of Rs. 29 Crores are secured by hypothecation of specific Plant & Machinery and *pari passu* charge by mortgage of immovable property in Gujarat. Out of Rs. 29 Crores, debenture holders of Rs. 24 Crores have exercised their put option and accordingly the same have been redeemed on 31st March, 2008. The balance debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 30th March, 2003.

7.50% – Redeemable Non Convertible Debentures of Rs. 15 Crores and 7.25% – Redeemable Non Convertible Debentures of Rs. 6 Crores are secured by hypothecation of specific Plant & Machinery and *pari passu* charge by mortgage of immovable property in Gujarat with 8.75% Secured Redeemable Non Convertible Debentures of Rs. 5 Crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment i.e. 29th September, 2003.

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

9.95% – Redeemable Non Convertible Debentures of Rs. 50 Crores are to be secured by hypothecation of specific Plant & Machinery with *pari passu* charge by mortgage of immovable property in Gujarat with 8.75% Secured Redeemable Non-Convertible Debentures of Rs. 5 Crores and 7.50% Secured Non-convertible Debenture of Rs. 15 Crores and 7.25% Secured Non convertible Debenture of Rs. 6 Crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment being, 24th March, 2008.

3. Issued Share Capital includes 725,800 shares of Rs. 2/- each kept in abeyance.
4. Share Forfeited account includes Rs. 0.26 Crores of Share Premium collected on application in respect of forfeited shares.
5. As per the intimation available with the Company, there are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, 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 by the Auditors.

6. The Company has made following Purchases & Sales of Investments during the period ended 31st March, 2008.

(a) Mutual Fund:

CAN Liquid Fund – 48799920.3267 units purchased at Rs. 49 Crores (including dividend reinvested of 27937.0322 units at Rs. 0.0281 Crores) and 48827857.3589 units sold at Rs. 49.0281 Crores.

(b) Investment:

During the year, the Company has Purchased & Sold 512,295 Shares (Rs. 0.51 Crores) in Kosi Bridge Infrastructure Company Ltd. and 512,295 Shares (Rs. 0.51 Crores) in Gorakhpur Infrastructure Company Ltd.

7. Loans and advances include Rs. 11.04 Crores (*Previous Year Rs. 50 Crores*) which are secured by pledge of equity shares of a private company. The security value is adequate to recover the amount advanced.
8. During the financial year 2005 - 2006, company had issued 91,86,900 Global Depository Receipts (GDRs) along with green shoe option of 13,72,700 additional GDRs representing aggregate of 1,05,59,600 Equity Shares of nominal value Rs. 2/- each at issue price of US\$9.47 per GDR for an aggregate amount of Rs. 443.50 Crores.

The utilization of the net proceeds of GDR of Rs. 434.90 Crores after adjusting GDR issue expense of Rs. 8.60 Crores is as below.

(Rs. in Crores)

Objects of issue	Upto 31 st March, 2008	Upto 31 st March, 2007
Repayment/Pre-payment of Debt	245.70	245.70
Meeting Working Capital requirement	189.20	129.20
Total	434.90	374.90

The balance amount not applied to objects of the issue amount to Rs. Nil (*Previous Year Rs. 60 Crores*).

9. (a) Foreign currency exposure un-hedged as at 31st March, 2008 is Rs. 61.18 Crores (*Previous Year Rs. 185.39 Crores*) receivables and Rs. 128.44 Crores (*Previous year Rs. 106.89 Crores*) payables.
- (b) The Company has entered into five cross currency forward contracts of JPY 151.63 Crores which are outstanding towards hedging of a specific currency risk.
- (c) In respect of one currency swap derivative contract entered into by the Company, the Company has Mark to Market loss of Rs. 4.60 Crores as at 31st March 2008 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.
10. Sundry Creditors include Rs. 3.76 Crores (*Previous Year Rs. 2.33 Crores*) due to Gammon Infrastructure Projects Ltd., Rs. 0.25 Crores (*Previous Year Rs. 0.16 Crores*) due to Cochin Bridge Infrastructure Company Ltd., Advance from client include Rs. 18 Crores (*Previous Year Rs. 36.35 Crores*) due to Mumbai Nasik Expressway Ltd., Rs. 52.48 Crores (*Previous Year Rs. Nil*) due to Kosi Bridge Infrastructure Company Ltd., and Rs. 63.02 Crores (*Previous Year Rs. Nil*) due to Gorakhpur Infrastructure Company Ltd., all subsidiary companies.

Sundry Debtors include Rs. 2.71 Crores (*Previous Year Rs. 2.27 Crores*) due from Rajamundry Expressway Ltd., Rs. 2.36 Crores (*Previous Year Rs. 2.15 Crores*) due from Andhra Expressway Ltd., Advance from client include Rs. 0.13 Crores due from Mumbai Nasik Expressway Ltd., all subsidiary Companies, Rs. 2.28 Crores (*Previous Year 0.99 Crores*) due from Associate Transrail Structures Ltd., an associate Company, Rs. 0.87 Crores (*Previous Year Rs. Nil*) due from Vizag Seaport Pvt. Ltd., a Joint Venture Company.

Loans and Advances include Rs. 0.41 Crores (*Previous Year Rs. 0.41 Crores*) due from Vizag Seaport Pvt. Ltd., a Joint Venture Company.

Interest receivables include Rs. 1.61 Crores (*Previous Year Rs. 1.15 Crores*) due from Gammon & Billimoria Ltd., Rs. 0.87 Crores (*Previous Year Rs. 0.06 Crores*) due from Gammon Realty Ltd., Rs. 0.03 Crores (*Previous Year Rs. Nil*) due from Gammon Cooling Tower Ltd., Rs. 0.07 Crores (*Previous Year Rs. Nil*) due from Gammon Infrastructure Projects Ltd., all subsidiary Companies and Rs. Nil (*Previous Year Rs. 0.31 Crores*) due from Associated Transrail structures Ltd., an associate Company.

Investment includes Rs. 48.72 Crores (*Previous Year Rs. 32.83 Crores*) received from Gammon Infrastructure Projects Ltd., on account of deposit for acquisition of shares.

11. Managerial Remuneration:

Particulars	Year ended March 2008 (Rs. in Crores)	Year ended March 2007 (Rs. in Crores)
Managerial remuneration for Directors included in the Profit and Loss Account comprises:		
Salaries, contribution to Provident Fund and Other Funds	1.81	1.84
Commission	0.30	0.30
Sitting fees to Independent Directors	0.07	0.00
Perquisites (at monetary value)	0.03	0.02
Total	2.21	2.16



Particulars	Year ended March 2008 (Rs. in Crores)	Year ended March 2007 (Rs. in Crores)
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	139.34	143.06
Add: Directors' remuneration	2.21	2.16
Directors' fees	0.07	0.00
Depreciation	46.21	35.22
Loss/(Profit) on sale of assets	(0.08)	0.20
Less: Depreciation under section 350	46.21	35.22
Loss/(Profit) on sale of assets as per Section 350	(0.08)	0.20
Net Profit under section 349 of the Companies Act, 1956	141.62	145.22
Managerial Remuneration at 10% thereof	14.16	14.52

12. In respect of some road projects completed during the year, the Company has incurred additional cost not covered by contract conditions pertaining to variations, escalation and other claims. These claims were disputed by the customer but the Company has received favourable verdicts from Dispute Resolution Board and thereafter also in arbitration awards in some of the cases. The customers have however appealed against the said arbitration awards. The Management is reasonably confident of recovery of these claims. The management has also obtained independent legal opinion from eminent counsel in this regard who have opined on the recoverability of the claims.

Accordingly the Company has recognised these claims of Rs. 57.04 Crores as turnover to the extent of the expenditure incurred without recognizing any further profits from the same during the year although the awards/claims are for higher amount. The said amount of Rs. 57.04 Crores is part of Sundry Debtors.

13. The Company, from time to time, has been setting aside some amounts into Special Contingency reserves to meet any possible contractual losses/liabilities/claims following the principles of conservatism and prudence. During this year an amount of Rs. 20 Crores (*Previous Year Rs. 10 Crores*) has been transferred to the Special Contingency Reserve.

14. Foreign Exchange Earnings:

Particulars	Year ended March, 2008 (Rs. in Crores)	Year ended March, 2007 (Rs. in Crores)
Revenue from overseas Project and receipts from World Bank aided projects in Foreign Currency	9.85	36.94
Receipts from foreign projects	2.82	3.98

15. (a) Remittance of Dividend in Foreign Currency

Pertaining to	Non resident Shareholders	No of shares	Amount (Net) (Rs. in Crores)
2006-2007(Final Dividend)	12	7,934,455	0.08
2006-2007(Interim Dividend)	11	7,934,420	0.32
2005-2006 (Final Dividend)	12	7,934,455	0.48

(b) Expenditure in Foreign Currency

Particulars	Year ended March, 2008 (Rs. in Crores)	Year ended March, 2007 (Rs. in Crores)
(i) Expenditure at Foreign Sites/Foreign Branches		
Commission paid	13.61	—
Others	0.61	0.88
(ii) Other Expenditure:		
Books and Periodical/Membership and Subscription	0.08	0.12
Travelling	0.45	0.77
Royalty and Technical/Professional fees	7.14	29.74
Bank charges	2.33	0.59
Interest paid	3.43	5.09
Others	0.08	0.29
Total	27.73	37.48

(c) C I F Value of Imports:

	Year ended March, 2008 (Rs. in Crores)	Year ended March, 2007 (Rs. in Crores)
Capital goods	30.79	71.18
Material	3.93	6.30
Consumables, Components and Spares	5.32	4.86
Total	40.04	82.34

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

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

	Year ended March, 2008 (Rs. in Crores)	Year ended March, 2007 (Rs. in Crores)
Turnover	2072.50	1370.33
Expenditure (Net of inventory adjustments)	1822.32	1203.81
Contract Profits/Losses recognized	250.18	166.52
Contract Advances (Net)	1122.15	297.34
Gross Amount due from Customers for contract work	318.34	172.96
Gross Amount due to customers for contract work	Nil	Nil

18. 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 summarised 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.

(Rs. in Crores)

Sr. No.	Particulars	Gratuity 2007-08	Leave Encashment 2007-08
I.	Change in Benefit Obligation		
	Liability at the beginning of the year	3.83	3.74
	Interest cost	0.28	0.33
	Current Service Cost	0.41	0.71
	Past Service Cost (Non Vested Benefit)	—	—
	Past Service Cost (Vested Benefit)	—	—
	Benefit Paid	(0.56)	(0.72)
	Actuarial (gain)/loss on obligations	0.24	1.32
	Curtailments and Settlements	—	—
	Liability at the end of the year	4.20	5.38
II.	Fair Value of Plan Assets		
	Fair Value of Plan Assets at the beginning of the year	2.69	
	Expected Return on Plan Assets	0.23	
	Contributions	0.43	
	Benefit paid	(0.56)	
	Actuarial gain/(loss) on Plan Assets	—	
	Fair Value of Plan Assets at the end of the year	2.79	
	Total Actuarial gain/(loss) to be Recognised.	0.24	
III.	Actual Return on Plan Assets		
	Expected Return on Plan Assets	0.23	
	Actuarial gain/(loss) on Plan Assets	—	
	Actual Return on Plan Assets	0.23	



(Rs. in Crores)

Sr. No.	Particulars	Gratuity 2007-08	Leave Encashment 2007-08
IV.	Amount Recognised in the Balance Sheet		
	Liability at the end of the year	4.20	5.38
	Fair Value of Plan Assets at the end of the year	2.79	—
	Difference	1.41	5.38
	Unrecognised Past Service Cost	—	—
	Amount Recognised in the Balance Sheet	1.41	5.38
V.	Expenses Recognised in the Income Statement		
	Current Service Cost	0.41	0.71
	Interest Cost	0.29	0.33
	Expected Return on Plan Assets	(0.23)	—
	Net Actuarial (gain)/loss To Be Recognised	0.23	1.32
	Past Service Cost (Non Vested Benefit) Recognised	—	—
	Past Service Cost (Vested Benefit) Recognised	—	—
	Effect of Curtailment or Settlements	—	—
	Expense to be Recognised in Profit and Loss Account	0.70	2.36
	Excess Provision of earlier years written back	(0.56)	—
	Expense Recognised in Profit and Loss Account	0.14	2.36
VI.	Balance Sheet Reconciliation		
	Opening Net Liability	1.14	3.74
	Expense as above	0.70	2.36
	Employers Contribution	(0.43)	(0.72)
	Effect of Curtailment or Settlements	—	—
	Amount Recognised in Balance Sheet	1.41	5.38
VII.	Actuarial Assumptions		
	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.
19. Consequent upon the adoption of the Companies (Accounting Standard) Rules 2006, with effect from April 01, 2007, exchange difference due to restatement of foreign currency liabilities relating to fixed assets, which were previously adjusted in the carrying amount of fixed assets are now recognised in the Profit & Loss Account. As a result of this change, the net foreign exchange loss of Rs. 1.12 Crores is not adjusted in Fixed Assets and is debited to Profit & Loss Account due to which the profit before tax of the year is lower by Rs. 1.12 Crores.
 20. The Company is engaged in only one reportable segment viz., "Construction and Engineering" and therefore Accounting Standard AS-17 on segment reporting is not applicable to the Company.
 21. Disclosure of transactions with Related Parties, as required by Accounting Standard – 18 "Related Party Disclosures" has been set out in a separate statement annexed to this Schedule.
 22. Disclosure under Accounting Standard – 19 "Leases", issued by the Institute of chartered Accountants of India.
The Company has taken various residential/godowns/offices premises (including Furniture and Fittings if any) under lease and license agreements for periods which generally range between 11 months to 3 years. These arrangements are renewable by mutual consent on mutually agreed terms. Under some of these arrangements the Company has given refundable security deposits. The lease payments are recognized in Profit and Loss Account under Rent, Rates and Taxes.

23. Earning per Share (EPS):

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

Particulars	As at 31st March, 2008	<i>As at 31st March, 2007</i>
Net Profit After Taxation (Rs. In Crores)	86.13	44.48
Weighted Number of Shares during the period – Basic	8,67,44,670	8,67,44,670
Weighted Number of Shares during the period – Diluted	8,74,70,470	8,74,70,470
Earning Per Share – Basic (Rs.)	9.93	5.12
Earning Per Share – Diluted (Rs.)	9.85	5.06

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

24. The Income Tax Assessments of the Company are completed up to the accounting year 31st March, 2005 and various appeals filed by the Company in this regards are pending before Statutory Appellate Authorities. There are no amounts due in respect of disputed appeals as the Income tax department has adjusted the refund due to the company.

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

Particulars	Year ended March, 2008 (Rs. in Crores)	<i>Period ended March, 2007 (Rs. in Crores)</i>
Deferred Tax Liability:		
– On Account of Depreciation	45.83	41.60
Deferred Tax Assets:		
– On Account of Gratuity/Leave Encashment Provision	1.82	1.26
– On Account of Interest on NCD	0.50	0.21
– On Account of Other Disallowances	6.34	2.21
Net Balance	37.17	37.92

26. The Company had deposited customs duty of Rs 2.20 Crores under protest in respect of certain machineries imported for the project in Sikkim. The Company contends that the import of machinery is duty free as per the Project Import regulations prevailing then. The Company has preferred an appeal against the levy of Custom Duty. Pending outcome of the appeal, the said amount is carried under Advances recoverable in cash or in kind.

27. Unpaid dividend includes Rs. 0.05 Crores (*Previous year – Rs. 0.03 Crores*) to be transferred to the Investor Education & Protection Fund.

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

29. CONTINGENT LIABILITIES:

Sr. Particulars No.	As at 31st March, 2008 (Rs. in Crores)	<i>As at 31st March, 2007 (Rs. in Crores)</i>
1. Liability on contracts remaining to be executed on Capital Accounts.	72.19	51.92
2. Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate Companies stand at	1886.48	1148.67
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	408.93	417.53
4. Disputed Sales Tax liability for which the Company has gone into Appeal is	25.86	13.81
5. Claims against the Company not acknowledged as debts	46.02	46.14
6. Claim against the Company by Al Manara International LLC not acknowledged as debt – Towards Commission and related costs	—	14.21
7. Disputed Excise Duty liability	0.03	0.19
8. Disputed Customs Duty liability	0.32	0.32
9. Disputed Service Tax Liability	4.72	3.66

**Sr. Particulars
No.**

As at 31st March, 2008 (Rs. in Crores)	As at 31st March, 2007 (Rs. in Crores)
--	--

- | | | |
|---|---|------|
| 10. Contingent Liability on partly paid shares | — | — |
| 11. Disputed Income Tax-Demand for which the Company Appeals are pending before Appellant Authority | — | 1.16 |
| 12. There is a disputed demand of UCO Bank pending since 1986, of US\$ 436251 i.e. Rs.1.72 Crores. Against this, UCO Bank has unilaterally adjusted the Company's Fixed Deposit of US\$ 30584 i.e. Rs.0.12 Crores, which adjustment has not been accepted by the Company. | | |
| 13. In respect of Joint Venture and operations in Oman, Gammon India Limited-AL Matar JV, refer note no. 35 | | |
| 14. Counter claims in arbitration matters referred by the Company – liability unascertainable | | |

30. Disclosure pertaining to Accounting Standard -29 is as below.

(Rs. in Crores)

Account Head	Opening Balance	Provisions made during the year	Paid/Utilized during the year	Closing Balance
Gratuity	1.70	0.14	0.43	1.41
Leave Encashment	3.74	2.36	0.72	5.38
Taxation	110.86	51.77	1.97	160.66
Proposed Dividend	0.87	4.34	0.87	4.34

31. Since the principal business of the Company is construction activities, quantitative data as required by Part II Para ii, 4c, 4d of Schedule VI to the Companies Act, 1956 is not furnished.
32. Cash & Bank balances include Rs. 3.18 Crores (*Previous Year Rs 3.15 Crores*) with bank branches in foreign countries relating to certain foreign projects which are not readily available for use by the Company and are subject to exchange control regulation of the respective countries. The Fixed Deposit related interest and principal account as at the year-end are as per ledger and are subject to reconciliation, which is under progress.
33. Joint Venture :

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

Sr. No.	Name of Joint Venture	Description of Interest	% of involvement
1.	Gammon Atlanta	Jointly Controlled Operation	50.00%
2.	Gammon BBJ	Jointly Controlled Operation	50.00%
3.	Gammon Limak	Jointly Controlled Operation	97.00%
4.	Gammon OAO Stroytransgaz	Jointly Controlled Operation	50.00%
5.	Gammon Sadbhav	Jointly Controlled Operation	70.00%
6.	Gammon Srinivas	Jointly Controlled Operation	80.00%
7.	GIL Archirodon	Jointly Controlled Operation	98.50%
8.	BBJ GIL	Jointly Controlled Operation	30.50%
9.	GIL ENCEE RAIL	Jointly Controlled Operation	90.00%
10.	JAGER GIL	Jointly Controlled Operation	50.00%
11.	Jaeger Gammon	Jointly Controlled Operation	50.00%
12.	Patel Gammon	Jointly Controlled Operation	49.00%
13.	Torno Gammon Dolsar	Jointly Controlled Operation	62.00%
14.	Torno Gammon Patel Dolsar Alston	Jointly Controlled Operation	20.00%
15.	Gammon Patel	Jointly Controlled Operation	50.00%
16.	Gammon JMC Proj.	Jointly Controlled Operation	70.00%
17.	Hyundai Gammon	Jointly Controlled Operation	49.00%
18.	Jaeger Gammon	Jointly Controlled Operation	50.00%
19.	Torno Gammon	Jointly Controlled Operation	50.00%
20.	Gammon BBJ	Jointly Controlled Operation	50.00%
21.	Hyundai Gammon	Jointly Controlled Operation	49.00%
22.	Jaeger Gammon	Jointly Controlled Operation	50.00%

Sr. No.	Name of Joint Venture	Description of Interest	% of involvement
23.	Gammon Eencee Rail	Jointly Controlled Operation	60.00%
24.	SAE Gammon	Jointly Controlled Operation	25.00%
25.	BBJ Gammon	Jointly Controlled Operation	49.00%
26.	Gammon Limak Francotossi	Jointly Controlled Operation	60.00%
27.	Jager Gammon Seli	Jointly Controlled Operation	33.00%
28.	Gammon Hot Engineering	Jointly Controlled Operation	70.00%
29.	MCC Gammon	Jointly Controlled Operation	49.00%
30.	SGTM Gammon	Jointly Controlled Operation	49.00%
31.	Satra Gammon Dev	Jointly Controlled Operation	35.00%
32.	Gammon Limak	Jointly Controlled Operation	51.00%
33.	Gammon Technofab	Jointly Controlled Operation	80.00%
34.	Gammon Technofab	Jointly Controlled Operation	70.00%
35.	Gammon Technofab	Jointly Controlled Operation	70.00%
36.	Gammon Limak	Jointly Controlled Operation	51.00%
37.	Gammon Tensacuai	Jointly Controlled Operation	80.00%
38.	Gammon Construtora Tensacuai	Jointly Controlled Operation	60.00%
39.	Limak Gammon	Jointly Controlled Operation	49.00%
40.	Gammon Pratibha	Jointly Controlled Operation	70.00%
41.	Gammon Pratibha	Jointly Controlled Operation	70.00%

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

(Rs. in Crores)

Particulars	Year ended 31 st March, 2008	Year ended 31 st March, 2007
Income & Expenditures	172.90	239.49
Contract Revenue	(172.40)	(217.79)
Finance Cost	(9.43)	(6.27)
Income Tax Expenses	—	(1.52)
Assets & Liabilities		
Fixed Assets	3.82	5.40
Current Assets		
Inventories	21.50	116.50
Account receivable and prepayments	124.45	85.27
Bank balances and cash	0.10	0.10
Loans & Advances	0.29	—
Current Liabilities		
Accounts payables and accruals	(23.11)	(43.30)
Income tax payable	(1.32)	(1.44)
	125.73	162.53
Represented by – JV partner's account	(10.86)	2.97
Secured Loan	57.97	104.69
Unsecured Loan	78.62	54.87
	125.73	162.53

34. The Company has pledged the following shares in favour of the lenders to the projects as part of the terms of financial closure of the respective companies:

- i. Rajahmundry Expressway Ltd. – 11,092,440 (Previous Year – 6,732,000) Equity shares of Rs 10/- each.
- ii. Andhra Expressway Ltd. – 11,092,440 (Previous Year – 6,528,000) Equity shares of Rs 10/- each.

35. Joint venture and operations in Oman:

- (a) The Company's share of profit under Joint Venture is accounted under other income as per the audited accounts of the Joint Venture. In respect of the contracts under execution with MHEW, the Joint Venture has exceeded the contractual dates of completion as extended. The Joint Venture has requested for further extension of the time which is pending approval. The Joint Venture has nevertheless completed substantial portion of work by the Balance sheet date and is hopeful of receiving the extension of time sufficient to cover the period of the delay, thereby obviating the contractual penalty of RO 7605 (Rs. 0.08 Crores) per day. However the official EOT letter is under process and is awaited. Pending the receipt of the same, the job has been assessed considering that the EOT will ultimately be received and profit is determined accordingly. On the basis of joint venture profit and loss account, the Company has recognized its share of loss of Rs. 11.28 Crores in their financial statements.
- (b) 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. The total of such borrowings as at 31st March, 2008 is RO 13602266 (Rs. 141.51 Crores) [Previous Year – RO 19035026 (Rs. 215.40 Crores)] which consists of Fund based RO 9784630 (Rs. 101.79 Crores) [Previous Year – RO 16587491 (Rs. 187.71 Crores)] and Non-fund based RO 3817636 (Rs. 39.72 Crores) [Previous Year – RO 2447535 (Rs. 27.69 Crores)]
- (c) Transactions of Oman Branch and the accounting effect of the Gammon Al Matar Joint Venture profits are accounted on the basis of the accounts prepared specially for this purpose and which is duly audited by the Company's auditor.

36. Details of loans and advances in the nature of loans:

Disclosure of amounts outstanding at period end as per Clause 32 of the Listing Agreement:

(Rs in Crores)

	Amount Outstanding at period ended		Maximum Amount Outstanding	
	31 st March, 2008	31 st March, 2007	31 st March, 2008	31 st March, 2007
Subsidiaries/Fellow Subsidiaries:				
1. Gammon & Billimoria Ltd.	8.82	9.10	9.10	13.55
2. Gammon Infrastructure Projects Ltd.	29.30	—	29.30	—
3. Gammon Realty Ltd.	0.27	41.00	42.18	51.00
4. Gammon Cooling Towers Ltd.	0.29	—	68.00	—
5. Gammon International FZE	6.46	—	6.46	—
6. P. Van Eerd Beheersmaatschappaji B. V.	0.20	—	0.20	—
7. Tidong Hydro Power Ltd.	0.60	—	0.60	—
8. Hariyana Biomass Power Ltd.	0.07	—	0.07	—
Associates & Group Companies:				
Associated Transrail Structures Ltd.	—	—	14.00	12.67

37. (a) The company had in the past acquired voting rights and other beneficial interests in two companies Rajahmundry Expressway Limited and Andhra Expressway Limited in respect of 43,60,500 equity shares and 45,64,500 equity shares respectively from its Joint Venture partner in these entities in consideration of payment of deposit for the acquisition of shares of Rs. 5.66 Crores. Subsequently the Company transferred its voting rights and other beneficial interests so acquired along with the voting rights and beneficial interests in respect of 11,092,500 equity shares of Rajahmundry Expressway Limited and 11,092,500 equity shares of Andhra Expressway Limited to its then wholly owned subsidiary Gammon Infrastructure Projects Limited against receipt of consideration being deposit for sale of equity shares in these Companies of Rs.32.84 Crores from the subsidiary. The deposit made and deposit received as aforesaid are reflected under the Investment Schedule. In respect of these shares where the voting rights and beneficial rights are so transferred, the holder continues to be the original allottees as per the records of the respective Companies.
- (b) Similarly during the current year the Company has transferred beneficial interest in respect of the investment in Kosi Bridge Infrastructure Company Ltd. and Gorakhpur Infrastructure Company Ltd. in favour of its subsidiary Company Gammon Infrastructure Project Ltd. in consideration of payment of deposit for an aggregate sum of Rs. 15.88 Crores. The said deposits received are reflected in the Investment Schedule.

(c) As at 31 March 2008 following is the status of transfer of beneficial interest of the group companies:

(Rs. In Crores)

Sr. No.	Name of Company	As at 31 st March, 2008		As at 31 st March, 2007	
		No. of Shares	Deposit Received	No. of Shares	Deposit Received
1.	Kosi Bridge Infra. Co. Ltd	6,284,146	6.28	—	—
2.	Gorakhpur Infra. Co. Ltd.	9,596,923	9.60	—	—
3.	Andhra Expressway Ltd.	11,092,500	16.48	11,092,500	16.48
4.	Rajahmundry Expressway Ltd.	11,092,500	16.36	110,92,500	16.36

The Company has also entered into another agreement for transfer of beneficial interests of equity shares of Indira Container Terminal Pvt. Ltd. in respect of which the deposit is yet to be received as at the Balance sheet date.

38. Previous year's figures are regrouped and rearranged with those of the current year to make them comparable.

39. Details of rounded off amounts.

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

Balance Sheet Items

(Rupees)

REFER	DESCRIPTION	As at 31 st March, 2008	As at 31 st March, 2007
Schedule 6	INVESTMENTS		
	(a) Trade Investments:		
	Airscrew (India) Ltd.	1,000	1,000
	Bhagirathi Bridge Construction Co. Ltd.	30,000	30,000
	Alpine Environmental Engineers Ltd.	20,000	20,000
	(b) Other Investments:		
	Modern Flats Ltd.	22,100	22,100
	Centurion Bank Ltd.	11,000	11,000
	(c) Investment In Partnership – Capital Contribution		
	Gammon Shah	25,000	25,000
Schedule 9	CASH & BANK BALANCES WITH NON – SCHEDULED BANKS:		
	On Current Accounts:		
	(a) Canara Bank, Nepal	35,095	35,095
	(b) Bank of Bhutan	2,947	2,947
	(c) Nepal Bank	968	968
	(d) Umma Bank, Al- Fatah	8,000	8,350
	(e) Umma Bank, Tripoli	8,390	8,390
	(f) Nepal Bank Ltd.	511	511
	(g) Nabil Bank Site Account	3,967	3,967
	(h) Nabil Bank Collection Account	16,618	16,618

Notes To Accounts

(Rupees)

REFER	DESCRIPTION	Year ended 31 st March, 2008	Year ended 31 st March, 2007
Note No.29(10)	Contingent liability on partly paid shares	19,000	19,000

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. JAYENDRAN
Partner
Membership No. 40441

Mumbai, Dated : June 30, 2008

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

C. C. DAYAL
Director

GITA BADE
Company Secretary

Mumbai, Dated : June 30, 2008



Annexure

Related Party Disclosure as required by Accounting Standard 18 "Related Party Disclosure":

(A) Relationships:

Entities where control exists:
1. Pacific Energy Pvt. Ltd.
2. Nikhita Estate Developers Pvt. Ltd.
3. Masayor Enterprises Ltd.
4. First Asian Capital Resources Pvt. Ltd.
5. Devyani Estate & Properties Pvt. Ltd.
Subsidiaries/Fellow Subsidiaries:
1. Gammon Cooling Towers Limited
2. Cochin Bridge Infrastructure Company Limited
3. Gammon Infrastructure Projects Limited
4. Rajahmundry Expressway Limited
5. Andhra Expressway Limited
6. Gammon & Billimoria Limited
7. Mumbai Nasik Expressway Limited
8. Sikkim Hydro Power Ventures Limited
9. Gammon Projects Developers Limited
10. Gammon Realty Limited
11. Kosi Bridge Infrastructure Company Limited
12. Gorakhpur Infrastructure Company Limited
13. Gammon & Billimoria LLC
14. Gammon International LLC, Oman
15. Gammon International FZE
16. P. Van Eerd Beheersmaatschappij B.V. – Netherlands
17. Tidong Hydro Power Limited
18. Haryana Biomass Power Limited
Associates & Group Companies:
1. Associated Transrail Structures Ltd.
2. Gammon Information Technologies Ltd.
3. STFA Piling (India) Ltd.
Joint Ventures:
1. Vizag Seaport Pvt. Ltd.
2. Indira Container Terminal Private Ltd.
3. Gammon L & T Infra MRTS Ltd.
4. Gammon AL Matar
5. Gammon Atlanta
6. Gammon BBJ
7. Gammon Limak
8. Gammon Srinivas
9. GIL Archirodon
10. BBJ GIL
11. JAGER GIL
12. Jaeger Gammon
13. Patel Gammon
14. Gammon Patel
15. Gammon JMC
16. Hyundai Gammon
17. Jaeger Gammon
18. Gammon Encee Rail
19. Jager Gammon Seli
20. Gammon Rizzani
21. OSE Gammon

22 Gammon OSE
23 Gammon Progressive
24 Gammon Sadelmi
Key Management Personnel & Relatives:
1 Mr. Abhijit Rajan
2 Mr. Himanshu Parikh
3 Mr. Rajul A. Bhansali

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

(Rs. in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Subsidiaries				
Subcontracting Income	310.38		171.12	
Mumbai Nasik Expressway Limited		193.95		130.98
Gorakhpur Infrastructure Company Limited		71.84		—
Gammon Infrastructure Projects Ltd.		—		25.00
Subcontracting expenditure (Operating and Maintenance Income/Expenses)	15.60		15.36	
Gammon Infrastructure Projects Ltd.		15.60		14.64
Purchase of Investments/Advances towards Equity/Allotment of Shares	18.10		15.16	
Kosi Bridge Infrastructure Company Limited		6.74		—
Gorakhpur Infrastructure Company Limited		10.08		—
Gammon Realty Limited		—		15.05
Sale of Investment/Deposit for transfer of Beneficial Interest	16.91		—	
Gammon Infrastructure Projects Ltd.		1.02		—
Rendering of Services	0.53		0.25	
Cochin Bridge Infrastructure Company Ltd.		—		0.13
Gammon Infrastructure Projects Ltd.		0.13		—
Rajahmundry Expressway Ltd.		0.30		—
Andhra Expressway Ltd.		0.99		—
Receiving of Services	3.04		0.30	
Rajahmundry Expressway Ltd.		—		0.22
Gammon Cooling Tower		3.17		—
Gilcon Project Services Ltd.		—		0.39
Finance provided (incl. Loans and equity contribution in cash or in kind)	112.71		60.06	
Gammon & Billimoria Ltd.		—		19.02
Gammon Realty Limited		2.03		41.00
Gammon Cooling Tower		71.38		—
Gammon Infrastructure Projects Ltd.		39.30		—
Finance provided for expenses & on a/c payments	9.43		1.46	
GAMMON INTL. FZE		6.46		—
Gammon Infrastructure Projects Ltd.		—		1.13
Amount liquidated towards the finance provided	127.41		26.76	
Gammon & Billimoria Ltd.		—		23.41

(Rs. in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Gammon Cooling Tower		71.33		—
Gammon Realty Limited		42.79		—
Interest Income during the year	7.64		0.90	
Gammon Infrastructure Projects Ltd.		1.01		—
Gammon Cooling Tower		1.47		—
Gammon Realty Limited		4.23		—
Gammon & Billimoria Ltd.		0.91		0.84
Finance received (incl. Loans and equity contribution in cash or in kind)	0.37		0.08	
Cochin Bridge Infrastructure Company Ltd.		0.09		0.08
Gammon & Billimoria Ltd.		0.28		—
Amount liquidated towards the above finance	—		0.38	
Gammon Infrastructure Projects Ltd.		—		0.38
Contract Advance received	89.90		54.60	
Mumbai Nasik Expressway Limited		—		54.60
Kosi Bridge Infrastructure Company Limited		34.71		—
Gorakhpur Infrastructure Company Limited		55.19		—
Refund received against Contract advance	36.35		18.25	
Mumbai Nasik Expressway Limited		36.35		18.25
Guarantees and Collaterals Outstanding	601.29		2.36	
Gammon Billimoria LLC		374.76		—
Outstanding Balances Receivables	53.82		62.71	
Gammon Infrastructure Projects Ltd.		29.38		—
Gammon Realty Limited		1.14		41.06
Outstanding Balances Payable	138.68		74.29	
Kosi Bridge Infrastructure Company Limited		52.48		—
Gammon Infrastructure Projects Ltd.		22.17		37.56
Mumbai Nasik Expressway Limited		18.00		36.35
Gorakhpur Infrastructure Company Limited		63.02		—
Deposit Outstanding (Payable)	48.72		—	
Gammon Infrastructure Projects Ltd.		48.72		—
TOTAL	1,590.87		504.04	
Associates				
Subcontracting Expenditure (Operating and Maintenance Income/Expenses)	15.02		49.25	
Associated Transrail Structures Ltd.		15.02		—
Freyssinet Prestressed Concrete Co. Ltd.		—		49.25
Purchase of Goods	—		1.38	
Freyssinet Prestressed Concrete Co. Ltd.		—		1.38
Sale of Goods	—		8.15	
Freyssinet Prestressed Concrete Co. Ltd.		—		8.15
Purchase of Investments/Advances towards Equity/Allotment of Shares	—		19.08	
FINEST SPA		—		19.08

(Rs. in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Sale of Investment/ Deposit for transfer of Beneficial Interest Freyssinet Prestressed Concrete Co. Ltd.	—	—	5.16	5.16
Rendering of Services Associated Transrail Structures Ltd.	—	—	0.86	0.80
Receiving of Services Gammon Information Technologies Ltd.	—	—	0.64	0.26
Finance provided (incl. Loans and equity contribution in cash or in kind) Associated Transrail Structures Ltd.	29.00	29.00	20.17	—
Finance provided for expenses & on a/c payments Associated Transrail Structures Ltd.	0.17	0.17	0.25	—
Amount liquidated towards the finance provided Associated Transrail Structures Ltd.	30.00	29.99	20.37	12.67
Interest Income during the year Associated Transrail Structures Ltd.	0.31	0.31	2.11	0.31
Finance received (incl. Loans and equity contribution in cash or in kind) Associated Transrail Structures Ltd.	0.02	0.02	0.07	0.04
Interest paid during the year Associated Transrail Structures Ltd.	0.19	0.19	—	—
Contract Advance received Associated Transrail Structures Ltd.	3.78	3.78	—	—
Contract advance given Freyssinet Prestressed Concrete Co. Ltd. Associated Transrail Structures Ltd.	3.58	— 3.58	44.35	42.59 —
Refund received against Contract advance Freyssinet Prestressed Concrete Co. Ltd.	—	—	38.48	38.48
Dividend Income Associated Transrail Structures Ltd.	0.29	0.29	0.29	0.29
Guarantees and Collaterals Outstanding Gammon Billimoria LLC Associated Transrail Structures Ltd.	84.21	— 84.21	493.27	374.76 116.28
Outstanding Balances Receivables Associated Transrail Structures Ltd.	2.48	2.48	7.65	—
Outstanding Balances Payable Associated Transrail Structures Ltd.	0.20	0.20	9.24	—
Total	169.24		720.77	
Entities where control exits				
Dividend paid to Shareholders	1.36		2.72	
Devyani Estate & Properties Pvt. Ltd.		0.26		0.53
Masayor Enterprises Limited		0.15		0.31
Nikhita Estate Developers Pvt. Ltd.		0.17		0.35
Pacific Energy Pvt. Ltd.		0.75		1.50
	1.36		2.72	



(Rs. in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Key Managerial Personnel				
Remuneration paid	2.14		1.86	
Mr Abhijit Rajan		1.43		1.34
Mr H.V. Parikh		0.36		0.25
Mr R A Bhansali		0.35		0.26
	2.14		1.86	
Joint Venture				
Subcontracting Income	316.51		210.91	
Gammon JMC		166.53		—
Purchase of Investments/Advances towards Equity	8.52		—	
Indira Containor Terminal Pvt. Ltd.		8.52		—
Finance provided (incl. Loans and equity contribution in cash or in kind)	58.56		62.24	
Gammon Al Matar JV		58.56		62.24
Finance provided for expenses & on a/c payments	8.75		6.49	
Gammon Al Matar JV		8.69		6.48
Amount liquidated towards the finance provided	0.45		—	
Gammon Encilrail		0.45		—
Interest Income during the year	1.66		—	
Gammon Al Matar JV		1.66		—
Interest paid during the year	3.76		3.76	
Jaegar Gammon		1.82		0.55
Gammon Srinivas		1.44		2.79
Write off of balances	—		0.27	
Gammon Soma		—		0.16
Gammon Atlanta		—		0.07
Gammon Delco		—		0.03
Contract Advance received	80.24		44.07	
Jaegar-Gammon		17.00		15.00
Gammon – JMC		35.18		23.70
Patel Gammon		23.34		—
Refund received against Contract Advance	101.85		59.74	
Jaegar-Gammon		15.10		15.00
Gammon JMC		54.85		—
Gammon Srinivas		—		19.23
Margin Money	—		(2.24)	
Vizag Seaport Pvt. Ltd.		—		(2.24)
Guarantees and Collaterals Outstanding	358.27		319.30	
Outstanding Balances Receivables	172.60		147.26	
Gammon AL Matar JV		81.41		83.66
Jaegar-Gammon		24.05		—
Gammon JMC		24.79		—
Outstanding Balances Payable	79.71		58.37	
Gammon – JMC		4.03		20.08
Gammon AL Matar JV		35.38		23.69
Total	1,190.89		910.17	

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

Registration No.

1	1	-	9	9	7
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 State Code

1	1
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Balance Sheet Date

3	1
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0	3
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0	8
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Date Month Year

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

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

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

Total Liabilities	Total Assets
1 6 4 2 8 9 4 1	1 6 4 2 8 9 4 1

Sources of Funds

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

Application of Funds

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

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

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

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

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

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

Sr. No.	Name of Subsidiaries	Gammon Cooling Towers Limited	Cochin Bridge Infrastructure Co. Limited	Gammon Infrastructure Projects Limited	Andhra Expressway Limited	Rajahmundry Expressway Limited	Gammon & Billimoria Limited	Mumbai Nasik Expressway Limited	Sikkim Hydro Power Ventures Limited
1.	The Financial Year of the Subsidiaries ended	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008
2.	Shares of the Subsidiary Companies held by Gammon India Limited								
	(i) Number	50,000	62,50,070	11,00,80,000	# 2,71,15,000	# 2,71,15,000	50,940	41,595,000	50,000
	(ii) Extent of Holding	100%	97.66%*	76.15%	93.50%*	93.50%*	50.94%	79.99%*	100%*
3.	The net aggregate amount of Profit / Losses of the Subsidiaries Companies so far as they concern the members of Gammon India Ltd. were :								
	(i) Dealt with in the accounts of Gammon India Ltd. amounted to:								
	(a) For subsidiaries' financial year ended on 31 st March, 2008								
	(b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon India Ltd.								
	(ii) Not dealt with in the accounts of Gammon India Ltd. amount to :								
	(a) For subsidiaries' financial year ended on 31 st March, 2008	(1.69)	0.78	5.31	14.50	15.30	0.09	**	**
	(b) For previous financial years of the subsidiaries' since these became subsidiaries of Gammon India Ltd.	0.27	2.14	11.73	27.66	31.41	0.08	-	-

* Subsidiaries of Gammon Infrastructure Projects Ltd. (Subsidiary of Gammon India Ltd)

** Since the Company is in the Project implementation stage, no profit & Loss account is being prepared

*** Subsidiary of Gammon International FZE (Subsidiary of Gammon India Ltd.)

**** Became subsidiary of Gammon India Ltd. after 31.03.2007

Including Beneficial Interest in 18,12,500 shares held by Punj Lloyd Ltd.

(Rs. in crores)

Gammon Project Developers Limited	Gammon Realty Limited	Gorakhpur Infrastructure Company Limited	Kosi Bridge Infrastructure Company Limited	Marine Projects Services Limited	Tydong Hydro Power Limited	Gammon Logistics Limited	Haryana Biomass Power Limited	Gammon International LLC	Gammon International FZE	P.Van Eerd Beheersmaatschappaji B.V.
31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008
50,000	1,50,49,940	3,50,15,301	2,41,60,500	50,000	50000	50000	50000	103500	1	35
100%*	75.06%	94.90%*	100%*	100%*	100%*	100%*	100%*	69%	100%	100%***
(0.04)	(4.26)	**	**	-	**	(0.06)	**	0.02	(0.06)	(0.99)
-	(0.19)	-	-	-	-	****	-	****	****	****

For and on behalf of the Board of Directors

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

Mumbai, Dated : 31st July, 2008

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 Cooling Towers Ltd.	Cochin Bridge Infrastructure Co. Ltd.	Gammon Infrastructure Projects Ltd.	Andhra Expressway Ltd.	Rajahmundry Expressway Ltd.	Gammon & Billimoria Ltd.	Mumbai Nasik Expressway Ltd.	Sikkim Hydro Power Ventures Ltd.
(a)	Capital	500,000	64,000,700	1,432,098,116	290,000,000	290,000,000	1,000,000	520,000,000	500,000
(b)	Reserves	(14,246,402)	29,686,991	3,275,534,433	555,898,293	557,737,171	3,354,345	(4,487,295)	(24,800)
(c)	Total Assets	851,161,899	342,884,386	5,207,812,866	2,892,724,914	3,124,712,581	663,540,370	3,903,429,293	25,467,628
(d)	Total Liabilities	864,908,301	249,196,695	500,180,317	2,046,826,621	2,276,975,410	659,186,025	3,387,916,588	24,992,428
(e)	Investment(except in case of investment in subsidiaries)*	*** 689587363	-	474,718,933	301,682,229	621,773,340	-	-	-
(f)	Turnover	186,295,012	53,515,840	266,976,780	558,240,000	592,380,000	-	-	-
(g)	Profit/(Loss) before Taxation	(9,100,936)	15,940,800	118,161,673	179,892,199	188,412,356	2,661,316	**	**
(h)	Provision for Taxation including Deferred Tax	7,834,648	7,971,904	47,890,058	24,809,632	24,807,837	942,265	-	-
(i)	Profit/(Loss) After Taxation	(16,935,584)	7,968,896	70,271,615	155,082,567	163,604,519	1,719,051	-	-
(j)	Proposed Dividend	-	-	-	-	-	-	-	-
	Details of Investment *	-	-	-	-	-	-	-	-
	(I) Joint Ventures								
	Vizag Seaport Pvt. Ltd.	-	-	334,831,837	-	-	-	-	-
	Punjab Biomass Power Ltd.	-	-	32,750,000	-	-	-	-	-
	Eversun Sparkle Maritimes Services Pvt. Ltd.	-	-	21,439,500	-	-	-	-	-
	SEZ Adityapur Ltd.	-	-	190,000	-	-	-	-	-
	Gammon L&T Infra MRTS Ltd.	-	-	500,000	-	-	-	-	-
	Indira Container Terminal Pvt. Ltd.	-	-	78,628,320	-	-	-	-	-
	Modern Toll Roads	-	-	244,700	-	-	-	-	-
	ATSL Infrastructure Project Ltd.	-	-	244,500	-	-	-	-	-
	(II) Other								
	(a) Canara Bank	-	-	2,688,000	-	-	-	-	-
	(b) Vijaya Bank	-	-	76,800	-	-	-	-	-
	(c) IDFC Co. Ltd.	-	-	1,768,816	-	-	-	-	-
	(d) TCS Ltd.	-	-	493,000	-	-	-	-	-
	(e) Allahabad Bank	-	-	863,460	-	-	-	-	-
	(f) Canbank Mutual Fund	3,966,455	-	-	-	-	-	-	-
	(g) ING Vyasya Mutual Fund	2,608,401	-	-	-	-	-	-	-
	(h) Franklin Templeton Mutual Fund	-	-	-	8,025,277	8,924,646	-	-	-
	(i) Reliance Mutual Fund	-	-	-	293,656,952	135,000,000	-	-	-
	(j) HDFC Mutual Fund	-	-	-	-	200,348,694	-	-	-
	(k) ICICI Pru. Mutual Fund	-	-	-	-	277,500,000	-	-	-

** Since the Company is in the Project Implementation stage, no Profit & Loss account is prepared.

*** Excluding Investment in Gammon Infrastructure Project Ltd. of Rs. 68,30,12,507/-.

(Amount in Rs.)

Gammon Project Developers Ltd.	Gammon Realty Ltd.	Gorakhpur Infrastructure Company Ltd.	Kosi Bridge Infrastructure Company Limited	Marine Projects Services Limited	Tydong Hydro Power Limited	Gammon Logistics Limited	Haryana Biomass Power Limited	Gammon International LLC	Gammon International FZE	P.Van Eerd Beheersmaatschappaji B.V.
500,000	200,500,000	368,970,500	241,605,000	500,000	500,000	500,000	500,000	15,604,500	1,630,500	1,001,201
(395,847)	(59,259,994)	(4,041,332)	(2,665,955)	(51,147)	(45,494)	(675,116)	(36,780)	222,457	(659,611)	(11,979,341)
2,225,603	566,974,859	1,605,470,072	850,176,588	454,471	460,124	830,594	6,730,285	15,830,957	65,386,368	439,332,280
2,121,450	425,734,853	1,240,540,904	611,237,543	5,618	5,618	1,005,710	6,267,065	4,000	64,415,479	450,310,420
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(389,618)	(56,694,063)	**	**	(19,007)	**	(645,201)	**	224,595	(563,001)	(9,935,150)
-	38,591	-	-	-	-	-	-	-	-	-
(389,618)	(56,732,654)	-	-	(19,007)	-	(645,201)	-	224,595	(563,001)	(9,935,150)
-	-	-	-	-	-	-	-	-	-	-
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**AUDITOR'S REPORT
TO
THE BOARD OF DIRECTORS OF GAMMON INDIA LIMITED
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the attached Consolidated Balance Sheet of **Gammon India Limited** ('GIL') Group, as at 31st March 2008, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the GIL's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of

- a. Certain subsidiaries whose financial statements reflect total assets of Rs. 916.83 Crores as at March 31, 2008, total revenue of Rs. 168.42 Crores and cash flows of Rs. 86.81 Crores for the year then ended; and,
- b. Certain joint ventures whose financial statements reflect total assets of Rs. 327.10 Crores as at March 31, 2008, the total revenue of Rs. 56.28 Crores and cash flows amounting to Rs. 5.69 Crores for the year then ended, the Company's share of such assets, revenues and cash flows being Rs. 139.16 Crores, Rs. 23.76 Crores and Rs. 2.37 Crores respectively.
- c. Certain associates whose financial statements reflect a net total profit of Rs. 43.56 crores for the year ended March 31, 2008. The group's share of profit of such associates being Rs. 15.10 Crores.

The above mentioned 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 except for certain joint ventures, whose financial statements reflect total assets of Rs. 34.27 Crores as at March 31, 2008 and cash flows of Rs. 0.26 Crores for the year then ended, and the Group's share of such assets and cash flows being Rs. 17.12 and Rs. 0.13 Crores respectively, which are based on un-audited financial statements certified by management of the said joint ventures.

The subsidiaries referred in para a. above does not include Gammon Infrastructure Projects Limited, where the audit has been conducted by us as the joint statutory auditors of the company.

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

Without qualifying our report, we draw attention to

- a) Note B 16a to the notes to accounts regarding the Early Completion Bonus accrued by two subsidiary Companies in earlier years and included in sundry debtors at March 31, 2008. The outcome of the matter cannot be presently determined and hence no provision for any liability has been made in the financial statements
- b) Note no 16d to the notes to accounts relating to recognition of turnover of Rs. 57.04 Crores and recoverability of the said amount under sundry debtors which is dependent upon the final outcome of the appeals/disputes getting resolved in favour of the company.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements *read together with Note no. B 20 regarding change in the policy of amortization of goodwill resulting in the profit for the year being higher by Rs. 13.71 Crores*, Note no B-35(a) relating to the joint venture in Oman and the other notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the GIL Group as at 31st March 2008;
- (b) in the case of the Consolidated Profit and Loss Account, of the profit of the GIL Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the GIL Group for the year ended on that date.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
M. No. 40441

Mumbai, Dated : 31st July, 2008

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule No.	As at 31st March, 2008		As at 31st March, 2007	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SOURCES OF FUNDS :					
Shareholder's Funds					
Share Capital	1	17.69		17.69	
Employee Stock Options	1A	1.14		–	
Reserves & Surplus	2	<u>1,406.28</u>		<u>1,197.02</u>	
			1,425.11		1,214.71
Minority Interest	3		148.21		78.43
Warrants issued in Cochin Bridge Infrastructure Co. Ltd. (Refer Note B-5)			–		0.01
Loan Funds					
Secured Loans	4	1,315.82		1,084.32	
Unsecured Loans		<u>371.40</u>		<u>192.42</u>	
			1,687.22		1,276.74
Deferred Tax Liability			45.87		42.56
TOTAL			<u><u>3,306.41</u></u>		<u><u>2,612.45</u></u>
APPLICATION OF FUNDS :					
Goodwill on Consolidation	5		65.03		6.82
Fixed Assets	6				
– Gross Block		1,664.51		1,513.92	
– Less : Depreciation & Impairment		<u>396.27</u>		<u>307.71</u>	
– Net Block		1,268.24		1,206.21	
– Add : Capital Work-in-progress		<u>440.59</u>		<u>139.89</u>	
			1,708.83		1,346.10
Investments	7		165.12		55.33
Current Assets, Loans and Advances					
Interest Accrued Receivable		5.49		6.34	
Inventories	8	780.57		727.74	
Sundry Debtors	9	757.85		573.43	
Cash & Bank Balances	10	383.54		250.17	
Loans & Advances	11	<u>569.05</u>		<u>522.90</u>	
		<u>2,496.50</u>		<u>2,080.58</u>	
Less : Current Liabilities and Provisions	12				
Current Liabilities		928.95		741.53	
Provisions		<u>201.51</u>		<u>136.21</u>	
		<u>1,130.46</u>		<u>877.74</u>	
			1,366.04		1,202.84
Miscellaneous Expenditure	13		1.39		1.36
TOTAL			<u><u>3,306.41</u></u>		<u><u>2,612.45</u></u>
Notes to Accounts	20				

Schedules 1 to 20 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account.

As per our attached report of even date

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated: 31st July, 2008

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

GITA BADE
Company Secretary

Mumbai, Dated: 31st July, 2008

C. C. DAYAL
Director

HIMANSHU PARIKH
Executive Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule No.	April 07 - March 08		April 06 - March 07	
		Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
INCOME					
Turnover	14	2,643.46		2,356.47	
Other Operating Income	15	5.40		7.10	
Other Income	16	10.28		4.40	
			2,659.14		2,367.97
EXPENDITURE					
Expenditure on Contracts	17	2,233.46		2,017.57	
Establishment Expenses	18	109.54		63.10	
Financial Costs	19	97.02		63.24	
Depreciation		88.32		77.84	
Goodwill Amortised (Refer Note B-20)		-		2.07	
			2,528.34		2,223.82
PROFIT BEFORE TAX & SHARE IN ASSOCIATES					
			130.80		144.15
Add : Share of Profit in Associates (Refer Note B-1c)			15.10		12.99
PROFIT BEFORE TAX & AFTER SHARE IN ASSOCIATES					
			145.90		157.14
Provision for Taxation :					
- Current		59.34		49.61	
- Deferred		3.32		6.74	
- Fringe Benefit Tax		1.78		1.26	
			64.44		57.61
PROFIT AFTER TAX					
			81.46		99.53
Transferred to Minority Interest			(7.97)		(7.66)
(Short)/Excess provision for taxation for earlier years			(2.24)		(56.47)
Prior Period Adjustments			0.04		(0.33)
NET PROFIT AFTER PROIR YEAR TAX CHARGE					
			71.29		35.07
Profit Brought Forward from last year			84.92		84.64
PROFIT AVAILABLE FOR APPROPRIATION					
			156.21		119.71
Amount Transferred to General Reserve		14.95		10.00	
Amount Transferred to Debenture Redemption Reserve		11.51		10.71	
Amount Transferred from Debenture Redemption Reserve		(13.75)		-	
Minority Interest for earlier year		-		(0.93)	
Amount Transferred to Special Contingency Reserve		20.00		10.00	
Amount Transferred to Other Reserve (AS-15)		0.03		-	
Proposed Dividend		4.34		0.87	
Interim Dividend		-		3.50	
Tax on Dividend		0.74		0.64	
			37.82		34.79
BALANCE CARRIED TO BALANCE SHEET					
			118.39		84.92
Earnings per Share (Refer Note B-18)					
Basic			8.22		4.04
Diluted			8.15		4.01

Notes to Accounts

20

Schedules 1 to 20 annexed hereto form part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account.

As per our attached report of even date

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

Mumbai, Dated: 31st July, 2008

For and on behalf of the Board of Directors

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

Mumbai, Dated: 31st July, 2008

C. C. DAYAL
DirectorHIMANSHU PARIKH
Executive Director

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 1				
SHARE CAPITAL :				
AUTHORISED				
25,00,00,000 Equity Shares of Rs. 2/- each (Previous Year 25,00,00,000 Equity Shares of Rs. 2/- each)		50.00		50.00
ISSUED				
8,83,25,210 Equity Shares of Rs. 2/- each fully paid (Previous Year 8,83,25,210 Equity Shares of Rs. 2/- each)		17.69		17.69
SUBSCRIBED AND PAID-UP				
8,67,44,670 Equity Shares of Rs. 2/- each (Previous Year 8,67,44,670 Equity Shares of Rs. 2/- each)		17.35		17.35
SHARE FORFEITURE ACCOUNT		0.34		0.34
		17.69		17.69
SCHEDULE 1A				
EMOLOYEE STOCK OPTIONS OF SUBSIDIARY :				
Employee stock option outstanding		3.04		-
Less : Deferred Employee compensation outstanding (For Stock Option Outstanding Details Refer Note No. B-37)		1.90		-
		1.14		-
SCHEDULE 2				
RESERVES AND SURPLUS :				
FOREIGN PROJECTS RESERVE ACCOUNT :				
As per last Balance Sheet		0.32		0.32
GENERAL RESERVE ACCOUNT :				
As per last Balance Sheet	111.87		101.87	
Add : Transferred from Profit & Loss A/c	14.95		10.00	
		126.82		111.87
SECURITIES PREMIUM ACCOUNT :				
As per last Balance Sheet	678.44		694.65	
Add : Share of Share Premium in Joint Venture/Subsidiary	277.30		1.50	
	955.74		696.15	
Less : Receivable on Allotment of Equity Shares to Minority Shareholders	36.14		-	
Less : Share premium transferred to Minority Interest	73.07		17.46	
Less : Expenses in connection with Issue of Shares	17.11		0.25	
		829.42		678.44
REVALUATION RESERVE :				
As per last Balance Sheet	252.80		67.34	
Add : On Account of Revaluation (Refer Note No. 4 of Schedule 6)	-		186.90	
Less : Depreciation on Revalued Assets	3.14		(1.44)	
		249.66		252.80
Carried forward		1206.22		1043.43

**SCHEDULE 6
FIXED ASSETS :**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 01.04.2007	Additions	Diff. on Account of Revaluation	Deductions/ Adjustments	As at 31.03.2008	As at 01.04.2007	For the Year	Deductions/ Adjustments	As at 31.03.2008	As at 31.03.2008	As at 31.03.2007
Intangible Assets	-	12.50	-	-	12.50	-	-	-	-	12.50	-
Leasehold Land	0.80	-	-	0.01	0.79	-	-	-	-	0.79	0.80
Freehold Property	275.75	1.93	-	-	277.68	14.82	3.29	-	18.11	259.57	260.93
Plant and Machinery	563.76	117.67	-	3.35	678.08	156.60	38.08	0.95	193.73	484.36	407.15
Office Equipments	27.56	8.30	-	1.90	33.96	14.40	5.97	1.27	19.10	14.85	13.15
Motor Vehicles	90.15	20.11	-	0.95	109.31	35.06	10.16	0.68	44.54	64.77	55.09
Road & Project Bridges	489.88	-	-	3.62	486.26	82.86	31.46	-	114.32	371.94	407.02
Project Berth	66.02	-	-	0.08	65.93	3.97	2.50	-	6.47	59.46	62.07
Total	1,513.92	160.51	-	9.91	1,664.51	307.71	91.46	2.90	396.27	1,268.24	1,206.21
<i>Previous Year</i>	<i>1,127.07</i>	<i>209.74</i>	<i>186.90</i>	<i>9.78</i>	<i>1,513.92</i>	<i>232.72</i>	<i>81.92</i>	<i>6.93</i>	<i>307.71</i>		
<i>Add : Capital Work in Progress Including Capital Advances</i>										440.59	139.89
										1,708.83	1,346.10

NOTES :

- Total of Gross Block of Fixed Assets includes cost of Fixed Assets at Foreign Sites Rs. 104.28 Crores (Previous Year Ended 31.03.07 Rs. 73.96 Crores).
- Freehold Property includes cost of Freehold Land Rs. 5.77 Crores including the revalued portion. (Previous Year Ended 31.03.07 Rs. 128.31 Crores).
- Leasehold Land is at cost less amount written off.
- The Company had revalued on 31st March, 2007 all its Freehold Property, most of which were revalued earlier on 31st March, 1999 by Approved valuers. The consequent increase after both revaluations amounted to Rs. 265.50 Crore and has been credited to the Revaluation Reserve A/c.
- Depreciation for the Year Ended 31st March, 2008 amounts to Rs. 91.46 Crores (Previous Year Ended 31st March, 2007 Rs. 81.93 Crores) from which has been deducted a sum of Rs. 3.14 Crores (Previous Year Ended 31.03.07 Rs. 1.44 crores) being the Depreciation in respect of Revaluation of Fixed Assets which has been drawn from the Revaluation Reserve A/c.
- Exchange Difference Capitalised/(Decapitalised) during the Period Rs. Nil (Previous Year Ended 31.03.07 Rs. 1.60 Crores).
- Exchange Valuation difference in respect of Fixed Assets Rs. 2.43 Crores (Previous Year Ended 31.03.07 Rs. 0.71 Crores) being transferred to Foreign Currency Translation reserve.
- Borrowing cost capitalised to Capital Work in Progress is Rs. 0.56 Crores (Previous Year Ended 31.03.07 Rs. 0.21 Crores).
- Additions includes increased value of assets consolidated pursuant to increase in stake in Joint Ventures.

SCHEDULE 7
INVESTMENTS :
INVESTMENTS (AT BOOK VALUE)

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
1. INVESTMENT IN GOVERNMENT SECURITIES :		1.39		1.39
2. INVESTMENT IN SHARES & DEBENTURES :				
(a) TRADE INVESTMENTS (FOREIGN)				
Associates Accounted as per AS-23 (Refer Note B-1c)		19.58		19.52
Others		0.18		0.18
(b) TRADE INVESTMENTS (INDIAN)				
Associates Accounted as per AS-23 (Refer Note B-1c)		38.45		23.64
Others		0.01		0.01
(c) NON TRADE INVESTMENTS				
- Unquoted		0.68		-
- Quoted		7.55		7.55
3. INVESTMENT IN PARTNERSHIP - CAPITAL CONTRIBUTION				
Gammon Shah (Fully Provided)		0.00		0.00
4. INVESTMENT IN MUTUAL FUND		93.00		1.05
5. SHARE APPLICATION MONEY PENDING ALLOTMENT		4.48		2.18
GRAND TOTAL		165.32		55.52
Less : Provision for loss on Investment		0.20		0.19
		165.12		55.33

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SUMMARY OF INVESTMENTS				
Unquoted:				
Aggregate Book Value of Foreign Investments		19.75		19.70
Aggregate Book Value of Indian Investments (incl. Share Application money & Mutual Fund)		100.80		28.27
		<u>120.55</u>		<u>47.97</u>
Quoted:				
Aggregate value of Investments		44.57		7.55
GRAND TOTAL		<u>165.12</u>		<u>55.52</u>
Market Value of Quoted Investments		144.65		50.13

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 8				
INVENTORIES :				
Stores and Construction Materials at or below Cost as verified and valued by Site Auditors		203.09		216.48
Less : Value of Materials drawn from Contractees Contra – (Refer Schedule 12)		<u>3.28</u>		<u>3.53</u>
		199.81		212.95
Construction Work in Progress		580.76		514.79
		<u>780.57</u>		<u>727.74</u>

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 9				
SUNDRY DEBTORS : (Refer Note B-16)				
Unsecured Considered Good				
Outstanding for over six months (including Retention Money)		227.44		174.27
Other Debts (including Retention Money)		530.41		399.16
		<u>757.85</u>		<u>573.43</u>

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 10				
CASH AND BANK BALANCES :				
Cash in Hand		2.00		1.53
Funds-in-Transit and in hand		4.33		7.41
With Scheduled Banks:				
(a) On Current Accounts		44.52		32.39
(b) Unpaid Dividend Bank Account (Refer Note B-24)		0.25		3.76
(c) On Fixed Deposit Account		17.57		180.83
(d) On Escrow Account		237.77		–
With Non-Scheduled Banks:				
(a) On Current Accounts		75.52		24.25
(b) On Fixed Deposit Account		1.58		–
		<u>383.54</u>		<u>250.17</u>

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 11				
LOANS AND ADVANCES :				
(Unsecured, considered good, unless otherwise stated)				
Project Advances	102.12		187.09	
Advances recoverable in cash or in kind for value to be received	86.33		35.11	
Less : Provisions made	0.96		0.96	
		187.49		221.24
Advance Taxes Paid		219.48		94.77
Loan to Joint Venture Company		18.87		15.31
Advance for Purchase of Development Rights		56.15		61.00
Advance for Purchase of Equity Shares		15.79		–
Tender Deposits		22.27		19.82
Other Deposits/Advances		20.22		21.96
Deposits with Joint Stock Companies :				
Considered Good :				
– Secured	11.04		50.00	
– Other	17.72		38.80	
Considered doubtful (including interest)	6.40		6.40	
Less : Provisions made	(6.40)		(6.40)	
		28.76		88.80
		569.05		522.90

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 12				
CURRENT LIABILITIES :				
Sundry Creditors		638.40		450.68
Advances from Clients	269.01		268.63	
Less : Value of Materials drawn from Contractees Contra (Refer Schedule 8)	3.28		3.53	
		265.73		265.10
Interest accrued but not due on Loans		24.38		21.75
Unpaid Dividends		0.26		3.77
Unpaid Matured Fixed Deposits		0.18		0.23
		928.95		741.53
PROVISIONS :				
Proposed Dividend		4.34		0.87
Provision for Tax		186.90		127.11
Provision for Tax on Dividend		0.74		0.15
Provision for Staff Benefits		9.53		8.08
		201.51		136.21

	31st March, 2008		31st March, 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 13				
MISCELLANEOUS EXPENDITURE :				
Preliminary Expenses		1.39		1.36
		1.39		1.36

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	12 months April 07 - March 08		12 months April 06 - March 07	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
SCHEDULE 14				
TURNOVER :				
Construction Activities		2,499.88		2,223.57
Toll Proceeds		3.55		3.65
Annuity Income		116.60		116.60
Project Berth Revenue		23.43		12.65
		2,643.46		2,356.47
SCHEDULE 15				
OTHER OPERATING INCOME :				
Miscellaneous Receipts		5.40		7.10
		5.40		7.10
SCHEDULE 16				
OTHER INCOME :				
Dividend Income		0.57		0.99
Miscellaneous Income		5.19		2.40
Profit on Sale of Investments (Net)		4.52		1.01
		10.28		4.40
SCHEDULE 17				
EXPENDITURE ON CONTRACTS :				
Opening stock :		216.37		171.65
Opening Works-in-progress :				
Stores and Construction Material at Sites and Godowns		514.79		405.56
		731.16		577.21
<i>Add :</i>				
Purchases of Materials		771.15		941.67
Sub Contract Expenses		954.11		670.85
Plant Hire Charges		38.72		62.54
Insurance		9.90		16.89
Fees and Consultations		12.84		43.44
Consumption of Spares		29.90		39.85
Sales Tax		26.56		25.59
Service Tax		31.63		19.13
Power and Fuel		84.62		88.75
Site Personnel Expenses		201.12		154.20
Operation & Maintenance Exp.		16.12		5.98
Sundry Expenses (As per Schedule 15A annexed)		109.45		102.63
		2,286.12		2,171.52
<i>Less :</i>				
Closing Stock of Stores & Construction Materials including Materials drawn from Contractees Rs. 3.53 Crores (Previous year Rs. 5.64 Crores)		203.06		216.37
Closing Work-in-progress including estimated profits		580.76		514.79
		783.82		731.16
		2,233.46		2,017.57

SCHEDULE 17A
SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE OF CONTRACT :

	12 months April 07 - March 08		12 months April 06 - March 07	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Plant Repairs		10.09		9.90
Rent, Rates and Taxes		10.46		12.08
Staff Welfare		15.72		16.04
Travelling Expenses		17.97		10.53
Guarantee Bond Commission and Bank Charges		9.43		10.29
Other Site Expenses *		45.77		43.79
		<u>109.44</u>		<u>102.63</u>

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

SCHEDULE 18
ESTABLISHMENT EXPENSES :

	12 months April 07 - March 08		12 months April 06 - March 07	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Electricity Charges		1.11		0.89
Rent		1.91		0.83
Salaries incl. Provision for Commission and Bonus		37.34		26.45
Contribution to Employees Provident Fund, ESIS & Other Funds		3.69		2.86
Contribution to Gratuity Fund		0.14		0.65
Staff Welfare Expenses		1.26		0.70
Insurance		6.47		4.80
Rates and Taxes		0.99		0.63
Communication Expenses		3.03		2.53
Travelling, Leave Passage and Motor Car Expenses		3.89		2.61
Professional Fees		5.82		7.15
Management Fees		4.96		2.27
Miscellaneous Expenses		4.81		2.78
Agency Commission		13.61		-
Repairs & Maintenance		5.86		3.81
Auditors Remuneration :				
- Audit Fees including Tax Audit Fees & Consolidation	0.43		0.31	
- Limited Review	0.03		0.03	
- Certification	0.01		0.01	
- Managerial Services	0.01		-	
- Reimbursement of Out of Pocket Expenses	0.01	0.49	-	0.35
Directors Sitting Fees		0.08		0.01
Write off against Leasehold Land		0.01		0.02
Bad Debts/Interest Written Off		1.57		3.18
Donation		0.03		-
Exchange Loss		12.45		0.29
Loss on Sale of Assets		(0.08)		0.20
Preliminary/Deferred Revenue Expenses		0.08		0.09
		<u>109.54</u>		<u>63.10</u>

SCHEDULE 19
FINANCIAL COST :
INTEREST PAID ON :

	12 months April 07 - March 08		12 months April 06 - March 07	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
On Fixed Period Loans		68.10		64.10
Other Loans		39.36		29.38
Provision for Mark to Market Loss		4.60		-
Other Finance Charges		10.39		7.38
		<u>122.46</u>		<u>100.86</u>

Less : INTEREST EARNED ON :

Fixed Deposits with Banks		3.53		13.64
Others		21.56		22.32
		<u>25.09</u>		<u>35.96</u>

Less : Amount Transferred to Capital WIP

		<u>0.35</u>		<u>1.66</u>
		<u>97.02</u>		<u>63.24</u>

SCHEDULE 20 : 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 LTD. ("the Company"), and its Subsidiary Companies (the Company and its Subsidiaries are herein referred to as 'the Group'), Associates and Joint Ventures in the form of jointly controlled entities. The Consolidated Financial Statement has been prepared on the following basis:

- 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.

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.

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

3. Use of Estimates:

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

4. Revenue Recognition

(a) On Construction Contracts:

Long-term contracts including Joint Ventures Projects are progressively evaluated at the end of each accounting period. On contracts under execution which have reasonably progressed, profit is recognised by evaluation of the percentage of work completed at the end of the accounting period, whereas, foreseeable losses are fully provided for, in the respective accounting period. The percentage of work completed is determined by the expenditure incurred on the job till each review date to total 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) Insurance claims are accounted for on cash basis.

(c) On Infrastructure Development Business:

(i) *Annuity and Toll Receipts:*

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

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

(ii) *Berth Operations:*

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

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

5. Turnover from Construction Activity

Turnover from Construction Activity represents work certified as determined by taking into consideration the actual cost incurred and profit evaluated by adopting the percentage of the work completion method of accounting.

6. Research and Development Expenses

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

7. Employee Retirement Benefits

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.

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

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

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

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

8. 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. 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.

Intangible assets comprise of rights of Operations and Maintenance ('O & M') and an amount paid to Mumbai Port Trust towards upfront fees for construction and operation of an offshore terminal (License Fees Intangible). The O & M intangible results in income stream for the Company for a period of 14 years. The rights are therefore amortised over the period of 14 years. The License Fees intangible will be amortised over the remaining concession period of 30 years on commencement of the port terminal.

Depreciation for the accounting period is provided on:

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

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

ASSET	G & B LLC	Gammon Al Matar JV
Plant & Machinery	3 years	7 years
Furniture & Fixtures	3 years	3 years
Office Equipment	3 years	3 years
Motor Vehicles	3 years	3 years
Temporary Site Office	—	2 years

9. Impairment of Assets

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

An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

10. Investments

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

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

11. Inventories

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

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

In case of Gammon Billimoria LLC, Stores & spares and Construction materials are valued at Weighted Average Cost basis.

12. Foreign Currency Translation

- Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transactions.
- Current Assets and Current Liabilities are translated at the year end rate or forward contract rate.
- Any Gain or Loss on account of exchange difference either on settlement or translation is recognized in the Profit and Loss Account.
- Fixed Assets acquired in foreign currencies are translated at the rate prevailing on the date of Bill of Lading.
- The transactions of Oman branch, GB - LLC, Gammon Almatar JV, Gammon International LLC – Oman, Gammon International FZE and P. Van Eerd Beheersmatschappaji B. V. are accounted as non-integral operations. The related exchange difference on conversion is accounted under Foreign Currency Translation Reserve Account.

13. Taxation:

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

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

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

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognised 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 Gammon Al Matar Joint Venture, taxation is provided in accordance with Omani fiscal regulations.

14. 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.

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.

15. Earning Per Share

Basic Earning Per Share is calculated by dividing the net profit or loss for the period attributable to equity share holders 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.

16. Preliminary and Share Issue Expenses

(i) GIPL:

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

(ii) MNEL/ GICL/ KBICL/ PBPL:

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

B. NOTES TO ACCOUNTS

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

	Name of Subsidiaries	Country of Incorporation	For the Year 2007-08		For the Year 2006-07	
			Ownership Interest	Effective Interest	Ownership Interest	Effective Interest
1.	Gammon Infrastructure Projects Ltd. (GIPL)	India	76.15%	76.15%	82.50%	82.50%
2.	Gammon Cooling Towers Ltd.	India	100.00%	100.00%	99.86%	99.86%
3.	Gammon & Billimoria Ltd.	India	50.94%	50.94%	50.94%	50.94%
4.	Rajahmundry Expressway Ltd. (REL)*	India	93.50%	71.20%	93.50%	77.14%
5.	Andhra Expressway Ltd. (AEL)*	India	93.50%	71.20%	93.50%	77.14%
6.	Cochin Bridge Infrastructure Co. Ltd. (CBICL)*	India	97.66%	74.37%	97.66%	80.57%
7.	Mumbai Nasik Expressway Ltd. (MNEL)*	India	79.99%	60.91%	79.99%	65.99%
8.	Sikkim Hydro Power Ventures Ltd. (SHPVL)*	India	100.00%	76.15%	100.00%	82.50%
9.	Gammon Projects Developers Ltd. (GPDL)*	India	100.00%	76.15%	100.00%	82.50%
10.	Gammon Realty Limited (GRL)	India	75.06%	75.06%	75.06%	75.06%
11.	Kosi Bridge Infrastructure Company Ltd. (KBIPL)*	India	100.00%	76.15%	100.00%	91.43%
12.	Gorakhpur Infrastructure Company Ltd. (GICL)*	India	94.90%	72.27%	94.90%	78.29%
13.	Marine Projects Service Limited*	India	100.00%	76.15%	—	—
14.	Tidong Hydro Power Limited*	India	100.00%	76.15%	—	—
15.	Gammon Logistics Limited*	India	100.00%	76.15%	—	—
16.	Haryana Biomass Power Ltd.*	India	100.00%	76.15%	—	—
17.	Gammon International LLC, OMAN	Oman	69.00%	69.00%	—	—
18.	Gammon International FZE	Dubai	100.00%	100.00%	—	—
19.	P. Van Eerd Beheersmaatschappaji B.V.- Netherlands **	Netherlands	100.00%	100.00%	—	—

* Shareholding is through subsidiary Gammon Infrastructure Projects Ltd.

** Shareholding is through subsidiary Gammon International FZE.

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

The effect of acquisition of stake in subsidiary during the year on Consolidated Balance Sheet is as under:

Name of Company	Effect on Group Profit/(Loss) after Minority Interest (Rs. In Crores)	Net Asset as at March 31 st , 2008 (Rs. In Crores)
P. Van Eerd Beheersmaatschappaji B.V.- Netherlands	(0.99)	(1.10)

As part of its overall business plans, Gammon Infrastructure Projects Ltd. (GIPL) has been acquiring beneficial, controlling interest and voting rights from its holding company in consideration of payment of deposit which, along with the Company's direct shareholdings, has resulted in the Company having control over 51% in various SPVs. The details of the deposits outstanding and the resultant beneficial interest and voting rights are tabulated hereunder:

(Rs. in Crores)

Name of the Company	As at March 31 st , 2008			As at March 31 st , 2007		
	No. of shares	Amount Paid	% of holding	No. of shares	Amount Paid	% of holding
Andhra Expressway Ltd ('AEL')	12,905,000	16.48	44.50%	12,905,000	16.48	44.50%
Gorakhpur Infrastructure Company Ltd. ('GICL')	95,96,923	9.60	26.01%	—	—	—
Kosi Bridge Infrastructure Company Ltd. ('KBICL')	6,284,146	6.28	26.01%	—	—	—
Rajahmundry Expressway Ltd. ('REL')	12,905,000	16.36	44.50%	12,905,000	16.36	44.50%

Gammon Infrastructure Projects Ltd. (GIPL) had on August 31, 2007 entered into two separate agreements with GIL by which it acquired the beneficial, controlling interest and voting rights in respect of 9,596,923 equity shares of Gorakhpur Infrastructure Company Limited ('GICL') and 6,284,146 equity shares of Kosi Bridge Infrastructure Company Limited ('KBICL') (each representing 26.01% of the beneficial, controlling interest and voting rights in GICL and KBICL) in consideration of payment of deposit for acquisition of these shares of Rs. 15.88 Crores. By virtue of these agreements and the equity share holding in these Companies, GICL and KBICL have become subsidiaries of the Company.

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

	Name of Jointly Controlled Entities	Country of Incorporation	Ownership Interest	Effective Interest
1.	Gammon L & T Infra MRTS Ltd.*	India	50.00%	38.08%
2.	Punjab Biomass Power Ltd.*	India	50.00%	38.08%
3.	Vizag Seaport Pvt. Ltd.*	India	42.22%	32.15%
4.	Gammon Al Matar (GALM)	Oman	85.00%	85.00%
5.	SEZ Adityapur*#	India	38.00%	28.94%
6.	Indira Container Terminal Pvt. Ltd.*#	India	50.00%	38.08%

* Shareholding is through subsidiary Gammon Infrastructure Projects Ltd.

As per unaudited Management Accounts.

Gammon Infrastructure Projects Ltd. (GIPL) had on August 31, 2007 entered into an agreement with GIL for acquisition of beneficial, controlling interest and voting rights in respect of 8,518,068 equity shares of Indira Container Terminal Private Ltd ('ICTPL'). Under this agreement when ICTPL shares are allotted to GIL, the Company would deposit to GIL, equivalent to GIL's subscription amount for the respective shares to acquire the abovementioned beneficial, controlling interest and voting rights. As a consequence of this agreement the Company's beneficial, controlling interest and voting rights in ICTPL aggregate to 50% of ICTPL and is considered for proportionate consolidation to the extent of 50%.

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

(Rs. in Crores)

	As at March 31 st , 2008		As at March 31 st , 2007	
ASSETS				
Fixed Assets:	145.66		131.69	
Less: Depreciation	<u>16.26</u>	129.40	<u>11.12</u>	120.57
Capital WIP		14.60		9.55
Advance for Capital Expenditure		2.65		0.13
Current Assets:				
Inventories	22.57		116.60	
Sundry Debtors	128.84		86.06	
Cash & Bank Balances	4.69		2.20	
Loan & Advances	3.70		2.87	
Total Current Assets (A)	159.80		207.73	
Current Liabilities (B)	34.83		50.60	
Net Current Assets (A-B)		124.97		157.13
Preliminary & Share Issue Exp		0.03		0.02
Total Assets		271.65		287.40
LIABILITIES				
Loan Funds:				
Secured Loans	147.39		188.96	
Unsecured Loans	82.65		59.07	
Deferred Tax Liability	5.65	235.69	3.67	251.70
Reserves & Surplus:				
Opening balance of retained earnings	(14.17)		9.55	
Profit/(Loss) for the period	<u>(16.79)</u>	(30.96)	<u>6.67</u>	16.22
Other Reserves		(0.99)		(8.32)
Total Liabilities		203.74		259.60
REVENUE ITEMS				
Turnover		196.66		252.36
Less: Expenditure				
Contract expenditure & other expenditure	185.14		222.69	
Port Operation Expenses	—		—	
Administration Expenses	3.21		1.59	
Finance Cost	17.47		11.91	
Depreciation	5.63		6.39	
Preliminary/Share Exp. written off	0.02		0.05	
Total Expenses		211.47		242.63
Profit/(Loss) Before Tax		(14.81)		9.73
Provision for Tax		1.99		3.06
Profit/(Loss) After tax		(16.79)		6.67

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

The particulars of Investment in Associates are as under:

(Rs. in Crores)

Name of Company	% Share Held	Original Cost of Investments	Goodwill/ (Capital Reserve)	Adjusted/ Accumulated Profit/ (Loss) upto 31.3.2007	Dividend/ Prior Period Adjustment	Profit for the Period ending 2008	Adjustment on Disposal	Carrying Amount of Investments
Eversun Sparkle Maritime Services Private Limited*	25.36%	2.14	0.55	(0.66)	0.00	(0.05)	0.00	1.43
FINEST SPA	50.00%	19.52	7.57	0.00	0.00	0.06	0.00	19.58
Associated Transrail Structures Limited	28.87%	1.69	0.71	20.47	(0.29)	15.10	0.00	36.97
ATSL Infrastructure Projects Ltd.*	37.32%	0.02	0.00	0.00	0.00	0.00	0.00	0.02
Modern Tollroads Limited.*	37.32%	0.02	0.00	0.00	0.00	0.00	0.00	0.02
TOTAL		23.40	8.83	19.81	(0.29)	15.10	0.00	58.02

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

In respect of FINEST SPA, the accounting of profit as per AS - 23 is carried out on the basis of audited accounts for the period from January' 07 to December' 07. There are no significant events which require adjustments for the period after 31st December, 2007 upto 31st March, 2008.

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

3. Warrant issued to Investors:

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

4. Provident Fund:

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

However, a provision of Rs. 0.25 Crores is available to cover any liability arising therefrom.

5. Security for Loan availed by the Group:

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

Company Name	Amount (Rs. in Crores)
GIL	243.99
AEL	199.64
GICL	107.75
KBICL	55.75
MNEL	328.24
REL	223.59
VSPL	89.41
PBPL	0.01
GBLLC	9.42
GCTL	0.05
GALM	57.97
Total	1,315.82

GIL:

Cash Credit:

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

NCD:

8.75% – Secured Redeemable Non Convertible Debentures of Rs.29 crores are secured by hypothecation of specific Plant & Machinery and *pari passu* charge by mortgage of immovable property in Gujarat. Out of Rs. 29 crores, debenture holders of Rs. 24 crores have exercised their put option and accordingly the same have been redeemed on 31st March, 2008. The balance debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 30th March, 2003.

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

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

9.95% – Redeemable Non Convertible Debentures of Rs. 50 crores are to be secured by hypothecation of specific Plant & Machinery with *pari passu* charge by mortgage of immovable property in Gujarat with 8.75% Secured Redeemable Non-Convertible Debentures of Rs. 5 crores and 7.50% Secured Non-convertible Debenture of Rs. 15 crores and 7.25% Secured Non convertible Debenture of Rs. 6 crores. The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment being, 24th March, 2008.

Gammon AI Matar Joint Venture:

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

Gammon & Billimoria LIC:

Bank Loans and Overdrafts:

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

Motor Vehicle Loans:

Motor Vehicle 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.

AEL AND REL:

Term Loans availed from Banks are:

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

- (a) AEL's/REL's other properties, present or future, both tangible and intangible, whether immovable or moveable.
- (b) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL in, to, under and in respect of project documents including all Guarantees and Bonds issued/to be issued in terms thereof including the Contractor Warranties, Liquidated damages, Performance Guarantees and Bonds.
- (c) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL, in, to, under and in respect of insurance related to or in any manner connected with the Project, both present and future, and all rights, claims and benefits to all monies receivable thereunder and all other claims thereunder.
- (d) All the rights, title, interest, benefits, claims and demands whatsoever of AEL/REL, in, to, under and in respect of Project Accounts and all banks, all amount lying therein or to be credited therein, all proceeds, investment made out of the amounts received and/or lying in the accounts including all assets securities and records, documents and instruments which represents all amounts in the Accounts.
- (e) All amounts owing/payable/to and/or received by, AEL/REL and/or by any person on behalf of the AEL/REL including without limitation any payment from NHA and/or any other person under the project documents or otherwise.
- (f) Floating Charges on all other assets of AEL/REL, both present and future, other than assets described above.
- (g) Pledge of 51% of equity shares of AEL/REL held by GIL and GIPL.

VSPL:

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

PBPL:

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

MNEL:

The Senior Loan 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. a first mortgage and charge on all the Borrower's immovable properties, both present and future;
- b. a first charge by way of hypothecation of all the Borrower's moveables, both present and future;
- c. a first charge on Borrower's Receivables except bonus;
- d. a first charge over all bank accounts of the Borrower;
- e. a first charge on all intangibles of the Borrower including but not limited to goodwill, rights, undertakings and uncalled capital, present and future;
- f. a first charge by way of assignment or otherwise creation of Security Interest in:
 - i. 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;
 - ii. the right, title and interest of the Borrower by way of first charge in, to and under all the Government Approvals;
 - iii. 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;
 - iv. all insurance contracts/insurance proceeds;
- g. Pledge of 51% of equity shares held by GIL and GIPL.

GICL AND KBICL

The Loan together with all, interest, additional interest, liquidated damages, premium on pre payment, costs, expenses and other monies whatsoever stipulated in this Agreement ("Secured Obligations") shall be secured by:

- (a) a first mortgage and charge on all the Borrower's immovable properties, both present and future;
 - (b) a first charge by way of hypothecation of all the Borrower's moveables, including current and non-current assets, moveable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, both present and future other than the Project Assets;
 - (c) a first charge on Borrower's Receivables;
 - (d) a first charge over all bank accounts of the Borrower including without limitation, the Escrow Account, the Retention Accounts (or any account in substitution thereof) and such Other Bank Accounts that may be opened in terms thereof and of the Project Documents and in all funds from time to time deposited therein and in all Authorised Investments or other securities representing all amounts credited thereto;
 - (e) a first charge on all intangibles of the Borrower including but not limited to goodwill, rights, undertakings and uncalled capital, present and future;
 - (f) a first charge by way of assignment or otherwise creation of Security Interest in:
 - i. 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;
 - ii. the right, title and interest of the Borrower by way of first charge in, to and under all the Government Approvals;
 - iii. 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;
 - iv. insurance contracts/insurance proceeds.
6. Loans and advances include Rs. 11.04 crores (*Previous Year 50 Crores*) which are secured by pledge of equity shares of a private Company. The security value is adequate to recover the amount advanced.
 7. Issued Share Capital includes 7,25,800 (*Previous Year 7,25,800*) Equity Shares of Rs. 2/- each kept in abeyance.
 8. Share Forfeited Account includes Rs. 0.26 Crores (*Previous Year Rs. 0.26 Crores*) of Share Premium collected on application in respect of forfeited shares.



9. Gammon India Limited (GIL) & Gammon Infrastructure Projects Limited (GIPL) has pledged the following shares in favour of the lenders to the projects as part of the terms of financial closure of the respective companies:

Company Name	No. of Equity Shares		Rate (Rs.)
	March, 2008	March, 2007	
Andhra Expressway Ltd.	2,02,27,450	1,02,25,560	10/-
Rajahmundry Expressway Ltd.	2,02,27,450	1,04,29,560	10/-
Mumbai Nasik Expressway	1,61,20,000	1,61,20,000	10/-
Gorakhpur Infra. Projects Ltd.	95,93,233	—	10/-
Kosi Bridge Infra. Co. Ltd.	62,81,730	—	10/-

10. The Company, from time to time, has been setting aside some amounts into Special Contingency Reserve to meet any possible contractual losses/liabilities/claims following the principles of conservatism and prudence. During this year an amount of Rs. 20 crores (previous year Rs. 10 crores) has been transferred to the Special Contingency Reserve.
11. Balances in Foreign Bank Accounts are as per ledger and are subject to reconciliation.
12. **Taxation:**
- (a) The break up of Deferred Tax liability and Assets are as follows:

(Rs. in Crores)

Particulars	Year ended 31 st March, 2008	Year ended 31 st March, 2007
Deferred Tax liability-On Account of Depreciation	54.50	46.83
Deferred Tax Assets		
— On Account of Gratuity/Leave Encashment Provision	1.83	1.29
— On Account of Interest on NCD	0.50	0.21
— On Account of Unabsorbed Depreciation	—	0.56
— On Account of other Disallowance	6.34	2.21
Net Balance	45.83	42.56

- (b) AEL and REL are eligible for a 10 year tax holiday under Section 80IA of the Income Tax Act, 1961. The deferred tax liability would get reversed during the tax holiday period and have not been recognized in the accounts in accordance with AS – 22 “Accounting for Taxes on Income” issued by Institute of Chartered Accountants of India.
- (c) Gammon AI Matar JV (GALM): The tax rate applicable to the joint venture is 12%. For the purpose of determining the tax payable for the period, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expenses. The adjustments are based on the current understanding of the existing tax laws, regulation and practices.
13. Consequent upon the adoption of the Companies (Accounting Standard) Rules 2006, with effect from April 01, 2007, exchange difference due to restatement of foreign currency liabilities relating to fixed assets, which were previously adjusted in the carrying amount of fixed assets are now recognised in the Profit & Loss Account. As a result of this change, the net foreign exchange loss of Rs. 1.12 crores is not adjusted in Fixed Assets and is debited to Profit & Loss Account due to which the profit before tax of the year is lower by Rs. 1.12 crores.
14. Cochin Bridge Infrastructure Company Limited (CBICL) depreciates its BOT project assets being the Bridge over the concession period in its books. However, the depreciation as per the Income Tax Act does not fully cover the costs over the concession period. The difference in the charge of depreciation is a permanent difference and hence not recognized in calculation of the deferred tax liability/asset.
15. **Earning Per Share (EPS):**

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

Particulars	As at March 31 st , 2008	As at March 31 st , 2007
Net Profit After Tax and Before Prior Period Year Tax Charge (Rs. in Crores)	71.29	35.07
Weighted Number of Shares during the period – Basic	8,67,44,670	8,67,44,670
Weighted Number of Shares during the period – Diluted	8,74,70,470	8,74,70,470
Earning Per Share – Basic (Rs.)	8.22	4.04
Earning Per Share – Diluted (Rs.)	8.15	4.01

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

16. Sundry Debtors/Loans and Advances:**(a) Bonus recoverable from the NHAI**

Sundry debtors also include Rs. 15.40 Crores of Early Completion Bonus receivable from the National Highways Authority of India ('NHAI') accrued in earlier years by AEL and REL under the Contract which has been disputed by the NHAI. The said Companies, however, believe that the same is good and fully recoverable, and hence, no provision has been considered necessary against this for any amounts not recoverable. AEL and REL have post year end initiated arbitration proceedings for recovery of bonus.

(b) Recovery of VAT from Annuity Payments

On the basis of an interim order of the Honourable Andhra Pradesh High Court, the NHAI recovered Rs. 9.20 Crores being the VAT @ 4% from the annuities paid to AEL and REL by NHAI (including all annuities of all past years which had been fully paid by NHAI to the AEL and REL).

The interim order had directed NHAI to transfer this amount as a Fixed Deposit in any nationalised bank pending the final order of the Honourable High Court. The Honourable High Court on April 12, 2007 passed the final order accepting the Company's position and directed NHAI to refund the said amount to the Company. An amount of Rs. 4.47 Crores received is adjusted against Sundry Debtors.

(c) Annuity Receivable by CBICL:

Under the Concession Agreement dated October 27, 1999, executed between Cochin Bridge Infrastructure Co. Ltd. (CBICL), Government of Kerala (GOK), Greater Cochin Development Authority (GCDA) and Gammon India Limited dated January 6, 2001; the entire project has been assigned to CBICL as a Concessionaire for the purpose of developing, operating and maintaining the infrastructure facility on BOT basis for 13 years and nine months. Subsequently a Supplementary Concession Agreement is being worked out as per the Government of Kerala's Order Nos. G.O. (M.S.) No. 11/2005/PWD dated January 24, 2005 and G.O. (M.S) No. 16/2005/PWD dated March 1, 2005 between the Government of Kerala, Greater Cochin Development Authority and CBICL. In terms of the order, the period of concession has been increased by 6 years and CBICL is entitled to yearly annuity receipts which it is accounting as revenue. CBICL has since not made any provision against the said receivables of Rs. 6.29 Crores.

- (d) In respect of some road projects completed during the year, the Company has incurred additional cost not covered by contract conditions pertaining to variations, escalation and other claims. These claims were disputed by the customer but the Company has received favourable verdicts from Dispute Resolution Board and thereafter also in arbitration awards in some of the cases. The customers have however appealed against the said arbitration awards. The Management is reasonably confident of recovery of these claims. The management has also obtained independent legal opinion from eminent counsel in this regard who have opined on the recoverability of the claims.

Accordingly the Company has recognised these claims of Rs. 57.04 crores as turnover to the extent of the expenditure incurred without recognizing any further profits from the same during the year although the awards/claims are for higher amount. The said amount of Rs. 57.04 crores is part of Sundry Debtors.

17. As part of the obligation in the concession agreement Mumbai Nasik Expressway Limited (MNEL) has to shift certain utility lines for which it gets paid by NHAI. The amount for shifting of the utilities net of the expenditure thereon is adjusted in the carrying amount of the Assets/ WIP.
18. The Company has deposited customs duty of Rs. 2.20 Crores (*Previous Year – Rs. 2.20 Crores*) under protest in respect of certain machineries imported for the project in Sikkim. The Company contends that the import of machinery is duty free as per the Project Import regulations prevailing then. The Company has preferred an appeal against the levy of custom duty. Pending outcome of the appeal, the said amount is carried under Advances recoverable in cash or in kind.
19. Gammon Infrastructure Projects Ltd. (GIPL) has during the year made an Initial Public Offer of 16,550,000 equity shares of Rs. 10/- each at a premium of Rs. 157 per share. The equity shares pursuant to the offer were allotted on March 27, 2008. An amount of Rs. 24.72 Crores and Rs. 13.90 Crores is due from Retail and HNI category of Shareholders as at March 31, 2008 towards Equity Capital and Security Premium to whom equity shares were allotted in the Initial Public Offer. The total share issue expenses of Rs. 17.11 Crores has been charged to the Security Premium account. All the funds collected are lying in escrow account as at March 31, 2008.
20. Hitherto the Company was following the policy of amortising the goodwill on consolidation over a period of 5 years. Accordingly in the accounts drawn up to September 30, 2007, the Company has amortised the goodwill for 6 months. On review of its policy of amortising the goodwill, extant accounting standards and generally accepted accounting principles followed, the Company has decided to adopt the policy of not amortising the goodwill but testing the same for impairment on the said balance sheet date. On account of the change in the method of amortising goodwill, the goodwill amortisation for the year ended March 31, 2008 of Rs. 13.71 Crore has not been carried out. The management has reviewed any possible impairment and has concluded that there is no impairment in the goodwill on acquisition of shares. On account of this change the consolidated profit before tax is higher by Rs. 13.71 Crore.

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

	Year ended March 31 st , 2008 (Rs. In Crores)	Year ended March 31 st , 2007 (Rs. In Crores)
Turnover	2260.81	1610.80
Expenditure (Net of inventory adjustments)	2008.38	1422.28
Contract Profits/Losses recognized	252.43	188.52
Contract Advances (Net)	1134.87	309.75
Gross Amount due from Customers for contract work	450.00	258.16
Gross Amount due to customers for contract work	2.58	0.65

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 summarised 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:

		(Rs. In Crores)	
Sr. No.	Particulars	Gratuity 2007-08	Leave Encashment 2007-08
I.	Change in Benefit Obligation		
	Liability at the beginning of the year.	3.88	3.74
	Interest cost.	0.29	0.33
	Current Service Cost.	0.44	0.71
	Past Service Cost (Non Vested Benefit)	—	—
	Past Service Cost (Vested Benefit)	—	—
	Benefit Paid	(0.61)	(0.72)
	Actuarial (gain)/loss on obligations	0.32	1.32
	Curtailements and Settlements	—	—
	Liability at the end of the year	4.33	5.38
II.	Fair Value of Plan Assets		
	Fair Value of Plan Assets at the beginning of the year	2.69	
	Expected Return on Plan Assets	0.23	
	Contributions	0.43	
	Benefit paid	(0.56)	
	Actuarial gain/(loss) on Plan Assets	—	
	Fair Value of Plan Assets at the end of the year	2.79	
	Total Actuarial gain/(loss) to be Recognised.	0.24	
III.	Actual Return on Plan Assets		
	Expected Return on Plan Assets	0.23	
	Actuarial gain/(loss) on Plan Assets	—	
	Actual Return on Plan Assets	0.23	
IV.	Amount Recognised in the Balance Sheet.		
	Liability at the end of the year	4.33	5.38
	Fair Value of Plan Assets at the end of the year.	2.79	—
	Difference	1.54	5.38
	Unrecognised Past Service Cost	—	—
	Amount Recognised in the Balance Sheet.	1.54	5.38
V.	Expenses Recognised in the Income Statement		
	Current Service Cost	0.44	0.71
	Interest Cost.	0.29	0.33
	Expected Return on Plan Assets	(0.23)	—
	Net Actuarial (gain)/loss To Be Recognised	0.32	1.32
	Past Service Cost (Non Vested Benefit) Recognised	—	—
	Past Service Cost (Vested Benefit) Recognised	—	—
	Effect of Curtailment or Settlements.	—	—
	Expense to be Recognised in Profit and Loss Account	0.83	2.36
	Excess Provision of earlier years written back	(0.56)	—
	Expense Recognised in Profit and Loss Account	0.26	2.36

			(Rs. In Crores)		
Sr. No.	Particulars	Gratuity 2007-08	Leave Encashment 2007-08		
VI.	Balance Sheet Reconciliation				
	Opening Net Liability	1.19		3.74	
	Expense as above	0.83		2.36	
	Employer's Contribution	(0.47)		(0.72)	
	Effect of Curtailment or Settlements				
	Amount Recognised in Balance Sheet.	1.54		5.38	
VII	Actuarial Assumptions				
	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.
23. (a) Foreign currency exposure un-hedged for the group as at 31st March, 2008 is Rs. 61.18 crores (*Previous Year Rs. 185.39 crores*) receivables and Rs. 129.29 crores (*Previous Year Rs. 106.89 Crores*) payables.
- (b) The Company has entered into five cross currency forward contracts of JPY 151.63 crores which are outstanding towards hedging of a specific currency risk.
- (c) In respect of one currency swap derivative contract entered into by the company, the company has Mark to Market loss of Rs. 4.60 crores as at 31st March 2008 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.
24. Unpaid dividend includes Rs. 0.05 Crores (*Previous Year – Rs. 0.03 Crores*) to be transferred to the Investor Education & Protection Fund.

25. **Contingent Liabilities:**

			(Rs. in Crores)		
		As at March 31 st , 2008	As at March 31 st , 2007		
(a)	Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate companies stand at	2396.29		1436.94	
(b)	Corporate Guarantees and Counter Guarantees given to Bankers towards Company's share in the joint Ventures for guarantees given by them to the Joint Venture Project clients	408.93		417.53	
(c)	Disputed Sales Tax liability for which the Company has Gone into Appeal	25.86		13.81	
(d)	Claims against the Company not acknowledged as debt	46.02		46.14	
(e)	Claim against the Company by Al Manara International LLC not acknowledged as debt:				
	— Towards commission and related costs	—		14.21	
	— Towards damages	—		—	
(f)	Disputed Excise Duty liability	0.03		0.19	
(g)	Disputed Customs Duty liability	0.32		0.32	
(h)	Disputed Service Tax Liability	4.72		3.66	
(i)	Contingent Liability on partly paid shares	0.00		0.00	
(j)	Disputed Income Tax:				
	Demand for which the Company Appeals are pending before Appellate Authority	—		1.16	

- (k) There is a disputed demand of UCO Bank pending since 1986, of US\$ 436251 i.e. Rs.1.72 Crores. Against this, UCO Bank has unilaterally adjusted the Company's Fixed Deposit of US\$ 30584 i.e. Rs. 0.12 Crores which adjustment has not been accepted by the Company.
- (l) In respect of Joint Venture and operations in Oman, Gammon India Limited-AL Matar JV, refer note no. 35.
- (m) (i) Bank Guarantees and Letter of Credits in respect of Gammon & Billimoria LLC JV are secured by corporate guarantee from related parties' assignments of trade receivable accounts and a charge on plant and machinery.
- (ii) An amount of Rs. 17.77 Crores claimed by the Collector and District Registrar, Rajahmundry, pursuant to and Order dated March 15, 2005, as deficit stamp duty payable on the Concession Agreement entered into between REL and National Highway Authority of India ('NHAI'), classifying the Concession Agreement as a 'lease' under Article 31 (d) of the Indian Stamp Act. REL has impugned the Order by way of a writ petition before the High Court of Andhra Pradesh at Hyderabad. No provision is considered necessary in respect of the said demand, as the management believes that there is no contravention of the Indian Stamp Act.
- (n) Export Commitments in Joint Venture VSPL:

(Rs. in Crores)

Particulars	As at March 31 st , 2008	As at March 31 st , 2007
Under EPCG Scheme	—	7.20

- (o) Disputed liquidated damages pertain to amounts paid by the VSPL, under dispute to Visakhapatnam Port Trust (VPT). VSPL during the period ended December 31, 2004 received a claim from VPT for liquidated damages aggregating Rs. 20 million, on account of a delay in completion of East Quay (EQ) 8. VSPL is disputing the liquidated damages claim and has paid the claim under protest. The amount paid has been included in 'advances recoverable in cash or kind or for value to be received' under 'loans and advances'.

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

- (p) Capital commitment:

The total capital commitment as on March 31, 2008 is Rs. 3393.53 Crores. Total capital commitment as on March 31, 2007 was Rs 2604.78 Crores. The capital commitments are in respect of projects where the concession agreements have been signed and does not include projects where only Letters of Intents are held.

- (q) Disputed income tax liabilities, in appeal in the case of AEL, is Rs. 3.23 Crores. Of this, an amount of Rs. 2.28 Crores has been deposited by AEL.

26. Disclosure pertaining to Accounting Standard -29 is as below:

(Rs. In Crores)

Account Head	Opening Balance	Provisions made during the year	Paid/Utilized during the year	Closing Balance
Gratuity	4.31	0.34	0.76	3.89
Leave Encashment	3.77	2.58	0.72	5.63
Taxation	129.09	60.91	3.09	186.91
Proposed Dividend	0.87	4.34	0.87	4.34

27. Gammon Cooling Towers Limited (GCTL) has provided for Gratuity and Leave Encashment as per Accounting Standard 15 (NEW), although employees of the GCTL are in service for less than 5 years for which Gratuity Act is applicable. GCTL has no defined planned benefit scheme.

28. Cash & Bank balances include 3.18 Crores (*Previous Year Rs.3.15 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.

29. The details of Foreign Currency Translation Reserve created as per AS-11 is as under:

(Rs. in Crores)

Particulars	As at March 31 st , 2008	As at March 31 st , 2007
Opening balance as on 1 st April	4.87	(0.94)
Less : Transferred during the period	(4.87)	0.94
Add : Net credit/ (debit) during the period	0.12	4.87
Closing balance as on 31 st March	0.12	4.87

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

Sr. No	Name of Joint Venture	Description of Interest	% of involvement
1.	Gammon Atlanta	Jointly Controlled Operation	50.00%
2.	Gammon BBJ	Jointly Controlled Operation	50.00%
3.	Gammon Limak	Jointly Controlled Operation	97.00%
4.	Gammon OAO Stroytransgaz	Jointly Controlled Operation	50.00%
5.	Gammon Sadbhav	Jointly Controlled Operation	70.00%
6.	Gammon Srinivas	Jointly Controlled Operation	80.00%
7.	GIL Archirodon	Jointly Controlled Operation	98.50%
8.	BBJ GIL	Jointly Controlled Operation	30.50%
9.	GIL ENCEE RAIL	Jointly Controlled Operation	90.00%
10.	JAGER GIL	Jointly Controlled Operation	50.00%
11.	Jaeger Gammon	Jointly Controlled Operation	50.00%
12.	Patel Gammon	Jointly Controlled Operation	49.00%
13.	Torno Gammon Dolsar	Jointly Controlled Operation	62.00%
14.	Torno Gammon Patel Dolsar Alston	Jointly Controlled Operation	20.00%
15.	Gammon Patel	Jointly Controlled Operation	50.00%
16.	Gammon JMC Proj.	Jointly Controlled Operation	70.00%
17.	Hyundai Gammon	Jointly Controlled Operation	49.00%
18.	Jaeger Gammon	Jointly Controlled Operation	50.00%
19.	Torno Gammon	Jointly Controlled Operation	50.00%
20.	Gammon BBJ	Jointly Controlled Operation	50.00%
21.	Hyundai Gammon	Jointly Controlled Operation	49.00%
22.	Jaeger Gammon	Jointly Controlled Operation	50.00%
23.	Gammon Encee Rail	Jointly Controlled Operation	60.00%
24.	SAE Gammon	Jointly Controlled Operation	25.00%
25.	BBJ Gammon	Jointly Controlled Operation	49.00%
26.	Gammon Limak Francotossi	Jointly Controlled Operation	60.00%
27.	Jager Gammon Seli	Jointly Controlled Operation	33.00%
28.	Gammon Hot Engineering	Jointly Controlled Operation	70.00%
29.	MCC Gammon	Jointly Controlled Operation	49.00%
30.	SGTM Gammon	Jointly Controlled Operation	49.00%
31.	Satra Gammon Dev	Jointly Controlled Operation	35.00%
32.	Gammon Limak	Jointly Controlled Operation	51.00%
33.	Gammon Technofab	Jointly Controlled Operation	80.00%
34.	Gammon Technofab	Jointly Controlled Operation	70.00%
35.	Gammon Technofab	Jointly Controlled Operation	70.00%
36.	Gammon Limak	Jointly Controlled Operation	51.00%
37.	Gammon Tensacuai	Jointly Controlled Operation	80.00%
38.	Gammon Construtora Tensacuai	Jointly Controlled Operation	60.00%
39.	Limak Gammon	Jointly Controlled Operation	49.00%
40.	Gammon Pratibha	Jointly Controlled Operation	70.00%
41.	Gammon Pratibha	Jointly Controlled Operation	70.00%

31. The Company is engaged in only one reportable segment viz. "Construction and Engineering" and therefore Accounting Standard AS-17 on "Segment Reporting" is not applicable to the Company.
32. 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.
33. Disclosure under Accounting Standard – 19 "Accounting for 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.
34. Vizag Seaport Private Limited (VSPL) leases land from VPT under non-cancellable operating lease agreements and temporary housing from others under cancelable operating lease agreements. Total rental expense under non-cancellable operating leases was Rs. 0.72 Crores (*Previous Year Rs. 0.85 Crores*) and under cancellable operating leases was Rs. 0.03 Crores (*Previous Year Rs. 0.03 Crores*) which has been disclosed as lease rentals in the profit and loss account.
35. Joint venture and operations in Oman:
- (a) The Company's share of profit under Joint Venture is accounted under other income as per the audited accounts of the Joint Venture. In respect of the contracts under execution with MHEW, the Joint Venture has exceeded the contractual dates of completion as extended. The Joint Venture has requested for further extension of the time for which approval is pending. The

Joint Venture has nevertheless completed substantial portion of work by the Balance sheet date and is hopeful of receiving the extension of time sufficient to cover the period of the delay, thereby obviating the contractual penalty of RO 7605 (Rs. 0.08 crores) per day. However the official EOT letter is under process and is awaited. Pending the receipt of the same, the job has been assessed considering that the EOT will ultimately be received and profit is determined accordingly. On the basis of joint venture profit and loss account, the Company has recognized its share of loss of Rs. 11.28 crores in their financial statements.

- (b) 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. The total of such borrowings as at 31st March, 2008 is RO 19264450 (Rs. 200.41 crores) [Previous Year – RO 19035026 (Rs. 215.40 crores)] which consists of Fund based RO 15446814 (Rs. 160.69 crores) [Previous Year – RO 16587491 (Rs. 187.71 crores)] and Non-fund based RO 3817636 (Rs. 39.72 crores) [Previous Year – RO 2447535 (Rs. 27.69 crores)]
- (c) Transactions of Oman Branch and the accounting effect of the Gammon Al Matar Joint Venture profits are accounted on the basis of the accounts prepared specially for this purpose and which is duly audited by the company's auditor.
36. Since Kosi Bridge Infrastructure Company Limited (KBICL), Gorakhpur Infrastructure Company Limited (GICL), Mumbai Nasik Expressway Limited (MNEL), Haryana Biomass Power Ltd.(HBPL), Tidong Hydro Power Ltd.(THPL), Punjab Biomass Power Limited (PBPL), Indira Containers Terminal(P) Ltd., Sikkim Hydro Power Ventures Ltd.(THPVL), and SEZ, Adityapur are in project implementation stage, no profit and loss account is prepared. All the expenses incurred are capitalized to project expenses pending allocation, which will be allocated to the various fixed assets on completion of the project.

37. Employees Stock Options Scheme ('ESOP') of Subsidiary(GIPL)

Gammon Infrastructure Projects Ltd (GIPL) has instituted an ESOP Scheme during the year which was approved by the shareholders vide their resolution dated May 4, 2007. The Board of Directors of the Company has granted 1,640,000 stock options to its employees pursuant to the ESOP Scheme on July 1, 2007 and October 1, 2007. Each option entitles an employee to subscribe to 1 equity share of the Company at an exercise price of Rs. 80 per share.

The following options vest in a graded manner over a period of three to four years and are exercisable for a period of 2 years from vesting as described below.

Options granted on July 1, 2007

Vesting Date	No. of Options	Exercise Period	Intrinsic Value (Rs)	Fair Value (Rs)
(1)	(2)	(3)	(4)	(5)
July 1, 2008	352,250	01.07.08 to 30.06.10	19.00	41.54
July 1, 2009	421,750	01.07.09 to 30.06.11	19.00	48.68
July 1, 2010	410,250	01.07.10 to 30.06.12	19.00	54.59
July 1, 2011	430,750	01.07.11 to 30.06.13	19.00	59.62
	1,615,000			

Options granted on October 1, 2007

Vesting Date	No. of Options	Exercise Period	Intrinsic Value (Rs)	Fair Value (Rs)
(1)	(2)	(3)	(4)	(5)
July 1, 2009	5,000	01.07.09 to 30.06.11	44.00	67.12
July 1, 2010	10,000	01.07.10 to 30.06.12	44.00	73.58
July 1, 2011	10,000	01.07.11 to 30.06.13	44.00	79.24
	25,000			

The Company was an unlisted company at the date of grant and the intrinsic value was determined on the basis of an independent valuation by following the Price to Net Asset Value (NAV) method. The intrinsic value and the fair value as determined by the independent valuer are given in the above table.

Under this method, compensation expense equals the intrinsic value of the option which is recorded and is amortised over the vesting period of the option. The intrinsic value is the excess of the value of the underlying stock as determined by the independent valuer over the exercise price at the measurement date, which typically is the grant date.

The Company's stock option activity for the period ended March 31, 2008 is presented below:

Particulars	Shares arising from options	Weighted average exercise price
Outstanding at the beginning of the period	—	—
Granted	1,640,000	80
Exercised	—	—
Forfeited	75,000	80
Outstanding at the end of the period	1,565,000	80

There were 75,000 options which were forfeited during the period. Further, none of the 1,565,000 options granted are exercisable as at March 31, 2008.

All the above options have an exercise price of Rs 80 per share and have a weighted average remaining contractual life of 3.55 years.

38. Previous period figures are regrouped and rearranged wherever necessary to facilitate limited comparability with that of current period.

39. Details of Rounded off Amounts :

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

Balance Sheet Items:

REFER	DESCRIPTION	As at March 31 st , 2008 (Amount in Rs.)	As at March 31 st , 2007 (Amount in Rs.)
Schedule 7	INVESTMENTS		
	(a) Investment In Partnership – Capital Contribution Gammon Shah	25,000	25,000

Profit And Loss Items:

REFER	DESCRIPTION	Year ended March 31 st , 2008 (Amount In Rs.)	Year ended March 31 st , 2007 (Amount In Rs.)
Schedule 18	ESTABLISHMENT EXPENSES:		
	(a) Auditors Remuneration: Reimbursement of out of pocket expenses	—	40,000
	(b) Directors Sitting Fees	—	7,000
	(c) Donation	—	20,001

Notes To Accounts:

REFER	DESCRIPTION	As at March 31 st , 2008 (Amount in Rs.)	As at March 31 st , 2007 (Amount in Rs.)
Note No. 25(i)	Contingent liability on partly paid shares	19,000	19,000

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

As per our attached report of even date

For Natvarlal Vepari & Co.
Chartered Accountants

N. JAYENDRAN
Partner
Membership No. 40441

Mumbai, Dated : 31st July, 2008

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

GITA BADE
Company Secretary

Mumbai, Dated : 31st July, 2008

C. C. DAYAL
Director

HIMANSHU PARIKH
Executive Director

Annexure I
Related party Disclosure as required by AS 18 " Related Party Disclosures"
(A) Relationships:

Entities where control exists:	
1.	Pacific Energy Pvt. Ltd.
2.	Nikhita Estate Developers Pvt. Ltd.
3.	Masayor Enterprises Ltd.
4.	First Asian Capital Resources Pvt. Ltd.
5.	Devyani Estate & Properties Pvt. Ltd.
Associates & Group Companies:	
1.	Associated Transrail Structures Ltd.
2.	ATSL Infrastructure Projects Ltd.
3.	Gammon Information Technologies Ltd.
4.	STFA Piling (India) Ltd.
Key Management Personnel & Relatives	
1.	Mr. Abhijit Rajan
2.	Mr. Himanshu Parikh
3.	Mr. Rajul A. Bhansali
4.	Mr. Parvez Umrigar

Joint Ventures:	
1.	Gammon Atlanta
2.	Gammon BBJ
3.	Gammon Limak
4.	Gammon Srinivas
5.	GIL Archirodon
6.	BBJ GIL
7.	JAGER GIL
8.	Jaeger Gammon
9.	Patel Gammon
10.	Gammon Patel
11.	Gammon JMC
12.	Hyundai Gammon
13.	Jaeger Gammon
14.	Gammon Encee Rail
15.	Jager Gammon Seli
16.	Gammon Rizzani
17.	OSE Gammon
18.	Gammon OSE
19.	Gammon Progressive
20.	Gammon Sadelmi

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

(Rs. in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Associates				
Subcontracting Expenditure Operating and Maintenance Income/ (Expenses)	15.02	15.02	49.25	—
Associated Transrail Structures Ltd.				
Freyssinet Prestressed Concrete Co. Ltd.		—		49.25
Purchase of Goods	—	—	1.38	
Freyssinet Prestressed Concrete Co. Ltd.				1.38
Sale of Goods	—	—	8.15	
Freyssinet Prestressed Concrete Co. Ltd.				8.15
Purchase of Investments/Advances towards Equity/Allotment of Shares	2.08	2.08	—	—
Associated Transrail Structures Ltd.				
Rendering of Services	—	—	0.86	
Associated Transrail Structures Ltd.				0.80
Receiving of Services	—	—	0.26	
Gammon Information Technologies Ltd.				0.26
Finance provided (incl. Loans and equity contribution in cash or in kind)	95.52	95.50	58.42	7.50
Freyssinet Prestressed Concrete Co. Ltd.				
Associated Transrail Structures Ltd.				
Finance provided for expenses & on a/c. payments	0.17	0.17	0.27	0.03
Freyssinet Prestressed Concrete Co. Ltd.				
Associated Transrail Structures Ltd.				0.23

(Rs. in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Amount liquidated towards the finance provided Freyssinet Prestressed Concrete Co. Ltd. Associated Transrail Structures Ltd.	88.50	— 88.49	41.47	7.53 33.94
Interest Income during the year Freyssinet Prestressed Concrete Co. Ltd. Associated Transrail Structures Ltd.	2.58	— 2.58	2.56	1.81 0.75
Finance received (incl. Loans and equity contribution in cash or in kind) Freyssinet Prestressed Concrete Co. Ltd. Associated Transrail Structures Ltd.	1.99	— 1.99	0.07	0.02 0.05
Interest paid during the year	0.19		—	
Contract Advance received	3.78		—	
Contract Advance Given/Refund of Advance Freyssinet Prestressed Concrete Co. Ltd. Associated Transrail Structures Ltd.	13.58	— 13.58	44.35	42.59 —
Refund received against Contract advance Freyssinet Prestressed Concrete Co. Ltd.	—	—	38.48	38.48
Dividend Income Associated Transrail Structures Ltd.	0.29	0.29	0.29	0.29
Guarantees and Collaterals Outstanding Associated Transrail Structures Ltd.	84.21	84.21	117.38	116.28
Outstanding Balances Receivables Associated Transrail Structures Ltd.	17.50	17.49	24.65	18.23
Outstanding Balances Payable Freyssinet Prestressed Concrete Co. Ltd.	0.20	—	8.23	8.23
Total	325.60		396.07	
Entities where control exits				
Dividend paid to Shareholders Devyani Estate & Properties Pvt. Ltd. Masayor Enterprises Limited Nikhita Estate Developers Pvt. Ltd. Pacific Energy Pvt. Ltd.	1.36	0.26 0.15 0.17 0.75	2.72	0.53 0.31 0.35 1.50
Total	1.36		2.72	
Key Managerial Personnel				
Remuneration paid Mr. Abhijit Rajan Mr. H. V. Parikh Mr. R. A. Bhansali Mr. Parvez Umrigar	2.98	1.43 0.36 0.35 0.84	2.26	1.34 0.25 0.26 0.41
Gross Value of stock options issued Mr. Parvez Umrigar	1.14	1.14	—	—
Amortization of options issued Mr. Parvez Umrigar	0.48	0.48	—	—
Finance provided (incl. Loans and equity contribution in cash or in kind) Mr. Abhijit Rajan	—	—	5.00	5.00
Total	4.60		7.26	



(Rs. in Crores)

Nature of Transactions/relationship/major parties	Current Year		Previous Year	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Joint Venture				
Subcontracting Income	316.51		204.05	
OSE – Gammon		—		28.78
Gammon Srinivas		—		31.01
Gammon BBJ		—		24.08
Gammon OSE		—		23.66
Jager – Gammon		—		34.59
Patel Gammon		45.41		—
Gammon – JMC		166.53		33.24
Finance provided for expenses & on a/c payments	0.06		0.01	
Gammon Enceerail		0.05		—
Amount liquidated towards the finance provided	0.45		—	
Interest paid during the year	3.76		3.76	
OSE – Gammon		—		0.55
Jaegar-Gammon		1.82		—
Gammon Srinivas		1.44		2.79
Write off of balances	—		0.28	
Gammon Soma		—		0.16
Gammon Atlanta		—		0.07
Gammon Delco		—		0.03
Contract Advance received	80.24		44.07	
Jaegar – Gammon		17.00		15.00
Gammon – JMC		35.18		23.70
Patel Gammon		23.34		—
Contract Advance Given/Refund of Advance	101.85		59.74	
Patel Gammon		14.12		—
Gammon JMC		54.85		—
Jaegar-Gammon		15.10		15.00
Gammon OSE		—		10.97
Gammon Srinivas		—		19.23
Guarantees and Collaterals Outstanding	295.58		291.60	
Patel Gammon		59.46		—
Gammon Srinivas		—		47.37
Jaegar – Gammon		49.96		48.26
Outstanding Balances Receivables	89.91		63.00	
OSE – Gammon		—		14.70
Patel Gammon		15.63		—
Jaegar – Gammon		24.05		—
Gammon JMC		24.79		18.85
Outstanding Balances Payable	44.33		34.68	
Gammon – JMC		—		20.08
Patel Gammon		9.22		—
Jaegar – Gammon		17.45		—
Gammon Srinivas		9.70		9.11
Total	932.70		701.19	

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

	April 2007 – March 2008		April 2006 – March 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before Tax and extraordinary items		130.80		144.15
Adjustments for :				
Depreciation & Amortisation	88.32		77.84	
Personnel Cost (Stock Option Scheme)	1.14			
Profit / Loss on Sale of investments (net)	(4.52)		(1.01)	
Profit / Loss on Sale of Assets	(0.08)		0.20	
Dividend Income	(0.57)		(0.99)	
Interest (Net)	97.02		63.24	
Foreign Exchange loss / gain	0.13		0.10	
Preliminary Expenses written off	0.08		0.09	
Goodwill Amortised	–		2.07	
Amount written off	1.58		3.20	
		183.07		144.74
Operating Profit before Working Capital Changes		313.88		288.89
Adjustments for :				
Trade and Other Receivables	(185.99)		(125.20)	
Inventory	(52.84)		(156.17)	
Trade Payables & Working Capital Finance	189.75		71.08	
Loan and Advances	78.56		(169.00)	
Preliminary Expenses	(0.11)		(1.08)	
		29.39		(380.37)
CASH GENERATED FROM THE OPERATIONS		343.27		(91.48)
Direct Taxes paid		(128.28)		(38.88)
NET CASH FLOW FROM OPERATING ACTIVITIES		214.99		(130.36)
B. CASH FLOW FROM INVESTMENT ACTIVITIES :				
Goodwill on Acquisition	(58.21)		(3.00)	
Purchase of Fixed Assets (excl. impairment)	(454.32)		(323.48)	
Sale of Fixed Assets	0.20		5.30	
Share Application Money Pending Allotment	(2.30)		2.07	
Purchase of Investments in – Associates	(0.05)		(21.66)	
– Others	(746.14)		(267.93)	
Sale of Investments in – Associates	0.29		5.16	
– Others	658.03		268.68	
Interest received	25.95		31.76	
Dividend received	0.57		0.99	
		(575.98)		(302.11)
NET CASH FLOW AFTER INVESTING ACTIVITIES		(360.99)		(432.47)



	April 2007 – March 2008		April 2006 – March 2007	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Interest Paid	(119.49)		(102.30)	
Warrants redeemed of CBICL	(0.01)			
Minority Interest Contribution	(61.83)		5.00	
Foreign Currency Translation Reserve	(4.75)		5.81	
Proceeds from / (Repayment of) borrowings	410.47		463.91	
Dividend Paid	(4.52)		(9.98)	
Share Premium Money (net)	150.96		1.25	
		494.48		363.69
NET INCREASE IN CASH AND CASH EQUIVALENTS		133.49		(68.78)
Balance as on 31.03.2007		250.18		319.07
Balance as on 31.03.2008		383.67		250.29
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		133.49		(68.78)

Note:

Figure in brackets denote outflows

Cash and cash Equivalents Include Rs. 3.18 Crores as on 31.03.2008 (Previous Year- Rs. 3.15 Crores as on 31.03.2007) with Bank branch in Foreign countries relating to certain Foreign Projects which are not readily available for use by the company.

	As at 31.3.2008	As at 31.3.2007
As Per Balance Sheet		
– Escrow Account	237.77	–
– Other Account	145.77	250.17
Effect of Exchange Rate Charges	0.13	0.12
Balance Restated above	383.67	250.29

As per our attached report of even date

For NATVARLAL VEPARI & CO.
Chartered Accountants

N. JAYENDRAN
Partner
M.No. 40441

Mumbai, Dated: 31st July, 2008

For and on behalf of the Board of Directors

ABHIJIT RAJAN
Chairman & Managing Director

RAJUL A. BHANSALI
Executive Director

GITA BADE
Company Secretary

Mumbai, Dated: 31st July, 2008

C. C. DAYAL
Director

HIMANSHU PARIKH
Executive Director



Sahi Thil Race Tunnel



Neyveli Chimney

Gammon's projects



Kothagudem Cooling Towers



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