



GAMMON INDIA LIMITED

(Incorporated in the Republic of India with limited liability with CIN L67120MH1993PLC074411 under the Companies Act, 1956)

Gammon India Limited is issuing up to [●] Equity Shares of face value of Rs. 2 each (the "Equity Shares") at a price of Rs. [●] per Equity Share, including a premium of Rs. [●] per Equity Share, aggregating [●] million (the "Issue").

The Equity Shares are listed on the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"). The closing price of the outstanding Equity Shares on the BSE and the NSE on December 8, 2009 was Rs. 245.05 and Rs. 242.65 per Equity Share, respectively. Applications shall be made for the listing of the Equity Shares offered through this Preliminary Placement Document on the BSE and the NSE (collectively, the "Stock Exchanges"). The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue to trading on the Stock Exchanges should not be taken as an indication of the merits of the Company or the Equity Shares.

THE COMPANY HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PRELIMINARY PLACEMENT DOCUMENT.

A copy of this Preliminary Placement Document has been delivered to the Stock Exchanges. This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India (the "SEBI"), the Reserve Bank of India (the "RBI"), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Qualified Institutional Buyers ("QIBs") as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), 2009 (the "SEBI Regulations"). Copies of the Placement Document will be filed with the Stock Exchanges and delivered to the SEBI for record purposes.

An investment in the Equity Shares involves significant risks. See "Risk Factors".

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS), 2009

THIS ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE ON CHAPTER VIII OF THE SEBI REGULATIONS. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN QIBS.

YOU MAY NOT BE AND ARE NOT AUTHORISED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.



Invitations, offers and sales of Equity Shares shall only be made pursuant to this Preliminary Placement Document together with the Application Form and Confirmation of Allocation Note. See "Issue Procedure". The distribution of this Preliminary Placement Document or the disclosure of its contents without the Company's prior consent to any person, other than QIBs and persons retained by QIBs to advise them in respect to their purchase of Equity Shares to be issued pursuant to the Issue, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction.

The information on the website of the Company or any website directly or indirectly linked to the website of the Company does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, any such website.

The Equity Shares to be issued pursuant to the Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act. See "Selling Restrictions" and "Transfer Restrictions".

JOINT GLOBAL CO-ORDINATORS

	
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This Preliminary Placement Document is dated December 8, 2009.

The information in this Preliminary Placement Document is not complete and may be changed. This Preliminary Placement Document is not an offer to sell Equity Shares and is not soliciting an offer to subscribe to Equity Shares. It is being issued for the sole purpose of providing information or discussion relating to the Equity Shares that may be issued through the Placement Document.

TABLE OF CONTENTS

SUMMARY OF THE ISSUE	xv
SUMMARY OF BUSINESS	xvii
SUMMARY FINANCIAL INFORMATION	xxii
RISK FACTORS	2
MARKET PRICE INFORMATION	27
USE OF PROCEEDS	30
CAPITALISATION	31
DIVIDEND	33
EXCHANGE RATE INFORMATION	34
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	35
INDUSTRY OVERVIEW	53
BUSINESS	68
BOARD OF DIRECTORS AND SENIOR MANAGEMENT	88
PRINCIPAL SHAREHOLDERS	102
ISSUE PROCEDURE	105
PLACEMENT	114
SELLING RESTRICTIONS	116
TRANSFER RESTRICTIONS	120
THE SECURITIES MARKET OF INDIA	121
DESCRIPTION OF SHARES	131
TAXATION	135
LEGAL PROCEEDINGS	144
GENERAL INFORMATION	147
FINANCIAL STATEMENTS	148
DECLARATION	149

NOTICE TO INVESTORS

The Company accepts full responsibility for the information contained in this Preliminary Placement Document and to the best of its knowledge and belief, having made all reasonable enquiries, confirms that this Preliminary Placement Document contains all information with respect to the Company, its subsidiaries and the Equity Shares, which is material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to the Company, its subsidiaries and the Equity Shares are, in all material respects, true and accurate and not misleading, the opinions and intentions expressed in this Preliminary Placement Document with regard to the Company, its subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to the Company and are based on reasonable assumptions. There are no other facts in relation to the Company, its subsidiaries and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

IDFC-SSKI Limited and India Infoline Limited, the Joint Global Co-ordinators, have not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise).

Accordingly, neither the Joint Global Co-ordinators nor any of their respective members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Joint Global Co-ordinators, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has neither relied on the Joint Global Co-ordinators nor on any person affiliated with the Joint Global Co-ordinators in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Company and its subsidiaries and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Joint Global Co-ordinators. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of this offering or the accuracy or adequacy of this Preliminary Placement Document.

The distribution of this Preliminary Placement Document and the Issue may be restricted by law in certain jurisdictions. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Company and the Joint Global Co-ordinators which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any country or jurisdiction, other than India, where action for that purpose is required. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any other offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, investors must rely on their own examination of the Company, its subsidiaries and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither the Company nor the Joint Global Co-ordinators are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Company under Indian law, including Chapter VIII of the SEBI

Regulations and that it is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from the Company and review information relating to the Company and the Equity Shares.

The information on the Company's website or the websites of the Joint Global Co-ordinators does not constitute nor form part of this Preliminary Placement Document.

This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

References herein to "you" or "your" is to the prospective investors in the Issue.

REPRESENTATIONS BY INVESTORS

By subscribing to any Equity Shares under the Issue, you are deemed to have represented, warranted, acknowledged and agreed to the Company and the Joint Global Co-ordinators as follows:

- you are a Qualified Institutional Buyer as defined in Regulation 2(1)(zd) of the SEBI Regulations and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations;
- if you are a resident in any other country other than India you are permitted by all applicable laws to acquire Equity Shares in such country;
- if you are allotted Equity Shares pursuant to the Issue, you shall, for a period of one year from the date of Allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchanges;
- you are aware that the Equity Shares have not been and will not be registered under the SEBI regulations or under any other law in force in India. This Preliminary Placement Document has not been reviewed by the SEBI, the RBI, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by QIBs. Further, the Preliminary Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. This Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Company and the Stock Exchanges;
- you are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;
- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Preliminary Placement Document) and will honour such obligations;
- neither the Company nor the Joint Global Co-ordinators are making any recommendations to you, advising you regarding the suitability of any transactions they may enter into in connection with the Issue; your participation in the Issue is on the basis that you are not and will not be a client of the Joint Global Co-ordinators and that the Joint Global Co-ordinators or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have no duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity;
- all statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially

different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Preliminary Placement Document. The Company assumes no responsibility to update any of the forward-looking statements contained in the Preliminary Placement Document;

- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the Equity Shares shall be on a discretionary basis;
- you have made, or been deemed to have made, as applicable, the representations set forth in the “Selling Restrictions” and “Transfer Restrictions”;
- you have been provided a serially numbered copy of this Preliminary Placement Document and have read the Preliminary Placement Document in their entirety;
- that in making your investment decision, (i) you have relied on your own examination of the Company, its subsidiaries and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of the Company, its subsidiaries, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, (iv) you have relied solely on the information contained in the Preliminary Placement Document and no other disclosure or representation by the Company or any other party; (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares; and (vi) relied upon your investigation and resources in deciding to invest in the Issue;
- neither of the Joint Global Co-ordinators nor any of their respective shareholders, directors, offices, employees, counsel, representatives, agents or affiliates, have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including the Issue and the use of proceeds from the Equity Shares). You will obtain your independent tax advice from a reputable service provider and will not rely on the Joint Global Co-ordinators or any of their respective shareholders, directors, offices, employees, counsel, representatives, agents or affiliates, when evaluating the tax consequences in relation to the Equity Shares (including, in relation to the Issue and the use of proceeds from the Equity Shares). You waive, and agree not to assert any claim against, either of the Joint Global Co-ordinators or any of their respective shareholders, directors, offices, employees, counsel, representatives, agents or affiliates, with respect to the tax aspects of the Equity Shares or a result of any tax audits by tax authorities, whenever situated;
- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Company and/or any of the Joint Global Co-ordinators or any of their respective shareholders, directors, offices, employees, counsel, representatives, agents or affiliates, for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;
- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “you” to include such accounts;
- you are not a Promoter and are not a person related to the Promoter, either directly or indirectly and your Bid does not directly or indirectly represent the Promoter or promoter group or person related to the Promoter/ promoter group of the Company;

- you have no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board of Directors of the Company other than the rights acquired, if any, in the capacity of a lender not holding any Shares of the Company, which shall not be deemed to be a person related to the Promoter;
- you have no right to withdraw your Bid after the Bid Closing Date;
- you are eligible to apply for and hold Equity Shares so allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;
- the Bid submitted by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the "**Takeover Code**");
- to the best of your knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control as you, the Allotment under the Issue shall not exceed 50 per cent. of the Issue. For the purposes of this representation:
 - a. the expression 'belongs to the same group' shall be interpreted by applying the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act; and
 - b. 'control' shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.
- you shall not undertake any trade in the Equity Shares credited to your Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;
- you are aware that applications will be made to the Stock Exchanges for approval for listing and admission of the Equity Shares to trading on the Stock Exchanges' market for listed securities and that the application for the final listing and trading approval will be made only after Allotment of the Equity Shares in the Issue, and there can be no assurance that such final approval will be obtained on time or at all;
- you are aware and understand that the Joint Global Co-ordinators will have entered into an agreement with the Company whereby the Joint Global Co-ordinators have, subject to the satisfaction of certain conditions set out therein, undertaken to use their best efforts as agents of the Company to seek to procure purchasers for the Equity Shares;
- that the contents of this Preliminary Placement Document are exclusively the responsibility of the Company and that neither the Joint Global Co-ordinators nor any person acting on their behalf has, or shall have, any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Joint Global Co-ordinators or the Company or any other person and neither of the Joint Global Co-ordinators nor the Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
- that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Joint Global Co-ordinators or the Company or their respective affiliates and neither the Joint Global Co-ordinators nor the Company or their respective affiliates will be liable for

your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- you agree to indemnify and hold the Company and the Joint Global Co-ordinators harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements and agreements in this section. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;
- that the Company, the Joint Global Co-ordinators, their affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the Joint Global Co-ordinators on their own behalf and on behalf of the Company and are irrevocable;
- you understand that the Joint Global Co-ordinators have no obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by the Company of any of its respective obligations or any breach of any representations or warranties by the Company, whether to you or otherwise;
- that you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time, and have not been prohibited by the SEBI from buying, selling or dealing in securities;
- that you are a sophisticated investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution; and
- that each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment of the Equity Shares in the Issue;
- that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;
- you agree to indemnify and hold the Company and the Joint Global Co-ordinators harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Preliminary Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;
- the Company, the Joint Global Co-ordinators, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Joint Global Co-ordinators on their own behalf and on behalf of the Company, and are irrevocable; and
- You are purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S;
- You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act;

- You are, at the time the Equity Shares are purchased pursuant to Regulation S, located outside the United States (within the meaning of Regulation S) and you are not an affiliate of the Company or a person acting on behalf of such an affiliate; and
- Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document;
2. warrant that the Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of the Company, its Promoter, its management or any scheme or project of the Company; and

it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, (the "**FII Regulations**") an FII may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such offshore derivative instruments are referred to herein as "**P-Notes**") listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by an appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. An FII shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than such entities regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto. In terms of the FII Regulations, as amended with effect from May 22, 2008, no sub-account of an FII is permitted to directly or indirectly issue P-Notes.

Any P-Notes that may be issued are not securities of the Company and do not constitute any obligation of, claims on or interests in the Company. The Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Company. The Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Joint Global Co-ordinators and do not constitute any obligations or claims on the Joint Global Co-ordinators. FII affiliates of the Joint Global Co-ordinators may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes. Neither

SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a company incorporated with limited liability under the laws of India. Some of its subsidiaries are also incorporated in India. A substantial majority of the Company's directors and executive officers are residents of India and a substantial portion of the assets of the Company and such persons are located in India. As a result, it may not be possible for investors to affect service of process upon the Company or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside India.

In addition, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Code of Civil Procedure, 1908 (the "Civil Code") on a statutory basis. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Indian Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

The United States has not been declared by the Indian Government to be a reciprocating territory for the purposes of section 44A of the Civil Code. However, the United Kingdom, Singapore and Hong Kong have been declared by the Indian Government to be reciprocating territories. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution.

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of the payment. The Company cannot predict whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless the context otherwise indicates or implies, references to 'you', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors' and 'potential investor' are to be the prospective investors in the Issue, references to 'GIL', the 'Company', 'our Company', the 'Issuer' are to Gammon India Limited and references to 'we', 'our' or 'us' are to Gammon India Limited together with its subsidiaries, unless otherwise stated.

In this Preliminary Placement Document, unless the context otherwise indicates or implies, references to 'you', 'offeree', 'purchaser,' 'subscriber,' 'recipient,' 'investors' and 'potential investor' are to the prospective

investors in the Issue, references to ‘GIL’, the ‘Company’, ‘our Company’, the ‘Issuer’ are to Gammon India Limited, and references to ‘we’, ‘our’ or ‘us’ are to Gammon India Limited together with its subsidiaries.

In this Preliminary Placement Document, references to ‘U.S.\$’ and ‘U.S. dollars’ are to the legal currency of the United States of America, and references to ‘Rs.’, ‘Indian Rupees’ and ‘Rupees’ are to the legal currency of India. All references herein to the ‘U.S.’ or the ‘United States’ are to the United States of America and its territories and possessions and all references to “India” are to the Republic of India and its territories and possessions.

In this Preliminary Placement Document, all references to “euro”, “EUR” or “€” are to the single currency of the participating Member States, as defined therein, in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to “EGP” are to the lawful currency of Egypt. All references to “AED” are to the lawful currency of the United Arab Emirates.

Our financial statements included in this Preliminary Placement Document have been prepared in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from US GAAP and IFRS. The Company does not provide a reconciliation of its financial statements to US GAAP and IFRS. Also see “*Risk Factors – Risks Factors Related to Investments in Indian Companies*”. In this Preliminary Placement Document, certain monetary amounts have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of figures which precede them.

Unless stated otherwise, the financial data in this Preliminary Placement Document is derived from our consolidated financial statements prepared in accordance with Indian GAAP. Our Fiscal Year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular Fiscal Year of the Company are to the twelve-month period ended on March 31 of that year.

All refer References in this Preliminary Placement Document to “India” are to the Republic of India and the “Government” are to the governments in India, central or state, as applicable.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Preliminary Placement Document have been obtained from market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Joint Global Co-ordinators makes any representation as to the accuracy and completeness of that information.

FORWARD LOOKING STATEMENTS

All statements contained in this Preliminary Placement Document that are not statements of historical fact constitute “forward-looking statements.” Investors can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import.

All statements regarding the Company’s expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company’s/ its subsidiaries’ business strategy, revenue and profitability and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by the Company or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Company’s/ its subsidiaries’ actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- general, political, economic, social and business conditions in Indian and other global markets;
- our ability to successfully implement our strategy, growth and expansion plans;
- competition in the Indian and international markets;
- availability of adequate debt and equity financing at reasonable terms;
- performance of the Indian debt and equity markets; and
- changes in laws and regulations applicable to companies in India, including foreign exchange control regulations in India.

Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of the Company’s underlying assumptions prove to be incorrect, the Company’s actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to the Company are expressly qualified in their entirety by reference to these cautionary statements.

DEFINITIONS AND ABBREVIATIONS

Definitions of certain capitalised terms used in this Preliminary Placement Document are set forth below:

Company-Related Terms

Term	Description
The “Company” or the “Issuer”	Gammon India Limited, a public limited company having its registered office at ‘Gammon House’, Veer Savarkar Marg, Prabhadevi, Mumbai 400 025, and does not include its subsidiaries, unless otherwise stated
“We” or “us” or “our”	Unless the context otherwise requires, Gammon India Limited and its subsidiaries, on a consolidated basis, unless otherwise stated
AGM	Annual General Meeting of the Company
ATSL	Associated Transrail Structures Limited
Articles/Articles of Association	The Articles of Association of the Company
Auditors	Natvarlal Vepari & Co., Chartered Accountants, the statutory auditors of the Company
Board of Directors/Board	The board of directors of the Company or a duly committee constituted thereof
EGM	Extra-Ordinary General Meeting of the Company
Equity Shares	Equity shares of the Company of face value of Rs. 2 each
GIPL	Gammon Infrastructure Projects Limited
Memorandum/Memorandum of Association	The Memorandum of Association of the Company
Registered Office	The registered office of the Company being ‘Gammon House’, Veer Savarkar Marg, Prabhadevi, Mumbai 400 025
Registrar of Companies / RoC	Registrar of Companies, Maharashtra

Issue-Related Terms

Term	Description
Allocated, Allocation	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of Application Forms submitted by them, in consultation with the Joint Global Co-ordinators in compliance with Chapter VIII of the SEBI Regulations
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue
Allottees	QIBs to whom Equity Shares are allotted pursuant to this Issue
Application Form	The form (including any revision thereof) pursuant to which QIB shall submit a bid in this Issue
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
Bid	An indication of QIBs’ interest, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for Equity Shares in the Issue
Bid Closing Date	[●], 2009
Bid Opening Date	December 8, 2009
Bidding Period	The period between the Bid Opening Date and Bid Closing Date, inclusive of both dates, during which prospective QIBs can submit their Bids
BOLT	BSE On-Line Trading
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CAN/Confirmation of Allocation Note	Note or advice or intimation to not more than 49 QIBs confirming the Allocation of Equity Shares to such QIBs after discovery of the Issue Price
CDSL	Central Depository Services (India) Limited
Civil Code	The Code of Civil Procedure, 1908
Companies Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The Issue Price of the Equity Shares which shall be finalised by the

Term	Description
	Company in consultation with the Joint Global Co-ordinators
Depository	A body corporate registered under SEBI (Depositories and Participant) Regulations, 1996
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant/ DP	A depository participant as defined under the Depositories Act
DPID	Depository Participant Identity
Director(s)	Director(s) of the Company, unless otherwise specified
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPS	Earnings per share, i.e., profit after tax for a Fiscal Year divided by the weighted average outstanding number of Equity Shares during that Fiscal Year
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 and read with rules and regulations framed thereunder and amended thereto
FII	Foreign Institutional Investor (as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, as amended from time to time
Financial Year/Fiscal Year/ FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated
Floor Price	The floor price of Rs. 237.45 for the Equity Shares, which has been calculated in accordance with Regulation 85 of the SEBI Regulations
FVCI	Foreign Venture Capital Investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI under the applicable laws in India
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GoI/Government	Government of India, unless otherwise specified
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
Income Tax Act	The Income Tax Act, 1961, as amended from time to time
India	The Republic of India
Indian GAAP	Generally accepted accounting principles followed in India
Issue	The offer and sale of the Equity Shares to Qualified Institutional Buyers, pursuant to Chapter VIII of the SEBI Regulations
Issue Price	A price per Equity Share of Rs. [●]
Issue Size	The issue of [●] Equity Shares aggregating [●]
Joint Global Co-ordinators	Joint Global Co-ordinators, in this case being IDFC-SSKI Limited and India Infoline Limited
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
NSDL	The National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
Pay-in Date	The last date specified in the CAN sent to the QIBs
Placement Document	The Placement Document to be issued in accordance with Chapter VIII of the SEBI Regulations
Preliminary Placement Document	This Preliminary Placement Document dated December 8, 2009 issued in accordance with Chapter VIII of the SEBI Regulations
Promoter	The Promoter of the Company, being Mr. Abhijit Rajan
QIBs or Qualified Institutional Buyers	Qualified Institutional Buyers as defined under Regulation 2(1)(zd) of the SEBI Regulations

Term	Description
QIP	Qualified Institutions Placement under chapter VIII of the SEBI Regulations
RBI	The Reserve Bank of India
Regulation S	Regulation S under the Securities Act
Rs./Rupees/INR	Rupees, being the lawful currency for the time being of India
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time
Securities Act	The US Securities Act of 1933
SICA	Sick Industrial Companies (Special Provisions) Act, 1995
Stock Exchanges/ Indian Stock Exchanges	NSE and BSE
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
United States/ USA/ US	The United States of America
US GAAP	Generally accepted accounting principles in the United States of America
US\$/ USD/ US Dollars	US dollars, the lawful currency for the time being of the United States of America
w.e.f	with effect from

Industry related terms

Term	Description
ARWSP	Accelerated Rural Water Supply Programme
AUWSP	Accelerated Urban Water Supply Programme
BARC	Bhabha Atomic Research Centre
BFG	Blast furnace gas
BOO	Build-Own-Operate
BOOT	Build-Own-Operate-Transfer
BOQ	Bill of quantities
BOT	Build-Operate-Transfer
BPCL	Bharat Petroleum Corporation Limited
BTG	Boiler, turbine, generator
BU's	Billion units
CCI	Cabinet Committee on Infrastructure
CEA	Central Electricity Authority
cumecs	Cubic meters per second
cusecs	Cubic feet per second
DDWS	Department of Drinking Water Supply
EIA	Energy Information Administration
EPC	Engineering, Procurement and Construction
FOB	free-on-board
GAIL	Gas Authority of India Limited
GCDA	Greater Cochin Development Authority
GDP	Gross Domestic Product
GW	Gigawatt
HPCL	Hindustan Petroleum Corporation Limited
HRSG	Heat Recovery Steam Generator
IEA	International Energy Agency
IOL	Indian Oil Limited
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
Km.	Kilometres
KV	kilovolt
KWh	Kilowatt-hour
MbPT	Mumbai Port Trust
MW	Megawatts

Term	Description
NH	National Highway
NHAI	National Highways Authority of India
NHDP	National Highways Development Programme
NMDP	National Maritime Development Programme
NTPC	National Thermal Power Corporation
NWP	National Water Policy
O&M	Operation and Maintenance
ONGC	Oil and Natural Gas Corporation Limited
PGCIL	Power Grid Corporation of India Limited
PPP	Public Private Partnerships
PPT	Paradip Port Trust
PSC	pre-stressed concrete
PSEB	Punjab State Electricity Board
RFQ	request for qualification
SERC	State Electricity Regulatory Commission
SPVs	Special purpose vehicles
sq. m.	Square meter
T&D	Transmission and Distribution
TWh	Terawatt-hour. One billion kWh
UIDSSMT	Urban Infrastructure Development Scheme for the Small and Medium Towns
VPT	Vishakhapatnam Port Trust

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed terms appearing elsewhere in this Preliminary Placement Document, including under “Issue Procedure” and “Description of the Equity Shares”.

Issuer	Gammon India Limited
Face Value	Rs. 2 per Equity Share
Issue Price per Equity Share	Rs. [●]
Issue Size	[●] Equity Shares of face value of Rs. 2 each, aggregating Rs. [●] million A minimum of 10% of the Issue Size i.e. up to [●] Equity Shares shall be available for Allocation to Mutual Funds only, and up to [●] Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs
Floor Price	Rs. 237.45 per Equity Share.
Equity Shares issued and outstanding immediately prior to the Issue	107,586,696 Equity Shares, aggregating Rs. 215,173,392.
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the SEBI Regulations.
Listing	The Company has obtained in-principle approval for listing of the Equity Shares issued pursuant to the Issue from the Stock Exchanges on December 4, 2009. The Company would make applications to each of the Stock Exchanges to obtain final listing and trading approval for the Equity Shares.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges.
Closing	The Allotment of the Equity Shares offered pursuant to this Issue shall be made on or about [●] (the “ Closing Date ”).
Ranking	The Equity Shares being issued shall be subject to the provisions of the Company’s Memorandum of Association and Articles of Association and shall rank pari passu in all respects with the existing Equity Shares including rights in respect of dividends. The equity shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Company after the Closing Date, in compliance with the Companies Act. The equity shareholders may attend and vote in shareholders’ meetings on the basis of one vote for every share held. See the “Description of the Equity Shares”.
Use of Proceeds	The net proceeds of the Issue (after deduction of fees, commissions and expenses) are expected to be approximately Rs. [●] million. For details of the use of proceeds, see “ <i>Use of Proceeds</i> ”.

Lock-up

The Company will not, for a period of 90 days from the date of the Placement Document, without the prior written consent of the Book Running Lead Managers, (A) directly or indirectly, issue, offer, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (A) or (B) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (C) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depository receipt facility, or publicly announce any intention to enter into any transaction. The foregoing sentence shall not apply to: (i) any issuance, sale, transfer or disposition of Equity Shares by the Company to the extent such issuance, sale, transfer or disposition is required by Indian law; (ii) any issuance of Equity Shares by the Company upon exercise of options outstanding as at the date hereof by the employees of the Company; (iii) any issuance of Equity Shares by the Company upon conversion of warrants outstanding as at the date hereof; and (iv) the Placement.

The Promoter during the period commencing on the date of the Placement Agreement and ending 180 days after the date of allotment of equity shares under the Offering, agrees not to, (a) directly or indirectly, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned by the undersigned) with respect to any of the foregoing or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or (c) deposit Equity Shares with any other depository in connection with a depository receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depository receipt facility or publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided, however, that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares by the undersigned to the extent such sale, transfer or disposition is required by Indian law.

Risk Factors

Prior to making an investment decision, prospective investors should carefully consider the matters discussed under “*Risk Factors*”.

Security Codes for the Equity Shares	ISIN	INE259B01020
	BSE Code	509550
	NSE Code	GAMMONIND

SUMMARY OF BUSINESS

Overview

We are the flagship company of the Gammon group and are one of the oldest civil engineering and construction companies in India. We believe that we are one of the largest contractor and developer of infrastructure projects in India. Our operations are divided into our engineering, procurement and construction (“EPC”) and construction business, infrastructure development business and international business. We provide construction services in areas such as transport engineering, power transmission and distribution, energy, environment and pipelines, hydroelectric power structures, hydraulic and irrigation, and industrial structures and buildings. Our Company was incorporated in 1922 by John C. Gammon and was listed on the BSE in 1962 and the NSE in 1996. We undertake the development of projects as a developer in addition to providing services as a contractor. For the year ended March 31, 2009, we had total consolidated revenues and profit after tax of Rs.52,121.81 million and Rs.648.42 million, respectively.

Our EPC and construction business comprises the following areas:

- transport engineering, where we undertake the design and construction of roads, bridges, metros, flyovers, ports and airports;
- power transmission and distribution, where we undertake the design, engineering, erection, testing and commissioning of transmission and distribution lines, substation and overhead lines, project electrification, rural electrification and system improvement projects;
- energy, where we undertake the engineering and construction of nuclear power, thermal power, hydro electric power and non-conventional power plants;
- environment and pipelines, where we undertake the construction and design of water treatment plants, cross-country oil and gas pipelines and water supply projects;
- hydroelectric power structures, where we undertake the construction of structures for hydroelectric power plants, such as dams, powerhouses, surge chambers, intake structures, and head race tunnels;
- hydraulic and irrigation, where we undertake the engineering, design and construction works for dams, tunnels, irrigation pipes and hydraulic structures; and
- our industrial structures and buildings, where we undertake the construction of multi-storey buildings, residential, commercial and hospitality and other industrial structures.

We are also involved in the development of Build-Operate-Transfer (“BOT”) projects in infrastructure and other infrastructure development projects through our subsidiary Gammon Infrastructure Projects Limited (“GIPL”), of which we currently, directly and indirectly, hold 76.23%. GIPL, listed on the BSE and the NSE, undertakes projects on a public private partnership (“PPP”) basis and its current portfolio of projects consists of 19 projects in the roads, bridges, ports, hydroelectric power and biomass power sectors, of which, four are in the operations phase, 10 are in the development phase and five are in the pre-development phase. GIPL also offers services in other areas of project development, such as project advisory services, project funding and operations and maintenance (“O&M”).

Through our international operations, we focus on power equipment manufacturing and oil and gas exploration around the world. During the year ended March 31, 2009, we completed a number of acquisitions in the power equipment manufacturing sector, which has a limited number of players and high barriers to entry. We acquired substantial stakes in a few European companies: (i) Sofinter S.p.A. (“Sofinter”, together with its subsidiaries, the “Sofinter Group”), an integrated group of companies that is engaged in the manufacturing of industrial boilers, power utility steam boilers (including Heat Recovery Steam Generators (“HRSGs”)), EPC related to power utilities and research and development of flameless technology using waste and low grade coal with zero carbon emissions and (ii) Franco Tosi Meccanica S.p.A. (“FTM”), a manufacturer of steam and hydro turbines for power utilities. Our erstwhile associate company, Associated Transrail Structures Limited (“ATSL”), engaged in the business of design, supply, erection and commissioning of power transmission lines and rural electrification schemes, amalgamated with our Company, effective from July 7, 2009, with an appointed date of April 1, 2008. Subsequent to this amalgamation, S.A.E. Power Lines S.r.L. (“SAE Powerlines”), a company

based in Italy that is engaged in the design, fabrication and erection of transmission towers and lines has become our subsidiary.

Subsequent to our acquisitions and partnerships, we believe that we are eligible to bid for supplying super critical boilers and super critical turbines.

With over 87 years of experience, we have strived to achieve our motto of being ‘Builders to the Nation’ with an array of landmark structures, including bridges, harbors, ports, thermal and nuclear power stations, dams, high-rise structures, chemical and fertilizer complexes, environmental structures and cross-country water, oil and gas pipelines. Our landmark structures include the following:

- construction of the foundation for Gateway of India, Mumbai in 1922, which was the first reinforced concrete precast piling job in India;
- a river bridge of six kilometers across the Ganges at Patna in 1982, which was the longest river bridge in India at the time;
- the first cable-stayed bridge in India at Akkar, Sikkim in 1988;
- a cantilever bridge of 140 meters across the river Jadukatta in Meghalaya in 2001, which was the longest cantilever bridge in India at the time;
- a railway tunnel of 6,500 meters for Konkan Railway at Ratnagiri in 1995, which was the longest railway tunnel in Asia;
- the first 500 MW thermal power station at Trombay in 1983;
- a cooling tower of 141 meters at Panipat in 2000, which was the tallest cooling tower in India at the time;
- an urban viaduct of 2,400 meters at J.J. Hospital, Mumbai in 2002, which was the longest urban viaduct in India at the time; and
- a clover leaf flyover of 5,232 meters at Hebbal, Bangalore in 2003, which was the longest clover leaf flyover in India at the time.

Over the years, our planners, designers and construction specialists have proved their competence and innovative skills.

Our Order Book

In the civil engineering and construction industry, the order book is considered as a potential future performance indicator since it represents a portion of anticipated revenues. We aim to focus not only on order book additions, but also on capturing a quality order book with potentially high margins. For the years ended March 31, 2006, 2007, 2008 and 2009, our order backlog was Rs.56.68 billion, Rs.65.33 billion, Rs.90.01 billion and Rs.129.67 billion, respectively. During the same period, our book-to-bill ratio was 3.79, 3.54, 3.85 and 3.57, respectively.

The following table sets forth the order book of our Company, Sofinter, FTM and SAE Powerlines as of September 30, 2009:

	Order book as of September 30, 2009 (Rs. in millions)
Our Company:	-
<i>Transportation Engineering</i>	59,560.79
<i>Power Transmission and Distribution</i>	19,965.80
<i>Energy</i>	18,960.94
<i>Environment and Pipelines</i>	13,843.03
<i>Hydro Power Structures</i>	10,784.21
<i>Hydraulic and Irrigation</i>	4,489.63

	Order book as of September 30, 2009 (Rs. in millions)
<i>Industrial Structures and Buildings</i>	4,182.74
Total	131,787.14
Our subsidiaries/joint venture	
<i>Sofinter</i>	35,246.20 ^{*†}
<i>FTM</i>	17,500.25 [*]
<i>SAE Powerlines</i>	3,150.05 [*]

* Based on the conversion of €1 to Rs.70.0010, being the reference rate as on September 30, 2009 provided by the European Central Bank.

† As of September 30, 2009, the Company holds 50.00% of Sofinter.

Our Competitive Strengths

We believe that we are well positioned to take advantage of the growth opportunities in the Indian civil engineering, construction, infrastructure and power sectors because of the following strengths:

- Quality and strength of execution:* We have a strong track record in the successful development and execution of EPC and infrastructure projects. In 2009, we received OHSAS 18001:2007 and ISO 14001:2004 from BM TRADA as recognition of our occupational health and safety management system and environmental management system in the construction of civil engineering structures and pipeline projects. Our strength in execution can also be evidenced by our timely completion of projects. Our access to financing sources, partners and industry expertise enables us to value new projects effectively, assess risks properly and compare evaluation results against our experience. We believe that our expertise in the successful and timely execution of projects provides us with a significant competitive advantage.
- Technical, engineering and in-house design capabilities:* We have in-house design capabilities with staff possessing professional qualifications and experience in undertaking the design of all types of civil engineering structures. We also have the latest software in executing these designs. As on September 30, 2009, we had a team of 74 skilled employees in our in-house design department. Over the years, we have introduced several advanced technologies to India, such as extra-dosed bridge, slipform technology for tapered chimney, thin shell structures, cantilever construction technology, hyperbolic cooling towers, multi-flue chimneys, nuclear containment structures in pre-stressed concrete (“PSC”) and segmental construction technique for reinforced concrete piles.
- Diversified business model:* Our projects, both completed and in the construction phase, are spread across different sectors and are geographically spread across various states in India and certain countries overseas. Currently, we are executing 167 projects across India. We also have operations, primarily power transmission and distribution projects, in countries such as Oman, Ethiopia, Nigeria, Algeria, Kenya and Afghanistan. We believe that through such sectoral and geographic diversity, we are able to effectively mitigate operational risks of specific sectors and geographical locations in India or a particular country where we operate. The northern, southern, eastern and western part of India accounted for 32.22%, 30.21%, 19.71% 17.86%, respectively, of the order book of our Company on September 30, 2009. Further, we have a project portfolio with a healthy mix of fixed and market-driven revenue streams. Approximately 35.00% of our contracts are fixed price contracts, with the rest containing price variation clauses. We believe that the blended project portfolio offer us significant upside potential with market-based projects and stable revenues from assured-return projects.
- Ability to mobilize financial resources:* We believe that with our experience in raising capital (both by way of debt and equity) through efficient structures in the financial markets, we are suitably poised to take advantage of future opportunities in the infrastructure sector. During the year ended March 31, 2006, we successfully completed a global depository receipt offering of US\$100.00 million. In April 2008, we successfully listed our infrastructure development business in India, raising Rs.2,763.85 million for new projects. Furthermore, on March 4, 2009, CARE assigned an “AA” rating for our non-convertible debentures of Rs.3.00 billion, and on October 22, 2009, CARE assigned a “PR1+” rating

for our short-term commercial paper of Rs.4.00 billion. CARE has also assigned an “AA” rating for our long-term bank facilities and a “PR1+” rating for our short-term bank facilities, under BASEL II norms, aggregating Rs.37.00 billion. As the sectors that we operate in are highly capital-intensive, we believe that our ability to mobilize financial resources efficiently gives us a competitive advantage over our competitors.

- *Substantial experience in infrastructure development:* Our subsidiary, GIPL, is among the first companies in India incorporated exclusively to participate in infrastructure development through the PPP model. We believe that the PPP model is increasingly becoming the preferred model for construction and operation of highways, ports and other infrastructure services in India. The PPP model offers significant advantages in terms of attracting private capital in the creation of public infrastructure as well as in improving efficiencies in the provision of services to users. A PPP model also brings in specialization in implementation of projects. Further, a number of initiatives have been taken in recent years under India's 11th Plan by both the central and state Governments to promote infrastructure development through PPPs. We have significant experience with the development, operations and maintenance of road, bridge and port projects in India and we believe that this will help us ensure the continued growth of our business operations through participation in PPP infrastructure projects.
- *Experienced management team and highly qualified personnel:* As on September 30, 2009, our Company had an experienced management team and technically qualified work force of 3,976 employees. In addition, our Company had 9,250 skilled project-specific employees. Our experience in the Indian construction industry enables us to estimate and manage costs for the fixed-price projects for which we bid. We provide our staff with a high growth environment, competitive compensation packages and continuous training programs. We believe that the combination of these factors has been successful in reducing our attrition rates.
- *Gammon brand and synergies within the Gammon Group:* Due to our long-standing history, we believe that our brand enjoys strong brand recognition in India. Over the years, we have received several recognitions and awards from various industry bodies, such as International Federation of Asian and Western Pacific Contractors Association (IWPACA), India Institute of Bridge Engineering, the Indian Concrete Institute and Association of Consulting Civil Engineers (India). As an integrated company, we have built upon the synergy we have derived from our strong brand recognition in other lines of business.

Our Strategy

Our vision is to be a world-class construction and infrastructure enterprise committed to quality, timely completion of projects, customer satisfaction, continuous learning and enhancement of stakeholders' value. Some of our key business strategies include:

- *Capture high growth opportunities throughout India:* We intend to target specific sectors and geographical areas where we believe there is high growth potential. We also intend to exploit our competitive advantages in these high-value businesses, and will continue to evaluate and explore the opportunities in the roads, transportation and power sectors. In particular, we believe that the road and transportation sectors will provide significant opportunities, which may come as BOT projects that we undertake with third parties as an EPC contractor or with our subsidiary, GIPL. We also expect the power sector to experience robust growth, and we are positioning ourselves to capture these opportunities by leveraging our experience and project execution capabilities in the construction of thermal, hydroelectric and nuclear power plants. We intend to form joint ventures for a number of power projects as well as bid for the ancillary construction work associated with these projects.
- *Enhance our EPC capabilities:* Quality of work and timely completion of projects are critical to our EPC and construction business. As a result, we aim to:
 - consistently deliver a quality product, meeting all relevant specifications and requirements;
 - achieve customer satisfaction through cost effective and timely completion;
 - motivate and train our staff for continual improvement of productivity and quality standards; and
 - update and implement our procedures in line with developments in international standards.

- Position ourselves as a one stop energy shop:* The power segment in India has witnessed and is expected to have a robust growth with projected demand for new projects of 100,000 MW during the period 2008-2013. (Source: Ministry of Power) There is an increasing trend for the utility power project owners to engage companies which can provide solutions from concept to commissioning. In light of the above, we intend to position ourselves as a “one-stop energy shop”, providing consulting, design, EPC, O&M, manufacturing and other related services for nuclear, thermal, hydroelectric and non-conventional power projects. As a result of the amalgamation of ATSL to our Company, we have scaled up our power transmission and distribution business. We believe that our acquisitions will produce substantial synergistic benefits, including a centralized command structure, economies of scale, diversity of operations and better visibility as an integrated construction company. We intend to utilize these synergies and expand our products and services offering in India, and we also plan to exploit these advantages by participating in large-scale projects to optimize the allocation of resources and improve profitability. We have been pre-qualified to supply boilers and turbines to various Indian companies, such as NHPC Limited, National Thermal Power Corporation and North Eastern Electric Power Corporation. We believe we are ideally positioned to capitalize on the strengths of the different businesses in which our subsidiaries and joint ventures are engaged.
- Increase our international presence:* We intend to strengthen our international operations by exploring business opportunities for developing projects outside India. We have acquired substantial stakes in two Italian companies, Sofinter and FTM. Although Sofinter, FTM and SAE Powerlines made losses of €41.69 million, €17.66 million and €2.77 million, respectively, in the year ended December 31, 2008, various improvements have been carried out in areas such as the product and market mix, the supply chain management process and costs control. We also aim to bring cost-competitiveness to our Italian subsidiaries and joint venture through sharing resources or using low-cost manufacturing facilities in India. Furthermore, to meet the anticipated growth in demand in energy we have ventured into drilling and exploration, through a participating interest of 61.00% in a marginal field in Ecuador in joint venture with Joshi Technologies International Inc. and a participating interest of 50.00% in an exploration program in Nebraska, U.S. We will continue to evaluate opportunities to expand into new geographical and business areas whether by means of organic growth or through strategic acquisitions.

SUMMARY FINANCIAL INFORMATION

The following summary financial information as at and for the three years ended March 31, 2009, 2008 and 2007 has been derived from our audited consolidated financial statements included elsewhere in this Preliminary Placement Document. The summary financial information provided below for the quarter and half year ended September 30, 2009 has been derived from our unaudited standalone financial results, reviewed by the auditors as required under clause 41 of the Listing Agreement, as included elsewhere in this Preliminary Placement Document.

You should read the following summary financial information in conjunction with our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Preliminary Placement Document. Our consolidated financial statements have been prepared in accordance with Indian GAAP and are presented in Rupees.

Our historical results do not necessarily indicate our results expected for any future periods.

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND THE HALF YEAR ENDED SEPTEMBER 30, 2009

(Rupees in Lacs)

Sr. No.	Particulars	Three Months Ended 30.09.2009 (Unaudited)	Three Months Ended 30.09.2008 (Unaudited)	Year to date for the period ended 30.09.2009 (Unaudited)	Year to date for the period ended 30.09.2008 (Unaudited)	Previous Accounting year ended 31.03.2009 (Audited)
1	Net Sales / Income from Operations	93,752	51,315	178,797	109,839	363,597
	Other Operating Income	642	-	1,764		2,190
2	Expenditure :	94,394	51,315	180,561	109,839	365,787
	Consumption of Materials	38,951	23,472	74,624	44,911	181,913
	(Increase) / Decrease in WIP & FG	(733)	(6,982)	(5,966)	(14,390)	(10,653)
	Subcontract and other Cost	35,416	25,958	73,532	61,500	132,760
	Personnel Cost	7,391	4,557	12,813	7,965	19,858
	Depreciation & Amortisation	1,733	1,393	3,431	2,694	6,395
	Other Expenditure	4,064	652	6,244	1,277	8,462
	Total Expenditure	86,822	49,050	164,678	103,957	338,735
	Company's share in Profit/ (Loss) of JV	-	-	-	-	(409)
3	Profit from Operations before Other Income, Finance Costs	7,572	2,265	15,883	5,882	26,643
4	Other Income	1,506	202	1,616	4,066	4,160
5	Profit before Finance Costs and Forex Fluctuation	9,078	2,467	17,499	9,948	30,803
6	Finance Costs (Net)	3,818	1,550	7,464	2,760	10,526

Sr. No.	Particulars	Three Months Ended 30.09.2009 (Unaudited)	Three Months Ended 30.09.2008 (Unaudited)	Year to date for the period ended 30.09.2009 (Unaudited)	Year to date for the period ended 30.09.2008 (Unaudited)	Previous Accounting year ended 31.03.2009 (Audited)
	Forex Fluctuation (Gain) / Loss	(866)	(764)	(68)	(827)	(591)
7	Profit Before Tax	6,126	1,681	10,103	8,015	20,868
8	Tax Expense	1,717	651	3,188	1,741	6,821
9	Profit / (Loss) after tax	4,409	1,030	6,915	6,274	14,047
10	Paid-up Equity Share Capital (Face Value Rs.2/- per equity share)	2,137	1,735	2,137	1,735	2,137
	Paid-up Preference Share Account	10,500	-	10,500	-	10,500
11	Reserves, excluding Revaluation Reserve as per audited Balance Sheet					120,655
12	Earnings Per Share (Rupees) :					
	Basic	3.96	1.19	6.13	7.23	12.46
	Diluted	3.92	1.18	6.08	7.17	12.35
13	Ratios					
	Debt Service Coverage Ratio(DSCR)#			4.57	12.78	8.94
	Interest Service Coverage Ratio (ISCR)##			3.41	5.17	3.05
14	Public shareholding					
	- Number of shares	79399821	60257195	79399821	60257195	60257195
	- Percentage of shareholding	73.80%	68.89%	73.80%	68.89%	68.89%
15	Promoter & promoter Group Shareholding					
	Pledge/ Encumbered					
	- Number of shares	1743000	-	1743000	-	7,000,000.00
	- Percentage of shareholding	1.62%	-	1.62%	-	8.07%
	Non-encumbered					
	- Number of shares	26443875	28186875	26443875	28186875	20213275
	- Percentage of shareholding	24.58%	31.11%	24.58%	31.11%	23.04%

DSCR= (PAT+Depreciation+Interest on long term loans) / (Interest & Principal repayment of long term loans)
ISCR= (PBT+Depreciation+Gross Interest) / Interest

REFORMATTED CONSOLIDATED BALANCE SHEET FOR THE LAST THREE REPORTING YEARS			
	2008-09	2007-08	2006-07
	Rs. in Millions	Rs. in Millions	Rs. in Millions
SOURCES OF FUNDS :			
Shareholders' Fund			
Share Capital	1,267.12	176.91	176.91
Employee Stock Options	43.92	11.35	-
Reserves & Surplus	15,554.47	14,062.81	11,970.20
A	16,865.51	14,251.07	12,147.11
Minority Interest			
B	2,318.33	1,482.14	784.31
Warrants issued in Cochin Bridge Infrastructure Co. Ltd.	-	-	0.10
C			
Loan Funds			
Secured Loans	24,608.20	13,158.17	10,843.24
Unsecured Loans	18,665.30	3,714.00	1,924.24
D	43,273.50	16,872.17	12,767.48
Deferred Tax Liability			
	1,390.78	458.74	425.59
TOTAL (A+B+C+D)	63,848.12	33,064.12	26,124.59
APPLICATION OF FUNDS :			
Goodwill on Consolidation			
E	6,478.35	650.28	68.20
Fixed Assets			
Gross Block	36,827.37	16,645.08	15,139.24
Less : Depreciation & Impairment	10,430.51	3,962.68	3,077.11
Net Block	26,396.86	12,682.40	12,062.13
Add : Capital Work-in-progress	12,749.82	4,405.90	1,398.85
F	39,146.68	17,088.30	13,460.98
Investments			
G	947.54	1,651.22	553.32
Foreign Currency Monetary Item Translation Difference A/c			
H	624.67	-	
Current Assets, Loans and Advances			
Interest Accrued Receivable	117.97	54.86	63.44
Inventories	15,582.94	7,805.75	7,277.42
Sundry Debtors	27,189.95	7,578.47	5,734.31
Cash & Bank Balances	6,113.66	3,835.40	2,501.72
Loans & Advances	15,019.88	5,690.47	5,228.95
	64,024.40	24,964.95	20,805.84
Less : Current Liabilities and Provisions			

Current Liabilities		38,857.81	9,289.50	7,415.25
Provisions		8,538.69	2,015.07	1,362.10
		47,396.50	11,304.57	8,777.35
Net Current Assets	I	16,627.90	13,660.38	12,028.49
Miscellaneous Expenditure	J	22.98	13.95	13.60
	TOTAL (E+F+G+H+I+J)	63,848.12	33,064.12	26,124.59
Notes to Accounts				

REFORMATTED CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE LAST THREE REPORTING YEARS			
	2008-09	2007-08	2006-07
	Rs. in Millions	Rs. in Millions	Rs. in Millions
INCOME			
Sales/Turnover	52,121.81	26,434.56	23,564.75
Less: Excise Duty	459.96	-	-
	51,661.85	26,434.56	23,564.75
Other Operating Income	538.05	53.97	71.00
Other Income	588.18	102.85	43.95
TOTAL INCOME	52,788.08	26,591.38	23,679.70
EXPENDITURE			
Expenditure on Contracts / Direct Costs	43,895.42	22,334.65	20,175.78
Establishment Expenses	3,527.71	1,095.37	631.00
Financial Costs (Net)	2,414.51	970.24	632.36
Depreciation	1,439.07	883.17	778.39
Goodwill Amortised	-	-	20.72
TOTAL EXPENDITURE	51,276.71	25,283.43	22,238.25
PROFIT BEFORE TAX & SHARE IN ASSOCIATES	1,511.37	1,307.95	1,441.45
Add : Share of Profit/(Loss) in Associates (Refer Note B-3)	(18.66)	151.04	129.89
PROFIT BEFORE TAX & AFTER SHARE IN ASSOCIATES	1,492.71	1,458.99	1,571.34
Provision for Taxation :			
- Current	850.43	593.39	496.09
- Deferred	(34.67)	33.15	67.39
- Fringe Benefit Tax	28.53	17.80	12.61
	844.29	644.35	576.09
PROFIT AFTER TAX	648.42	814.64	995.25
Add/(Less)			
Transferred to Minority Interest	(139.11)	(79.72)	(76.60)
(Short) / Excess provision for taxation for earlier years	8.66	(22.37)	(564.73)
Prior Period Adjustments	45.19	0.35	(3.27)
NET PROFIT AFTER PRIOR YEAR TAX CHARGE	563.16	712.90	350.65
Profit Brought Forward from last year	1,183.94	849.16	846.40
PROFIT AVAILABLE FOR APPROPRIATION	1,747.10	1,562.06	1,197.05
Amount Transferred to General Reserve	297.09	149.49	100.00
Reversal of Profits of erstwhile ATSL pursuant to Amalgamation	354.73	-	-
Amount Transferred to Debenture Redemption Reserve	249.03	115.05	107.11
Amount Transferred from Debenture Redemption Reserve	-	(137.45)	-
Minority Interest for earlier year			(9.30)
Amount Transferred to Special Contingency Reserve	-	200.00	100.00
Amount Transferred from Foreign Projects Reserve	(3.20)	-	-
Amount Transferred to Other Reserve-AS-15	-	0.29	-

Dividend from erstwhile ATSL received during the year	(2.90)	-	-
Proposed Dividend	-		8.68
- Equity Shares	64.97	43.37	-
- Preference Shares	63.00	-	-
Interim Dividend	-	-	35.00
Tax on Dividend	21.68	7.37	6.40
Compensation Cost Reversed in Forfeiture of ESOP	(0.51)	-	-
	1,043.89	378.12	347.89
BALANCE CARRIED TO BALANCE SHEET	703.21	1,183.94	849.16

Earnings per Share (Refer Note B-21)

After Prior Year Tax Charges

Basic	4.58	8.22	4.04
Diluted	4.58	8.15	4.01

Notes to Accounts

REFORMATTED CONSOLIDATED CASH FLOW STATEMENT FOR THE LAST THREE REPORTING YEARS

	2008-09	2007-08	2006-07
	Rs.in Millions	Rs. in Millions	Rs.in Millions
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Net Profit before Tax and extraordinary items	1,492.71	1,458.99	1,571.34
Adjustments for :			-
Depreciation & Amortisation	1,439.07	883.17	778.39
Personnel Cost (Stock Option Scheme)	23.62	11.35	-
Profit / Loss on Sale of investments (net)	(441.34)	(45.19)	(10.08)
Profit / Loss on Sale of Assets	-	(0.83)	2.04
Dividend Income	(107.62)	(5.71)	(9.89)
Interest (Net)	2,414.51	970.24	632.36
Foreign Exchange loss / gain	4.49	1.27	1.00
Preliminary Expenses written off	2.28	0.78	0.93
Foreign Currency translation Reserve	(173.76)	-	-
Foreign exchange translation	312.33	-	-
Prior Period Adjustments	45.19	-	-
Share of Loss in Associates	18.66	(151.04)	(129.89)
Goodwill Amortised	-	-	20.72
Amount written off	63.09	15.79	31.95
	3,600.52	1,679.83	1,317.53
Operating Profit before Working Capital Changes	5,093.23	3,138.82	2,888.87
Adjustments for :			-
Trade and Other Receivables	(1,648.62)	(1,859.86)	(1,252.00)
Inventory	(6,366.47)	(528.35)	(1,561.70)
Trade Payables & Working Capital Finance	9,005.68	1,897.54	710.81
Loan and Advances	(1,863.95)	785.63	(1,690.00)
Preliminary Expenses	(11.31)	(1.08)	(10.80)
	(884.67)	293.88	(3,803.69)
CASH GENERATED FROM THE OPERATIONS	4,208.56	3,432.70	(914.82)
Direct Taxes paid	(1,737.44)	(1,282.76)	(388.80)
Net Cash Flow from Operating Activities	2,471.12	2,149.94	(1,303.62)
B. CASH FLOW FROM INVESTMENT ACTIVITIES :			-
Goodwill on Acquisition	(5,606.54)	(582.12)	(30.00)
Purchase of Fixed Assets (excl. impairment)	(10,447.78)	(4,543.24)	(3,234.80)
Cash and bank balances taken over pursuant to amalgamation	3,431.23	-	-
Sale of Fixed Assets	43.10	2.03	53.00
Share Application Money Pending Allotment	24.87	(22.99)	20.70
Purchase of Investments in - Associates	(55.16)	(0.49)	(216.60)
- Others	(20,185.81)	(7,461.36)	(2,679.30)
Sale of Investments in - Associates	-	2.90	51.60
- Others	21,141.49	6,580.28	2,686.80
Interest received	276.77	259.47	317.60
Dividend received	107.62	5.71	9.90
Net Cash Flow after Investing Activities	(11,270.21)	(5,759.81)	(3,021.10)
C CASH FLOW FROM FINANCING ACTIVITIES :			
Interest Paid	(2,615.87)	(1,194.90)	(1,023.00)
Grant Received	332.38	-	-

Proceeds from issue of Share Capital & Share Premium	0.13	-	-
Warrants redeemed of CBICL	-	(0.10)	-
Minority Interest Contribution	103.43	618.27	50.00
Foreign Currency Translation Reserve	(10.67)	(47.53)	58.10
Proceeds from / (Repayment of) borrowings	13,056.66	4,104.68	4,639.10
Dividend Paid	(48.49)	(45.22)	(99.80)
Share Premium Money (net)	264.27	1,509.58	12.50
Net Cash from Financing activities	11,081.84	4,944.78	3,636.90
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,282.75	1,334.91	(687.82)
Opening Balance	3,835.40	2,501.76	3,190.74
Closing Balance	6,118.15	3,836.67	2,502.92
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,282.75	1,334.91	(687.82)
Note:			
Figure in brackets denote outflows			

Cash and cash Equivalents Include Rs 19.30 Millions as on March 31, 2009 (March 31, 2008 - Rs 31.80 million ; March 31, 2007 Rs - 31.50 million) 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	AS AT
	March 31,	March 31,	March 31,
	2009	2008	2007
As Per Balance Sheet - Escrow Account	596.02	2,377.67	-
- Other Account	5,517.64	1,457.73	2,501.72
Effect of Exchange Rate Charges	4.49	1.27	1.20
Balance Restated above	6,118.15	3,836.67	2,502.92

RISK FACTORS

An investment in equity shares involves a degree of risk. You should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below and the information under “Forward-Looking Statements”, before making an investment in the Equity Shares. If the following risks actually occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline. Unless specified or quantified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the market price of our Equity Shares.

Risks Related to Our EPC and Construction Business

Our EPC and construction business is exposed to risks associated with cost overruns or underestimations in our fixed price, turnkey and item rate contracts.

While a majority of our contracts contain a price escalation clause, some of our contracts are fixed-price contracts. In the case of turnkey contracts, we generally agree to deliver completed facilities which are in a ready-to-operate condition. Our contracts may lack provisions relating to adjustment as a result of change in material and labor costs. Contract prices are based on a number of assumptions underlying our bids for such contracts as well as the competition we face while bidding for the projects. If any of these estimates prove to be inaccurate, or circumstances change, cost overruns could occur and we would experience reduced profits or, in some cases, losses. In addition to any incorrect estimates as a result of incorrect internal projections, variations in the costs from those estimated by us could be caused by various factors, including:

- changes in economic conditions;
- increases in the price and availability of labor, equipment and materials;
- failure in the supply of materials, services and finished goods from third parties;
- unanticipated changes in engineering design of the project;
- inaccuracies of drawings and technical information on which bids were based;
- unforeseen design and engineering construction conditions, site and geological conditions, which may result in delays;
- inability to obtain requisite environmental and other approvals;
- delays in the delivery of equipment and materials to the project site;
- unanticipated increases in equipment costs;
- accidents at our project sites or in surrounding areas;
- changes in applicable taxation structure; and
- delays caused by local and seasonal weather conditions.

Under item rate contracts, we quote rates for individual items of work based on a schedule of quantities or bill of quantity (“**BOQ**”), which is furnished by our customers. The BOQ is an estimate of the quantity of activities involved and these quantities may be varied by the parties during the course of the project, without any corresponding change in consideration.

These factors could adversely affect our profitability on the affected contracts, and may result in reduced profitability or losses on our projects. Depending on the size of such projects, the resulting deviation from estimated contract performance could have a significant effect on our results of operations.

Our EPC and construction business requires a considerable amount of working capital as well as investment in plant and equipment and we may be unable to adequately finance such capital needs through cash generated from our operations, advances from the clients and short-term bank borrowings.

Our EPC and construction business requires a considerable amount of working capital to build, maintain and operate. We also require considerable capital to acquire new equipment and implement new technologies. A substantial portion of our capital expenditures are incurred in advance of any actual revenues. Our success therefore depends on our ability to continue to secure and successfully manage sufficient amounts of working capital. To the extent that our capital requirements exceed our cash resources and advances from the clients, we will have to seek additional debt or equity financing or defer the implementation of our budgeted capital expenditures.

In the past, we have financed our working capital primarily through cash generated from our operations and borrowings, both short term and long term. However, there is no assurance that we can settle all of our current liabilities using internally generated funds when they become due, and in such circumstances we may be required to obtain funding through bank and other borrowings, which may not be available on terms acceptable to us, if at all. Our financial condition and results of operations may be adversely affected if we cannot continue to finance our liquidity needs in a manner consistent with our current practices.

To successfully manage our working capital, we need to repay or roll over our short-term borrowings in time and be able to obtain new borrowings on terms acceptable to us. Further, we need to repay or renegotiate our payables and collect our receivables in an efficient manner. There is no assurance that we will be adequately finance our working capital needs through cash generated from our operations and short-term bank borrowings, or that we will be able to finance any shortfall through debt or equity financing on terms acceptable to us, or at all. If we are unable to manage our working capital efficiently, our growth, competitive position and future profitability could be adversely affected.

If we cannot bid in our own right, and we are unable to find suitable joint venture partners, we may be ineligible for bidding for certain contracts and projects.

Our ability to bid for and win major projects is dependent on our ability to show experience in executing large projects, demonstrate that we have strong engineering capabilities in executing technically complex projects, and that we have sufficient financial resources and/or ability to access funds. For many large EPC and construction projects that we bid for, we may be required to partner and collaborate with other, often bigger, companies in bids for these projects. We face competition from other bidders in a similar position to us in looking for suitable joint venture partners with whom to partner in order to meet the pre-qualification requirements. If we are unable to partner with other companies or lack the credentials to be the partner-of-choice for other companies, we may lose the opportunity to bid for, and therefore fail to increase or maintain our volume of new projects.

In addition, when we bid on a project in a joint venture, we are required to nominate the project leader from among the joint venture parties which would be responsible for decision making and execution of the relevant project. This structure may restrict our ability to implement the project and make independent decisions in relation to the project.

Demand for our services is dependent on industry and general economic conditions.

The demand for our EPC and construction services is dependent on the level of domestic, regional and global economic growth and international trade. As such, we are vulnerable to general economic downturns. Our industry is also directly affected by changes in Government spending and capital expenditures by our customers. The rate of growth of India's economy and of the economies of Europe, Africa and Middle East and of the demand for EPC and construction services in India and in Europe, Africa and Middle East may fluctuate over the years. During periods of slow GDP growth, the demand for infrastructure projects may exhibit slow growth or even decrease.

We face significant competition in our business, which could adversely affect us.

We are increasingly involved in larger projects with stringent pre-qualification requirements where there is intense competition. We compete against international EPC and construction companies or their regional operating entities, as well as other Indian construction companies. Most EPC and construction contracts and projects are awarded through competitive bidding processes and satisfaction of other prescribed pre-qualification criteria. While service quality, technological capacity and performance, health and safety records and personnel, as well as reputation and experience, are important considerations in client decisions, price is a major factor in most tender awards. Once prospective bidders clear the technical requirements of

the tender, the contract is usually awarded to the most competitive financial bidder. Our industry has been frequently subject to intense price competition. This competitive bidding process may have an adverse affect on the profit margins that we are able to attain. See “*Business — Competition*”, for more details on competition in the Indian construction industry.

Some of our competitors are larger than us and have greater financial resources. They may also benefit from greater economies of scale and operating efficiencies. Competitors may, whether through consolidation or growth, present more credible integrated and/or lower cost solutions than we do. Our competitors with greater financial resources and greater economies of scale may be able to pre-qualify in their own right and/or attract a joint venture partner more easily than us. See “*Risk Factors — If we cannot bid in our own right, and we are unable to find suitable joint venture partners, we may be ineligible for bidding for certain contracts and projects.*” There can be no assurance that we can continue to compete effectively with our competitors in the future, and any such failure may have an adverse effect on our business, financial condition and results of operations.

EPC and construction projects could be subject to construction and operational risks.

EPC and construction projects could involve various risks, such as regulatory risk, construction risk and the risk that these projects may ultimately prove to be unprofitable. We might also be required to pay liquidated damages for delays or face termination in the case of continued delay. In addition, new projects may pose significant challenges to our management, administrative, financial and operational resources, as we continue to expand across in India as well as venture overseas. We may be required to devote substantial time and other resources in managing our new projects, potentially leading to neglect of our ongoing projects. Further, we may face exposure to additional risks in our overseas projects, especially in jurisdictions where we do not have experience. We cannot provide any assurance that we will succeed in any new projects that we may enter into or that we will recover our investments in such projects. Any failure in the development, management or operation of any of our projects may adversely affect our business, financial condition and results of operations.

Delays or defaults in customer payments could result in reduction of our profits.

Because of the nature of our contracts, we sometimes commit resources to projects prior to receiving advances, progress or other payments from the customer in amounts sufficient to cover expenditures as they are incurred. Delays in customer payments or a client’s inability to meet contractual payments obligations, which are not unusual in the EPC and construction industry, may require us to make a working capital investment. If a customer defaults in making payments on a project on which we have devoted significant resources, it could have an adverse effect on our operating results. We are also currently engaged in certain recovery matters.

The nature of our EPC and construction business exposes us to liability claims and contract disputes.

We are involved in large projects where design, construction or systems failures can result in substantial injury or damage to third parties. We could face significant claims for damages in respect of, among other things:

- defects in the quality of our or our subcontractors’ design, construction, engineering or planning;
- latent defects;
- accidents;
- commercial and environmental matters;
- our supply chain vendors’ products; or
- failure of our project management techniques.

Although we maintain insurance in respect of our projects in accordance with industry standards and we selectively seek backup guarantees from our suppliers and sub-contractors, there can be no assurance that such measures will be sufficient to cover liabilities resulting from claims. Any liability in excess of our insurance payments, reserves or backup guarantees could result in additional costs, which would reduce our profits. In addition, as we increase our own design capabilities, we will no longer have recourse to third

parties for failures in design of those projects. In addition, if there is a customer dispute regarding our performance, the customer may delay or withhold payment to us. If we were ultimately unable to collect on these payments, our profits would be reduced.

Our failure to successfully defend the claims may require us to incur substantial costs in payment of compensation and damages, and may result in delay or reduction in expected revenues from the project, which in turn may result in an adverse impact on our financial condition and results of operations.

The dangerous nature of our EPC and construction business may cause injury to people or property that may lead to significant disruption in our business.

Our business requires our employees to work under potentially dangerous circumstances. Despite compliance with requisite safety requirements and standards, any unforeseen circumstance could cause injury to our employees, contract labors or other persons, cause damage to our properties and properties of others and harm the environment. We may also be liable for certain costs related to hazardous materials, including claims and litigation for injuries arising from occupational hazards at our project sites. This could subject us to significant disruption in our business and to legal and regulatory actions against us, which could adversely affect our business, financial condition and results of operations.

In July 2009, while performing works at Jamrudpur site under the contract granted by Delhi Metro Rail Corporation Limited (“DMRC”), one of the cantilevers failed resulting in the death of seven persons and injury to 14 persons and damage to property. Thereafter, during the cleaning operations, three cranes failed. This led to injury to six construction workers. DMRC has issued a show cause notice to the Company inquiring why GIL and its allied/sister concerns/ and partners on DMRC should not be blacklisted for a period of two years. The Company has responded to the said notice. For details, see ‘*Legal Proceedings – Notice*’. Two first information reports have also been lodged against the Company on July 12, 2009 and July 13, 2009. We cannot assure that the DMRC would not blacklist us. Blacklisting could cause loss of ongoing and potential projects leading to a material adverse effect on our operations and financial condition. We may become ineligible to bid for other projects. This could adversely affect our financial condition and market share.

Any accident on a project site may lead to a delay or disruption in the ongoing works, resulting in a delay in completion of the project, for which we may have to pay liquidated damages. Also, we may be required to pay compensation to the parties affected by the accident, including the workers. Compensation approximately aggregating to Rs. 9,610,000 has been deducted from our consideration for the aforesaid accidents. We may also be involved in prolonged litigation or an alternative dispute resolution mechanism which could have cost as well as time implications. Our customers may also blacklist us or terminate the contract, leading to a loss of work and unavailability of funds which could have a material adverse effect on our business and financial condition. Any accident could also adversely affect our goodwill and reputation leading to a loss of potential clients resulting in material adverse affect on business and market position.

Risks Related to Our Infrastructure Development Business

Given the long-term nature of our infrastructure development projects we undertake, we face various kinds of implementation risks.

Most of our infrastructure development projects that we undertake involve agreements that are long-term in nature. Our subsidiary, GIPL, derives all of its revenues from long-term concession or license agreements ranging from 15 to 30 years. The long-term nature of these agreements exposes us to a variety of implementation risks, including construction delays, delay or disruption in supply of raw materials, delays in acquisition of land, unanticipated cost increases, cost overruns, unavailability of manpower, change in government policies and disputes with our joint venture partners.

Economic conditions may materially change over the life of one or more of our concession or implementation agreements and we may not have the ability to modify these agreements to reflect these changes. Further, our commitments and obligations under these agreements may restrict our ability to implement changes to our business plan, including reducing our shareholding in the relevant SPVs. This may limit our business flexibility, expose us to an increased risk of unforeseen business and industry changes and could have an adverse effect on our business, financial condition and results of operations.

As the revenue structure for the SPVs under such agreements is set over the life of the relevant agreement (and may be subject to fluctuation in accordance with the built-in adjustment mechanisms contained in the relevant agreement), the SPVs' profitability is largely dependent on how effectively they are able to manage their costs during the terms of such agreements, while adhering to the expected schedule of implementation. If we are unable to effectively manage our costs or complete the relevant projects on time, our business, financial condition and results of operations may be adversely affected.

While we believe that we have successfully managed the implementation risks we have faced in the past, there can be no assurance that we will be able to continue to effectively manage any current or future implementation risks, which may or may not be of a nature familiar to us. Our results of operations may be adversely affected if we are unable to effectively manage the implementation risks we face.

We rely substantially on Government-owned and Government-controlled entities for our revenues from our infrastructure development business. Political or financial pressures could cause these entities to force us to renegotiate our agreements and could also adversely affect their ability to pay us.

A significant number of our infrastructure development projects have been awarded by Government-owned or Government-controlled entities and, therefore, may be subject to political or financial pressures that may lead to such agreements being restructured or renegotiated by these entities, which could adversely affect our business and results of operations.

Additionally, some of our projects, being Government-owned or Government-controlled projects, may often be subject to delays on account of various factors such as a change in the central and/or state Government, changes in policies impacting the public at large, scaling back of Government policies or initiatives, changes in governmental or external budgetary allocation, or insufficiency of funds, which can significantly and adversely affect our business, financial condition and results of operations.

Our infrastructure development business is capital intensive in nature and we may not be able to raise the required capital on favorable terms, or at all, for future projects which may have an adverse effect on our business and results of operations.

Infrastructure development projects are typically capital intensive and may require high levels of financing, including debt financing. If we decide to meet our capital requirements through debt financing, our interest obligations will increase and we may be subject to additional restrictive covenants. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of our existing shareholders will be diluted.

The restrictive covenants under our financing agreements include maintenance of certain financial ratios and restrictions on issuance of equity shares or change in capital structure, such covenants may restrict our ability to raise finances on acceptable terms or at all.

We cannot assure you that market conditions and other factors would permit us to obtain future financing on terms acceptable to us, or at all. Our ability to arrange financing on a substantially non-recourse basis and the costs of capital of such financing are dependant on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of our current projects and other laws that are conducive to our raising capital in this manner. The recent changes in the global and Indian credit and financial markets have significantly diminished the availability of credit and led to an increase in the cost of financing. In many cases, the markets have exerted downward pressure on the availability of liquidity and credit capacity. Our attempts to obtain future financings on favorable terms may not be successful. In addition, our ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under Indian law.

We cannot assure you that we will be able to raise adequate capital in a timely manner and on acceptable terms or at all. This may result in an adverse effect on our results of operations and financial condition.

The tax benefits that our Infrastructure Development Businesses enjoy under the provisions of the Income Tax Act may not continue indefinitely.

Because of the nature of our business, certain projects being developed by our Infrastructure Development Business enjoy tax benefits under the Indian Income Tax Act, including:

- a deduction equal to 100.00% of the profit from certain projects that we are developing for a period of 10 consecutive assessment years subject to MAT; and
- profits derived from certain types of housing projects approved before March 31, 2007 are not taxable.

Some of these benefits are available only for a specified period of time and others are available only in respect of specific projects. As and when the specified period of time expires or specified projects are completed, our tax liabilities may increase, reducing our profitability. Further, there can be no assurance that the Government would not amend these provisions to our detriment, or that after the expiry of the specified period of time, the Government would extend these tax benefits or that it would not enact laws in the future that would adversely impact our tax incentives and, consequently, our tax liabilities and our profits.

We currently enjoy certain tax benefits, and any change in tax policies applicable to us may affect our results of operations.

Currently, infrastructure development projects enjoy certain benefits under Section 80IA of the Income Tax Act, 1961. As a result of these incentives, most of our projects are subject to relatively low tax liabilities. Our income tax exemptions for various projects expire at various points of time. There is no assurance that the infrastructure projects will continue to enjoy the tax benefits under Section 80IA in future. When our tax incentives expire or are terminated, our tax expenses will increase significantly, thereby reducing our profitability. Further, the Government may enact laws in the future that could adversely impact our tax incentives and consequently, our tax liabilities and profits.

We face margin pressure as a large number of infrastructure-related contracts are awarded by the Government and State Governments following competitive bidding processes.

Most of the infrastructure development contracts are awarded by the Government, state Governments or their respective authorized agencies through competitive bidding processes and satisfaction of other prescribed pre-qualification criteria. Once the prospective bidders clear the technical requirements of the tender, the contract is usually awarded to the most financially competitive bidder. We face competition from domestic and international companies, some of whom may operate on a larger scale than us and thus may be able to achieve better economies of scale than us. The nature of the bidding process may cause us and our competitors to accept lower margins in order to be awarded the contract, which may have an adverse effect on our business, financial condition and results of operations.

The multiple role of certain Government entities as our regulator, customer, joint venture partner and direct or indirect competitor may give rise to conflicts of interest that may harm us.

We have entered into agreements with Government entities, including NHAI, GCDA, PSEB, PPT, MbPT and the Board of Trustees of VPT, in various capacities. At the same time, some of these Government entities are also the counterparties in contracts entered into with our competitors, or in some cases, carry on activities that compete with our business. Further, in some other cases, Government entities are our competitors. We may face or suffer potential conflicts of interest, which may arise from the fact that such Government authorities play multiple roles in our business model. We cannot assure you that potential conflict of interest situations will not continue to arise in the future or that any disputes arising in relation thereto will be resolved in a manner favorable to us. Any such situation may have an adverse effect on our business, financial condition and results of operations.

The risks associated with BOT and BOOT projects could adversely affect our financial results.

As governmental and regulatory authorities seek greater private sector participation, we expect our exposure to BOT and BOOT projects, particularly in the area of transportation and hydroelectric power, to increase. Road projects are either toll based or annuity based. In the case of toll projects, the toll revenue is a function

of actual traffic volume. Adverse deviations between actual traffic volumes and our estimates, delays in completion of related project components or failure to achieve financial closure for the relevant project could result in significant loss of revenue in toll collection. Our revenues would also be affected by the unforeseen management and maintenance costs that we are required to incur while operating our projects. In addition, the Government's model concession agreement limits and regulates increases in toll charges and as a result we may not increase our toll charges to cover increases in costs. In hydropower projects, in which the plant is operated for the concession period, we may also suffer significant loss of revenue if the project does not meet performance requirements. Further, we could face substantial losses if we inaccurately forecast the returns from BOT and BOOT projects.

BOT and BOOT projects require significant initial capital investments with potential returns spread over a longer period of time. This requires us to commit significant amounts of capital for a period with a limited return in the short term and may adversely affect our liquidity and financial resources.

Delays in the acquisition of private land and/ or eviction of encroachments from Government-owned land by the Government or state Government may adversely affect the timely performance by our SPVs of their obligations under concession agreements or implementation agreements leading to disputes with the Government or state Government.

For some of our projects under development or in the pre-development phase, the Government or state Governments are required under the relevant concession agreements or implementation agreements to facilitate the acquisition or lease of, or secure rights of way over, tracts of private land and/ or to hand over unencumbered Government land free of encroachments. Delays by Government to acquire or lease or secure rights of way over such private land or in eviction of encroachments on Government land may delay project implementation prescribed by the relevant concession agreement or the implementation agreement and cause consequent construction delays. This may lead to disputes and cross-claims for liquidated damages between our project SPVs and the Government.

The completion and commercial operation dates of some of our projects are expected to be delayed due to delays in the acquisition or securing of project land. Even if we are not penalized for such delays, delays in the acquisition of the land may lead to payment delays or disputes with the Government in connection with a completed project's eligibility for an early completion bonus. Such delays may have an adverse effect on our revenues, business, financial condition and results of operations.

The private infrastructure development industry is subject to the Government's programs and policies.

The development of India's infrastructure will be dependent on programs and policies that facilitate and encourage private sector investment in infrastructure. Many of these programs and policies are evolving and their success will depend on whether they are designed to address the issues properly and are implemented effectively. Additionally, we believe that these programs will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued movement of private capital into infrastructure development, but also lead to increased competition, appropriate allocation of risk, transparency, effective dispute resolution and more efficient and cost-effective services to the end consumer.

We believe that the availability of private capital and the continued growth of the infrastructure development industry is also linked to continued growth of the Indian economy, consumers' income levels and the extent to which they would be willing to pay for infrastructure services. If the central and state governments' initiatives and regulations in the infrastructure industry do not proceed in the desired direction or if there is a downturn in the macroeconomic environment in India, our business, our financial performance and the price of our Equity Shares could be adversely affected.

Risks Related to Our International Business

Our recently acquired overseas entities may not be profit-making in the near future.

We evaluate merger and acquisition opportunities as part of our growth strategy and may commit ourselves to mergers or acquisitions in the future, if suitable opportunities arise. These may require significant investments which may not result in favorable returns in the near future. Our Company paid €50.00 million for a 50.00% stake in Sofinter in August 2008 and €40.00 million for a 75.10% stake in FTM in June 2008.

In April 2008, ATSL, which has been amalgamated with our Company, paid €1.38 million for a 100.00% stake in SAE Powerlines. However, for the year ended December 31, 2008, Sofinter, FTM and SAE Powerlines made losses of €41.69 million, €17.66 million and €2.77 million, respectively. There is no assurance that these companies will turn profit-making in the near future, or at all. If these subsidiaries continue to incur losses in the future, our financial condition and results of operations may be adversely affected.

Our failure to successfully integrate Sofinter, FTM and SAE Powerlines may adversely affect our business, financial condition and results of operations and we may not be able to realize significant benefits from the acquisition.

We may be unable to successfully manage the businesses of Sofinter, FTM and SAE Powerlines in terms of technology, personnel, procedures, policies and processes. Although we expect to realize certain synergies and take initiatives that draw on the strengths of the companies, we cannot assure you that we will realize significant operating or marketing synergies or that any such benefits will occur within any particular time frame. Realization of operating and marketing synergies could also be affected by risks that are beyond our control.

Due to our relative inexperience in certain types of projects and product and service offerings, we might not be successful in integrating the businesses of Sofinter, FTM and SAE Powerlines into our existing lines of business. Before acquiring the entities in Italy, we have limited experience in manufacturing power and industrial equipments as well as managing international operations. If we are unable to compete effectively for projects in these sectors, or if we are unable to execute the projects efficiently, our operations could be affected by financial losses suffered in these projects or our reputation may suffer. These new lines of business along with our existing businesses may turn out to be mutually disruptive and may cause an interruption to, or a loss of momentum in, our business in a number of areas. Our inability to manage new business may also adversely affect our growth strategy and revenue prospects, having a material adverse effect on our financial condition.

Our operations in foreign countries are subject to political, economic, regulatory and other risks of doing business in those countries.

We have international operations, currently centered in Europe, and we have plans to further expand our operations to other jurisdictions. Consequently, we are subject to the jurisdiction of different tax and regulatory authorities. As some of our clients are foreign government-owned entities, we are subject to additional risks, such as risks associated with uncertain political and economic environments and government instability, as well as legal systems, laws and regulations that are different from the legal systems, laws and regulations with which we are familiar in India. In addition, we could be subject to expropriation or deprivation of assets or contract rights, foreign currency restrictions, exchange rate fluctuations and unanticipated taxes or encounter potential incompatibility with foreign joint venture partners. Our international operations are also vulnerable to the economic conditions in such countries. For example, the construction industry in Europe experienced a slowdown as a result of the recent global credit crisis.

We are currently executing projects in Africa, Europe and the Middle East and some of our employees travel to these countries. In order to manage our day-to-day operations, we must overcome social, cultural and language barriers and assimilate different business practices. In addition, we are required to create compensation programs, employment policies, codes of conduct and other administrative programs that comply with the laws and customs of these jurisdictions. Our failure to manage our geographically diverse operations successfully, including our ability to react quickly to changing business and market conditions and comply with a range of industry and legal standards and procedures, could adversely affect our business and operations.

Our manufacturing operation and reputation may be affected by potential product liability claims, litigation, complaints or negative publicity in relation to our products' quality and safety.

If our products fail to perform as expected, or prove to be defective or result in industrial accidents, personal injuries, casualties or financial losses to our customers, we may be subject to liability claims for damages. If our products do not meet the specifications and requirements requested by our customers, or if any of our products are defective, such defects and any complaints or negative publicity resulting therefrom could

result in decreased sales of our products, and we may also be subject to product liability claims and litigation. As a result, we may incur significant legal costs regardless of the outcome of any claim of alleged defects. Lawsuits are inherently expensive to defend and will divert management and other resources from our business operations, which could in turn materially and adversely affect our business, financial position and results of operations.

Risks Related to Our Business in General

An increase in the cost of materials used for our construction and manufacturing businesses may adversely affect our results of operations.

Our business is affected by the availability, cost and quality of the raw materials such as steel and cement, which are used to construct and develop our projects. Steel is also an important raw material in our manufacturing business. In the terms of our agreements, we may be responsible to make arrangements for supply of raw materials and ensure that they meet the requisite quality standards. The prices and supply of these materials depend on factors which are not within our control, including general economic conditions, competition, production levels, transportation costs and import duties. In general, steel and cement accounted for a significant amount of our total project costs.

We purchase our raw materials from external suppliers. We also employ third party contractors to process or manufacture some of the components that we design. To meet our construction and completion schedules, we must obtain sufficient quantities of raw materials on a timely basis at commercially reasonable terms. Any shortage of or delay in supplies of steel and cement may cause disruption to our operations. Any unfavorable change in prices of the raw materials or the raw materials not meeting the requisite quality standards, may lead to increase in costs, delay in implementation of projects and consequently having a material adverse effect on our business and results of operations.

Delays in the completion of current and future projects could have an adverse effect on our financial condition and operating results.

Typically, our projects are subject to specific completion schedule requirements. We provide our customers with performance guarantees which require us to complete our projects within a specified timeframe. Our EPC, construction and infrastructure development projects are typically required to be completed or achieve commercial operation no later than the scheduled date specified under the relevant contracts, subject to certain exceptions such as the occurrence and continuance of force majeure events that are not within the control of our project companies. Failure to adhere to contractually agreed timelines for reasons other than specifically contemplated in such contracts could result in us or one of our project companies being required to pay liquidated damages or penalty amounts, lead to forfeiture of security deposits, or performance guarantees being invoked. Rates of liquidated damages would ordinarily range between 5.00% and 15.00% of the total project costs. In some cases, our customers may be entitled to appoint, at our expense, third parties to complete the work.

There can be no assurance that we will be able to complete our current and future projects within specified schedules or at all. Timely completion of these projects is subject to various execution risks as well as other matters, including securing financing and the relevant approvals for such projects. For infrastructure projects under development or in the award stage, the agreements or the letters of award also require that the project companies achieve financial closure by a date specified in the relevant concession agreement. We have applied for extensions of project completion dates in certain of our contracts and are yet to receive such consents. We cannot assure you that we will not be required to pay liquidated damages in relation to these extensions.

Our contracts generally contain a provision of defects liability period, during which we are responsible for any defects in the construction after the commercial operations date. Any delay in our projects would consequently postpone the defects liability period, leading to an increase in cost and interest.

Delays may result in cost overruns, lower returns on capital and reduced revenue for the project companies, as well as failure to meet scheduled debt service payment dates and increased interest burdens from our financing arrangements for the projects. Our clients can impose penalties and liquidated damages in respect of delays and deducted these amounts from the contractual price payable to us. Our project lenders may also impose additional restrictive covenants or other less favorable terms where existing financing arrangements

have to be rescheduled or restructured due to delays. Moreover, any loss of goodwill could also adversely affect our ability to pre-qualify for future projects.

We have substantial indebtedness and will continue to have substantial indebtedness, debt service obligations and restrictive covenants to comply with following the Issue.

As of March 31, 2009, on a consolidated basis, we had a total indebtedness of Rs.43,273.50 million and a debt to equity ratio of 3.01. The high degree of leverage at the SPVs renders them more vulnerable to downturns in their businesses, which are subject to general economic conditions in India, interest rate fluctuations, inflation and other factors; limits their ability to obtain additional financing, if required; and limits their ability to refinance our existing indebtedness on terms favorable to them.

We have entered into a number of financing arrangements that grant our lenders certain rights to determine how we operate our projects, which, among other things, restrict our ability or the ability of the SPVs to raise additional debt or equity, pay dividends during the specified moratorium periods, make investments, engage in transactions with affiliates, sell assets or acquire other businesses. These debt obligations are secured by a combination of security interests over the assets of our SPVs and hypothecation of movables and future receivables.

Further, under the terms of the financing arrangements entered into by some of our SPVs, in the event of defaults in the repayment of the installments of the principal amounts and/or payment of the interest thereon and other amounts due, our SPVs are required to pay liquidated damages at the rates specified in the relevant financing documentation on the defaulted amounts for the period of default. In addition, the financing and concession agreements contain cross-default provisions, whereby a default of any of the covenants under the financing agreements would result in an event of default under the respective concession or license agreements. There can be no assurance that we will be able to comply with these financial or other covenants in the future.

Defaults under or violation of, any of our financing arrangements could have adverse consequences to our business and results of operations and those of the SPVs, and consequently to our shareholders. These factors would adversely affect our results of operations and financial condition.

Also, we may have to dedicate a substantial portion of our cash flow from operations to make payments under the financing documents, thereby reducing the availability of our cash flow to fund capital expenditures, meet working capital requirements and use for other general corporate purposes. Such defaults may also result in a decline in the trading price of the Equity Shares and you may lose all or part of your investment. If the lenders of the outstanding loans declare an event of default simultaneously, we may be unable to pay our debts as they fall due. For details of our total outstanding loans, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

Our flexibility in managing our operations is limited by the regulatory environment in which we operate.

The EPC, construction and infrastructure development sectors in India, particularly in relation to the power, road and port industries, are highly regulated. Our businesses are regulated by various authorities and state Governments, including the Ministry of Shipping, Road Transport and Highways, the NHAI, the Government of Kerala, the VPT, the Ministry of Power, the Government of Sikkim, Government of Andhra Pradesh, the Government of Himachal Pradesh, Paradip Port Trust and Mumbai Port Trust. We may be restricted in our ability to, among other things, increase prices, sell our interests to third parties, undertake expansions and contract with certain customers. Such restrictions may limit our flexibility in operating our business, which could have an adverse effect on our business, prospects, financial condition and results of operations.

Increases in interest rates and foreign currencies may materially impact our results of operations.

As our businesses are capital intensive, we are exposed to interest rate risk. Any increase in interest expense may have an adverse effect on our business prospects and results of operations. The recent economic downturn led to an increase in the interest rates. Our current debt facilities carry interest at fixed rates with the provision for periodic reset of interest rates, floating rates or fixed rates. As of March 31, 2009, our debt facilities carrying interest at floating rate and at fixed rates with the provision for periodic reset (every once

in two or three years) of interest rates constituted 36.94% and 30.87%, respectively, of our total indebtedness.

Although we may decide to engage in interest rate hedging transactions, there can be no assurance that we will be able to do so on commercially reasonable terms, that our counterparties will perform their obligations, or that these agreements, if entered into, will adequately protect us against interest rate risk. Any unexpected unfavorable change in interest rates or availability of credit may materially impact our financial conditions or results of operations.

Our foreign currency exchange risk arises mainly from a mismatch between the currency of our sales, purchases and operating expenses. To the extent that our sales, purchases and operating expenses are not denominated in the same currency, and to the extent that there are timing differences between invoicing, payment and collections, we will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than Indian rupees. As a result, our earnings may be materially adversely affected. As at March 31, 2007, 2008 and 2009, our un-hedged foreign currency exposure for our receivables were Rs.1,853.90 million, Rs.611.80 million and Rs.3,683.40 million. During the same period, our un-hedged foreign currency exposure for our payables were Rs.1,068.90 million, Rs.1,284.40 million and Rs.10,220.60 million.

Our order book may be subject to unexpected delays, modifications, cancellations or non-payment by our clients and, therefore, may not necessarily indicate our future earnings.

As of September 30, 2009, the aggregate order book of our Company, on a standalone basis, was Rs.131,787.14 million. Order book refers to expected future income under signed contracts or contracts, where binding letters of intent or letters of award have been received. Our book projects represent only business we consider to be firm, although project cancellations or scope adjustments may occur from time to time due to either a client's or our default, incidents of force majeure or legal impediments. For example, in some of the contracts in our order book, our clients may be obliged to perform or take certain actions, such as:

- acquiring land;
- securing right of way;
- supply and approval of designs and drawings;
- clearing forests;
- supplying owner supplied material;
- securing required licenses, authorizations or permits;
- making advance payments or opening of letters of credit;
- approving supply chain vendors; and
- shifting existing utilities.

If a client does not perform such actions in a timely manner, or at all, our projects could be delayed, modified or cancelled. Projects could also be removed from our order book as a result of financing difficulties or payment default by a client. Some projects may remain in our order book for an extended period of time. We cannot guarantee that the income anticipated in our order book will be realized, or, if realized, will be realized on time or result in profits. Any reduction in the amount of our order book would reduce the income and profits that we expected to earn, which could adversely affect our results of operations.

We may encounter problems relating to the operations of our joint ventures.

As a consequence of qualification and client requirements, and to mitigate risks associated with projects, we enter into various joint ventures with domestic as well as international construction companies as part of our business. We anticipate that our future projects will continue to be developed and maintained through joint ventures as we continue to jointly bid for contracts with suitable joint venture partners. The success of these joint ventures depends significantly on the satisfactory performance by our joint venture partners and fulfillment of their obligations. Our liability in relation to the projects being executed by our joint ventures

is typically joint and several. If our joint venture partners fail to perform these obligations satisfactorily, the joint venture may be unable to perform adequately or deliver its contracted services. In such cases, we may be required to make additional investments or provide additional services to ensure the adequate performance and delivery of the contracted services as bid documents typically provide that we are jointly and severally liable to clients as a member of such joint ventures in our projects. These additional obligations could result in reduced profits or, in some cases, significant losses for us. The inability of a joint venture partner to continue with a project due to financial or legal difficulties could mean that we would bear increased and possibly sole responsibility for the completion of the project and bear a correspondingly greater share of the financial risk of the project. In some cases, we may not be able to provide the services which our joint venture partners have failed to provide, due to our lack of experience or expertise in certain areas and we may not be successful in finding suitable substitute partners.

In addition, we may also need the cooperation and consent of our various joint venture partners in connection with the operations of our joint ventures, which may not always be forthcoming. We may have disagreements with our joint venture partners regarding the business and operations of the joint ventures. We cannot assure you that we will be able to resolve such disputes in a manner that will be in our best interests, especially where we have minority stakes in the joint ventures. If we are unable to successfully manage relationships with our joint venture partners, our projects and our profitability may suffer. In addition, our joint venture partners may have economic or business interests or goals that are inconsistent with ours. Any of these factors could adversely affect our business, financial condition and results of operations.

Sub-contracted projects can be delayed on account of the principal or sub-contractor's performance, resulting in delayed payments.

We sub-contract work on many of our projects. A completion delay on the part of a principal or subcontractors, for any reason, could result in delayed payment to us. The execution risks we face in subcontracted projects include:

- our sub-contractors may not be able to complete the project construction on time, within budget or to the specifications and standards that have been set in the contracts;
- our sub-contractors may not be able to obtain adequate working capital or other financing on favorable terms as and when required to complete construction;
- where we sub-contract, we may not be able to pass on certain risks to sub-contractors such as unforeseen site and geological conditions which may make the site unsuitable for the project;
- as we expand geographically, we may have to use sub-contractors with whom we are not familiar, which could increase the risk of cost overruns, construction defects and failures to meet scheduled completion dates; and
- where we sub-contract work, we are required to supervise and remain responsible for the sub-contracted work which means clients still have recourse to us in respect of actions, omissions and defects by our sub-contractors.

Further, our clients may appoint other contractors at the project sites with whom we are required to cooperate and coordinate. Any delay or breach by a contractor or sub-contractor of its obligations under the contract may lead to delay or default by us, resulting in a material adverse effect on our business and results of operations. Furthermore, after the relevant Government entity hands over the possession of the land to us, the previous inhabitants may dispute our right over the property, which in turn may require us to incur substantial cost and time and have an adverse impact on our business and results of operations.

We have pledged or have agreed to pledge and will continue to pledge our shares in our subsidiaries or SPVs in favor of lenders, who may exercise their rights under the respective pledge agreements in events of default.

We have pledged, or have agreed to pledge our shareholding in our subsidiaries or SPVs in favor of the respective lenders as security for the loans provided to these companies. For example, as of March 31, 2009 we have pledged all the shares we hold in Gammon International B.V., Gammon Holding B.V. and ATSL Holdings BV, Netherlands in favor of ICICI Bank Canada and we, along with GIPL, have pledged 51.00% of the shareholding of Rajahmundhry Expressway Limited in favor of IDBI Trusteeship Services Limited.

If our subsidiaries or SPVs default on their obligations under the relevant financing documents, the lenders may exercise their rights under the share pledges, have the shares transferred to their names and take management control over the pledged companies. If this happens, we will lose the value of any such pledged shares and we will no longer be able to recognize any revenue attributable to these subsidiaries or SPVs. In addition, if we lose control of any of our major subsidiaries, our ability to implement our overall business strategy would be adversely affected. This could adversely impact our revenues and financial condition.

Our bids may not always be successful in being accepted.

As a part of our business, we bid for projects on an ongoing basis. Projects are awarded following competitive bidding processes and satisfaction of other prescribed pre-qualification criteria. Once the prospective bidders satisfy the pre-qualification requirements of the tender, the project is usually awarded based on the price of the contract quoted by the prospective bidder. We generally incur significant costs in the preparation and submission of bids, which are one-time costs. We cannot assure you that we would bid where we have been qualified to submit a bid or that our bids, when submitted or if already submitted, would be accepted. Further, there may be delays in the bid selection process owing to a variety of reasons which may be outside our control and our bids, once selected, may not be finalized within the expected time frame. As a result, our results of operations and financial condition from period to period may not be comparable.

Our success depends on our senior management and our ability to attract and retain our key personnel.

Our success depends on the continued services and performance of the members of our management team and other key employees. If one or more members of our senior management team were unable or unwilling to continue in their present positions, those persons could be difficult to replace and our business could be adversely affected. Competition for senior management in the EPC and construction industry in India is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. As such, any loss of our senior management personnel or key employees could adversely affect our business, results of operations and financial condition and would require us to devote substantial time, cost and energy to find a suitable replacement.

We maintain a workforce based upon current and anticipated workloads. If we do not receive future contract awards or if these awards are delayed, we could incur significant costs.

Our estimates of future performance depend on, among other things, whether and when we will receive certain new contract awards. While our estimates are based upon our best judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale projects where timing is often uncertain, it is particularly difficult to predict whether or when we will receive a contract award. The uncertainty of contract awards and timing can present difficulties in matching our workforce size with our contract needs. If the award of an expected contract is delayed or not received, we could incur costs due to maintaining under-utilized staff and facilities which would have the effect of reducing our profits.

Increasing levels of compensation for employees and workers in India may reduce our international competitive advantage and result in lower profit margins.

Levels of compensation for employees and workers in India have historically been significantly lower than levels of compensation outside India for comparably skilled professionals and unskilled workers, which has been one of our competitive strengths in our international projects. However, recent significant compensation increases in India could reduce some of this competitive advantage and may negatively affect our profit margins. Employee and worker levels of compensation in India are increasing at a faster rate than outside of India, which could result in increased salary costs of engineers, managers and other professionals and workers. We may need to continue to increase the levels of our employee and worker compensation to remain competitive and manage attrition. Any such increases could have an adverse effect on our business and results of operations, particularly outside of India.

Our inability to manage growth could disrupt our business and reduce our profitability.

We have experienced high growth in recent years and expect our businesses to continue to grow significantly, including internationally. Although we plan to continue to expand our scale of operations through organic growth or investments in other entities, we may not grow at a rate comparable to our growth rate in the past, either in terms of income or profit. Even then, we expect our future growth to place significant demands on our management and operations and require us to continuously evolve and improve our financial, operation and other internal controls across the organization. In particular, continued expansion increases the challenges involved in:

- maintaining high levels of project control and management, and client satisfaction;
- recruiting, training and retaining sufficient skilled management and technical and marketing personnel;
- adhering to health, safety and environment and quality and process execution standards that meet client expectations;
- operating in jurisdictions where we have limited experience;
- preserving a uniform culture, values and work environment in operations within and outside India; and
- developing and improving our internal administrative systems, particularly our financial, operation and other internal control systems.

Any inability to manage our growth may have an adverse effect on our business and results of operations. We may not be successful in implementing our strategies leading to failure in achieving synergies across businesses, and consequently having an adverse impact on business and results of operations.

Contracts awarded to us by governmental entities are standard form government contracts and contain many terms that favor the governmental entity.

The counterparties to most of our construction contracts are governmental entities. We have had only a limited ability to negotiate the terms of these contracts, which means that many terms in our contracts tend to favor our clients. The relevant terms of certain contracts that we believe present risks to our business are as follows:

- it is not always clear whether design review and approval by a client releases us from design and engineering liability, in particular latent defects;
- to the extent defects in site or geological conditions were unforeseen or latent from our preliminary investigations, design and engineering prior to submitting a bid, we may assume the risks associated with such defects and may not have any recourse to our clients;
- it is not always clear whether liability is excluded for defects arising after the end of the defect liability period;
- in many cases, our clients have the discretion to grant time extensions;
- there is generally no cap on our liability as contractor, and it is not always clear whether we can be liable for consequential or economic loss to our clients; and
- our governmental entity counterparties may have the right to terminate our contracts for convenience, without any reason, at any time after providing us with notice that may vary from a period of 30 to 90 days.

Within the context of our BOT business, the nature of our contracts with various governmental entities is such that we have limited control over the terms relating to collection of tolling revenues. Generally, the governmental entity that has granted the relevant BOT concession to us unilaterally determines the terms on which we may collect tolling revenues, and we are not permitted to amend such tolling rates without the prior written consent of such governmental entity. The tolling rates set by governmental entities in consultation with us, depend on the nature of vehicles that use the roads that makeup our BOT projects. In setting tolling rates that apply to such vehicles, governmental entities may give greater consideration to various socio-economic goals of the Government, rather than to the efficiencies of our business. Our inability to exercise control over the terms of our tolling and tariff arrangements with governmental entities may adversely affect our results of operations.

Our inability to obtain, renew or maintain the statutory and regulatory permits and approvals required to operate our business may have a material adverse effect on our business.

Certain statutory and regulatory permits and approvals are required for our business. Laws or regulations in India and other countries in which we operate may require us to obtain licenses, consents or permits in order to bid for contracts or otherwise conduct our operations. In some jurisdictions, activities related to construction of our projects may be subject to the prior granting of environmental licenses or permits or to prior notification. Additionally, in the future, we may be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

We require certain approvals or licenses in the ordinary course of business and the failure to obtain or retain them in a timely manner, or at all, may adversely effect our operations.

We require certain approvals, licenses, registrations and permissions for operating our business, some of which may have expired and for which we may have either made or are in the process of making an application for obtaining the approval or its renewal. In some jurisdictions, activities related to construction of our projects may be subject to the prior granting of environmental licenses or permits or to prior notification. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. Furthermore, our Government approvals and licenses are subject to numerous conditions, some of which are onerous and require us to make substantial expenditure. If we fail to comply, or a regulator claims we have not complied, with these conditions, our business, financial condition and results of operations would be adversely affected.

Our project sites may face inclement weather and natural disasters that may cause significant interruption of operations.

Our project involve many risks and hazards which may adversely affect our profitability, including:

- political, regulatory and legal actions that may adversely affect a project's viability;
- adverse changes in market demand or prices for the products or services that the project, when completed, is expected to provide;
- the willingness and ability of consumers to pay for construction services;
- shortages of or adverse price movement for construction materials;
- design and engineering defects;
- breakdown, failure or substandard performance of equipment;
- improper installation or operation of equipment;
- labor disturbances;
- environmental hazards;
- industrial accidents; and
- terrorist activity.

Additionally, procurement and construction works carried out in respect of our projects involve a number of hazards including earthquakes, flooding, tsunamis and landslides. In December 2004, Southeast Asia, including the eastern coast of India, experienced a tsunami and in October 2005, the state of Jammu and Kashmir experienced an earthquake, both of which caused significant loss of life and property damage. Such weather conditions and other phenomena could affect or interrupt the supply of raw materials or damage the project site and could adversely affect our revenues and results of operations. Earthquakes may destroy, damage or interrupt the construction activities and have a material adverse effect on our business, results of operations and prospects. Natural disasters may cause significant interruption to our operations, disruption to our properties and damage to the environment that could have a material adverse impact on us.

Compliance with, and changes in, safety, health and environmental and labor laws and regulations may adversely affect our business, financial condition and results of operations.

Some of our project operations are subject to environmental laws and regulations including the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the Water (Prevention and Control of Pollution) Act 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards (PCBs) of the relevant states. We are also required to comply with labor laws, such as Workmen Compensation Act, Contract Labor (Regulation and Abolition) Act, and other related regulations. In addition, some of our operations are subject to risks involving personal injury, loss of life, environmental damage and severe damage to property.

We believe environmental and labor regulation of industrial activities in India will become more stringent in the future. The scope and extent of new environmental and labor regulations, including their effect on our operations, cannot be predicted with certainty. The costs and management time required to comply with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental and labor requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit or halt our operations.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental and labor matters in the future, the costs of which could be material. Clean-up and remedial costs, as well as damages, other liabilities and related litigation, could adversely affect our business, financial condition and results of operations.

Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

Although we attempt to maintain the latest international technology standards, the technology requirements for businesses in the industries that we operate are subject to continuing change and development. Some of our existing technologies and processes may become obsolete, performing less efficiently compared to newer and better technologies and processes in the future. The cost of upgrading or implementing new technologies, upgrading our existing equipment or expanding our capacity could be significant and could adversely affect our results of operations.

SEBI has in past prohibited us from accessing the capital markets, directly or indirectly.

SEBI had by its order dated December 21, 2006, prohibited the Company, our chairman and managing Director and three other companies from accessing the capital markets, directly or indirectly for a period of one year from the date of the order. Further, in terms of the order, the Company, and two others companies are also prohibited from divesting, transferring, selling or alienating in any way their shareholding in GIPL for a period of three years from March 27, 2008.

Further, the restriction on our Company in relation to divestment, transfer or sale of its entire shareholding in GIPL until March 26, 2011 may restrict our ability to raise financing through a pledge or sale of this shareholding.

We may not maintain historical dividends in the future.

While we have paid dividends in the past, there can be no assurance as to whether we will pay dividends in the future and, if so, the level of such future dividends. Our declaration, payment and amount of any future dividends is subject to the discretion of the Board, and will depend upon, among other factors, our earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws in India from time to time.

We have a number of contingent liabilities and our profitability could be adversely affected if any of these contingent liabilities materializes.

As of March 31, 2009, our contingent liabilities, on a consolidated basis, were Rs.87,347.47 million. If any of these contingent liabilities materialize, our profitability may be adversely affected. For a more detailed description of our contingent liabilities, see note B-29 to our audited consolidated financial statements.

Our Promoter will continue to retain majority shareholding in us after this Issue, which will allow them to exercise significant influence over us. We cannot assure you that our Promoter will always act in our or your best interest.

As of September 30, 2009, 26.20% of our issued and outstanding Equity Shares are currently beneficially owned by our Promoter. Upon completion of this Issue, our Promoter will own 28.19 million Equity Shares, or [●]% of our post-Issue Equity Share capital, assuming full subscription of this Issue. Accordingly, our Promoter will continue to exercise significant influence over our business policies and affairs and all matters requiring shareholders' approval, including the composition of our Board of Directors, the adoption of amendments to our certificate of incorporation, the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets, and the policies for dividends, lending, investments and capital expenditures. This concentration of ownership also may delay, defer or even prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of these shareholders. The interests of the Promoter as our controlling shareholders could conflict with our interests or the interests of our other shareholders. We cannot assure you that our Promoter will act to resolve any conflicts of interest in our or your favor.

The structure and covenants of our financing arrangements could limit our ability for further borrowings and we may not be able to service our existing and future debt obligations.

Certain of our loan agreements and other debt arrangements require us to obtain lender consents before, among other things, issuing debentures or shares; entering into any transaction of merger; consolidation; reorganization; disposing of assets or changing our management and control. Furthermore, certain financial covenants such as maintenance of certain financial ratios may limit our ability to raise additional funding or to grant additional security. There can be no assurance that such consents will be obtained in the future, which may adversely affect our operations and growth prospects.

The use of borrowings also presents certain additional risks for us. We may be unable to service interest payments and principal repayments or comply with other requirements of any loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost. We may also be forced to sell some of our assets to meet such obligations, with the risk that borrowings will not be able to be refinanced or that the terms of such refinancing may be less favorable than the terms of the existing borrowing. In addition, our borrowings will generally be secured against some or all of our assets and in particular the assets related to the relevant project. Any event of default would result in the lenders enforcing their security and taking possession of the underlying assets. Any cross-default provisions could magnify the effect of an individual default and, if such a provision were exercised, this could result in us suffering a substantial loss.

We may also guarantee the payment and performance of the obligations of certain of our subsidiaries and joint venture companies under various contracts and loan agreements. As default by such subsidiary or joint venture company would require us to fulfill its payment obligations under such guarantees, such default could have an adverse effect on our cash flows and results of operations.

Our ability to meet existing and future debt service obligations and to repay outstanding borrowings under our funding arrangements will depend primarily upon the ongoing cash flow generated by our business. Certain of our borrowings are subject to floating interest rates which may increase the interest payment obligations in the event of an increase in interest rates. However, our revenue may not increase correspondingly. We may not generate sufficient cash to enable us to service existing or proposed borrowings, comply with covenants or fund other liquidity needs.

Further, we will face additional risks if we fail to meet the debt service obligations or financial covenants required under the terms of our financing documents. In such a scenario, the relevant lenders could declare us in default under the terms of our borrowings, accelerate the maturity of our obligations, exercise rights of substitution over the financed project or replace directors on the board. There can be no assurance that in the event of any such acceleration, we will have sufficient resources to repay these borrowings. Failure to meet

obligations under debt financing arrangements could have a material adverse effect on our cash flows, business and results of operations.

Any downgrade of our credit ratings could have an adverse impact on our ability to obtain financing.

Any downgrade of our credit rating for domestic and international debt by rating agencies may have an adverse impact on our ability to raise additional financing and the interest rates and commercial terms on which such financing is available. Our domestic ratings for long term bank facilities and long term non-convertible debentures were downgraded to AA from AA+ by CARE as a result of the change in our business profile. We cannot guarantee that rating agencies will not make further downgrades to our credit ratings in the future. This could have an adverse effect on our ability to obtain financing to fund our growth on favorable terms or at all and, as a result, could have a material adverse effect on our results of operations, financial condition and growth prospects.

We may not have sufficient insurance coverage for all possible economic losses.

We rely upon insurance coverage to insure against damage and loss to our projects that may occur during construction and operation. We purchase such additional insurance coverage as we believe to be commercially appropriate as new projects enter the construction and operation phases. Nevertheless, the insurance we obtain may not be sufficient to protect us from all losses. Should an uninsured loss or a loss in excess of insured limits occur, we would lose the capital invested in and the anticipated revenue from the affected property. Losses suffered due to inadequate coverage may have a material adverse impact on our business, results of operations and financial condition.

We have entered into certain related-party transactions and continue to rely on our Group companies for certain key development and support activities.

We have entered and may continue to enter into a number of related-party transactions with our Group companies and associates. While we believe that all our related-party transactions have been conducted on an arm's length basis, we cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our business, prospects, results of operations and financial condition, including because of potential conflicts of interest or otherwise.

Any recurrence of severe acute respiratory syndrome, or SARS, pandemic avian influenza (avian flu) or an increase in the severity of H1N1 influenza (swine flu) or another widespread public health problem could materially and adversely affect our business and results of operations.

Our business could be adversely affected by the effects of SARS, pandemic avian flu, swine flu or other epidemics or outbreaks. Any prolonged recurrence of SARS, avian flu, swine flu or other adverse public health developments in India may have a material adverse effect on our business operations, because such incidents could result in quarantines or closures of our project sites, travel and transportation restrictions, import and export restrictions and a general slowdown in the Indian economy. Any of the foregoing events or other unforeseen consequences of public health problems could materially adversely affect our business, financial condition and results of operations.

Any disruption of India's infrastructure could have a material adverse effect on our results of operations.

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption in its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have an adverse effect on our results of operations and financial condition.

Any downgrade of India's sovereign debt rating could have a negative impact on our results of operations.

Any downgrade of India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and commercial terms

on which such additional financing is available. This could have an adverse effect on our ability to obtain financing to fund our growth on favourable terms or at all and, as a result, could have a material adverse effect on our results of operations, financial condition and prospects.

Risks Related to Investment in Indian Companies

Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, which may be material to investors' assessments of our financial condition. Our failure to adopt IFRS successfully by April 2011 could have a material adverse effect on the price of our equity shares.

Our financial statements, including the financial statements provided in this Preliminary Placement Document, are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of IFRS on the financial data included in this Placement Document, nor do we provide a reconciliation of our financial statements to those of IFRS. IFRS differs in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should, accordingly, be limited.

The Institute of Chartered Accountants of India, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of and convergence with IFRS. All public companies in India, such as our Company, will be required to prepare their annual and interim financial statements under IFRS commencing from the fiscal period starting April 1, 2011. Because there is a significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting.

Further, the new accounting standards will change our methodology for estimating allowances for probable loan losses. Therefore, there can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. In our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations or financial condition and any failure to adopt IFRS successfully by April 2011 could have a material adverse effect on the price of our equity shares.

Political instability in India or a significant change in the Government's economic liberalization and deregulation policies could adversely affect our business operations.

We, and the market price and liquidity of the Equity Shares, may be affected by foreign exchange rates and controls, interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian Government have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Government and state governments in the Indian economy in relation to producers, consumers and regulators has remained significant. The current central government, which came to power in May 2009, is headed by the Indian National Congress and is a coalition of several political parties. The current Government is expected to announce policies and take initiatives that support economic liberalization and deregulation. However, there can be no assurance that the present Government, or any Government elected in the future, will continue the policies of previous Governments and it cannot be assured that liberalization policies will continue in the future. The Government may also pursue other policies which could have a material adverse effect on our business.

A significant change in the Government's or state government's economic liberalization and deregulation policies could materially adversely affect business and economic conditions in India generally and our business and financial condition and prospects in particular.

It may not be possible for you to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.

We are incorporated under the laws of India and all of our directors and executive officers reside in India. Nearly all of our assets, and the assets of our directors and officers, are located in India. As a result, you may be unable to:

- effect service of process outside of India upon us and such other persons or entities; or
- enforce in courts outside of India judgments obtained in such courts against us and such other persons or entities.

Section 44A of the Indian Code of Civil Procedure, 1908, as amended, provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. The United Kingdom has been declared by the Government to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the Government to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Indian Code of Civil Procedure, 1908, and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered. See *“Enforcement of Civil Liabilities.”*

You may be restricted in your ability to exercise pre-emptive rights under Indian law and may be adversely affected by future dilution of your ownership position.

Under the Companies Act, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the shares which are voted on the resolution or if we have obtained Government approval to issue without such rights. However, if the law of the jurisdiction you are in does not permit you to exercise your pre-emptive rights without us filing an offering document or registration statement with the applicable authority in the jurisdiction you are in, you will be unable to exercise your pre-emptive rights unless we make such a filing. If we elect not to make such a filing, the new securities may be issued to a custodian, who may sell the securities for your benefit. The value such custodian would receive upon the sale of such securities, if any, and the related transaction costs cannot be predicted. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by you, your proportional interest in us would be reduced.

The Indian economy has sustained varying levels of inflation in the recent past.

The majority of our direct costs are incurred in India. India has experienced very high levels of inflation during the period between 2008 and 2009, with inflation peaking at 12.91% in August 2008. However, recently inflation has fallen to around 1.00%. In the event of a high rate of inflation, our costs, such as salaries, materials costs, travel costs and related allowances, which are typically linked to general price level, may increase. However, we may not be able to increase the tariffs that we charge users of the toll roads that we operate to preserve operating margins. Moreover, the annuities payable to our SPVs under our annuity projects are fixed for the respective concession periods. Accordingly, high rates of inflation in India could increase our operating costs and decrease our operating margins, which could have an adverse effect on our results of operations.

The Equity Shares are subject to transfer restrictions under US securities laws.

The Equity Shares are being offered in transactions not required to be registered under the Securities Act. Therefore, the Equity Shares may be transferred or resold only in a transaction registered under or exempt from the registration requirements of the Securities Act and in compliance with any other applicable securities laws. For more information, see *“Transfer Restrictions”*.

A third party could be prevented from acquiring control of us because of the anti-takeover provisions under Indian law.

There are provisions in Indian law that may discourage a third party from attempting to take control over us, even if a change in control would result in the purchase of your Equity Shares at a premium to the market price or would otherwise be beneficial to you. Under the Indian takeover regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. These provisions may discourage or prevent certain types of transactions involving an actual or threatened change in control of us. For more information, see *“The Securities Market of India – Takeover Code”*.

Force majeure events, terrorist attacks or war or conflicts involving India, the United States or other countries could adversely affect the financial markets and adversely affect our business.

Any major hostilities involving India, or other acts of violence including civil unrest or terrorist attacks, or events that are beyond our control, could have an adverse effect on the operations of services provided in India. The terrorist attacks on New York and Washington, D.C. on September 11, 2001, and their aftermath had an adverse effect on worldwide financial markets. Incidents such as the Mumbai terrorist attacks between November 26 and 28, 2008, the September 11, 2001 terrorist attacks, other recent incidents such as in Bali, Indonesia, Madrid, Spain and London, U.K., and other acts of violence may adversely affect global equity markets as well as the Indian economy and stock markets where our Equity Shares will trade. Such acts will negatively affect business sentiments as well as trade between countries, which could adversely affect our business and profitability.

Also, India or the United States may enter into armed conflict or war with other countries. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business. South Asia has, from time to time experienced instances of civil unrest and hostilities among neighboring countries. Military activity or terrorist attacks could adversely affect the Indian economy by disrupting communications and making travel more difficult. Such events could also create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have an adverse effect on the market for securities of Indian companies, including the Equity Shares, and on the market for our services.

Our ability to raise foreign capital may be constrained by Indian law.

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for projects under development or acquisitions and other strategic transactions. This could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, there can be no assurance that we will be granted the required approvals without onerous conditions, or at all. Any limitations on our ability to raise foreign debt may have a material adverse impact on our business, financial condition, results of operations and prospects.

The prices and trading volumes of our equity shares on the Indian Stock Exchanges may fluctuate after this Issue.

The prices and trading volumes of our equity shares on the Indian Stock Exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; our operations and performance; the performance of our competitors, the infrastructure industry and the perception in the market about investments in the industries in which we operate; changes in the estimates of our performance or recommendations by financial analysts; significant developments in India’s economic liberalization and deregulation policies; and significant developments in India’s fiscal regulations. There can be no assurance that the prices at which the Equity Shares are initially traded will correspond with the prices at which the Equity Shares will trade in the market subsequent to this Issue.

The price of our equity shares may experience significant fluctuations on the Indian Stock Exchanges.

The price of the Equity Shares may experience significant fluctuation on the Indian Stock Exchanges. In recent years, price and volume fluctuations on the Indian Stock Exchanges have been significant and such fluctuations have often been unrelated or disproportionate to the operating performance of companies whose securities are traded on the Indian Stock Exchanges.

The trading price of the Equity Shares could also be subject to significant volatility in response to, among other factors:

- delays in the schedule for the development projects and any resultant cost and time overruns caused by such delays;
- supply and demand of EPC and construction projects, manufacturing, technology and financial services in India and in the international markets generally;
- our ability to successfully implement our strategy, and growth and expansion plans;
- changes in laws and regulations, or any interpretation thereof, that apply to our business;
- changes in the value of the Rupee against major global currencies and other currency changes;
- changes in the Indian and international interest rates;
- any adverse outcome in the legal or regulatory proceedings in which we are involved;
- changes in any global conditions and situations affecting India and the industries in which we operate; and
- changes in political and economic conditions in India.

Risks Related to Our Equity Shares and the Trading Market

The Indian securities market may be more volatile and provide less information on listed companies than securities markets in developed countries.

The Indian securities markets are more volatile than the securities markets in certain countries which are members of the OECD. The Indian Stock Exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities.

On May 18, 2009, trading on the Indian Stock Exchanges was halted for the day after excessive volatility in the Indian securities market. The Indian Stock Exchanges (including the BSE) have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian Stock Exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies, and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

There is a lower level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than in certain OECD countries. The SEBI received statutory powers in 1992 to assist in carrying out its responsibility for improving disclosure and other regulatory standards for the Indian securities markets. Subsequently, the SEBI has prescribed certain regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities markets. There may, however, be less publicly-available information about Indian companies than is regularly made available by public companies in certain OECD countries. As a result, investors may have access to less information about our business, financial condition and results of operation and those of our competitors that are listed on Indian Stock Exchanges, on an ongoing basis, than an investor may have access to in the case of companies subject to reporting requirements of other countries.

An active market for our equity shares may not be sustained, which may cause the price of our equity shares to fall.

While our equity shares have been traded on the BSE and the NSE since 2008, there can be no assurance regarding the continuity of the existing active or liquid market for our equity shares, the ability of investors to sell their Equity Shares or the prices at which investors may be able to sell their Equity Shares. In addition, the market for equity securities in emerging markets has been subject to disruptions that have caused volatility in the prices of securities similar to our equity shares. There can be no assurance that the

market for our equity shares will not be subject to similar disruption. Any disruption in these markets may have an adverse effect on the market price of the Equity Shares.

There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of our equity shares.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after the Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of the Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including our equity shares, in both domestic and international markets. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of our equity shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in this Issue.

In-principle approval has been received for the Equity Shares to be sold pursuant to this Issue to be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the allotment is made. Thereafter, upon receipt of final approval of the Stock Exchanges (if granted), trading in the Equity Shares is expected to commence within seven working days. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to such investor's demat account, or that trading will commence, within the time periods specified above.

There may be less information available about companies listed on Indian securities markets than companies listed on securities markets in other countries.

There may be less publicly available information about Indian public companies, including us, than is regularly disclosed by public companies in other countries with more mature securities markets. There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants in those markets, and that of markets in other more developed economies. SEBI is responsible for setting standards for disclosure and other regulatory standards for the Indian securities markets. While SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters, there may be less publicly available information about Indian companies than is regularly made available by public companies in many developed economies. As a result, you may have access to less information about our business, results of operations and financial condition, and those of our competitors that are listed on Indian stock exchanges, on an ongoing basis, than you may in the case of companies subject to the reporting requirements of other more developed countries.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the

Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of the Equity Shares.

Economic developments and volatility in securities markets in other countries may cause the price of our equity shares to decline.

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn globally has adversely affected market prices in the world's securities markets, including the Indian securities markets. Negative economic developments, such as rising fiscal or trade deficits, or a default on sovereign debt, in other emerging market countries may affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general.

Currency exchange rate fluctuations may affect the value of our equity shares.

The exchange rate between the Indian Rupee and the U.S. Dollar has changed substantially in recent years and may fluctuate substantially in the future. Fluctuations in the exchange rate between the U.S. Dollar and the Indian Rupee may affect the value of your investment in the Equity Shares. Specifically, if there is a change in relative value of the Indian Rupee to the U.S. Dollar, each of the following values will also be affected:

- the U.S. Dollar equivalent of the Indian Rupee trading price of our equity shares in India;
- the U.S. Dollar equivalent of the proceeds that you would receive upon the sale in India of any of our equity shares; and
- the U.S. Dollar equivalent of cash dividends, if any, on our equity shares, which will be paid only in Indian Rupees.

You may be unable to convert Indian Rupee proceeds into foreign currencies or the rate at which any such conversion could occur could fluctuate. In addition, our market valuation could be seriously harmed by the devaluation of the Indian Rupee, if non-India investors analyze our value based on the foreign currency equivalent of our financial condition and results of operations.

You may be liable for capital gains tax.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if securities transaction tax ("STT") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of Equity Shares. See "*Taxation*".

You may be subject to certain foreign exchange regulations of India.

Under the foreign exchange regulations currently in force in India, transfer of equity shares between non-residents and residents are freely permitted only if they comply with the pricing guidelines specified by the RBI. If the Equity Shares sought to be transferred are not in compliance with such pricing guidelines then the prior approval of the RBI shall be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of Equity Shares in India into foreign currency and repatriate that foreign currency from India will have to comply with the guidelines issued in this regard. Further, prior to such repatriation

(of sale proceeds), a no objection/tax clearance certificate from the income tax authority would be required. The Company cannot assure investors that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all.

MARKET PRICE INFORMATION

107,586,696 Equity Shares (including 725,800 Equity shares kept in abeyance) were issued and outstanding as at September 30, 2009. The Company's Equity Shares are listed on the BSE since 1962 and on the NSE since 1996.

The closing price of the outstanding Shares on the BSE and the NSE on December 8, 2009 was Rs. 245.05 and Rs. 242.65 per Equity Share, respectively.

The tables below provide certain market price and other information of the Equity Shares, including the high and low prices and the trading volume for the specified periods. Because the Equity Shares are actively traded on the BSE and NSE, the market price and other information for each of the BSE and NSE has been given separately.

		Bombay Stock Exchange ⁽¹⁾					
		High Closing Price ⁽²⁾		Low Closing Price ⁽²⁾			
		Closing Price (Rs.)	Volume on Date of High ⁽³⁾	Date	Closing Price (Rs.)	Volume on Date of Low ⁽³⁾	Average (Rs.) ⁽⁴⁾
Year Ended	Date						
December 31:							
2006	April 4	564.20	61,432	July 24	290.45	15,989	436.07
2007	December 14	611.25	25,278	March 7	263.85	97,665	435.79
2008	January 4	781.45	259,365	December 4	47.30	541,801	273.00
Month 2009:							
January	January 6	93.60	208,613	January 23	63.10	16,564	75.34
February	February 13	75.75	50,706	February 27	62.25	2,824	66.87
March	March 26	61.00	35,560	March 9	50.20	9,940	55.74
April	April 15	82.80	145,744	April 1	61.60	58,270	75.32
May	May 25	169.50	121,490	May 5	78.60	63,640	122.09
June	June 29	186.15	349,447	June 18	145.25	39,080	164.13
July	July 2	184.40	30,812	July 2	142.25	30,812	159.78
August	August 31	184.20	133,449	August 12	150.75	76,259	165.24
September	September 25	194.70	191,911	September 15	166.40	21,752	178.52
October	October 14	247.70	335,162	October 5	183.75	70,620	226.14
November	November 20	248.60	161,387	November 3	212.45	42,197	232.94

(1) Source: www.bseindia.com.

(2) High and low closing prices are based on the daily closing prices.

(3) In case of two days with the same closing price, the date with the higher volume has been chosen.

(4) In the case of a year, represents the average of the closing prices on the last day of each month of each year presented. In the case of a month, represents the average of the closing prices of each day of each month presented.

National Stock Exchange of India⁽¹⁾

	High Closing Price ⁽²⁾			Low Closing Price ⁽²⁾			Average (Rs.) ⁽⁴⁾
	Date	Closing Price (Rs.)	Volume on Date of High ⁽³⁾	Date	Closing Price (Rs.)	Volume on Date of Low ⁽³⁾	
Year Ended							
December 31:							
2006	April 4	563.35	109,907	24.07.2006	290.85	29,078	436.03
2007	December 14	607.90	55,998	07.03.2007	263.50	197,584	436.27
2008	January 4	777.05	559,356	04.12.2008	47.55	1,102,096	272.80
Month 2009:							
January	January 6	93.60	317,676	27.01.2009	63.10	46,489	75.14
February	February 13	75.35	56,974	27.02.2009	61.90	11,374	66.97
March	March 26	61.30	78,672	09.03.2009	50.05	72,827	55.58
April	April 15	83.00	233,792	01.04.2009	60.70	71,368	75.36
May	May 25	170.10	284,663	05.05.2009	78.40	152,767	121.93
June	June 29	185.60	673,591	18.06.2009	145.15	87,771	164.14
July	July 2	183.70	47,899	27.07.2009	142.05	138,812	159.90
August	August 31	184.90	280,963	12.08.2009	150.75	211,522	165.32
September	September 22	194.60	758,093	15.09.2009	166.55	101,842	178.64
October	October 14	247.80	831,724	05.10.2009	184.85	230,100	226.81
November	November 20	247.80	269,225	November 3	214.00	107,089	233.54

(1) Source: www.nse-india.com.

(2) High and low closing prices are based on the daily closing prices.

(3) In case of two days with the same closing price, the date with the higher volume has been chosen.

(4) In the case of a year, represents the average of the closing prices on the last day of each month of each year presented. In the case of a month, represents the average of the closing prices of each day of each month presented.

The following table provides the aggregate volume of the Equity Shares transacted during each month presented.

	Volume	
	Bombay Stock Exchange ⁽¹⁾	National Stock Exchange of India ⁽²⁾
Month 2009:		
January	2,084,179	4,637,433
February	422,510	1,290,207
March	409,182	1,208,365
April	1,136,967	2,242,990
May	3,732,602	7,994,313
June	1,682,525	3,553,725
July	10,506,956	21,044,637
August	2,907,494	5,223,596
September	1,907,140	4,487,070
October	5,937,341	13,599,431
November	1,147,674	2,684,384

(1) Source: www.bseindia.com.

(2) Source: www.nse-india.com.

The following table provides certain market price and other information of the Equity Shares for September 29, 2009, the first working day immediately following the Board Meeting approving the Issue.

Bombay Stock Exchange ⁽¹⁾					National Stock Exchange of India ⁽²⁾				
Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
198.55	202.45	190.05	191.25	62,541	196.4	202.80	190.00	190.75	227,355

(1) Source: www.bseindia.com.

(2) Source: www.nse-india.com.

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. [●] million. After deducting the Issue expenses of approximately Rs. [●] million, the net proceeds of the Issue will be approximately Rs. [●] million (USD [●]). For further information, see “Placement”.

Purpose of Issue

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds from the Issue to fund our growth plans, acquisition plans, meeting working capital and funding capital requirements of the group including subsidiaries/ associate companies of the Company, investment in energy and related business, repay debts and for general corporate purposes. In accordance with the policies approved by our Board and as permissible under applicable laws and government policies, our management will have flexibility in deploying the proceeds received by the Company from the Issue.

Pending utilisation for the purposes described above, the Company intends to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

CAPITALISATION

The following table shows:

- the Company's consolidated capitalisation as at March 31, 2009; and
- the Company's consolidated capitalisation as adjusted for the Issue, and the application thereof.

This table should be read in conjunction with the Company's consolidated financial statements as of and for the year ended March 31, 2009 and the related notes, the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial statements and information contained in this Preliminary Placement Document.

(Rs. in million)		
	As at March 31, 2009	As Adjusted for the Issue
Shareholders' Funds:		
• Share capital ⁽¹⁾⁽²⁾	1,267.12	[●]
• Employee stock option ⁽³⁾	43.92	
• Reserve and surplus	15,554.47	[●]
Total shareholders' funds	16,865.51	[●]
Minority Interest	2,318.33	2,318.33
Loan Funds		
• Secured loans	24,608.20	24,608.20
• Unsecured loans	18,665.30	18,665.30
Total debts	43,273.50	43,273.50
Total capitalisation	62,457.34	[●]

⁽¹⁾Pursuant to the ATSL Scheme, the Company has on September 9, 2009 issued 3,000,000 6% optionally convertible preference shares of Rs. 350 each to the erstwhile preference shareholders of ATSL. These preference shares have become non convertible since the preference shareholders did not exercise the option to convert them into Equity Shares. These preference shares are redeemable within a period of 5 years.

⁽²⁾Pursuant to a shareholder resolution dated June 17, 2009, the Company has allotted 16,000,000 warrants convertible into 16,000,000 Equity Shares on July 9, 2009 to the companies forming part of its promoter group at a price of Rs. 90.20 per warrant (including a premium of Rs. 88.20 each).

⁽³⁾Pursuant to the amalgamation of ATSL with the Company, the outstanding options of the employees of the erstwhile ATSL outstanding as on April 1, 2008 have been taken up by the Company in accordance with the scheme of amalgamation of ATSL with the Company ("ATSL Scheme") approved by the court. Accordingly, the Company has accounted for the grant of 106,300 options to such employees at an exercise price of Rs. 80 per share. The Company will issue two equity shares against each option in terms of the ATSL Scheme approved by the courts.

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

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

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

Options granted on March 27, 2007: -

Vesting Date	No. Of Options	Exercise Period	Intrinsic Value on the date of grant of options	Fair Value of options as on date of grant of option
			(Rs)	(Rs)
(1)	(2)	(3)	(4)	(5)
September 28, 2008	21,260	September 28, 2008 to September 27, 2011	250.00	677.65
September 28, 2009	26,575	September 28, 2009 to September 27, 2012	250.00	677.65
March 28, 2010	26,575	March 28, 2010 to March 27, 2013	250.00	677.65
March 28, 2011	31,890	March 28, 2011 to March 27, 2014	250.00	677.65
	106,300			

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

- a. Risk free interest rate7.50%
- b. Expected Dividend Yield.....0.39%
- c. Expected life of the option..... 3 years
- d. Expected Volatility of Share Price.....52.64%

The status of employees stock options for the year ended March 31, 2009 is as under:

Particulars	No. of Option Shares
Option shares outstanding as at April 1, 2008	106,300
Options exercised during the year	1,220
Option shares granted during the year	-
Option shares lapsed during the year	2,600
Option shares outstanding as at March 31, 2009	102,480

During Fiscal 2009, before approval of the ATSL Scheme some employees have exercised option that had vested in them and were allotted equity share of the erstwhile ATSL. In accordance with the ATSL Scheme 1,220 equity shares are allotted to such employees which is shown under equity share suspense account. The excess of the consideration of Rs. 80 over the face value of two equity shares has been shown under security premium account.

As on September 30, 2009, the Company had 91,670 options outstanding capable of being convertible into 1,83,340 Equity Shares.

DIVIDEND

The Company generally declares and pays dividends in the fiscal year following the year to which they relate.

Equity Shares

The Company has paid dividends on its Equity Shares in each of the last three years. The following are details of the dividends paid by the Company on its Equity Shares in the last three years:

Fiscal year	Total dividend per Equity Share of Rs. 2 each (Rs.)	Total dividend (Rs. in million) ⁽¹⁾
2007	0.50	43.7
2008	0.50	43.4
2009 ⁽²⁾	0.60	65.0

(1) Excluding dividend tax where applicable

(2) The distribution of dividend on the Equity Shares for the fiscal 2009 was made on October 23, 2009.

Preference Shares

The following are details of the dividends paid by the Company on its Preference Shares in the last three years:

Fiscal year	Total dividend per Preference Share of Rs. 350 each (Rs.)	Total dividend (Rs. in million) ⁽¹⁾
2009 ⁽²⁾	21.00	63.0

(1) Excluding dividend tax where applicable

(2) The distribution of dividend on the preference shares for the fiscal 2009 was made on October 23, 2009.

The Company does not have a formal dividend policy. Dividend amounts are determined each fiscal year in accordance with the Board's assessment of the Company's earnings, cash flow, financial conditions and other factors prevailing at the time. The amounts paid as dividends in the past are not necessarily indicative of the Company's dividend policy or dividend amounts, if any, in the future.

EXCHANGE RATE INFORMATION

The following table sets forth information concerning exchange rates between the Rupee and the U.S. dollar for the periods indicated. Exchange rates are based on the reference rates released by the Reserve Bank of India. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all. On September 29, 2009, the exchange rate was Rs. 48.04 to US\$1.00.

Year Ended	Period End	Average⁽¹⁾	High	Low
December 31:		(Rs. Per US\$1.00)		
2006	44.23	45.30	46.95	44.07
2007	39.41	41.20	44.61	39.27
2008	48.45	43.84	50.52	39.27
Quarter Ended:				
December 31, 2008	48.45	49.18	50.52	46.88
March 31, 2009	50.95	50.23	52.06	48.37
June 30, 2009	47.87	48.46	50.53	46.84
September 30, 2009.....	48.04	48.42	49.40	47.54

(1) Represents the average of the reference rates released by the Reserve Bank of India on the last day of each month during the period for each year and quarter presented.

The following table sets forth information concerning exchange rates between the Rupee and the Euro for the periods indicated. Exchange rates are based on the reference rates released by the Reserve Bank of India. No representation is made that any Rupee amounts could have been, or could be, converted into the Euro at any particular rate, the rates stated below, or at all. On September 29, 2009, the exchange rate was Rs. 70.24 to Euro 1.00.

Year Ended	Period End	Average⁽¹⁾	High	Low
December 31:		(Rs. Per Euro1.00)		
2006	58.26	57.01	59.90	52.66
2007	58.12	56.56	59.21	54.32
2008	68.22	63.72	69.17	57.27
Quarter Ended:				
December 31, 2008	68.22	64.37	69.17	60.57
March 31, 2009	67.48	65.03	69.11	62.10
June 30, 2009	67.69	66.40	68.49	64.43
September 30, 2009	70.24	69.16	71.06	67.25

(1) Represents the average of the reference rates released by the Reserve Bank of India on the last day of each month during the period for each year and quarter presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements as of and for the years ended March 31, 2007, 2008 and 2009, including the notes thereto and reports thereon, each included in this Preliminary Placement Document. You should also read the sections titled "Risk Factors" and "Forward Looking Statements" included in this Preliminary Placement Document which discuss a number of factors and contingencies that could affect our financial condition and results of operations. The financial statements included in this Preliminary Placement Document are prepared in accordance with Indian GAAP, which differs in certain material respects from U.S. GAAP and IFRS.

Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve month period ended March 31 of that year.

Overview

We are the flagship company of the Gammon group and are one of the oldest civil engineering and construction companies in India. We believe that we are one of the largest contractor and developer of infrastructure projects in India. Our operations are divided into our engineering, procurement and construction ("EPC") and construction business, infrastructure development business and international business. We provide construction services in areas such as transport engineering, power transmission and distribution, energy, environment and pipelines, hydroelectric power structures, hydraulic and irrigation, and industrial structures and buildings. Our Company was incorporated in 1922 by John C. Gammon and was listed on the BSE in 1962 and the NSE in 1996. We undertake the development of projects as a developer in addition to providing services as a contractor. For the year ended March 31, 2009, we had total consolidated revenues and profit after tax of Rs.52,121.81 million and Rs.648.42 million, respectively.

Our EPC and construction business comprises the following areas:

- transport engineering, where we undertake the design and construction of roads, bridges, metros, flyovers, ports and airports;
- power transmission and distribution, where we undertake the design, engineering, erection, testing and commissioning of transmission and distribution lines, substation and overhead lines, project electrification, rural electrification and system improvement projects;
- energy, where we undertake the engineering and construction of nuclear power, thermal power, hydro electric power and non-conventional power plants;
- environment and pipelines, where we undertake the construction and design of water treatment plants, cross-country oil and gas pipelines and water supply projects;
- hydroelectric power structures, where we undertake the construction of structures for hydroelectric power plants, such as dams, powerhouses, surge chambers, intake structures, and head race tunnels;
- hydraulic and irrigation, where we undertake the engineering, design and construction works for dams, tunnels, irrigation pipes and hydraulic structures; and
- our industrial structures and buildings, where we undertake the construction of multi-storey buildings, residential, commercial and hospitality and other industrial structures.

We are also involved in the development of Build-Operate-Transfer ("BOT") projects in infrastructure and other infrastructure development projects through our subsidiary Gammon Infrastructure Projects Limited ("GIPL"), of which we currently, directly and indirectly, hold 76.23%. GIPL, listed on the BSE and the NSE, undertakes projects on a public private partnership ("PPP") basis and its current portfolio of projects consists of 19 projects in the roads, bridges, ports, hydroelectric power and biomass power sectors, of which, four are in the operations phase, 10 are in the development phase and five are in the pre-

development phase. GIPL also offers services in other areas of project development, such as project advisory services, project funding and operations and maintenance (“O&M”).

Through our international operations, we focus on power equipment manufacturing and oil and gas exploration around the world. During the year ended March 31, 2009, we completed a number of acquisitions in the power equipment manufacturing sector, which has a limited number of players and high barriers to entry. We acquired substantial stakes in a few European companies: (i) Sofinter S.p.A. (“Sofinter”, together with its subsidiaries, the “Sofinter Group”), an integrated group of companies that is engaged in the manufacturing of industrial boilers, power utility steam boilers (including Heat Recovery Steam Generators (“HRSGs”)), EPC related to power utilities and research and development of flameless technology using waste and low grade coal with zero carbon emissions and (ii) Franco Tosi Meccanica S.p.A. (“FTM”), a manufacturer of steam and hydro turbines for power utilities. Our erstwhile associate company, Associated Transrail Structures Limited (“ATSL”), engaged in the business of design, supply, erection and commissioning of power transmission lines and rural electrification schemes, amalgamated with our Company, effective from July 7, 2009, with an appointed date of April 1, 2008. Subsequent to this amalgamation, S.A.E. Power Lines S.r.L. (“SAE Powerlines”), a company based in Italy that is engaged in the design, fabrication and erection of transmission towers and lines has become our subsidiary.

Subsequent to our acquisitions and partnerships, we believe that we are eligible to bid for supplying super critical boilers and super critical turbines.

With over 87 years of experience, we have strived to achieve our motto of being ‘Builders to the Nation’ with an array of landmark structures, including bridges, harbors, ports, thermal and nuclear power stations, dams, high-rise structures, chemical and fertilizer complexes, environmental structures and cross-country water, oil and gas pipelines. Our landmark structures include the following:

- construction of the foundation for Gateway of India, Mumbai in 1922, which was the first reinforced concrete precast piling job in India;
- a river bridge of six kilometers across the Ganges at Patna in 1982, which was the longest river bridge in India at the time;
- the first cable-stayed bridge in India at Akkar, Sikkim in 1988;
- a cantilever bridge of 140 meters across the river Jadukatta in Meghalaya in 2001, which was the longest cantilever bridge in India at the time;
- a railway tunnel of 6,500 meters for Konkan Railway at Ratnagiri in 1995, which was the longest railway tunnel in Asia;
- the first 500 MW thermal power station at Trombay in 1983;
- a cooling tower of 141 meters at Panipat in 2000, which was the tallest cooling tower in India at the time;
- an urban viaduct of 2,400 meters at J.J. Hospital, Mumbai in 2002, which was the longest urban viaduct in India at the time; and
- a clover leaf flyover of 5,232 meters at Hebbal, Bangalore in 2003, which was the longest clover leaf flyover in India at the time.

Over the years, our planners, designers and construction specialists have proved their competence and innovative skills.

Factors Affecting our Results of Operations

As a civil engineering and construction company, our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

General economic and business conditions. As a company operating in India, Europe, Africa and the Middle East, we are affected by the general economic conditions in these regions and in particular the factors affecting the engineering and construction industry in general and the projects we develop. India's real GDP grew 9.60%, 9.00% and 6.60%, respectively in 2006, 2007 and 2008 (*Source: CIA World Factbook*). Growth in industrial and manufacturing activities and services sector will further lead to growth in demand for infrastructure facilities, which translates into new proposals for construction, upgrade and maintenance of infrastructure facilities. The overall economic growth will therefore impact the results of our operations. The global credit markets and financial services industry have been experiencing a period of upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions, severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, uncertainty about economic stability and an unprecedented level of intervention by governments and monetary authorities. While the ultimate outcome of these events cannot be predicted, it may have an adverse effect on our ability to borrow or raise additional funds in the capital markets on favorable terms. Similarly, demand for infrastructure facilities may be adversely affected as a result of the slowdown in the Indian, European, African and the Middle East economy.

Demand for construction services in India, Europe, Africa and the Middle East. We provide construction services across diverse areas. Demand for civil engineering and construction services in India is currently high, allowing us to expand operations across India. We will continue to focus primarily on the Indian market, and also to increase the amount of our services in Europe, Africa and the Middle East. Our business is therefore significantly dependant on the general economic conditions in these regions and government policies relating to such projects. For example, the Government's focus on and sustained increase in budgetary allocation for the infrastructure projects and the development of a structured and comprehensive infrastructure policy that encourages greater private sector participation as well as increased funding by international and multilateral development financial institutions for infrastructure projects in this region have resulted in and are expected to result in several additional infrastructure projects in this region. More recently, policy changes in the transportation, energy and industrial and commercial infrastructure sectors have begun to attract significant private sector interest. We believe that with policy and regulatory reforms continuing, there will be a positive impact on our growth, financial condition and results of operations. Our ability to benefit from the considerable investments proposed in the construction sector in the medium and long term will be important factors affecting our results of operations.

Dependence on government policy and regulation towards infrastructure. The growth of the civil engineering and construction industry in India and our business is dependent on the formulation and implementation of stable government policies and prudent regulation. Construction in India has historically been the domain of the central and state governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability. Changes in government policies, which began in the 1990s, facilitated the entry of private capital into infrastructure and have led to growth in certain sectors. More recently, policy changes in the transportation, energy, urban infrastructure and industrial and commercial infrastructure sectors have begun to attract significant private sector interest. We believe that with the policy and regulatory reforms continuing to move in the right direction, there will be a positive impact on our growth and financial conditions and operations.

Growth of the power sector in India. The growth of the power sector in India as well as our business is dependant on stable government policies and prudent regulations. Power generation has historically been the domain of the central and state governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability. Changes in government policies have facilitated the entry of private capital into the Indian power sector and have led to rapid growth in the sector. For example, the generation of power in the private sector gained impetus with the policy announcement by the Government in the early 1990s, followed by tariff determination guidelines issued in 1995 and revised in 1998, assuring a fixed return on equity for independent power producers. The Electricity Act, 2003 opened up new opportunities by allowing open access in power transmission and distribution. The Government's initiatives are likely to create a favorable business climate for us, but will also increase competition.

Seasonality and weather conditions. Our business operations may be adversely affected by severe weather, which may require us to evacuate personnel or curtail services, may result in damage to a portion of our fleet of equipment or facilities resulting in the suspension of operations, and may prevent us from delivering materials to our project sites in accordance with contract schedules or generally reduce our productivity. Our operations are also adversely affected by difficult working conditions and extremely high temperatures

during summer months and during the monsoon season, each of which may restrict our ability to carry on construction activities and fully utilize our resources. During periods of curtailed activity due to adverse weather conditions, we may continue to incur overhead expenses, but our revenues from operations may be delayed or reduced.

Competition. Our results of operations could be affected by competition in the civil engineering and construction sector in India in the future. We expect competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established construction companies. We believe that new competitors may adversely affect our financial condition and operations. However, we are not affected by competition in the short-term due to our arrangements under our concession and licence agreements.

Our bidding and execution capability. Civil engineering and construction development for large projects in India involves pre-qualifying interested companies based on their technical and financial strengths. The nature of the Government's process is such that the pre-qualifications obtained in the past play an important role in allowing companies to bid for the new projects. Also, project management capability (including our management of sub-contractors' performance) affects our profitability. Additionally, a large number of infrastructure projects by the Government and government agencies are being tendered on a BOT and BOOT basis. These types of projects typically require the contractor or construction company to invest in building the project and maintaining the project for a specified period of time while allowing the contractor to obtain a toll fee, annuity or grant based consideration, which does not begin to accrue until the project achieves commercial operation. As a result, these projects have greater capital needs that increase our finance costs. Further, the ability to strategically partner with other strategic players may also determine the success in award of projects for which we bid.

Cost management. Our project costs mainly comprise costs of construction related materials, such as steel, cement, bitumen, oils and lubricants and other mechanical items. Increases in the prices of these commodities during the execution of our projects may adversely affect the profitability of our contracts, where such increases are not covered by suitable cost escalation clauses. Our ability to undertake construction projects in a cost effective manner, our ability to accurately estimate the cost of fixed-price projects, business development costs in periods where we are looking for new contracts and fluctuations in the price of labor and property, plant and equipment affect our results of operations.

Availability of cost effective funding sources. Our ability to grow in the infrastructure sectors depends largely on cost effective avenues of funding, which will be primarily met through debt/loan borrowing from external sources. Our debt service costs as well as our overall cost of funds depends on many external factors, including developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. With the growth of our operations we have had to increasingly access commercial borrowings and we have benefited in the past due to lower interest rates on our borrowings. We believe that going forward the availability of cost effective funding sources could affect our business operations and financial performance.

Availability of labor. We are heavily dependant on highly trained engineers and other skilled labor. We have generally been successful in recruiting the talent we need in India. However, many factors could make it more difficult, or more expensive, for us to recruit and retain the personnel we need, particularly as we grow our business. Any inability to attract and retain suitable skilled personnel could affect both our profitability and our ability to expand our operations.

Tax benefits and incentives. Our project SPVs are eligible for certain tax benefits and incentives that accord favorable treatment to infrastructure-related activities. In the future, we believe that any change in the existing tax benefits and incentives may affect our financial condition.

Significant Accounting Policies

Our consolidated financial statements comprise the financial statements of our Company and our subsidiaries, associates and joint ventures in the form of jointly controlled entities. The consolidated financial statements have been prepared using uniform policies for like transactions and other events in similar circumstances.

Principles of consolidation

Our consolidated financial statements have been prepared on the following basis:

a) Interests in subsidiaries

- The financial statements of our Company and our subsidiaries 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 our Company’s separate financial statements
- The excess of cost of investments of our Company over its share of equity in the subsidiary is recognized as goodwill. The excess of share of equity of subsidiary over the cost of investments is recognized as capital reserve.

b) Interests in Joint Ventures

Our 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’). We combine our share of each of the assets, liabilities, income and expenses of the joint venture with similar items, on a line by line basis.

c) Investment in Associates

Investments in Associates 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 our share of net assets of the associate. The income statement reflects our share of the results of operations of the associates.

The excess of our 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 our 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.

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.

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 recognized by evaluation of the percentage of work completed at the end of the accounting period, whereas, foreseeable losses are fully provided for, in the respective accounting period. The percentage of work completed is determined by the expenditure incurred on the job till each review date to total expenditure of the job. Additional claims (including for escalation), which in the opinion of the Management are recoverable on the contract, are recognized at the time of evaluating the job.

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

c) Revenues from providing services are recognized in income statement at the moment said services are completed.

d) Insurance claims are accounted for on cash basis.

e) On infrastructure development business:

(i) Annuity and Toll Receipts:

The toll collection from the users is accounted when the amount is due and recovered. Our Company earns an annuity income from some of its BOT projects which is recognized on a time basis over the period during which the annuity is earned. Revenues from bonus and other claims are recognized upon acceptance from customer/counterparty.

(ii) Berth Operations:

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

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

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

h) Revenue from the sale of goods and finished products are recognized at the time of transfer to the customer of the risks and benefits relating to the product sold, normally coinciding with the shipment of goods to the customers and acceptance by the same; revenue from services are recognized in the accounting period where the services are rendered.

Turnover

Turnover represents work certified as determined by taking into consideration the actual cost incurred and profit evaluated by adopting the percentage of the work completion method of accounting and once our Company has transferred to the purchaser all the significant risks and benefits related to the asset ownership. Turnover also includes the revenue from the supply of material in the equipment supply contracts in accordance with the terms of contract.

Research and Development Expenses

All expenditure of revenue nature is charged to the profit and loss account of the period. All expenditure of capital nature is capitalized and depreciation provided thereon, at the rates as applied to other assets of similar nature.

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

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

Employee Retirement Benefits

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

Other retirement benefits being in the nature of a defined benefit obligation is provided on the basis of an actuarial valuation made at the end of each year/period on projected Unit Credit Method.

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

In case of certain subsidiaries and a joint venture the entitlement of employee's retirement benefit is based upon the employee's final salary and length of service, subject to the completion of a minimum service period based on the laws of the respective country. The expected costs of these benefits are accrued over the period of employment. The terminal benefits are paid to employees' on their termination or leaving employment. Accordingly, our Company does not expect settlement against terminal benefit obligation in the near future.

Fixed Assets

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

Depreciation and Amortization

Indian Operations

Depreciation for the accounting period is provided on:

- (a) Straight Line Method, for assets purchased after April 2, 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 April 2, 1987, at the rates as specified in Schedule XIV to the Companies Act, 1956.
- (c) Depreciation on revalued component of the assets is withdrawn from the Revaluation Reserve.
- (d) The depreciation on assets used for construction has been treated as period cost.
- (e) The Infrastructure Projects Assets are amortized over a period of the rights given under the various Concession Agreements to which they relate.
- (f) Expenses incurred by our Company on periodic maintenance are capitalized on the completion of said activity. These costs are amortized over the period up to which the next periodic maintenance is due. The periodic maintenance of 5th and 10th year is amortized over a period of 5 years from completion of the activity. The periodic maintenance of 15th year is written off over the balance concession period of 1 year.

Overseas Operations

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

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

Intangible Assets

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

Impairment of Assets

On annual basis, our 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.

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 Institute of Chartered Accountants of India ('AS 23').

Inventories

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

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 or, if lower, to that in force at the year end if negative changes have resulted in impairment of these assets.

- (e) The transactions of Oman branch, overseas subsidiaries and joint ventures are accounted as non-integral operations. The related exchange difference on conversion is accounted under Foreign Currency Translation Reserve Account.
- (f) The transactions of branches at Kenya, Nigeria and Algeria are accounted as integral operation.

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

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.

Current and Deferred taxes are recorded in the income statement, with the exception of those relating to items directly debited against or credited to Shareholder's Equity, in which cases the tax effect is directly recognized under Shareholder's Equity. Taxes are offset if and when the income taxes are applied by the same tax authority and there is a legal right to offset and settlement of the net balance is expected.

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

Tax on Fringe Benefit Tax means the specified rate on the value of fringe benefit in accordance with the provisions of section 115WC of the income Tax Act, 1961. Accordingly, fringe benefit tax is done as per the guidance note issued by the Institute of Chartered Accountants of India.

Borrowing Cost

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

Public Grant

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

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

Employee Stock Option Scheme

Employee stock options are evaluated and accounted on intrinsic value method as per the accounting treatment prescribed under Guidance Note on "Accounting for Employee Share-based payments" issued by the ICAI read with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme)

Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The un-amortized portion of the deferred employee compensation is reduced from Employee Stock Option Outstanding which is shown under Reserves and Surplus.

Sales Tax /Cenvat Credit / VAT / WCT

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

Provision, Contingent Liabilities and Contingent Assets

Provisions involving a substantial degree of estimation in measurement are recognized 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.

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.

Derivatives

As of the date the contract is entered into, the derivative instruments are recorded at fair value and, if the derivative instruments do not qualify as being recorded as hedging instruments, the changes in the fair value recorded after initial statement as handled as components of the operating result for the year if they relate to forward transactions (sales or purchases)and the financial result for the year if relating to interest rate swaps. If by contrast the derivative instruments satisfy the requisites for being classified as hedging instruments, the subsequent changes in the fair value are recorded following the specific criteria indicated below. As a rule, a hedge is considered highly "effective" if, both at the start and over its duration, the changes in the fair value in the event of a fair value hedge or cash flows expected in the future in the event of a cash flow hedge of the element covered, are essentially offset by the changes in the fair value of the hedged instrument.

When the hedge concerns the fair value changes of assets or liabilities recorded in the financial statements (fair value hedge), both the changes in the fair value of the hedging instruments and the changes in that being hedged are charged to the income statement. If the hedge is not perfectly effective, or differences are noted and charged to the profit and loss account for the year.

In the event of hedging aimed at neutralizing the risk of the changes in cash flows originated by the future execution of obligations contractually defined as of the financial statement reference date (cash flow hedge)

, the changes in the fair value of the derivative instrument registered after initial statement are recorded, solely in relation to the effective part, under the item “Cash Flow Reserve” as part of the shareholders’ equity. When the economic effects originated by that being hedged manifest, the reserve is reversed to the income statement. If the hedge is not perfectly effective, the fair value change of the hedging instrument, referring to the ineffective portion of the same is immediately recorded in the income statement for the year. Vice versa, in the event a derivative instrument is transferred or can no longer be qualified as an effective hedging instrument, the portion of the “Cash Flow Reserve” representative of the fair value changes of the instrument, up to that moment recorded, is maintained as a component of shareholders’ equity and reversed to the income statement following the classification approach described above, at the same time as the manifestation of the transactions originally hedged.

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

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

Minority Interest

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

Description of Income and Expenditure Items

Income. Our income comprises turnover, other operating income and other income. We derive our turnover from contracting income, toll proceeds, annuity income and revenue from project operations. Other operating income consists of fees, insurance claims received and others. Our other income consists of dividend income, profit on sale of assets, profit on sale of investments and miscellaneous income.

Expenditure. Our expenditure consists of expenditure on contract and direct costs, establishment expenses, finance costs, depreciation and amortization of goodwill.

Expenditure on Contracts/Direct Costs. Our expenditure on contracts and direct costs consist of purchases of materials, sub contract expenses, site personnel expenses, power and fuel, insurance, operation and maintenance expenses, sales tax, service tax and sundry expenses.

Establishment Expenses. Establishment expenses include primarily salaries (including provision for commission and bonus), contribution to employees provident fund, ESIS and other funds, insurance, traveling leave passage and motor car expenses, exchange loss and other miscellaneous expenses.

Finance costs. Finance costs include interest paid on fixed period loans, other loans, provision for marked to market loss and other finance charges.

Depreciation. Depreciation expenses incurred by us result from the depreciation of buildings, plants and machinery, furniture, fixtures, motor vehicles, computers, office equipment and certain other items.

Share of Loss in Associates. Share of loss in associates reflects the share of loss being accounted in relation to loss incurred by associate companies in accordance with equity method of accounting prescribed by “Accounting Standard –23, Accounting for Investments in Associates in Consolidated Financial Statements” issued by Institute of Chartered Accountants of India.

Minority Interest. Minority Interest indicates profits / losses transferred to minority shareholders in accordance with their equity shareholding in our Subsidiaries.

Taxation. We provide for current taxes, comprising of income tax and wealth tax, fringe benefit tax and deferred taxes. Tax on income for the current period is determined on the basis of estimated taxable income

and tax credit, if any, and computed in accordance with the provisions of applicable law. Deferred tax arises mainly due to the timing differences between accounting income and the estimated taxable income for the period and is quantified using the tax rates and laws enacted or substantially enacted as on the relevant balance sheet date. Our deferred tax liability is recognized net of deferred tax assets, if any.

Our Results of Operations

The table below summarizes our results of operations, the components of which are also expressed as a percentage of our total income, for the periods indicated:

	Year ended March 31,					
	2009		2008		2007	
	Amount (Rs. in millions)	% of total gross sales	Amount (Rs. in millions)	% of total gross sales	Amount (Rs. in millions)	% of total gross sales
INCOME						
Sales/Turnover	52,121.81	100.00	26,434.56	100.00	23,564.75	100.00
Less: Excise Duty	459.96	0.88	---	---	---	---
	51,661.85	99.12	26,434.56	100.00	23,564.75	100.00
Other Operating Income	538.05	1.03	53.97	0.20	71.00	0.30
Other Income	588.18	1.13	102.85	0.39	43.95	0.19
	52,788.08	101.28	26,591.38	100.59	23,679.70	100.49
EXPENDITURE						
Expenditure on Contracts / Direct Costs	43,895.42	84.22	22,334.65	84.49	20,175.78	85.62
Establishment Expenses ...	3,527.71	6.77	1,095.37	4.14	631.00	2.68
Financial Costs (Net).....	2,414.51	4.63	970.24	3.67	632.36	2.68
Depreciation.....	1,439.07	2.76	883.17	3.34	778.39	3.30
Goodwill Amortized.....	---	---	---	---	20.72	0.09
	51,276.71	98.38	25,283.43	95.65	22,238.25	94.37
PROFIT BEFORE TAX & SHARE IN ASSOCIATES	1,511.37	2.90	1,307.95	4.95	1,441.45	6.12
Add : Share of Profit/(Loss) in Associates.....	(18.66)	(0.04)	151.04	0.57	129.89	0.55
PROFIT BEFORE TAX & AFTER SHARE IN ASSOCIATES	1,492.71	2.86	1,458.99	5.52	1,571.34	6.67
Provision for Taxation :						
- Current	850.43	1.63	593.39	2.24	496.09	2.11
- Deferred	(34.67)	(0.07)	33.15	0.13	67.39	0.29
- Fringe Benefit Tax	28.53	0.05	17.80	0.07	12.61	0.05
	844.29	1.62	644.35	2.44	576.09	2.44
PROFIT AFTER TAX	648.42	1.24	814.64	3.08	995.25	4.22
Add/(Less)						
Transferred to Minority Interest.....	(139.11)	(0.27)	(79.72)	(0.30)	(76.60)	(0.33)
(Short)/Excess provision for taxation for earlier years	8.66	0.02	(22.37)	(0.08)	(564.73)	(2.40)
Prior Period Adjustments	45.19	0.09	0.35	0.00	(3.27)	(0.01)
NET PROFIT AFTER PRIOR YEAR TAX CHARGE	563.16	1.08	712.90	2.70	350.65	1.49

Year Ended March 31, 2009 compared to Year Ended March 31, 2008

Income. Our total income increased by 98.52% to Rs.52,788.08 million for the year ended March 31, 2009 from Rs.26,591.38 million for the year ended March 31, 2008.

Sales and Turnover. Our turnover increased by 97.17% to Rs.52,121.81 million for the year ended March 31, 2009 from Rs.26,434.56 million for the year ended March 31, 2008. The increase was primarily attributable to the amalgamation of ATSL with our Company and the contribution of our overseas acquisitions.

Other Operating Income. Our other operating income increased by 896.94% to Rs.538.05 million for the year ended March 31, 2009 from Rs.53.97 million for the year ended March 31, 2008. The increase was primarily attributable to the amalgamation of ATSL with our Company and the contribution of our overseas acquisitions.

Other Income. Our other income increased by 471.89% to Rs.588.18 million for the year ended March 31, 2009 from Rs.102.85 million for the year ended March 31, 2008. This was primarily attributable to a significant increase in profit on sale of investments to Rs.441.34 million for the year ended March 31, 2009 from Rs.45.19 million for the year ended March 31, 2008 and an increase in dividend income to Rs.107.62 million for the year ended March 31, 2009 from Rs.5.71 million for the year ended March 31, 2008 due to increased dividend income from group companies from their investments.

Expenditure. Our total expenditure increased by 102.81% to Rs.51,276.71 million for the year ended March 31, 2009 from Rs.25,283.43 million for the year ended March 31, 2008.

Expenditure on Contracts and Direct Costs. Our expenditure on contracts and direct costs increased by 96.54% to Rs. 43,895.42 million for the year ended March 31, 2009 from Rs.22,334.65 million for the year ended March 31, 2008. The increase was primarily attributable to the amalgamation of ATSL with our Company and overseas acquisitions, which led to increased consumption of material by 200.03% to Rs.24,333.43 million for the year ended March 31, 2009 from Rs.8,110.20 million for the year ended March 31, 2008. Similarly there was increase in subcontracting expenses & other cost of 31.75% to Rs.16,752.90 million for the year ended March 31, 2009 from Rs.12,715.72 million for the year ended March 31, 2008. As a percentage of our total gross sales, our expenditure on contracts and direct costs decreased slightly to 84.22% for the year ended March 31, 2009 from 84.49% for the year ended March 31, 2008.

Establishment Expenses. Our establishment expenses increased by 222.06% to Rs.3,527.71 million for the year ended March 31, 2009 from Rs.1,095.37 million for the year ended March 31, 2008. This increase was primarily attributable to the increase in salaries (including provision for commission and bonus) by 353.74% to Rs.1,694.44 million for the year ended March 31, 2009 from Rs.373.44 million for the year ended March 31, 2008, the increase in contribution to employees provident fund, ESIS and other funds by 729.72% to Rs.306.50 million for the year ended March 31, 2009 from Rs.36.94 million for the year ended March 31, 2008 and the increase in professional fees by 250.08% to Rs.377.35 million for the year ended March 31, 2009 from Rs.107.79 million for the year ended March 31, 2008. As a percentage of our total gross sales, our establishment expenses increased to 6.77% for the year ended March 31, 2009 from 4.14% for the year ended March 31, 2008.

Financial Costs. Our financial costs increased by 148.86% to Rs.2,414.51 million for the year ended March 31, 2009 from Rs.970.24 million for the year ended March 31, 2008. Interest paid on other loans increased by 320.53% to Rs.1,655.42 million for the year ended March 31, 2009 from Rs.393.65 million for the year ended March 31, 2008. Interest paid on fixed period loans increased by 23.82% to Rs.843.27 million for the year ended March 31, 2009 from Rs.681.02 million for the year ended March 31, 2008. Interest paid on other finance charges increased by 133.22% to Rs.242.34 million for the year ended March 31, 2009 from Rs.103.91 million for the year ended March 31, 2008. As a percentage of our total gross sales, our financial costs increased to 4.63% for the year ended March 31, 2009 from 3.67% for the year ended March 31, 2008.

Depreciation.. Depreciation costs increased by 62.94% to Rs.1,439.07 million for the year ended March 31, 2009 from Rs.883.17 million for the year ended March 31, 2008, as a result of an increase in our fixed assets to Rs.36,827.37 million as of March 31, 2009 from Rs.16,645.08 million as of March 31, 2008. As a percentage of our total gross sales, our depreciation costs decreased to 2.76% for the year ended March 31, 2009 from 3.34% for the year ended March 31, 2008.

Share of Profits/(Loss) in Associates. Our share of loss in associates was Rs.18.66 million for the year ended March 31, 2009, as compared to share of profit of Rs.151.04 million for the year ended March 31, 2008. This was due to ATSL being amalgamated this year .

Taxation. Our provision for taxation increased by 31.03% to Rs.844.29 million for the year ended March 31, 2009 from Rs.644.35 million for the year ended March 2008. This change was primarily due to the amalgamation of ATSL with our Company and overseas acquisitions.

Profit After Tax. Our profit after tax decreased by 20.40% to Rs.648.42 million for the year ended March 31, 2009 from Rs.814.64 million for the year ended March 31, 2008.

Minority interest. Profit after tax attributable to minority interest increased by 74.49% to Rs.139.11 million for the year ended March 31, 2009 from Rs.79.72 million for the year ended March 31, 2008. This minority interest represents the shareholdings of other shareholders in our subsidiary companies. The increase is mainly attributable to the increase in net profit of GIPL and other factors, including an increase in the number of subsidiaries, which were not wholly owned by us, from 10 as of March 31, 2008 to 14 as of March 31, 2009.

Net profit After Prior Year Tax Charge. Our net profit after prior year tax charge decreased by 21.00% to Rs.563.16 million for the year ended March 31, 2009 from Rs.712.90 million for the year ended March 31, 2008.

Year Ended March 31, 2008 compared to Year Ended March 31, 2007

Income. Our total income increased by 12.30% to Rs.26,591.38 million for the year ended March 31, 2008 from Rs.23,679.70 million for the year ended March 31, 2007.

Sales and Turnover. Our turnover increased by 12.18% to Rs.26,434.56 million for the year ended March 31, 2008 from Rs.23,564.75 million for the year ended March 31, 2007. The increase was primarily attributable to better performance in our EPC and construction business.

Other Operating Income. Our other operating income decreased by 23.98% to Rs.53.97 million for the year ended March 31, 2008 from Rs.71.00 million for the year ended March 31, 2007.

Other Income. Our other income increased by 134.01% to Rs.102.85 million for the year ended March 31, 2008 from Rs.43.95 million for the year ended 2007. This was primarily attributable to an increase in profit on sale of investments to Rs.45.19 million for the year ended March 31, 2008 from Rs.10.08 million for the year ended March 31, 2008 and an increase in miscellaneous income to Rs.51.95 million for the year ended March 31, 2008 from Rs.23.98 million for the year ended March 31, 2007.

Expenditure. Our total expenditure increased by 13.69% to Rs.25,283.43 million for the year ended March 31, 2008 from Rs.22,238.25 million for the year ended March 31, 2007.

Expenditure on Contracts and Direct Costs. Our expenditure on contracts and direct costs increased by 10.70% to Rs.22,334.65 million for the year ended March 31, 2008 from Rs.20,175.78 million for the year ended March 31, 2007. The increase in operational expenditure on contracts and direct costs was primarily attributable to increase in subcontracting expenses and other cost by 22.97% to Rs.12,715.72 million for the year ended March 31, 2008 from Rs.10,340.37 million for the year ended March 31, 2007 partly compensated by decrease in consumption of material by 12.09% to Rs. 8,110.20 million for the year ended March 31, 2008 from Rs. 9,225.36 million for the year ended March 31, 2007. As a percentage of our total gross sales, our expenditure on contracts and direct costs decreased slightly to 84.49% for the year ended March 31, 2008 from 85.62% for the year ended March 31, 2007.

Establishment Expenses. Our establishment expenses increased by 73.59% to Rs.1,095.37 million for the year ended March 31, 2008 from Rs.631.00 million for the year ended March 31, 2007. This increase was primarily attributable to the agency commission of Rs.136.08 million for the year ended March 31, 2008 as compared to nil for the year ended March 31, 2007, the increase in exchange loss to Rs.124.55 million for the year ended March 31, 2008 from Rs.2.93 million for the year ended March 31, 2007 and the increase in salaries (including provision for commission and bonus) to Rs.373.44 million for the year ended March 31, 2008 from Rs.264.48 million for the year ended March 31, 2007. As a percentage of our total income, our establishment expenses increased to 4.14% for the year ended March 31, 2008 from 2.68% for the year ended March 31, 2007.

Financial Costs. Our financial costs increased by 53.43% to Rs.970.24 million for the year ended March 31, 2008 from Rs.632.36 million for the year ended March 31, 2007. Interest paid on other loans increased by 33.99% to Rs.393.65 million for the year ended March 31, 2008 from Rs.293.78 million for the year ended March 31, 2007. Interest paid on fixed period loans increased by 6.24% to Rs.681.02 million for the year ended March 31, 2008 from Rs.641.00 million for the year ended March 31, 2007. In addition, we

recognized provision for marked to market loss of Rs.46.04 million for the year ended March 31, 2008 as compared to nil for the year ended March 31, 2007. As a percentage of our total gross sales, our financial costs increased to 3.67% for the year ended March 31, 2008 from 2.68% for the year ended March 31, 2007.

Depreciation. Depreciation costs increased by 13.46% to Rs.883.17 million for the year ended March 31, 2008 from Rs.778.39 million for the year ended March 31, 2007, as a result of an increase in our fixed assets to Rs.16,645.08 million as of March 31, 2008 from Rs.15,139.24 million as of March 31, 2007. As a percentage of our total gross sales, our depreciation costs increased to 3.34% for the year ended March 31, 2008 from 3.30% for the year ended March 31, 2007.

Goodwill Amortized. We recognized goodwill amortized of Rs.20.72 million for the year ended March 31, 2007, as compared to nil for the year ended March 31, 2008, due to change in the method of amortizing goodwill by following extant accounting standards and generally accepted accounting principles followed. The management has reviewed any possible impairment and has concluded that there is no impairment in the goodwill on acquisition of shares.

Share of Profits/(Loss) in Associates. Our share of profit in associates increased by 16.29% to Rs.151.04 million for the year ended March 31, 2008 from Rs.129.89 million for the year ended March 31, 2007. This was due to better performance shown by ATSL during this period .

Taxation. Our provision for taxation increased by 11.85% to Rs.644.35 million for the year ended March 31, 2008 from Rs.576.09 million for the year ended March 31, 2007. This change was primarily due to increase in taxable income.

Profit After Tax. Our profit after tax decreased by 18.15% to Rs.814.64 million for the year ended March 31, 2008 from Rs.995.25 million for the year ended March 31, 2007.

Minority interest. Profit after tax attributable to minority interest increased by 4.07% to Rs.79.72 million for the year ended March 31, 2008 from Rs.76.60 million for the year ended March 31, 2007. This minority interest represents the shareholdings of other shareholders in our subsidiaries. The increase is mainly attributable to the further issue of capital by our subsidiary, GIPL, which reduced our shareholding from 82.50% to 76.15% and other factors, including an increase in the number of subsidiaries, which were not wholly owned by us, from nine as of March 31, 2007 to 10 as of March 31, 2008.

Net profit After Prior Year Tax Charge. Our net profit after prior year tax charge increased by 103.30% to Rs.712.90 million for the year ended March 31, 2008 from Rs.350.65 million for the year ended March 31, 2007.

Financial Condition, Liquidity and Capital Resources

Cash Flows

The table below summarizes our cash flows on a consolidated basis for the period indicated:

	<i>(Rs. in millions)</i>		
	For the year ended March 31		
	2009	2008	2007
Net cash generated from/(used in) operating activities	2,471.12	2,149.94	(1,303.62)
Net cash used in investment activities.....	(11,270.21)	(5,759.81)	(3,021.10)
Net cash generated from/(used in) financing activities.....	11,081.84	4,944.78	3,636.90
Net increase/(decrease) in cash and cash equivalents	2,282.75	1,334.91	(687.82)

Operating Activities

Our net cash generated from operating activities for the year ended March 31, 2009 was Rs.2,471.12 million, consisting of operating profit before working capital changes of Rs.5,093.23 million, increased primarily by net trade payables and working capital finances of Rs.9,005.68 million, and decreased primarily by inventories of Rs.6,366.47 million, loan and advances of Rs.1,863.95 million, tax expenses paid of Rs.1,737.44 million, trade and other receivables of Rs.1,648.62 million.

Our net cash generated from operating activities for the year ended March 31, 2008 was Rs.2,149.94 million, consisting of operating profit before working capital changes of Rs.3,138.82 million, increased

primarily by trade payables and working capital finances of Rs.1,897.54 million, and loan and advances of Rs.785.63 million and decreased primarily by trade and other receivables of Rs.1,859.86 million, tax expenses paid of Rs.1,282.76 million and inventories of Rs.528.35 million.

Our net cash used in operating activities for the year ended March 31, 2007 was Rs.1,303.62 million, consisting of operating profit before working capital changes of Rs.2,888.87 million, increased primarily by trade payables and working capital finances of Rs.710.80 million and decreased primarily by loan and advances of Rs.1,690.00 million, inventories of Rs.1,561.70 million, trade and other receivables of Rs.1,252.00 million and tax expenses paid of Rs.388.80 million.

Investment Activities

Net cash used in investing activities for the year ended March 31, 2009 was Rs.11,270.21 million, primarily as a result of purchases of investments in mutual funds, structured products and deposits of Rs.20,185.81 million, purchases of fixed assets of Rs.10,447.78 million and goodwill on acquisition of Rs.5,606.54 million, partially offset by sale of investments in mutual funds and deposits of Rs.21,141.49 million, cash and bank balances taken over pursuant to amalgamation of Rs.3,431.23 million, interest received of Rs.276.77 million and dividend received of Rs.107.62 million.

Net cash used in investing activities for the year ended March 31, 2008 was Rs.5,759.81 million, primarily as a result of purchases of investments in others of Rs.7,461.36 million, purchases of fixed assets of Rs.4,543.24 million and goodwill on acquisition of Rs.582.12 million, partially offset by sale of investments in mutual funds and deposits of Rs.6,580.28 million and interest received of Rs.259.47 million.

Net cash used in investing activities for the year ended March 31, 2007 was Rs.3,021.10 million, primarily as a result of purchases of fixed assets of Rs.3,234.80 million, purchases of investments in others of Rs.2,679.30 million and purchases of investments in mutual funds and deposits of Rs.216.60 million, partially offset by sale of investments in mutual funds and deposits of Rs.2,686.80 million and interest received of Rs.317.60 million.

Financing Activities

Net cash generated from financing activities for the year ended March 31, 2009 was Rs.11,081.83 million, consisting primarily of the proceeds of borrowings amounting to Rs.13,056.67 million, grant received of Rs.332.38 million and minority interest contribution of Rs.103.43 million, security premium money of Rs.264.27 million, decreased primarily by interest payments of Rs.2,615.88 million.

Net cash generated from financing activities for the year ended March 31, 2008 was Rs.4,944.81 million, consisting primarily of the proceeds of borrowings amounting to Rs.4,104.68 million and securities premium money of Rs.1,509.58 million and minority interest contribution of Rs.618.27 million, decreased primarily by interest payments of Rs.1,194.90 million.

Net cash generated from financing activities for the year ended March 31, 2007 was Rs.3,636.90 million, consisting primarily of the proceeds of borrowings amounting to Rs.4,639.10 million, decreased primarily by interest payments of Rs.1,023.00 million.

Our Indebtedness

The following table summarizes our secured and unsecured indebtedness on a consolidated basis as of March 31, 2009:

	Type of Indebtedness	Outstanding as of March 31, 2009 (Rs. in millions)
A)	Secured Loans	
	Non convertible debentures placed with banks and financial institutions	2,260.00
	Working capital loan from banks	232.10
	Term loans from banks	8,763.60
	Project loans – public private partnership projects SPVs	13,352.50

Type of Indebtedness	Outstanding as of March 31, 2009 (Rs. in millions)
<i>Subtotal</i>	24,608.20
B) Unsecured Loans	
Short term loans from banks	14,424.35
Other loans:	
- From banks	1,775.30
- From others	2,465.65
	<u>4,240.95</u>
<i>Subtotal</i>	18,665.30
Total	43,273.50

In addition, as of March 31, 2009, our guarantees given to banks and financial institutions were Rs.57,058.00 million.

Capital Expenditures

We incurred Rs.2,160.40 million on capital expenditure for the year ended March 31, 2009, primarily on additional plant and machinery of Rs.1,620.00 million.

We believe that we will have sufficient capital resources from our operations, net proceeds of this Issue and other financings from banks, financial institutions and other lenders to meet our capital requirements for at least the next 12 months.

Contingent Liabilities

From time to time, we grant security over certain of our assets as collateral guarantees as well as issue corporate guarantees in respect of debt incurred by us. In addition, we also provide bank guarantees in respect of our obligations under various contracts and have pledged our shares in our subsidiaries or SPVs as security. As of March 31, 2009, we had contingent liabilities, on a consolidated basis, of Rs. 87,347.47 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, derivative instruments or other relationships with unconsolidated entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

Transactions with Related Parties

We have engaged in the past, and may engage in the future, in transactions with related parties, including with our subsidiaries and our affiliates on an arm's lengths basis. Such transactions could be for provision of services, lease of assets or property, sale or purchase of equity shares or entail incurrence of indebtedness. For details of our related party transactions, see note B-34 to our audited consolidated financial statements.

Unusual or Infrequent Events or Transactions

Except as described elsewhere in the Preliminary Placement Document, there have been no events or transactions to our knowledge which may be described as "unusual" or "infrequent".

Quantitative and Qualitative Disclosure about Market Risk

Commodity Price Risk

We are exposed to market risk with respect to material and components used in our projects. These commodities include steel, cement, and other direct and indirect materials. The costs for these raw materials

and components are fluctuating based on commodity prices. The costs of components sourced from outside manufacturers may also fluctuate based on their availability from suppliers. However, most of projects' contracts contain an escalation clause with the client for the variation in price and to that extent our commodity price risk is mitigated.

Credit Risk

Our clients which pays us a fixed annuity at pre-determined intervals may default on their payment obligations to us. This could have an adverse effect on our results of operations.

Exchange Risk

We face exchange rate risk to the extent that our expenses and debt repayments are denominated in currencies other than Indian rupees. Please refer to note B-19 to our audited consolidated financial statements for details on our exchange risk.

Interest Rate Risk

Our financial results are subject to changes in interest rates, which may affect our debt service obligations and our access to funds. As of March 31, 2009, an outstanding amount of Rs.15,986.48 million, or approximately 36.94% of the our consolidated borrowings (including subordinated debt) was on a floating rate basis and linked to BPLR. In addition, as of March 31, 2009, an outstanding amount of Rs.13,360.34 million, or approximately 30.87% of our consolidated borrowings (including subordinated debt), carried interest at fixed rates with the provision for periodic reset (every once in two or three years) of interest rates.

Our floating rate loans are dependent upon the RBI policy, market conditions and liquidity position in the system. Any increase in BPLR could increase our interest costs on these loans.

Inflation Risk

Although India has experienced significant inflation in recent years, this has not had any material impact on our business and results of operations. The Government has initiated several economic measures to curb the rise in inflation rates, but it is unclear at this stage whether these measures will have the desired effect. This rise in inflation rates in recent years may adversely affect growth in the Indian economy and our results of operations.

INDUSTRY OVERVIEW

The information in this section is derived from various government publications, publicly available information and industry sources. Neither we nor any other person connected with the Placement have verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information.

Overview of the Indian Economy

India is the world's largest democracy by population size, and one of the fastest growing economies in the world and has grown at an average rate of 8.20% per annum during the last three years. According to CIA World Factbook, India's estimated population was 1.16 billion people as of July 2009. India had a GDP on a purchasing power parity basis estimated at approximately US\$3,267.00 billion in 2008, which makes it the fourth largest economy in the world after the United States of America, China and Japan in purchasing power parity terms. Per capita GDP in current prices in India has grown from Rs.7,170.00 for the 1991 calendar year at the time of liberalization to Rs.44,231.00 for the 2008 calendar year. The following table presents a comparison of India's real GDP growth rate with the real GDP growth rate of certain other countries.

Countries*	2006	2007	2008
Australia	2.90%	4.00%	2.20%
Brazil	4.00%	5.40%	5.20%
China	11.60%	13.00%	9.80%
India	9.60%	9.00%	6.60%
Japan	2.40%	1.50%	-0.40%
South Korea	5.10%	5.00%	2.50%
Malaysia	5.80%	6.30%	5.10%
Russia	7.70%	8.10%	6.00%
Thailand	5.20%	4.90%	3.60%
United Kingdom	2.80%	3.00%	0.70%
United States	2.80%	2.00%	1.30%

* Represents calendar year growth rates

Source: CIA World Factbook

Indian Infrastructure : Government Initiatives

The Central and State Governments of India are focusing on establishing an appropriate policy framework for the infrastructure sector which provides the private sector with incentives to make large-scale investments, at the same time preserving adequate checks and balances through transparency, competition and regulation. There has been a shift towards financing of infrastructure development to the private sector, primarily through Public Private Partnerships ("PPPs"), which are based on a partnership between the public and the private sectors for the purpose of delivering a project or service traditionally provided by the public sector. PPPs are designed to mobilise financial resources and realise benefits from private sector efficiencies to meet the growing demand for infrastructure services. The formation of a stable government in the centre is expected to result in a boost to the infrastructure sector in India. The initiatives undertaken in the Union Budget for fiscal 2010 as regards infrastructure sector is a positive step in that direction. Recently in order to give a push to economic activity, the government constituted the Cabinet Committee on Infrastructure (CCI) to fast-track the implementation of the infrastructure sector projects and monitor their performance. The 12-member committee will be headed by the Prime Minister. The functions of the Cabinet Committee on Infrastructure will be to consider and take decisions in respect of all infrastructure related proposals costing over Rs 150 crore specifically those concerning Energy, Railways, Roads and National Highways, Ports, Airports, Telecommunications, Information Technology, Irrigation, Housing and Urban Development with particular emphasis on rural housing and urban slum clearance.

The government agencies with responsibilities for different infrastructure sectors include the National Highways Authority of India ("NHAI"), National Thermal Power Corporation, the National Hydro Power Corporation and the Power Grid Corporation of India Limited ("PGCIL"), ONGC, GAIL, Port Authorities, Central Water Commission, Indian Railways, IOL/ HPCL/ BPCL, NPCIL/ BARC, State Level Urban

Development Authorities, Metro Rail Corporations amongst others. These agencies' investment budgets are included in the Government's Five-Year Plans. The Five-Year Plans are a key tool of the Government in its economic planning. The plans are developed, executed and monitored by the Indian Planning Commission. The 10th Five-Year Plan (the "10th Five-Year Plan") related to the period from 2002 to 2007. The 11th Five-Year Plan (the "11th Five-Year Plan") relates to the period from 2007 to 2012. The following table sets forth the planned levels of infrastructure and construction investment in various sectors under the 10th and 11th Five-Year Plans during the respective periods:

Sector-wise Investment Anticipated in the Tenth Plan and Projected for the Eleventh Plan

Sectors	(Rs crore at 2006-07 price)					
	Tenth Plan (Anticipated investment)			Eleventh Plan (Projected investment)		
	Rs crore	US\$ billion @ Rs 40/\$	Shares (%)	Rs crore	US\$ billion @ Rs 40/\$	Shares (%)
Electricity (incl. NCE)	291850	72.96	33.49	666525	166.63	32.42
Roads and Bridges	144892	36.22	16.63	314152	78.54	15.28
Telecommunication	103365	25.84	11.86	258439	64.61	12.57
Railways (incl. MRTS)	119658	29.91	13.73	261808	65.45	12.73
Irrigation (incl. Watershed)	111503	27.88	12.80	253301	63.32	12.32
Water Supply and Sanitation	64803	16.20	7.44	143730	35.93	6.99
Ports	14071	3.52	1.61	87995	22.00	4.28
Airports	6771	1.69	0.78	30968	7.74	1.51
Storage	4819	1.20	0.55	22378	5.59	1.09
Gas	9713	2.43	1.11	16855	4.21	0.82
Total (Rs crore)	871445	217.86	100.00	2056150	514.04	100.00

(Source: Planning Commission, XI 5-Year plan)

Funded Infrastructure Development

Many construction projects in India are funded by the Government, state government or by governmental organizations. Projects commonly developed through this development model include irrigation systems, electrification and highways. Contracts are entered into for the construction and operation of the projects being developed. Funded construction projects typically fall into one or more combinations of the following categories:

- Lump sum or turnkey contract, which provides for a single price for the total amount of work, subject to variations pursuant to changes in the client's project requirements. The client supplies all the information relating to the project, including designs and drawings. Based on such information, contractors are required to estimate the quantities of various items, such as raw materials, and the amount of work that would be needed to complete the project, and then prepare a bill of quantities ("BOQ") to arrive at the price to be quoted.
- Item rate contract, which is a contract in which the price of each item is presented in a BOQ furnished by the client. In item rate contracts the client supplies all the information, including the design, drawings and a BOQ.
- Percentage rate contract requires a contractor to quote a percentage above, below or at par with the estimated cost furnished by the client. In percentage rate contracts, the client supplies all the information such as design, drawings and BOQ with the estimated rates for each item of the BOQ.

These contracts typically contain price variation or escalation clauses that provide for either reimbursement by the client in the event of a variation in the price of key raw materials, or a formula that links the escalation in amounts payable by the client to pre-defined price indices published periodically by RBI or the Government. In contracts that do not include such price variation or escalation clauses, the contractor faces the risk of the increase of prices of key raw materials and other inputs during the project execution period.

Public Private Partnership Model (PPP)

The following table shows the percentage of PPP model used in different sectors:



Source: Ministry of Finance

Guidelines for pre-qualification of bidders for PPP projects

One of the key factors that determines the success of a PPP project is the criteria for selection of the project sponsor, since such projects typically involve large capital investments for providing essential infrastructure services to users on a long term basis. A bidder lacking in sufficient technical and financial capacity can jeopardize the project whereas selection based on negotiations or inadequate competition can deprive the users of the assurance that they are paying a competitive price. A variety of technical, financial and other criteria are used by project authorities and in some cases technical proposals are also invited along with financial bids. Some of the qualification parameters are subjective and prone to disputes.

The Committee on Infrastructure (“CoI”) chaired by the Prime Minister constituted an inter-ministerial group to arrive at the guidelines to be laid down for pre-qualification and short-listing of applicants who should be invited to make financial offers. Following extensive consultations with stakeholders and experts, the group submitted its recommendations that were accepted by CoI and issued the guidelines. The guidelines include a model request for qualification (“RFQ”) document that ministries and autonomous bodies are expected to follow. The original guidelines were modified on May 18, 2009 to give effect of the feedback and experience that was witnessed during the last year.

Number of bidders to be pre-qualified

The number of bidders to be pre-qualified and short-listed for the final stage of bidding is carefully considered. On one hand, the number of bidders should be adequate to ensure real competition in bidding. On the other hand, a large number of short-listed bidders is viewed as a factor that dampens participation by serious bidders. For these reasons, the guidelines suggest approximately six pre-qualified bidders for projects costing Rs.5,000.00 million and more and seven pre-qualified bidders for projects costing less than Rs.5,000.00 million. The bidding authority reserves the right to increase the short-listed bidders to six, at its own discretion. In case short-listing is to be done for two or three projects at the same time, the number of short-listed bidders could be increased to seven and ten, respectively.

The Road Sector in India

The Indian road network, at approximately 3.32 million kilometers in length, is the second longest road network in the world after that of the United States of America. For the purpose of management and administration, roads in India are divided into the following categories: (1) “Expressways” which are intended to facilitate long distance inter-city/state passenger and freight traffic across the country at an average speed of at least 80 kilometers per hour, (2) “National Highways” which are intended to facilitate medium and long distance inter-city/state passenger and freight traffic across the country, (3) “State Highways” which are supposed to carry traffic along major centers within each state, (4) “Major District Roads” which have the secondary function of linking main roads with rural roads and (5) “Other District Roads” and “Village Roads” which provide villages accessibility to meet the social needs of such villages and also the means to transport agriculture produce from villages to nearby markets.

Indian Road Network	Kilometers (approximate)
Expressways	200
National highways	66,590
State highways	131,899
Major district highways	467,763

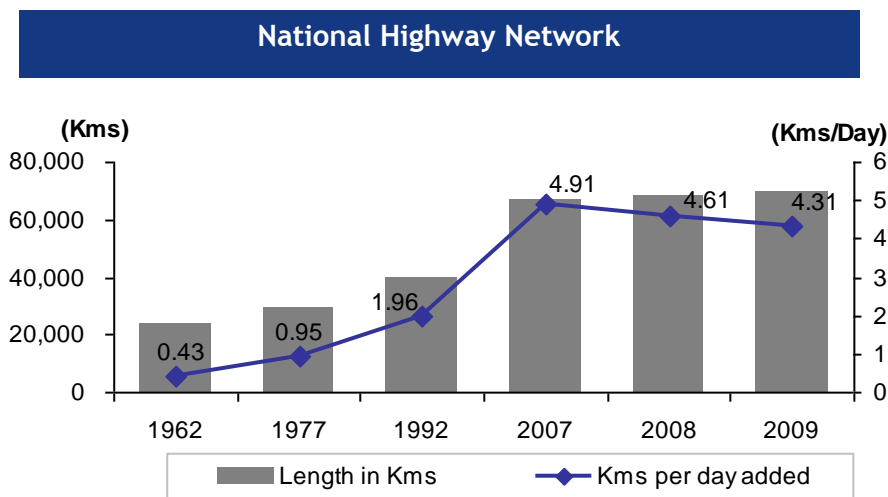
Indian Road Network	Kilometers (approximate)
Rural and other roads.....	2,650,000
Total length	3,320,000 (approximate)

Source: NHAI Website: www.nhai.org

Roads form the most common mode of transportation and are the main arteries for traveling across India. This share has improved significantly from 32.00% of passenger traffic and 12.00% of freight as of 1950-51. The National Highways, which account for less than 2.00% of the total road network in India, carry nearly 40.00% of the total road traffic. Vehicle numbers have been growing at an average of 10.20% per annum over the last five years. (Source: <http://nhai.org/roadnetwork.htm>)

Out of 66,590 kilometers of the National Highways network, only 10.00% of the total length consists of roads with at least four-lanes, 55.00% of the total length consists of roads with two-lanes and 35.00% of the total length consists of roads with a single/intermediate lane only. The need for expansion and improvement of roads in India is widely recognized due to the usage cost for vehicles (including fuel and maintenance) which is 20.00% higher on average than in most countries due to poor road conditions. In addition, the average distance covered on highways per day in India is significantly lower than in developed countries. A large number of traffic deaths each year are attributable to poor road conditions. (Source: <http://nhai.org/roadnetwork.htm>)

The following table shows the length of the National Highway network from 1962 to 2009:



Source: Planning Commission

Private participation for National Highway Development Projects

The National Highway Authority of India has offered projects on a BOT basis to developers to promote private investments in roads and highways. Under such contracts, the developer invests in building the road and maintaining it for up to 30 years, and then transfers it back to the NHAI at zero cost. A BOT project may be of one of the following three kinds:

Toll-based: The developer recovers its costs and earns its revenues by collecting tolls on the route. The developer takes the risk of traffic volume and toll rates and its returns are linked to such toll collections. The developer can either opt for a positive grant from NHAI (which is currently capped at up to 40.00% of project cost as estimated by NHAI) or bid for a negative grant. The bidding variable for such projects is the grant amount (either positive or negative).

Annuity: The developer receives periodic payments on a yearly or six-monthly basis from the Government, for a period of up to 15 years. The developer has to maintain the road for this period, and then transfer it to the Government at zero cost. In this system, the Government NHAI collects tolls and the contractor's returns are independent of traffic volumes or toll rates. The bidding variable for such projects is the amount of annuity quoted.

Grant: This variant is a hybrid of the toll-based and annuity systems: the Government pays a capital grant to make up for the difference between the BOT operator's return expectation and toll revenue. The grant is capped at 25.00% to 40.00% of the required funds, and may be either a one-time payment, or spread over a period of up to 10 years, depending on the project. The bidding variable for such projects is the amount of the capital grant. *Source:* <http://nhai.org/roadnetwork.htm>

Policy Initiatives for Attracting Private Investment

The Government has taken several initiatives to encourage private investment in roads. Some of the key initiatives are as follows:

- The Government to carry out initial preparatory work including land acquisition and utility removal. Rights of way to be made available to concessionaires free from all encumbrances.
- NHAI/Government may provide capital grant of up to 40.00% of the total project cost to enhance viability on a case to case basis.
- Tax benefits under Section 80 IA of the Income Tax Act, 1961.
- Concession periods are generally allowed up to a maximum of 30 years.
- Duty free import of specified modern high capacity equipment for highway construction.
- The Government has approved 100.00% foreign direct investments for road and highway construction through the automatic route.
- The Planning Commission, NHAI and Ministry of Road Transport and Highways have initiated steps to modify the draft concession agreement to mitigate the traffic risks of toll based projects – concession agreement will be extended or reduced based on actual traffic.

National Highways Development Programme (“NHDP”)

In 2000, the Government initiated the NHDP, in an effort to improve highway infrastructure. The two key arterial highway network upgrade programmes initiated in 2000 are now referred to as Phases I and II respectively. A summary of the current plan to improve the national highway or other road networks, as outlined in the Government's present first year performance review document is set out below:

Golden Quadrilateral: The Golden Quadrilateral is a project connecting four metro cities, with a total length of 5,846 kilometers. The total cost of the project is Rs.300.00 billion, funded largely by the Government's special petroleum product tax revenues and Government borrowings. Approximately 97.98% of the Golden Quadrilateral had been completed as of June 30, 2009.

North-South East-West Phases I & II: North-South and East-West corridors comprise national highways connecting four extreme points of the country. The total length of the network is over 7,300 kilometers. As of June 30, 2009, 3,762 kilometers of the project had been completed, while 2,648 kilometers remains under construction and 732 kilometers remain to be awarded.

Phase III A and B: The Government approved NHDP-III to upgrade 12,109 kilometers of national highways on a BOT basis, which takes into account high-density traffic, connectivity of state capitals via NHDP Phase I and II, and connectivity to centers of economic importance. As of June 30, 2009, 890 kilometers of the project had been completed, while 2,037 kilometers remains under construction and 9,181 kilometers remain to be awarded.

Phase IV: The Government is considering widening 20,000 kilometers of highway that are not part of Phase I, II, or III. Phase IV will convert existing single lane highways into two lanes with paved shoulders. The

plan will soon be presented to the Government for approval. The expected project cost for Phase IV is Rs.278,000.00 million.

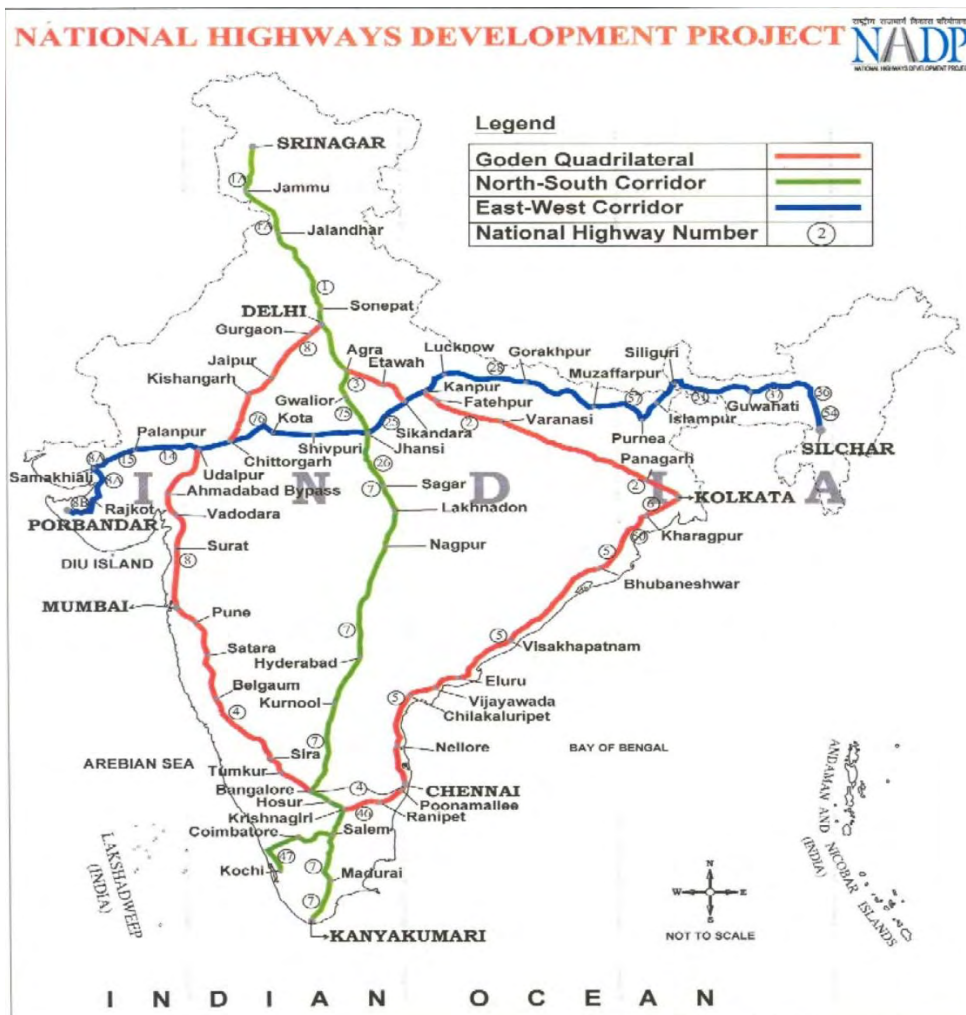
Phase V: As road traffic increases, a number of four-lane highways will need to be upgraded/expanded to six lanes. The current plan calls for upgrading about 6,500 kilometers of four-lane roads, along the Golden Quadrilateral on design build finance operate basis. As of June 30, 2009, 130 kilometers of the project had been completed, while 904 kilometers remains under construction and 5,466 kilometers remain to be awarded. The expected project cost for Phase V is Rs.412,100.00 million.

Phase VI: The Government is working on constructing expressways that would connect major commercial and industrial townships. It has already identified 1,000 km of the Baroda-Mumbai section that would be connected to the existing Baroda-Ahmedabad section in this phase. The expressways will be funded on BOT basis. In addition, the budget for the year ended March 31, 2008, stated that 1,000 kilometers of expressways would be executed under Phase VI and six high density corridors were identified for carrying out feasibility studies. The expected project cost for Phase VI is Rs.166,800.00 million.

Phase VII: This phase calls for improvements to city road networks by adding ring roads to enable easier connectivity with national highways to substantial cities. In addition, improvements will be made to stretches of national highways that require additional flyovers and bypasses given population and housing growth along the highways and increasing traffic. The expected project cost for Phase VII is Rs.166,800.00 million.

(Source: NHA Website <http://www.nhai.org>, Ministry of Road, Transport and Highways; National Portal of India Website <http://india.gov.in>)

National Highways Development Project Map



Source: NHAI Website <http://www.nhai.org>

The Port Sector in India

India has approximately 7,517 kilometers of coastline and is strategically located on major global maritime trade routes. (Source: Ministry of Shipping Annual Report 2007-2008) The Government controls 12 major ports, which in turn handle approximately 72.00% of India's port traffic. A number of minor state-owned ports and private sector ports handle the remaining traffic. The productivity of Indian ports has improved over the past five years, with a reduction in average pre-berth detention and turnaround time. However, it is still quite low by international standards mainly due to operational and labor inefficiencies and high tariff rates. India is expected to face port capacity constraints in the absence of major capacity additions. Traffic is expected to grow at approximately 10.00% per annum during the 11th Five-Year Plan with containerized cargo and coal being the fastest growing commodities. Most major ports are operating at more than or near saturation levels of their handling capacities, resulting in high pre-berthing detention and turn around time of vessels.

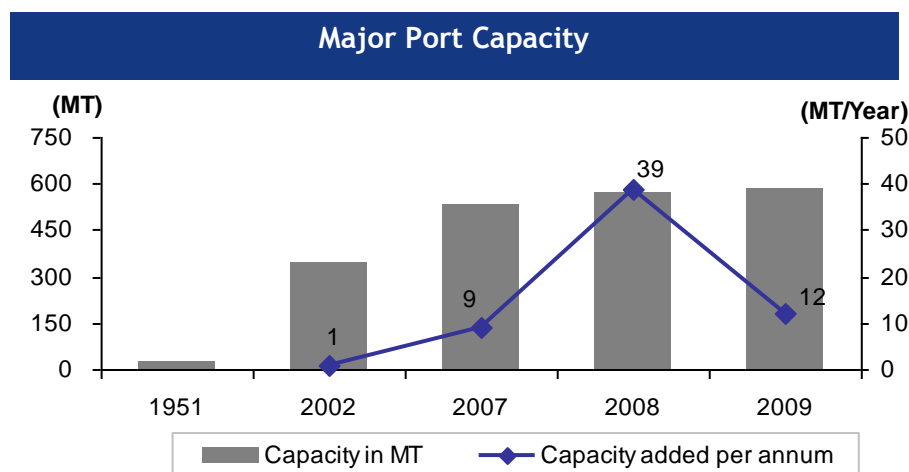
Considering the traffic growth and constraints ports face today, the Government announced plans to double the traffic handling capacity at major and minor ports, which is expected to entail an investment of Rs.913.30 billion by the year ended March 31, 2012.

Traffic in Million tones	Major ports	Minor ports	Total
Capacity Traffic (Fiscal 2009).....	509	228	737
Actual Traffic (Fiscal 2009).....	530	208	738
Capacity expected (Fiscal 2012)	1,002	574	1,576
Traffic expected (Fiscal 2012).....	708	350	1,058

Source: Department of Shipping

The National Maritime Development Programme (“NMDP”) is a comprehensive programme to develop, strengthen and rejuvenate the maritime activities in India and encompasses all related areas such as ports, shipping, dredging, inland transport and personnel management. The port sector projects under the NMDP will involve a total investment of approximately Rs.558,040.00 million. According to the Ministry of Shipping, Road Transport and Highway estimates, the traffic at ports in India is expected to increase to 1.1 billion metric tons by the year ended March 31, 2012 and 1.2 billion metric tons by the year ended March 31, 2014 compared with 738.0 million metric tons in the year ended March 31, 2009. According to the Ministry of Shipping, public investment will be primarily for common user infrastructure facilities in the ports such as deepening and maintenance of channels, construction of breakwaters and improving rail and road connections, whereas private investment will be in areas where operations are primarily commercial in nature such as construction, management and operation of berths/terminals in various ports. (Source: Press Information Bureau website <http://pib.nic.in/>, accessed August 7, 2009)

The following table shows the major port capacity from 1951 to 2009:



Source: Planning Commission

The Airports Sector in India

Indian air transport is one of the fastest growing markets in the world in both passenger and cargo traffic. Over the past 20 years, the amounts of domestic and international air traffic at Indian airports have increased at average rates of 5.40% and 5.70% per annum, respectively. However, for an economy of its size, use of air travel is extremely low. This is also reflected in the fact that Mumbai and Delhi airports are ranked only 80th and 109th (Ministry of Civil Aviation) in 2002, respectively, in the world instead of being considered among the world's largest.

Despite recent growth in air passenger traffic, India continues to have gross under penetration of air services with an average air travel of 0.014 trips per person per year as compared to an average of 2.02 trips per person per year in the United States in 2005. This signals the level of potential demand, which may be generated as the economy grows and air travel becomes more affordable for a larger population, which otherwise uses road or rail transports.

There are 449 airports and airstrips in India, including 17 international airports, nine custom airports, 79 domestic airports and 26 civil enclaves at defense airfields (excluding Bangalore, Goa and Srinagar).

Indian airports, in the year ended March 31, 2009, handled total passenger traffic of approximately 108 million passengers and approximately 1.69 million tons of cargo. Indian airports registered a 6.90% depletion in passenger traffic and a 1.00% depletion in cargo handled for the year ended March 31, 2009. (Source: <http://www.airportsindia.org.in/>)



Source: <http://www.airportsindia.org.in/>

In its report, "A Road Map for the Civil Aviation Sector", India's Ministry of Aviation acknowledged that the industry's development is hampered by outdated infrastructure, inadequate ground handling systems and night landing facilities, poor passenger amenities and the poor utilization of existing capacity (which is limited in any event). AAI has taken steps to invite both private and foreign entities to participate in the process of revitalizing the key existing gateways as well as in building new facilities in cities that are likely to increase traffic flow in the near future. Additionally, the Government has designated 30 smaller cities

around the country as candidates for potential modernization.

Urban Infrastructure in India

India's population grew to 1,028.50 million in 2001 from 238.40 million in 1901. The census conducted by the Government in 2001 shows that 21.80% of India's population live in urban areas, and between 1991 and 2001, the increase in urban population was 2.10%. (*Ministry of Urban Development website <http://www.urbanindia.nic.in>*) The increasing pressure of population on urban infrastructure makes it necessary to improve the urban civic services like drinking water supply, sewerage, solid waste management and urban transport. The urban infrastructure sector includes urban housing, sanitation, water supply and wastewater and sewage management, as well as desalination systems, software parks and special economic zones. The Government has launched two programmes to provide reform linked infrastructure facilities in the urban areas, i.e. (i) the Jawaharlal Nehru National Urban Renewal Mission ("JNNURM"), which covers 63 cities with population above one million (per the 2001 census); and (ii) Urban Infrastructure Development Scheme for the Small and Medium Towns ("UIDSSMT") which covers the remaining 5,098 towns identified in the 2001 census, irrespective of population size. JNNURM will be implemented over seven years from 2005 to 2012 with a tentative outlay of Rs.10,000,000.00 million, including a contribution of Rs.500,000.00 million by the states and urban local bodies. (*Source: Department of Drinking Water Supply website <http://www.ddws.nic.in>*)

Urban Water Supply

The Government launched the Accelerated Urban Water Supply Programme ("AUWSP") in March 1994 to provide financial support to the state governments and local bodies and to provide water supply facilities in towns having population less than 20,000 (as per 1991 census). Under the AUWSP, water supply schemes for 1,244 towns have been sanctioned at a cost of Rs.18,223.80 million and 639 schemes have been completed or commissioned. Since the year ended March 31, 2006, the AUWSP has been merged with the UIDSSMT. The coverage of urban population with water supply facilities has not been very impressive, due to various reasons, including inadequate investments in the urban water supply sector. The estimated outlay during the 10th Five-Year Plan was Rs.196,490.00 million only, as opposed to a projected requirement of Rs.282,400.00 million for achieving full population coverage with drinking water supply facilities in the 300 Class-I cities by the end of the year ended March 31, 2007.

Provision of water supply in urban areas has been under the responsibility of urban local bodies. Efforts to attract financing of water supply projects through PPP are ongoing, but so far have been implemented in limited cases. The Government sees PPP as an important method to leverage government investments and access private sector management efficiencies in this sector.

The estimated cost to provide 100.00% water supply accessibility to the entire urban population by end of the 11th Five-Year Plan in the year ended March 31, 2012 is Rs.536,660.00 million. Water supply and sanitation is expected to be given priority under the JNNURM and is likely to receive 40.00% of the approximately Rs.10,000,000.00 million allocated under that programme. (*Source: Department of Drinking Water Supply website <http://www.ddws.nic.in>*)

Rural Water Supply and Irrigation in India

The management of water resources in India is guided by the National Water Policy ("NWP"), which was adopted in 2002. The prioritization of water allocation under the NWP is broadly: (i) drinking water; (ii) irrigation; (iii) hydro-power; (iv) ecology; (v) agro-industries and non-agricultural industries; and (vi) navigation and other uses.

Rural Water Supply

The Government's major intervention in the rural water supply sector started in the year ended March 31, 1973 through the Accelerated Rural Water Supply Programme ("ARWSP") for assisting the states and union territories to accelerate the coverage of drinking water supply. In the calendar year 1999, the Department of Drinking Water Supply ("DDWS") was formed under the Ministry of Rural Development to give emphasis on rural water supply as well as on sanitation and new initiatives in the water sector.

An investment of about Rs.720,600.00 million has been made from the beginning of the planned period of development in rural water supply sector. During the 10th Five-Year Plan, the approved outlay for the ARWSP was Rs.132,450.00 million. During 10th Five-Year Plan, as part of the Bharat Nirman, an amount of Rs.161,030.00 million was made available to the various states by the end of March 2007. For the 11th Five-Year Plan, the Government aims to provide clean drinking water for all by 2009. The Government also aims to complete the mission of the Bharat Nirman to provide every habitation with a safe source of drinking water when the Bharat Nirman programme ends in the calendar year 2009.

Source: Department of Drinking Water Supply website <http://www.ddws.nic.in>

Irrigation

As of 2005, irrigation represents the main use of water, accounting for 84.00% of total water use in India. However, due to a growing population, the per capita availability of water is steadily decreasing, declining from 5,000 cubic meters per year in 1947-48 to approximately 2,000 cubic meters in 2005.

This decline, coupled with urbanization and industrialization, has raised concerns about the deteriorating quality of surface and ground water in India.

In order to enhance the quantity and quality of available water, significant investment is planned for irrigation purposes. Approximately Rs.2,533,000.00 million in construction investment is planned in the irrigation sector during the 11th Five-Year Plan, under which it is targeted to create 16.00 million hectares of irrigation potential. Irrigation projects, based on the nature of civil construction activity and usage, can be classified into:

- dam projects;
- lift irrigation projects;
- gravity irrigation projects; and
- small hydropower projects (10-20 MW capacity).

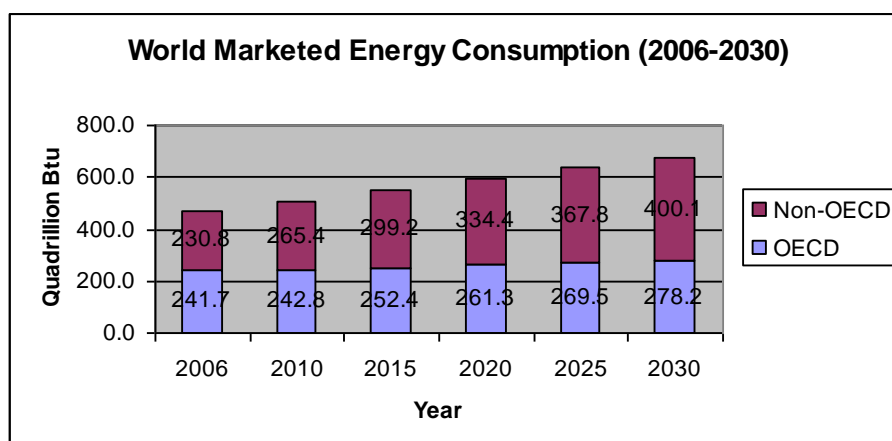
The growth in construction investment in the irrigation sector has been largely driven by:

- an increasing level of urbanization;
- proactive states and political interest; and
- improved credit ratings of a number of urban local authorities, allowing them to issue bonds.

Source: Central Public Health and Environmental Engineering Organisation

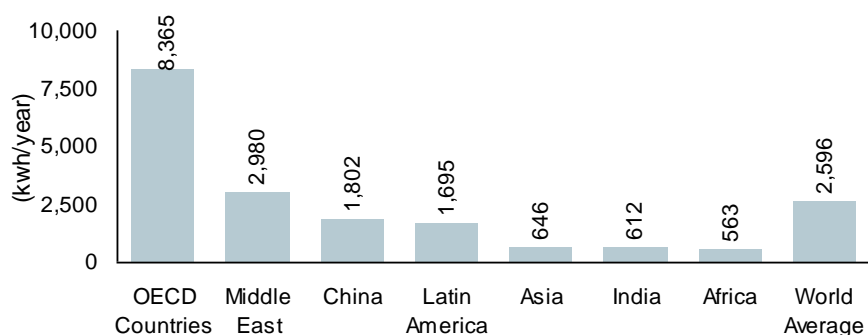
Power Sector: Global Overview

The projected rate of increase from 2006 to 2030 for the world marketed energy consumption is 44%. Total energy demand in the non-OECD countries is projected to increase by 73%, compared with an increase of 15% in the OECD countries. (Source : Energy Information Administration (December 2008)) The table below set forth the projected total energy use of OECD and non-OECD countries from 2006 to 2030:



Source: Energy Information Administration, International Energy Annual 2006 (December 2008)

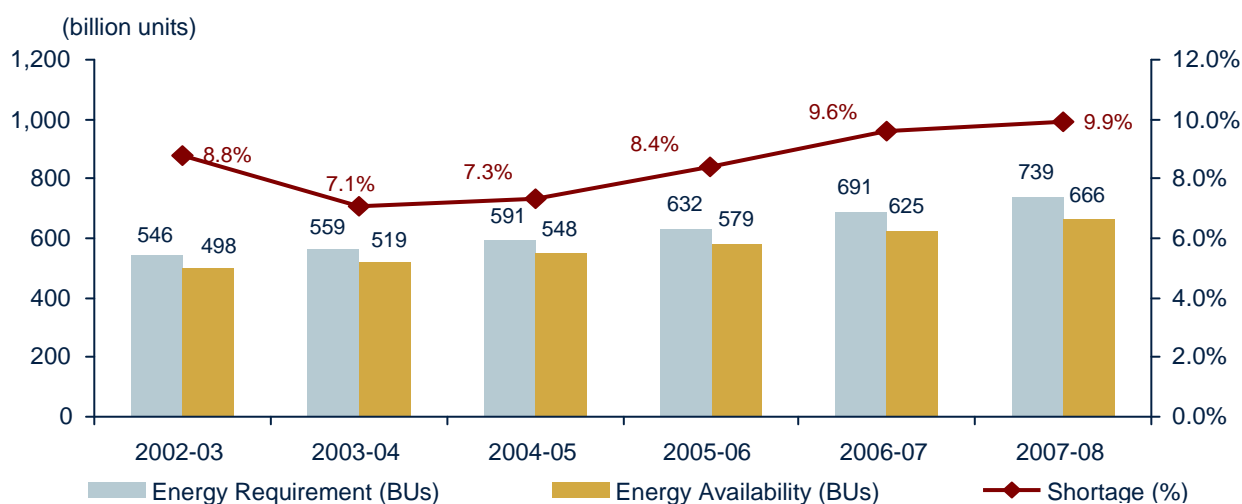
For 2006-2007, the world average per capita consumption of electricity was 2,596 Units per year, as compared with India with 612 Units per year, China with 1,802 Units per year and OECD countries with 8,365 Units per year. (Source: Ministry of Power, Key World Energy Statistics 2007) The table set forth below illustrates per capita consumption for 2007:



Source: CEA, Ministry of Power, Key World Energy Statistics 2007

Continued economic development, lifestyle changes and a growing population are increasing the demand for energy in developing countries like India and China. The current power supply position in these developing countries is often characterized by persistent shortages, unreliability and high prices for individual consumers.

The Government of India's stated mission is to provide 'Power for All' by 2012. Its objectives for power sector development include providing sufficient, reliable and inexpensive power. In 2007-2008, India experienced power shortages due to an energy deficit of 11.0%, with a peak deficit of 12.0%. There has been significant improvement in the growth in actual generation over the last few years. As compared to an annual growth rate of about 3.1% at the end of the 9th Five Year Plan and initial years of the 10th Five Year Plan, the growth in installed capacity during the 9th and 10th Five Year Plan was 22.0% and 26.0%, respectively. (Source: White Paper on Strategy for 11th Plan, prepared by the CEA and the Confederation of Indian Industry, August 2007) The table set forth below illustrates India's energy shortages since 2002:



Source: CEA, Ministry of Power

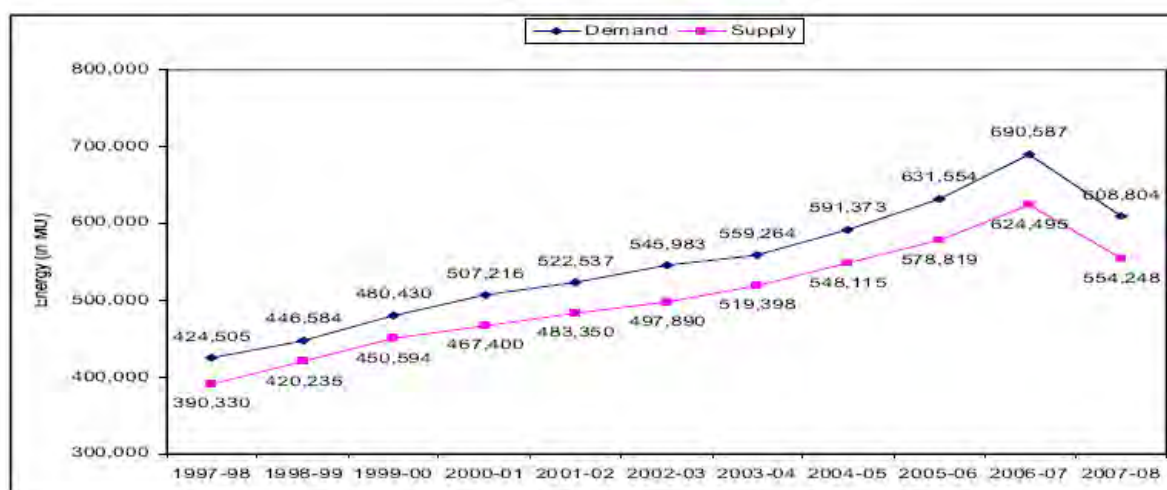
China's electricity consumption had constantly been growing at rate that was higher than the country's GDP growth each year between 2000 and 2007. For example, China's electricity consumption growth in 2007 was 14.4%, which was 2.2 percentage points higher than GDP growth for the same year. (Source: China Statistical Yearbook 2000-2008) The table below set for the electricity output, consumption and the annual growth rate of electricity consumption in China from 2000-2007:

	Electricity output	Electricity consumption	Electricity consumption growth rate
	(TWh)	(TWh)	(%)
2000	1,355.60	1,347.14	9.5
2001	1,471.66	1,463.35	9.3
2002	1,640.47	1,633.15	11.8
2003	1,910.58	1,903.16	15.6
2004	2,203.31	2,197.14	15.4
2005	2,500.26	2,494.04	13.5
2006	2,865.73	2,858.80	14.6
2007	3,281.55	3,271.18	14.4

Source: China Statistical Yearbook 2000-2008

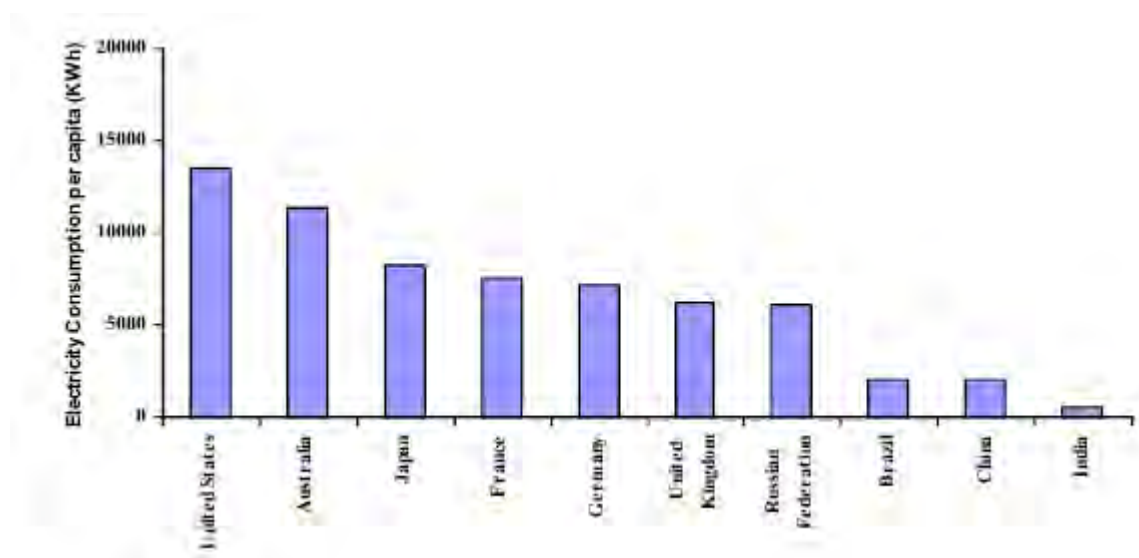
Power Sector in India

The growth in demand for power in India has generally been higher than the gross domestic product growth rate. According to the Indian Ministry of Power, as of March 2009, Indian power supply needed to grow at approximately more than 7.00% annually to keep pace with gross domestic product growth at 8.00% per annum. (Source: Ministry of Power, April 2009) As of June 2009, India has a total installed power generation capacity of 150,323.41 MW, which is insufficient to service India's demand for power. (Source: Central Electricity Authority) The following table shows the difference between the demand for power and the supply of power in India over the last few years:



Source: Ministry of Power Annual Report, 2007-08

As of June 2009, India faced an energy shortage of approximately 9.50% of total energy requirements and 13.80% of peak demand requirements. (Source: CEA, "Power Scenario at a Glance", July 2009) Further, despite a significant increase in recent years, per capita consumption of power in India continues by a large margin to be below that in other economies, as illustrated in the following table.



Source: International Energy Agency (IEA), Key World Energy Statistics 2008

A key risk to the continued growth of the Indian economy is inadequate infrastructure. The Government of India has identified the power sector as a key sector of focus to promote sustained industrial growth by embarking on an aggressive mission – “Power for All” by 2012. According to the Integrated Energy Policy report issued by the Planning Commission, India would require additional capacity of approximately 73-86 gigawatt (“GW”) by 2012, 159-190 GW by 2017 and 278-341 GW by 2022, respectively, based on normative parameters in order to sustain a 8.00-9.00% GDP growth rate (Source: IEP, Expert Committee on Power) The following table sets forth the additional capacity required by 2012, 2017, and 2022 under different GDP growth rate scenarios:

	Assumed GDP growth	Electricity generation required	Peak demand	Installed capacity	Capacity addition required ⁽¹⁾
	(%)	(BU)	(GW)	(GW)	(GW)
By Fiscal 2012.....	8.0	1,097	158	220	73
	9.0	1,167	168	233	86
By Fiscal 2017.....	8.0	1,524	226	306	159
	9.0	1,687	250	337	190
By Fiscal 2022.....	8.0	2,118	323	425	278
	9.0	2,438	372	488	341

Note:

(1) Based on the existing installed capacity of 147 GW in India.

Source: IEP Report, Expert Committee on Power

The following table shows planned capacity additions under the 11th Five-Year Plan by power source and funding entity:

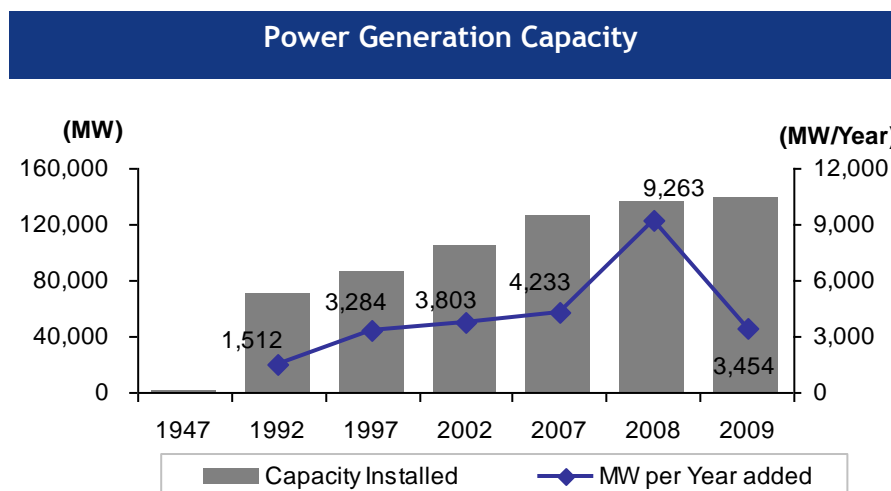
Source	Central	State	Private	Total
		(additional MW of capacity)		
Hydroelectric	8,654.0	3,482.0	3,491.0	15,627.0
Thermal	24,840.0	23,301.0	11,552.0	59,693.0
Nuclear	3,380.0	—	—	3,380.0

Source	Central	State	Private	Total
Total	36,874.0	26,783.0	15,043.0	78,700.0*

*Based on actual orders, the aggregate additional capacity is 78,900.4 MW

Source: Central Electricity Authority (“CEA”)

The following table shows the power generation capacity from 1992 to 2009:



Source: Planning Commission

There have been a number of other factors in recent years which are leading to increased investment in the power industry and private sector participation in it:

- Regulatory reforms

The Electricity Act, 2003 (the “Electricity Act”) was enacted in order to simplify the legislation governing the electricity generation, transmission and distribution sectors and to introduce reforms aimed at addressing systemic deficiencies in the Indian power industry. The key provisions of the Act allow for delicensing of power generation, open access to power transmission and distribution, restructuring of state electricity boards, compulsory metering of consumers and increased penalties for the theft of electricity. The Electricity Act also included provisions to facilitate captive power plants. However, the pace of implementation of these reforms has varied across states.

The Electricity Act, in combination with the National Tariff Policy introduced in January 2006, also mandates that all future power purchases by distribution licensees must be based on competitive bidding in order to obtain the benefits of reduced capital costs and efficiency of operations.

Recent regulatory reforms include rules and provisions relating to interstate trading in electricity in order to promote competition and several entities have started trading operations or have applied for trading licenses.

- Creation of transmission super highways

Most inter-regional and inter-state transmission links are owned and operated by POWERGRID which is India’s central transmission utility that manages the national grid although some are jointly owned with State Electricity Boards. POWERGRID is the central transmission utility of India and possesses one of the largest transmission networks in the world.

POWERGRID is working towards the establishment of an integrated national power grid in order to strengthen the regional grids and to support the generation capacity addition program of approximately 80,000 MW during the 11th Five-Year Plan period. The existing inter-regional power transfer capacity of approximately 17,000 MW in the year ended March 31, 2008 is

expected to be enhanced to approximately 37,000 MW by the year ended March 31, 2012 through the creation of “Transmission Super Highways”. Based on expected generation capacity addition in the 11th Five-Year Plan, an investment of approximately Rs.750.00 billion is in the central sector and approximately Rs.650.00 billion is in the state sector. (Source: <http://powermin.nic.in>)

BUSINESS

Overview

We are the flagship company of the Gammon group and are one of the oldest civil engineering and construction companies in India. We believe that we are one of the largest contractor and developer of infrastructure projects in India. Our operations are divided into our engineering, procurement and construction (“EPC”) and construction business, infrastructure development business and international business. We provide construction services in areas such as transport engineering, power transmission and distribution, energy, environment and pipelines, hydroelectric power structures, hydraulic and irrigation, and industrial structures and buildings. Our Company was incorporated in 1922 by John C. Gammon and was listed on the BSE in 1962 and the NSE in 1996. We undertake the development of projects as a developer in addition to providing services as a contractor. For the year ended March 31, 2009, we had total consolidated revenues and profit after tax of Rs.52,121.81 million and Rs.648.42 million, respectively.

Our EPC and construction business comprises the following areas:

- transport engineering, where we undertake the design and construction of roads, bridges, metros, flyovers, ports and airports;
- power transmission and distribution, where we undertake the design, engineering, erection, testing and commissioning of transmission and distribution lines, substation and overhead lines, project electrification, rural electrification and system improvement projects;
- energy, where we undertake the engineering and construction of nuclear power, thermal power, hydro electric power and non-conventional power plants;
- environment and pipelines, where we undertake the construction and design of water treatment plants, cross-country oil and gas pipelines and water supply projects;
- hydroelectric power structures, where we undertake the construction of structures for hydroelectric power plants, such as dams, powerhouses, surge chambers, intake structures, and head race tunnels;
- hydraulic and irrigation, where we undertake the engineering, design and construction works for dams, tunnels, irrigation pipes and hydraulic structures; and
- our industrial structures and buildings, where we undertake the construction of multi-storey buildings, residential, commercial and hospitality and other industrial structures.

We are also involved in the development of Build-Operate-Transfer (“BOT”) projects in infrastructure and other infrastructure development projects through our subsidiary Gammon Infrastructure Projects Limited (“GIPL”), of which we currently, directly and indirectly, hold 76.23%. GIPL, listed on the BSE and the NSE, undertakes projects on a public private partnership (“PPP”) basis and its current portfolio of projects consists of 19 projects in the roads, bridges, ports, hydroelectric power and biomass power sectors, of which, four are in the operations phase, 10 are in the development phase and five are in the pre-development phase. GIPL also offers services in other areas of project development, such as project advisory services, project funding and operations and maintenance (“O&M”).

Through our international operations, we focus on power equipment manufacturing and oil and gas exploration around the world. During the year ended March 31, 2009, we completed a number of acquisitions in the power equipment manufacturing sector, which has a limited number of players and high barriers to entry. We acquired substantial stakes in a few European companies: (i) Sofinter S.p.A. (“Sofinter”, together with its subsidiaries, the “Sofinter Group”), an integrated group of companies that is engaged in the manufacturing of industrial boilers, power utility steam boilers (including Heat Recovery Steam Generators (“HRSGs”)), EPC related to power utilities and research and development of flameless technology using waste and low grade coal with zero carbon emissions and (ii) Franco Tosi Meccanica S.p.A. (“FTM”), a manufacturer of steam and hydro turbines for power utilities. Our erstwhile associate company, Associated Transrail Structures Limited (“ATSL”), engaged in the business of design, supply, erection and commissioning of power transmission lines and rural electrification schemes, amalgamated

with our Company, effective from July 7, 2009, with an appointed date of April 1, 2008. Subsequent to this amalgamation, S.A.E. Power Lines S.r.L. (“SAE Powerlines”), a company based in Italy that is engaged in the design, fabrication and erection of transmission towers and lines has become our subsidiary.

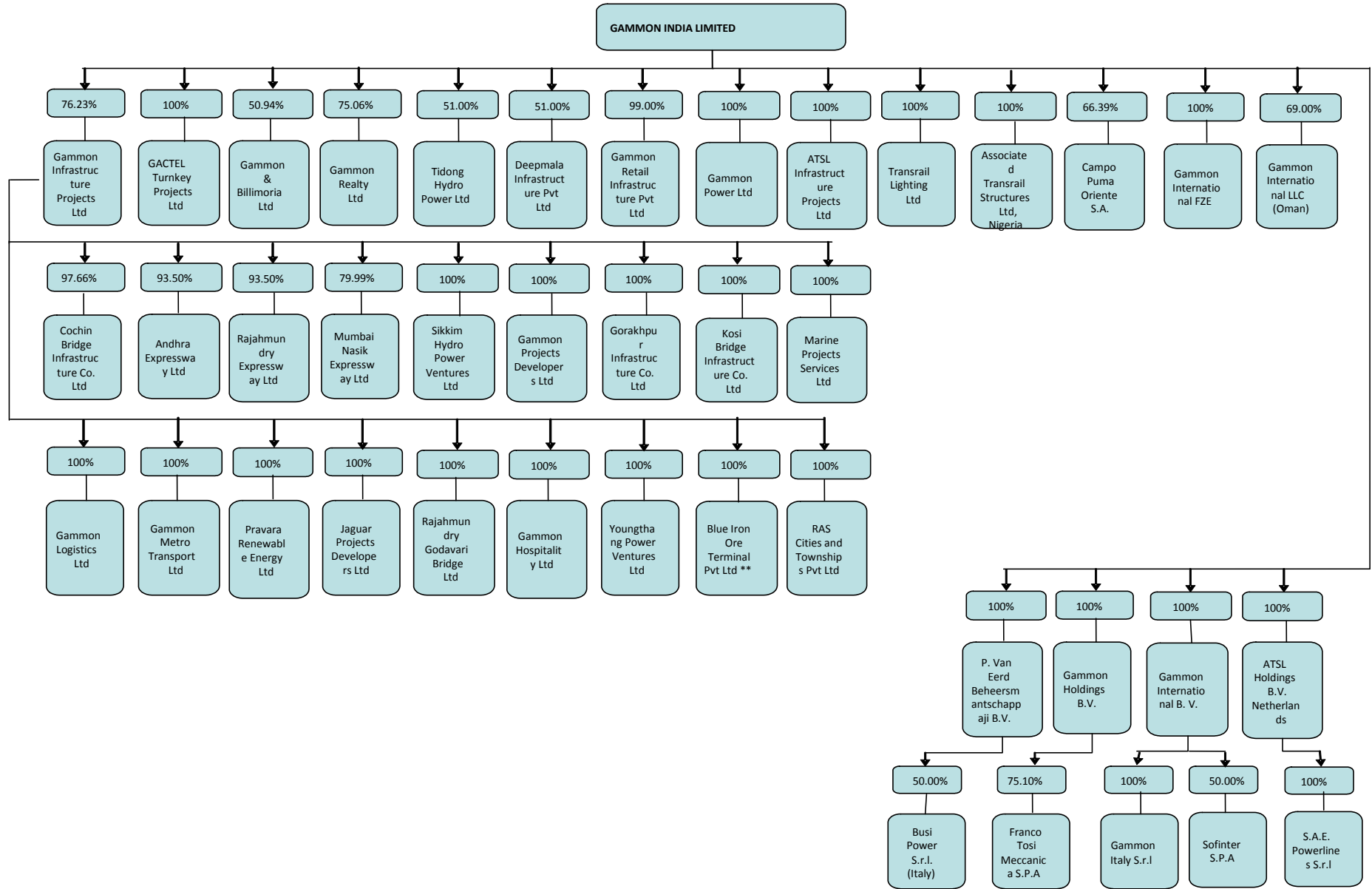
Subsequent to our acquisitions and partnerships, we believe that we are eligible to bid for supplying super critical boilers and super critical turbines.

With over 87 years of experience, we have strived to achieve our motto of being ‘Builders to the Nation’ with an array of landmark structures, including bridges, harbors, ports, thermal and nuclear power stations, dams, high-rise structures, chemical and fertilizer complexes, environmental structures and cross-country water, oil and gas pipelines. Our landmark structures include the following:

- construction of the foundation for Gateway of India, Mumbai in 1922, which was the first reinforced concrete precast piling job in India;
- a river bridge of six kilometers across the Ganges at Patna in 1982, which was the longest river bridge in India at the time;
- the first cable-stayed bridge in India at Akkar, Sikkim in 1988;
- a cantilever bridge of 140 meters across the river Jadukatta in Meghalaya in 2001, which was the longest cantilever bridge in India at the time;
- a railway tunnel of 6,500 meters for Konkan Railway at Ratnagiri in 1995, which was the longest railway tunnel in Asia;
- the first 500 MW thermal power station at Trombay in 1983;
- a cooling tower of 141 meters at Panipat in 2000, which was the tallest cooling tower in India at the time;
- an urban viaduct of 2,400 meters at J.J. Hospital, Mumbai in 2002, which was the longest urban viaduct in India at the time; and
- a clover leaf flyover of 5,232 meters at Hebbal, Bangalore in 2003, which was the longest clover leaf flyover in India at the time.

Over the years, our planners, designers and construction specialists have proved their competence and innovative skills.

The following chart outlines our current structure:



** formerly Bedi Seaport Limited

Our Order Book

In the civil engineering and construction industry, the order book is considered as a potential future performance indicator since it represents a portion of anticipated revenues. We aim to focus not only on order book additions, but also on capturing a quality order book with potentially high margins. For the years ended March 31, 2006, 2007, 2008 and 2009, our order backlog was Rs.56.68 billion, Rs.65.33 billion, Rs.90.01 billion and Rs.129.67 billion, respectively. During the same period, our book-to-bill ratio was 3.79, 3.54, 3.85 and 3.57, respectively.

The following table sets forth the order book of our Company, Sofinter, FTM and SAE Powerlines as of September 30, 2009:

	Order book as of September 30, 2009 (Rs. in millions)
Our Company:	
<i>Transportation Engineering</i>	59,560.79
<i>Power Transmission and Distribution</i>	19,965.80
<i>Energy</i>	18,960.94
<i>Environment and Pipelines</i>	13,843.03
<i>Hydro Power Structures</i>	10,784.21
<i>Hydraulic and Irrigation</i>	4,489.63
<i>Industrial Structures and Buildings</i>	4,182.74
Our subsidiaries/joint venture	
<i>Sofinter</i>	35,246.20**
<i>FTM</i>	17,500.25*
<i>SAE Powerlines</i>	3,150.05*

* Based on the conversion of €1 to Rs.70.0010, being the reference rate as on September 30, 2009 provided by the European Central Bank

† As of September 30, 2009, the Company holds 50.00% of Sofinter.

Our Competitive Strengths

We believe that we are well positioned to take advantage of the growth opportunities in the Indian civil engineering, construction, infrastructure and power sectors because of the following strengths:

- *Quality and strength of execution:* We have a strong track record in the successful development and execution of EPC and infrastructure projects. In 2009, we received OHSAS 18001:2007 and ISO 14001:2004 from BM TRADA as recognition of our occupational health and safety management system and environmental management system in the construction of civil engineering structures and pipeline projects. Our strength in execution can also be evidenced by our timely completion of projects. Our access to financing sources, partners and industry expertise enables us to value new projects effectively, assess risks properly and compare evaluation results against our experience. We believe that our expertise in the successful and timely execution of projects provides us with a significant competitive advantage.
- *Technical, engineering and in-house design capabilities:* We have in-house design capabilities with staff possessing professional qualifications and experience in undertaking the design of all types of civil engineering structures. We also have the latest software in executing these designs. As on September 30, 2009, we had a team of 74 skilled employees in our in-house design department. Over the years, we have introduced several advanced technologies to India, such as extra-dosed bridge, slipform technology for tapered chimney, thin shell structures, cantilever construction technology, hyperbolic cooling towers, multi-

flue chimneys, nuclear containment structures in pre-stressed concrete (“PSC”) and segmental construction technique for reinforced concrete piles.

- *Diversified business model:* Our projects, both completed and in the construction phase, are spread across different sectors and are geographically spread across various states in India and certain countries overseas. Currently, we are executing 167 projects across India. We also have operations, primarily power transmission and distribution projects, in countries such as Oman, Ethiopia, Nigeria, Algeria, Kenya and Afghanistan. We believe that through such sectoral and geographic diversity, we are able to effectively mitigate operational risks of specific sectors and geographical locations in India or a particular country where we operate. The northern, southern, eastern and western part of India accounted for 32.22%, 30.21%, 19.71 % 17.86%, respectively, of the order book of our Company on September 30, 2009. Further, we have a project portfolio with a healthy mix of fixed and market-driven revenue streams. Approximately 35.00% of our contracts are fixed price contracts, with the rest containing price variation clauses. We believe that the blended project portfolio offer us significant upside potential with market-based projects and stable revenues from assured-return projects.
- *Ability to mobilize financial resources:* We believe that with our experience in raising capital (both by way of debt and equity) through efficient structures in the financial markets, we are suitably poised to take advantage of future opportunities in the infrastructure sector. During the year ended March 31, 2006, we successfully completed a global depository receipt offering of US\$100.00 million. In April 2008, we successfully listed our infrastructure development business in India, raising Rs.2,763.85 million for new projects. Furthermore, on March 4, 2009, CARE assigned an “AA” rating for our non-convertible debentures of Rs.3.00 billion, and on October 22, 2009, CARE assigned a “PR1+” rating for our short-term commercial paper of Rs.4.00 billion. CARE has also assigned an “AA” rating for our long-term bank facilities and a “PR1+” rating for our short-term bank facilities, under BASEL II norms, aggregating Rs.37.00 billion. As the sectors that we operate in are highly capital-intensive, we believe that our ability to mobilize financial resources efficiently gives us a competitive advantage over our competitors.
- *Substantial experience in infrastructure development:* Our subsidiary, GIPL, is among the first companies in India incorporated exclusively to participate in infrastructure development through the PPP model. We believe that the PPP model is increasingly becoming the preferred model for construction and operation of highways, ports and other infrastructure services in India. The PPP model offers significant advantages in terms of attracting private capital in the creation of public infrastructure as well as in improving efficiencies in the provision of services to users. A PPP model also brings in specialization in implementation of projects. Further, a number of initiatives have been taken in recent years under India's 11th Plan by both the central and state Governments to promote infrastructure development through PPPs. We have significant experience with the development, operations and maintenance of road, bridge and port projects in India and we believe that this will help us ensure the continued growth of our business operations through participation in PPP infrastructure projects.
- *Experienced management team and highly qualified personnel:* As on September 30, 2009, our Company had an experienced management team and technically qualified work force of 3,976 employees. In addition, our Company had 9,250 skilled project-specific employees. Our experience in the Indian construction industry enables us to estimate and manage costs for the fixed-price projects for which we bid. We provide our staff with a high growth environment, competitive compensation packages and continuous training programs. We believe that the combination of these factors has been successful in reducing our attrition rates.
- *Gammon brand and synergies within the Gammon Group:* Due to our long-standing history, we believe that our brand enjoys strong brand recognition in India. Over the years, we have received several recognitions and awards from various industry bodies, such as International Federation of Asian and Western Pacific Contractors Association (IWPACA), India Institute of Bridge Engineering, the Indian Concrete Institute and Association of Consulting Civil Engineers (India). As an integrated company, we have built upon the synergy we have derived from our strong brand recognition in other lines of business.

Our Strategy

Our vision is to be a world-class construction and infrastructure enterprise committed to quality, timely completion of projects, customer satisfaction, continuous learning and enhancement of stakeholders' value. Some of our key business strategies include:

- *Capture high growth opportunities throughout India:* We intend to target specific sectors and geographical areas where we believe there is high growth potential. We also intend to exploit our competitive advantages in these high-value businesses, and will continue to evaluate and explore the opportunities in the roads, transportation and power sectors. In particular, we believe that the road and transportation sectors will provide significant opportunities, which may come as BOT projects that we undertake with third parties as an EPC contractor or with our subsidiary, GIPL. We also expect the power sector to experience robust growth, and we are positioning ourselves to capture these opportunities by leveraging our experience and project execution capabilities in the construction of thermal, hydroelectric and nuclear power plants. We intend to form joint ventures for a number of power projects as well as bid for the ancillary construction work associated with these projects.
- *Enhance our EPC capabilities:* Quality of work and timely completion of projects are critical to our EPC and construction business. As a result, we aim to:
 - consistently deliver a quality product, meeting all relevant specifications and requirements;
 - achieve customer satisfaction through cost effective and timely completion;
 - motivate and train our staff for continual improvement of productivity and quality standards; and
 - update and implement our procedures in line with developments in international standards.
- *Position ourselves as a one stop energy shop:* The power segment in India has witnessed and is expected to have a robust growth with projected demand for new projects of 100,000 MW during the period 2008-2013. (Source: Ministry of Power) There is an increasing trend for the utility power project owners to engage companies which can provide solutions from concept to commissioning. In light of the above, we intend to position ourselves as a “one-stop energy shop”, providing consulting, design, EPC, O&M, manufacturing and other related services for nuclear, thermal, hydroelectric and non-conventional power projects. As a result of the amalgamation of ATSL to our Company, we have scaled up our power transmission and distribution business. We believe that our acquisitions will produce substantial synergistic benefits, including a centralized command structure, economies of scale, diversity of operations and better visibility as an integrated construction company. We intend to utilize these synergies and expand our products and services offering in India, and we also plan to exploit these advantages by participating in large-scale projects to optimize the allocation of resources and improve profitability. We have been pre-qualified to supply boilers and turbines to various Indian companies, such as NHPC Limited, National Thermal Power Corporation and North Eastern Electric Power Corporation. We believe we are ideally positioned to capitalize on the strengths of the different businesses in which our subsidiaries and joint ventures are engaged.
- *Increase our international presence:* We intend to strengthen our international operations by exploring business opportunities for developing projects outside India. We have acquired substantial stakes in two Italian companies, Sofinter and FTM. Although Sofinter, FTM and SAE Powerlines made losses of €41.69 million, €17.66 million and €2.77 million, respectively, in the year ended December 31, 2008, various improvements have been carried out in areas such as the product and market mix, the supply chain management process and costs control. We also aim to bring cost-competitiveness to our Italian subsidiaries and joint ventures through sharing resources or using low-cost manufacturing facilities in India. Furthermore, to meet the anticipated growth in demand in energy we have ventured into drilling and exploration, through a participating interest of 61.00% in a marginal field in Ecuador in joint venture with Joshi Technologies International Inc. and a participating interest of 50.00% in an exploration program in Nebraska, U.S. We will continue to evaluate opportunities to expand into new geographical and business areas whether by means of organic growth or through strategic acquisitions.

Joint Venture Arrangements

For certain large construction or infrastructure development projects that require resources, such as technical, financial strength, equipment, manpower or local content resources, currently not available with us, we seek to make alliances through the formation of special purpose vehicles (“SPVs”) or project-specific joint ventures with other firms, which is a common practice in the civil engineering and construction industry. We also form SPVs with other firms, particularly for large projects.

In a project-specific joint venture, each member of the joint venture shares the risks and revenues of the project according to a pre-determined agreement. Members are typically jointly and severally liable to third parties. The agreements specifically assign the work to be performed by each party and the responsibilities of each party with respect to the joint venture, including how the joint venture will be managed and the equipment, personnel or other assets that each party will contribute or make available to the joint venture. The profits and losses of the joint venture are shared among the members according to a pre-determined ratio. The fixed assets that are acquired by the joint venture are generally transferred to the respective joint venture members upon completion of the joint venture project. The agreements also set forth the manner in which any disputes among the members will be resolved. In the event of a default by other members of any joint venture arrangement that we may enter into, we would remain liable for the completion of the project.

As of date our Company has formed a number of jointly controlled operation with third parties, some of which are further elaborated below:

Name of Joint Venture	Joint Venture Partner/ Affiliate	Description of Project
Gammon Atlanta	Atlanta	Orissa Road Works
Gammon BBJ	Braithwaite Burn & Jessop Co.Ltd.	Transmission Lines Brahmani
Gammon Sadbhav Imp	Sadbhav Engineering Pvt.Ltd	Wadape Gonde Project
Gammon Srinivas Imp	Srinivas Construction Pvt.Ltd	Sewa Project
GIL Archirodon Imp	Archirodon Construction Company	Anjikhad Bridge Project
BBJ GIL Imp	Braithwaite Burn & Jessop Co.Ltd.	Munger Bridge Project
JAGER GIL	Jaeger Bau GmbH	Parbati Stage-III
Jaeger Gammon Imp	Jaeger	Lata Tapovan
Patel Gammon Imp	Patel Engineering Ltd	Rampur Civil Works
Gammon Patel	Patel Engineering Ltd	Rampur Civil Works-II
Hyundai Gammon Imp	Hyundai Engineering & Construction Co. Ltd	NHAI-Chambal Bridge Project
Jaeger Gammon	Jaeger Bau GmbH	Naitwar Mori Hydroelectric Power Project
Gammon BBJ	Braithwaite Burn & Jessop Co.Ltd.	Mahandi Railway Bridge II Project
Jaeger Gammon	Jaeger Bau GmbH	Dibang Lot-4 Head Race Tunnel
Gammon Hot Engineering Imp	Hot Engineering Ltd	Construction and maintenance of roads, bridges for Al Jahra Road – Kuwait
Gammon Construtora Cidade Tensacuai Imp	Constructura Cidade Ltd A & Tensacciai S.p.a	Signature Bridge
Gammon Pratibha (Bangalore Water Supply and Sewerage Board) Imp	Pratibha Industries Ltd	Contract W1-Raw Water Transmission System
Gammon CKD Jyoti Imp	CKD Blansko Engineering & Jyoti Ltd	Package 23 Thipparam Chevella Reservoir
Lemcon Gammon Jointly Imp	Lemcon Construction Pvt. Ltd	Civil Works for Underground Rock Caverns Part-A & Part-B at Padur
Mosmetrostroy Gammon Imp	Mosmetrostroy	Construction of Tunnel Underground No.2

Name of Joint Venture	Joint Venture Partner/ Affiliate	Description of Project
Gammon Francotosi	Franco Tosi Meccanica S.p.A.	Electrical and Mechanical Works Tidong - 1 Hydroelectric Project
Gammon SEW	SEW	Package-19 Pranahita Chevla Lift Irrigation Project

Our EPC and Construction Business

Our EPC and construction business comprises seven areas, each of which is described below:

Transport Engineering

We engage in the design and construction of roads, bridges, metro, flyovers, ports and airports. Some of our major transport engineering projects currently undertaken or recently completed are set forth below:

- *Godavari Bridge:* We are involved in the construction of a bridge across river Godavari of 4 kilometers and the two approach roads to the bridge of 10 kilometers, which include (i) the road in the west (Kovvur side) with a length of 2 kilometers and (ii) the road in the east (Rajahmundry side) with a length of 8 kilometers. The contract was awarded in January 2009 by Andhra Pradesh Road Development Construction. The project commenced in March 2009 and is scheduled to be completed in October 2011. The total contract value for this project is Rs.7,000.00 million.
- *Delhi Metro Project:* This project includes the part design and construction of viaducts and other auxiliary structures for elevated stations for Delhi Metro Rail Corporation Limited. This project commenced in July 2007 and is scheduled to be completed in July 2010. The contract value for this project approximately is Rs.5,111.67 million.
- *Vadape-Gonde Road Project on NH-3:* This project involves the improvement and O&M services for the rehabilitation of the existing road from 2 lanes to 4 lanes between Vadape and Gonde from km. 440.00 to km. 539.50 of National Highway (“NH”)-3 in the state of Maharashtra, on a BOT basis, for National Highways Authority of India. The project commenced in March 2006 and is scheduled to be completed in March 2010. The project is in an advanced stage of construction. The contract value for this project approximately is Rs.6,420.00 million.
- *Mumbai Offshore Container Terminal Project:* This project involves the design, engineering, procurement of materials and construction of an offshore container terminal in Mumbai harbor. The contract was awarded by Indira Container Terminal Private Limited. The project commenced in May 2009 and is scheduled to be completed in February 2012. The contract value for this project approximately is Rs.3,970.00 million.
- *Gorakhpur Road Project on NH-28:* This project involves the design, construction, finance, operation and maintenance of Gorakhpur Bypass between km. 0.00 and km. 32.27 of NH-28 in the state of Uttar Pradesh, on an annuity basis, for National Highway Authority of India. The project commenced in July 2006 and is scheduled to be completed in June 2011. The contract value for this project approximately is Rs.5,520.00 million.

Power Transmission and Distribution

We are among the top five players in the manufacturing and erection of power transmission lines in India. In April 2008, we amalgamated our associate company, ATSL, with our Company. We undertake the design, engineering, erection, testing and commissioning of transmission and distribution lines, substation and overhead lines. We operate on an EPC basis in the power transmission and distribution sector. We believe that we have strong execution capacities as well as large manufacturing capabilities for transmission towers and conductors, and provide customer-

oriented services. In addition, we also have power transmission and distribution projects in Oman, Ethiopia, Nigeria, Algeria, Kenya and Afghanistan.

Some of our major power transmission and distribution projects currently undertaken are set forth below:

- *Gaya-Balia Transmission line:* We entered into a supply and service contract of the 765 KV S/C Gaya – Balia Transmission line with Powergrid Corporation of India Limited. This project commenced in October 2008 and is scheduled to be completed in July 2010. The contract value for this project approximately is Rs.1,462.00 million.
- *Biharsharif-Sasaram Transmission line:* We entered into a supply and service contract of the 400 KV D/C (Quad) Biharsharif - Sasaram Transmission line with Powergrid Corporation of India Limited. This project commenced in October 2008 and is scheduled to be completed in January 2011. The contract value for this project approximately is Rs. 1,644.00 million.
- *Palatana-Churaibari Transmission line:* We entered into a supply and service contract of the 400 KV D/C Palatana – Churaibari Transmission line with North East Transmission Company Limited. This project commenced in July 2009 and is scheduled to be completed in March 2012. The contract value for this project approximately is Rs.1,889.00 million.

We are also seeking international opportunities in the transmission and distribution business in Africa, Middle East and Central Asia. We see opportunities in the emerging markets such as Africa and Middle East on account of the need for better power transmission networks, funding support from multilateral agencies, power generation plans and spending by oil-producing countries. We have entered into these new markets with our wholly owned subsidiary, SAE Powerlines, which is a global player in the transmission and distribution sector.

Energy

We engage in the engineering and construction of nuclear power, thermal power, hydroelectric and non-conventional power plants. We are among the few companies in India to provide civil works for nuclear power plants. Some of our major energy projects currently undertaken are set forth below:

- *Reactor in Kalpakkam:* This project involves the construction of the reactor buildings for Prototype Fast Breeder Reactor (“PFBR”) site, Kalpakkam, Tamil Nadu, for Bhartiya Nashikya Viduyt Nigam Limited. The project commenced in July 2004 and is scheduled to be completed in July 2010. The contract value for this project approximately is Rs.5,830.00 million.
- *Natural Draught Cooling Tower in Jhajjar:* This project involves the construction of natural draught cooling tower for Indira Gandhi STPP, Jhajjar, Haryana for Aravali Power Company Private Limited. We are also responsible for the related inland transportation, insurance, installation, testing, commissioning and guarantee tests. This project commenced in January 2008 and the first tower is scheduled to be completed in March 2010, second tower is scheduled to be completed in June 2010 and the third tower is scheduled to be completed in October 2010. The total contract value of this project approximately is Rs.2,170.00 million.
- *Tiroda Civil Works:* This project involves the construction of civil works, architectural works and miscellaneous structural works for the 1,980 MW thermal power plant at Tiroda, District Gondia for Adani Power Maharashtra Limited. The project commenced in December 2008 and is scheduled to be completed in September 2011. The contract value of this project approximately is Rs.2,200.00 million.
- *Parbati Hydro Electric Project Stage II:* This project involves the provision of civil and hydro-mechanical works for power house, pressure shaft, surge shaft and part HRT (LOT-PB.3) in Himachal Pradesh for National Hydroelectric Power Corporation Limited. The project commenced in 2002 and is scheduled to be completed in December 2011. The contract value for this project approximately is Rs.7,195.00 million.

- *Vallur Thermal Power Project:* This project involves the construction of two power projects, being a 2*500 MW and a 3*500 MW thermal power plant at Vallur, Kapada, Tamil Nadu, for NTPC Tamilnadu Energy Company Limited. This project commenced in February 2009 and is scheduled to be completed in November 2011. The contract value of this project approximately is Rs.6,627.54 million.

Environment and Pipelines

We undertake the construction and design of water treatment plants, cross-country oil and gas pipelines and water supply projects for clients in India and overseas, both in the private and public sectors. Some of our major environmental and pipelines projects currently undertaken are set forth below:

- *Portable Water Supply, Guwahati:* This project involves the design and construction of a portable water supply infrastructure with capacity of 107 million liters per day, on a turnkey basis, in Guwahati City (South Guwahati Western Part) for Guwahati Metropolitan Development Authority. The project commenced in March 2009 and is scheduled to be completed in September 2011. The total contract value of the two phases approximately is Rs.3,490.00 million
- *Civil Works for Cooling Water System, Mundra:* This project involves the civil works for cooling water system for the 4000 MW ultra mega power project at Mundra, Gujarat for Coastal Gujarat Power Limited, which is a Tata Power company. This project commenced in August 2008 and is scheduled to be completed in June 2010. The contract value for this project approximately is Rs.2,360.00 million.

Hydroelectric Power Structures

We undertake the construction of structures for hydroelectric power plants, such as dams, powerhouses, surge chambers, intake structures and head race tunnels. One of our major hydroelectric power structure projects currently undertaken is set forth below:

- *Punatsangchu Hydroelectric Project:* This project involves the construction of a head race tunnel of approximately eight kilometers long and with a diameter of approximately 11 meters for Punatsangchu Hydroelectric Project Authority in Bhutan. This project commenced in April 2009 and is scheduled to be completed in March 2014. The contract value of this project approximately is Rs.4,000.00 million.

Hydraulic and Irrigation

We undertake the engineering, design and construction works for dams, tunnels, irrigation pipes and hydraulic structures. The majority of our irrigation projects are in the state of Andhra Pradesh. Some of our major hydraulic and irrigation projects currently undertaken or recently completed are set forth below:

- *Gandikota – Package 2 Project:* This project involves the earthwork excavation of the Galeru Nagari Sujla Sravanthi (GNSS) main canal, including the construction of cross-masonry and cross-drainage works from km. 24.33 to km. 32.64 and the formation of the earthen bund for Vamikonda Sagar Reservoir and Sarvaraja Sagar Reservoir and the leading channels to reservoirs, as well as its distribution system, minors, sub-minors including the investigation, preparation of hydraulic particulars, designs and drawings under Gandikota – Package 2 for the Irrigation Department, Government of Andhra Pradesh. The project commenced in March 2005 and is scheduled to be completed in November 2009. The contract value for this project approximately is Rs.2,940.00 million.
- *IWPP Sohar Water Transmission System Project:* This project involves the design, manufacture, delivery, storage, erection, testing and commissioning of the IWPP power and desalination plant to reservoirs in Wilayats, Liwa, Sohar, Saham, Khaburah, Suwaiq and Buraimi on a turnkey lump sum basis. The scope of the project also include pipelines of approximately 300 kilometers (with a diameter up to 1,200 millimeters) with three pumping station (having 16 pumps) and 13 reservoirs (with a total volume up to 150,000 cubic meters). This project commenced in December 2004 and was completed in August 2007. The value of this project approximately is Rs.6,250.00 million.

- *Kalwakruthy Stage-3-Lift Irrigation Scheme:* This project involves the civil and hydro-mechanical works at Kalwakruthy for Stage-3 Irrigation Scheme. The scope of the project includes the construction of a gravity canal of six kilometers long, 19 meters wide and four meters deep, lifting underwater from Jonnaalaboguda Balancing reservoir, five pumps of 650 cusecs each and capacity of 30 MW and a trapezoidal shaped cistern of 30 meters wide and parallel sides of 45 meters and 62 meters long. This project commenced in September 2005 and is scheduled to be completed in November 2010. The contract value of this project approximately is Rs.6,752.00 million.
- *Pranahita Chevala Irrigation Project:* The project involves the investigation, design and execution of water conveyor system with capacity of 84.21 cumecs. We are also responsible for all related works, such as lined gravity canal cross-masonry and cross-drainage work, including an irrigation network of 25,000 acres for the Government of Andhra Pradesh Irrigation and CAD Department. This project commenced in March 2009 and is scheduled to be completed in March 2013. The contract value of this project approximately is Rs.4,358.00 million.

Industrial Structures and Buildings

We undertake the construction of multi-storey buildings, residential, commercial and hospitality and other industrial structures. One of our major industrial structures and buildings projects currently undertaken is set forth below:

- *NTPC Civil Works:* This project involves the construction of the main plant and offsite civil works for NTPC Tamilnadu Energy Company Limited in its two 500 MW power project at Ennore near Chennai. This project commenced in February 2008 and is scheduled to be completed in September 2012. The contract value for this project approximately is Rs.2,860.00 million.

Our Infrastructure Development Business

GIPL was incorporated in 2001 and modeled as an infrastructure development company undertaking projects on a PPP basis. GIPL's current portfolio of projects consists 18 projects in the roads, bridges, ports, hydroelectric power and biomass power sectors, of which, four are in the operations phase, 10 are in the development phase and four are in the pre-development phase. GIPL also offers services in other areas of project development, such as project advisory services, project funding and O&M activities. Further, GIPL also provides end-to-end supply chain solutions for the transportation of cargo through warehousing and distribution facilities.

GIPL's projects in the operations phase are as follows:

- Rajahmundry-Dharmavaram annuity road project, a 53 kilometer stretch of road in Andhra Pradesh on NH 5, connecting Chennai and Kolkata, developed and maintained by an SPV, Rajahmundry Expressway Limited ("REL").
- Dharmavaram-Tuni annuity road project, a 47 kilometer stretch of road in Andhra Pradesh on NH-5, connecting Chennai and Kolkata, developed and maintained by an SPV, Andhra Expressway Limited ("AEL").
- New Mattancherry toll bridge project, a 700 meter bridge across the Mattancherry channel in Cochin, Kerala, developed and maintained by an SPV, Cochin Bridge Infrastructure Company Limited ("CBICL").
- Visakhapatnam port project, two multipurpose berths at Visakhapatnam port, developed and maintained by an SPV, Vizag Seaport Private Limited ("VSPL").

A summary of each of the above projects is set out in the table below:

<i>Name of SPV</i>	REL	AEL	CBICL	VSPL
<i>Nature of Project</i>	Road project	Road project	Bridge project	2 multipurpose

Name of SPV	REL	AEL	CBICL	VSPL
				berths
Revenue Model	Annuity	Annuity	Toll	Toll
GIPL's Beneficial Ownership	93.50%	93.50%	97.65%	73.76%
Total Project Cost	Rs.2,564.00 million	Rs.2,481.00 million	Rs.257.40 million	Rs.3,137.10 million
O&M Provider	GIPL as a sub-contractor	GIPL as a sub-contractor	CBICL	VSPL

GIPL's projects in the development phase are as follows:

- Vadape-Gonde toll road project, a 100 kilometer stretch of road on NH-3 connecting Mumbai and Nasik, to be developed and maintained by an SPV, Mumbai Nasik Expressway Limited ("MNEL").
- Kosi Bridge annuity project, a four-lane bridge across the Kosi river, including its approaches and bunds, in the Supaul district of Bihar, to be developed and maintained by an SPV, Kosi Bridge Infrastructure Company Limited ("KBICL").
- Gorakhpur Bypass annuity project, a 32 kilometer green-field bypass to Gorakhpur town on NH 28 in Uttar Pradesh, to be developed by an SPV, Gorakhpur Infrastructure Company Limited ("GICL").
- Godavari Bridge project, a four-lane bridge across the Godavari river connecting Rajahmundry and Kovvur in Andhra Pradesh, to be developed and maintained by an SPV, Rajahmundry Godavari Bridge Limited ("RGBL").
- Construction of offshore container berths and development of container terminals in the Mumbai Harbor and operation and management of the Ballard Pier Station Container Terminal for an initial period of five years for the Mumbai Port Trust ("MbPT"), by an SPV, Indira Container Terminal Private Limited ("ICTPL").
- Paradip Iron Ore Berth project, a 10 million tons per annum ("MTPA") capacity deep drought iron ore berth at Paradip port, to be developed and maintained by an SPV, Blue Water Iron Ore Terminal Private Limited ("BWOTPL").
- Rangit II hydroelectric project, a 66 MW hydroelectric project on the Rimbi river in west Sikkim, to be developed and maintained by an SPV, Sikkim Hydro Power Ventures Limited ("SHPVL").
- Biomass power project, two biomass-based power plants of approximately 12 MW each at Bahgaura village and at Sawai Singh Wala village, in the district of Patiala, Punjab, to be developed and maintained by an SPV, Punjab Biomass Power Limited ("PBPL"). In addition, we have rights to develop seven more such projects, each in the range of 10-15 MW.
- Pravara Co-generation power project, a 30 MW bagasse-based power project in Pravara Nagar, Maharashtra, to be developed and maintained by an SPV, Pravara Renewable Energy Limited ("PREL").
- Youngthangkhhab hydroelectric project, a 261 MW hydroelectric power project on the Spiti river in the state of Himachal Pradesh, to be developed and maintained by an SPV, Youngthangkhhab Power Ventures Limited ("YPVL").

A summary of each of the above projects is set out in the table below:

Name of SPV	<i>MNEL</i>	<i>KBICL</i>	<i>GICL</i>	<i>RGBL</i>	<i>ICTPL</i>	<i>BWOTPL</i>	<i>SHPVL</i>	<i>PBPL</i>	<i>PREL</i>	<i>YPVL</i>
Nature of Project	Road project	Bridge project	Road project	Bridge project	Container terminal	Iron ore berth	Hydro-electric	Renew-able	Co-generation	Hydroelectric power

Name of SPV	MNEL	KBICL	GICL	RGBL	ICTPL	BWIOTPL	SHPVL	PBPL	PREL	YPVL
						project	power project	energy project	power project	project
Revenue Model	Toll	Annuity	Annuity	Toll	Container handling charges	Berth hire charges	Sale of power to third parties	Sale to PSEB	Sale of power to third parties	Sale of power to third parties
GIPL Beneficial Interest	74.00%*	100.00%	94.90%	100.00%	50.00%	31.00%	100.00%	50.00%	100.00%	100.00%
PPP Model	BOT	BOT	BOT	BOT	BOT	BOT	BOOT	BOO	BOOT	BOT
Partners	The Company, Sadbhav Engineering Limited and B.E. Billimoria & Co.	The Company	The Company	The Company	The Company and Dragados S.P.L	Noble Group Limited and MMTC	N.A.	Bermaco Energy Systems Limited	N.A.	N.A.
Estimated Project Cost	Rs. 7,530.00 million	Rs.4,396.10 million	Rs. 6,492.10 million	Rs. 8,611.00 million	Rs.10,150.00 million	Rs.4,500 million	Rs.4,300.00 million	Rs.520.00 million for the first project	Rs.1,650.00 million	Rs.25,000 million
Status of Financing Arrangement	Financial closure achieved with a consortium of seven banks for Rs.6,500.00 million	Financial closure achieved with a consortium of two banks for a term loan of Rs.3,913.00 million	Financial closure achieved with a consortium of four banks for a term loan of Rs.5,754.00 million	Financial closure achieved with a consortium of four banks for a term loan of Rs.5,600.00 million	Financial closure achieved with a consortium of five banks for Rs.81,25.30 million	Financial closure yet to be achieved	Financial closure yet to be achieved	Financial closure yet to be achieved	Financial closure yet to be achieved	Financial closure yet to be achieved
O&M Provider	GIPL	GIPL	GIPL	Yet to be appointed	Yet to be appointed	Yet to be appointed	SHPVL	PBPL	Yet to be appointed	Yet to be appointed

* GIPL currently holds 79.99% of the share capital, which shall reduce to 74.90% upon B.E. Billimoria subscribing for their entire share entitlement.

In addition to the projects above, GIPL intends to develop the following projects, each of which is in the pre-development phase:

- Development of an auto-component SEZ over 90 acres at Adityapur, Jharkhand.
- Six biomass based power projects in Haryana, each in the range of 10-12 MW, under Letters of Intent from Haryana Renewable Energy Development Agency (“HAREDA”).
- Tidong – II (60 – 80 MW) hydroelectric power project for the Government of Himachal Pradesh.
- Development of a multi-purpose SEZ at Tada, Andhra Pradesh.
- Rehabilitation of NH-47 from Patna to Muzzaffarpur in the state of Bihar.

Operations and Maintenance

GIPL also provides O&M and project advisory services for projects which are being undertaken by SPVs. GIPL has entered into O&M contracts for the Rajahmundry-Dharmavaram annuity road project and the Dharmavaram-Tuni annuity road project and we have also been awarded the letters of intent for providing O&M services for the Vadape-Gonde toll road project, the Kosi Bridge annuity project and Gorakhpur Bypass annuity road project by the SPVs developing these projects. While the O&M contracts for the Rajahmundry-Dharmavaram and Dharmavaram-Tuni annuity road projects are operational, the O&M contracts for the other three projects will become operational

once these projects commence commercial operations. GIPL also provides project advisory services for these five projects. GIPL's O&M arrangements with the SPVs are described under the relevant projects set out above.

Our International Business

In order to be responsive to the increasing trend to seek one-stop services and for civil contractors to take responsibility for the engineering, supplying, erecting and commissioning of projects. We have adopted a long-term plan to create a vertically integrated power business, which would include EPC civil, BTG engineering, manufacture and supply and BOP for power utility projects. To this end, in the year ended March 31, 2009, we acquired interests in the companies or launched the businesses listed below:

Sofinter Group

The Sofinter Group comprises Sofinter, which is also the controlling company of several other companies, including Ansaldo Caldaie S.p.A. ("Ansaldo"), Europower S.p.A. ("Europower") and ITEA S.p.A ("ITEA"). Established in 1979, Sofinter engages in the manufacturing of industrial boilers and power utility steam boilers including heat recovery steam generators, EPC related to power utilities and research and development of flameless technology using waste and low grade coal with zero carbon emissions. Through our subsidiary, Gammon International B.V., our Company acquired a 50.00% stake in Sofinter in August 2008 for €50.00 million.

Some of the major divisions of Sofinter include:

- *Macchi*, manufacturing industrial boilers for the oil and gas and petrochemical sectors;
- *Saline Water Specialists (SWS)*, specializing in the worldwide supply and installation of multi-effect distillation ("MED") sea-water desalination plants;

Other major companies of the Sofinter Group include:

- *Ecoengineering Impianti S.r.l.*, implementing plants for the treatment of municipal solid waste and sludge treatment with gasification technologies;
- *Commissioning Italia S.r.l.*, providing technical assistance, supervision and commissioning of power generation, water treatment and waste to energy plants; and
- *Ecopower S.r.l.*, acting as the holding company for the Sofinter Group for energy production using renewable energy sources.

The consolidated turnover and order book of Sofinter for the year ended December 31, 2008 was €499.20 million and €600.00 million, respectively. The Sofinter Group has finalized an additional line of credit amounting to approximately €120.00 million from a consortium of Italian banks, and as a condition precedent, the existing shareholders of Sofinter have infused additional equity of €10.00 million, of which Gammon International B.V.'s share amounts to €5.00 million.

For the six months ended June 30, 2009, the combined turnover, EBITDA and loss of Sofinter, Ansaldo, Europower and ITEA, the four major operating entities in the Sofinter Group, as certified by the board of directors in case of Sofinter, was €216.48 million, €7.40 million and €3.72 million, respectively.

Some projects undertaken by Sofinter Group are set forth below:

- *HRSG QAFCO*: This project involves the design, manufacture and assembly (but not the erection and commissioning) of four HRSGs for Nuovo Pignone in Qatar. This project commenced in December 2007. Boiler delivery has been completed in June 2009, and the project is scheduled to be completed in 2011. The contract value of this project is €29.00 million.

- *Oseberg D Offshore Platform:* This project involves the design, manufacture and assembly of a heat recovery module for Statoil Hydro Norway in the North Sea. This project commenced in May 2008 and is scheduled to be completed in 2012. The delivery of the HRSG module, on free-on-board (“FOB”) basis, is scheduled to be in April 2010. The contract value of this project is €17.00 million.
- *Petrochemical Plant:* This project involves the design, manufacture and assembly of two crude oil firing industrial boilers for Saudi Kayan Petrochemical Company in Al-Jubail, Saudi Arabia. This project commenced in June 2007, the boilers have been delivered on FOB basis in June 2009 and the project is scheduled to be completed in 2011. The contract value of this project is €61.00 million.
- *Cogeneration Plant:* This project involves the design, manufacture and assembly of two HRSG with a fuel gas firing, ultra lox nox burners for Tractebel in Arles, France. This project commenced in March 2001 and was completed in December 2004. The contract value of this project was €5.00 million.

Ansaldo

The largest company in the Sofinter group is Ansaldo, which has a history of over 120 years and has supplied and installed over of 1,000 plants worldwide with capacity of more than 80,000 MW. Ansaldo specializes in the design, engineering, manufacture, supply, erection and commissioning of utility boilers and HRSGs. Ansaldo has a Benson license for once-through boilers (sub-critical, supercritical and ultra-supercritical boilers and once-through HRSGs). The current capacity of Ansaldo is approximately 2,500 MW per annum. In India, Ansaldo is qualified in the first round for the supply of supercritical size boilers by the Government.

Some selected ongoing major projects undertaken by Ansaldo are set forth below:

- *Torrevaldaliga Nord Project:* This project involves the engineering, manufacturing, supply, erection and start-up of three coal fired, once-through supercritical boilers for Enel S.p.A in Torrevaldaliga North, Italy. The contract was awarded in December 2004 and the first unit was completed in June 2009, with the second unit and the third unit scheduled to be completed by January 2010 and June 2010, respectively. Ansaldo’s share of the value of this project is €310.00 million, with the residual value (as at June 30, 2009) being €14.00 million.
- *Shuaibah Project:* This project involves the engineering, manufacturing, supply, erection and start-up of three oil fired boilers (including electrostatic precipitators) for Shuaibah Water & Electricity Company in Shuaibah, Saudi Arabia. The contract was awarded in January 2006. The provisional acceptance certificate of the whole plant, which indicates completion of the project, is expected to be received by December 2009. Ansaldo’s share of value of this project is €211.00 million, with the residual value (as at June 30, 2009) being €2.00 million.
- *Abu Qir Project:* This project involves the engineering, manufacturing, supply, erection and start-up of two gas and mazut oil fired boilers for West Delta Electricity Production Company in Abu Qir, Egypt. The contract was awarded in September 2008. The first unit is scheduled to be completed in April 2012 and the second unit is scheduled to be completed in August 2012. The contract value for the offshore portion, of which Ansaldo is in charge, is €188.00 million and that for the total on-shore portion, of which Ansaldo Caldaie Boiler Egypt (98.00% owned by Ansaldo) is in charge, is EGP377.75 million. As at June 30, 2009, the residual off-shore portion value was €134.00 million and the residual on-shore portion value was EGP289.85 million.
- *El Tebbin Project:* This project involves the engineering, manufacturing, supply, erection and start-up of two gas and oil fired boilers for Cairo Electricity Production Company in El Tebbin, Egypt. The contract was awarded in May 2007 and the project is scheduled to be completed by July 2010. The contract value for the offshore portion, of which Ansaldo is in charge, is €102.00 million and that for the total on-shore portion, of which Ansaldo Caldaie Boiler Egypt (98.00% owned by Ansaldo) is in charge, is EGP147.79 million. As at June 30, 2009, the residual off-shore portion value was €30.00 million and the residual on-shore portion value was EGP80.00 million.

- *Morocco Project:* This project involves the rehabilitation of two coal fired units on Mohammedia plant for One Mohammedia in Morocco. The contract was awarded in June 2006 and the project is scheduled to be completed by March 2011. The contract value of this project is €73.00 million, with the residual value (as at June 30, 2009) being €15.00 million.

Europower

Europower S.p.A., is a leading Italian player in engineering, supply and construction of turn key plants on an EPC basis and the supply of O&M on global services basis. Under global services contracts, which are usually medium- to long-term contracts, Europower guarantees the availability, output and/or the level of service of a plant. Over the years, Europower has been involved in the construction of power and industrial plants (such as combined-cycle power plants, cogeneration electric power plants and hydroelectric plants), the supply of district heating systems and the development of gasification technology. Europower has been awarded UNI EN ISO 9001:2000, UNI EN ISO 14001:2004 and OHSAS 18001 – Ed. 1999 for its quality management, environmental management and commitment to occupational health and safety by SGS Italia S.p.A.

Europower is active in several industrial fields: energy, waste to energy and oil and gas. It has acquired relevant experience in the construction of combined-cycle power plants, co-generation electric power plants and industrial plants and the supply of district heating systems and hydroelectric plants.

Some selected ongoing major EPC projects currently undertaken or recently completed by Europower are set forth below:

- *Petkim Petrokimya Holdings A.S. Repowering Project:* This project involves the engineering and procurement of a steam generating plant repowering with a 56 MW gas turbine, consisting of one Alstom GT8C2 gas turbine, feedwater heating of existing conventional steam cycle by a gas turbine flue gas heat recovery system, a new high pressure natural gas pipeline inside the petrochemical complex and a reducing and metering station for gas turbine and existing boilers, for Ansaldo on behalf of Petkim Petrokimya Holdings A.S. in Aliaga, Turkey. This project commenced in May 2005 and was completed in November 2007. The contract value of this project is €24.20 million.
- *Linate Co-generation Project:* This project involves the engineering and design, on a lump sum turnkey basis, of a 24 MW and an 80 MW co-generation plant, which includes three gas engine driven sets with electric output of eight MW and heat capacity of seven MW each, two auxiliary direct fire boilers with capacity of 30 MW each and a superheated water storage unit with capacity of 20 MW, for Malpensa Energia s.r.l. at the Milan Linate Airport, Italy. This project commenced in June 2005 and was completed in June 2008. The contract value of this project was €24.50 million.
- *Elettra Holdings Co-generation Project:* This project involves the EPC, on a lump sum turnkey basis, of a 58 MW co-generation plant, which includes two Nuovo Pignone PGT10 gas turbines with power of 10 MW each, two Macchi HRSGs with post-firing and fresh air, a 40 MW Nuovo Pignone steam turbine, two kilometers of LD converter gas (LDG)/blast furnace gas (BFG) pipeline, four kilometers of natural gas pipeline and four kilometers of 132 KV electrical line, for Elettra Holdings in Piombino, Italy. This project commenced in April 2000 and was completed in January 2003. The contract value of this project was €61.00 million.

Some selected ongoing major O&M projects currently undertaken by Europower are set forth below:

- *Combined Cycle Power Plant Maintenance Global Service:* Europower is responsible for providing turnkey maintenance service with plant availability guaranteed for Elettra Holdings in Piombino, Italy. The services include full maintenance service, spare parts supply and management, supply of chemicals, supply of consumable materials for maintenance, direction and coordination of the service, keeping the registers, and carrying out the test and inspections required by law. The duration of the contract is from 2003 to 2013. The contract value of this project is €20.00 million.

- *ACCAM S.p.A. Incinerator Plant:* Europower is responsible for providing full O&M services of an incinerator plant, which has a total capacity of 500 tons per day and steam production of 60 tons per day and electric power generator of nine MW, for ACCAM S.p.A. in Busto Arsizio, Italy. The services include plant operation, ordinary maintenance, programmed and preventive maintenance, extraordinary maintenance, spare parts supply and management, supply of chemicals, supply of expendable materials for maintenance, handling and disposal of scraps, ashes and dusts, handling and disposal of liquid effluents, management of the flue gas monitoring system, direction and coordination of the service, and assistance to the ACCAM S.p.A. for the registers, and carrying out the test trials and check-ups required by law. The duration of the contract is from 2000 to 2010. The contract value of this project is €95.00 million.

ITEA

ITEA, of which 77.97% is held by Sofinter and 11.99% is held by Ansaldo, specializes in areas such as boilers, EPC, flameless combustion technology and water treatment systems. In particular, ITEA has developed and patented Isotherm technology, an innovative flameless oxy-fuel pressurized combustion technology using waste and low grade coal. The new technology offers high yield waste-to-power recovery, safe treatment capabilities of highly toxic residues, environmentally friendly process and fully computerized operations control. ITEA, since 2004, has operated a five MW demonstration unit at Ansaldo Caldaie Combustion Research Centre located at Gioia del Colle. In 2008, a 15 MW Isotherm industrial unit at Jurong Island, Singapore, was completed. The plant, which is fed by petrochemical and chemical industrial waste, has also passed the operability and environmental compatibility tests, and is expected to provide steam to customers in early 2010.

Some selected ongoing major projects currently undertaken by ITEA are set forth below:

- *Project Enel:* This project involves the development of an oxy-coal combustion pilot plant in 2011 for Enel S.p.A. in its Brindisi site. The plant will operate on coal water slurry and have a combustor power of 48 MW. The estimated sales realization of this project is approximately €33.00 million. In addition, Enel S.p.A plans to build a 320 MW coal fired, zero emission plant by 2015, based on ITEA's Isotherm Pwr® technology, with the main equipment supply by ITEA.
- *Project Arzignano:* This project involves the construction of two 15 MW units for the treatment of a tannery sludge for Acque del Chiampo in Italy. This project is scheduled to be completed by 2012. The estimated sales realization of this project is approximately €55.00 to €60.00 million.

Franco Tosi Meccanica

With a history of more than 125 years, FTM is a permanent Westinghouse licensee for a complete range of steam turbines and has proprietary technology for a range of hydro turbines. FTM designs and manufactures steam turbines on its own and Siemens Westinghouse technology, and has the capability to design and supply electro-mechanical BOP and HP piping systems as well as in growing waste-to-energy and biomass segment. FTM has installed base of over 75,000 MW across 40 countries and over 2,000 units. FTM is headquartered in Legnano, a city near Milan, and its manufacturing facilities are located on over 350,000 sq. m. of land with a covered area of approximately 162,000 sq.m..

We acquired a 75.10% stake in FTM for a consideration of €40.00 million in June 2008 through our subsidiary Gammon Holdings B.V. Netherlands. FTM has an in-house production of 500,000 to 700,000 manhours per year, corresponding to approximately 10 to 12 complete steam turbine sets of 150-160 MW each aggregating to 1100 to 2000 MW per year. Currently, FTM can produce steam turbines with capacity up to 660 MW and hydro turbines with capacity up to 400 MW.

For the six months ended June 30, 2009, the turnover, EBITDA and loss of FTM, as certified by its board of directors, was €47.35 million, €2.11 million and €2.79 million, respectively.

Some selected ongoing major projects currently undertaken by FTM are set forth below:

- *Iride Energia-Torino*: This project involves the supply of a 150 MW steam turbo-generator for Iride Energia S.p.A. in Torino, Italy. This project commenced in June 2009 and is scheduled to be completed in May 2011. The contract value of the project is €26.00 million.
- *Sener-Argentina*: This project involves the supply of a 170 MW steam turbo-generator for Sener in Argentina. This project commenced in April 2008 and is scheduled to be completed in May 2010. The contract value of the project is €23.00 million.

SAE Powerlines

SAE Powerlines have been engaged for several decades in the design, fabrication and erection of transmission towers and lines worldwide. It is currently a global manufacturer of switching AC/DC and DC/DC power supplies in the power ranges from 100 to 2,200 Watts, full range of magnetic components, EMI/RFI power line filters and a providers of electronic sub-assemblies. With operations in Africa, South East Europe, Middle East, Southeast Asia and Latin America, its customers can be split into two segments: (a) utilities companies, mainly consisting of state owned companies, organized by subsystem departments with their own standard technical and commercial specifications; and (b) independent power producers and developers, mainly consisting of private companies, generally set up as special purpose companies for the project working in transnational markets. In 2008, ATSL acquired a 100.00% stake for €1.38 million in SAE Powerlines. We currently hold SAE Powerlines through our subsidiary ATSL Holdings B.V., Netherlands.

For the six months ended June 30, 2009, the turnover, EBITDA and profit after tax of SAE Powerlines, as certified by its board of directors, was €33.87 million, €1.33 million and €0.08 million, respectively.

Some selected ongoing major projects currently undertaken by SAE Powerlines are set forth below:

- *Commission Federal de Electricidad in Mexico*: This project involved the design, fabrication and erection of a 140 kilometer transmission line on a turnkey basis for Commission Federal de Electricidad in Mexico. The contract value of the project was €55.00 million. This project was completed in 2004.
- *Nigerian Agipoil Company in Nigeria*: This project involved the design, fabrication and erection of a 55 kilometer transmission line on a turnkey basis including Niger River crossing for Nigerian Agipoil Company in Nigeria. The contract value of the project was €29.00 million. This project was completed in 2005.
- *Sonelgaz in Algeria*: This project involved the design, fabrication and erection of a 52 kilometer transmission line on a turnkey basis in desert area for Sonelgaz in Algeria. The contract value of the project was €10.00 million. This project was completed in 2007.

In addition, SAE also entered into a contract for design, fabrication and erection of a 400/220/60kV transmission line for Sonelgaz in Algeria. The contract value of this project is €22.90 million. This project commenced in July 2008 and is scheduled to be completed in April 2010.

- *Volta River Authority in Ghana*: This project involved the design, fabrication and erection of a 140 kilometer transmission line and substation on a turnkey basis for Volta River Authority in Ghana. The contract value of the project was €10.00 million. This project was completed in 2007.
- *Operatori Sistemi e Transmetimi in Albania*: This project involved the design, fabrication and erection of a 400 kV transmission line between Tirana and Elbasan for Operatori Sistemi e Transmetimi in Albania. The contract value of the project is €10.50 million. This project was commenced in April 2008 and is scheduled to be completed in March 2010.

Oil and Gas

Our Company, with its joint venture partner, Joshi Technologies International Inc., has a participating interest of 61.00% in Puma, a marginal oil field of Petroecuador (“Puma Marginal Field”) in Ecuador. Our participating interest is held through Campo Puma Oriente S.A., a company based in Panama, of which we hold 66.40% and Joshi Technologies International Inc. holds the remaining 33.60%. Currently, all environmental licenses in relation to Puma Marginal Field have been obtained. Facilities have been created or upgraded to meet the project requirements. Two of the four workover wells have been made operational and one development well of the three development wells proposed is being drilled. All three development wells are expected to be completed by February 2010.

We have also embarked on an exploration program in Nebraska USA on a 50-50 basis with Joshi Technologies Inc.. The program envisages exploration on approximately 60,000 acres of land leased in the state of Nebraska for a period of four years. The 2D and 3D seismic studies have been completed and analysis is underway to establish the results.

Specialized Construction Services

Finest S.p.A.

Finest S.p.A, our associate company of which we hold 50.00%, has a 82.74% stake in Tensacciai S.p.A. (Tensacciai”) which specializes in undertaking post tensioning works, manufacturing and erection of stay cables and ground anchorages. Tensacciai operates in Italy and other parts of Europe as well as in Brazil, North Africa and Middle East. The consolidated turnover and net profit of Tensacciai for the calendar year 2008 was approximately €24.00 million and €1.50 million, respectively. As on September 30, 2009, the order book of Tensacciai was approximately €35.00 million.

Gammon & Billimoria LLC

Gammon & Billimoria LLC, Dubai (“GBLLC”), of which our subsidiary, Gammon & Billimoria Limited, holds 49.00%, specializes in the construction of residential and commercial complexes, villas and multi-storey structures, including mechanical, engineering and plumbing and heating, ventilating and air conditioning. Dubai Authorities have granted GBLLC the license to undertake unlimited works in the above segment. The order book of GBLLC as on September 30, 2009 was approximately AED 350.00 million. Currently, GBLLC is looking at opportunities in Abu Dhabi, Sharjah and Ras Al Khaimah.

Competition

The engineering, construction and infrastructure industry in India is highly fragmented and very competitive. In particular, substantial domestic competition exists in the small projects segment. However, the size, scheduling and complexity of large-scale construction projects, on which our Company focuses, create high-entry barrier for the smaller and less sophisticated engineering and construction companies. Due to ongoing liberalization, rising infrastructure spending by the Government on construction and infrastructure and various related policy initiatives, we expect the Indian construction sector to be increasingly attractive and the existing players are expected to face competition from large domestic as well as international construction and property development companies. We believe that we are one of the most diversified construction companies in India, however we face competition from other Indian and foreign construction companies in each of our areas of activity. See “*Industry.*”

Most of the construction contracts are awarded through competitive bidding processes and satisfaction of other prescribed pre-qualification criteria. Once the prospective bidders clear the technical requirements of the tender, the contract is usually awarded to the most financially competitive bidder. While service quality, technological capacity and performance, health and safety records and personnel, as well as reputation and experience, are important considerations in client decisions, price is a major factor in most tender awards. We face competition from domestic and international companies, some of whom may operate on a larger scale than us and thus may be able to achieve better economies of scale than us.

Our ability to bid for and win major engineering, construction and infrastructure development projects is also dependent on our ability to show experience in executing large projects, demonstrate that we have strong engineering capabilities in executing technically complex projects, and that we have sufficient financial resources and/or ability to access funds. Some of our competitors are larger than us and have greater financial resources. They may also benefit from greater economies of scale and operating efficiencies.

Offices

The registered office of our Company is located at Gammon House, Veer Savarkar Marg, Prabhadevi, Mumbai 400 025, India. In addition, we also have offices in Delhi, Kolkata and Bangalore.

Insurance

We maintain insurance policies for all of our projects, which we believe are sufficient to cover all material risks to our operations and revenue.

Our operations are subject to hazards inherent in providing EPC and construction services, such as risk of equipment failure, work accidents, fire, earthquake, flood and other force majeure events. This includes hazards that may cause injury and loss of life, damage and destruction of property, equipment and environmental damage. For further details, see *“Risk Factors -Our project sites may face inclement weather and natural disasters that may cause significant interruption of operations.”*

Our insurance policies include group personal accident insurance, public liability insurance, contractors all risk, standard fire and special perils insurance, electronic equipment insurance, special contingency liability insurance burglary insurance and cash insurance.

Intellectual Property

We have registered our marks “Gammon name” and “Gammon logo” under the Trade Marks Act, 1999. We seek to protect our intellectual property rights to the fullest extent practicable. We believe that we are not dependent on any of our intellectual property rights individually, although collectively, they are of material significance to our business.

Our Company has entered into a Trademark License Agreement (“TLA”) with GIPL on March 20, 2006. Under the TLA, we have granted to GIPL an irrevocable right to use the licensed trademarks and to utilize and exercise all the rights in and over these trademarks and as are connected to the licensed trademarks. The trademarks that GIPL has been licensed to use are the unregistered trademarks “Gammon” and the “Gammon logo”. A non-exclusive license to use these trademarks has been granted. Under the TLA, GIPL is not permitted to assign, sub-license, transfer, convey or pledge in whole or part, without the prior written consent of GIL. Further, the TLA can be assigned by us at any time. The TLA provides for, as consideration for the license, annual payment of Rs.100.00 to us. The TLA was valid for a period of one year. GIPL has extended the TLA for a further period of five years, i.e., until March 19, 2012, on the same terms and conditions.

In addition, FTM owns certain trademarks in relation to its business. It is also involved in a litigation relating to use of its name ‘Franco Tosi’. For details, see *“Legal Proceedings - Proceedings initiated outside India.”*

Human Resources

As of September 30, 2009, our Company had 3,976 full-time employees. In addition, our Company also had 9,250 contracted employees for our various projects. We also outsourced technical experts for maintenance of the projects. We believe that we have good relations with our employees. We have not encountered any material unrest or work stoppage due to employee problems in the last 10 years.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Per the Articles, we shall not have fewer than three directors and more than 15 directors. Currently, we have 14 directors. Further, the Board may appoint any person as an additional Director, but such additional Director shall hold office only up to the date of the next Annual General Meeting but shall be eligible for appointment as Director by the shareholders at that meeting. The Articles allow the Board to appoint an alternate Director to act for a Director during his absence for a period of not less than three months from the state in which Board meetings are ordinarily held.

Not less than two-thirds of the total numbers of our Directors are required to be persons whose period of office is subject to retirement by rotation and one-third of such Directors, or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office at every Annual General Meeting. The Directors to retire are those who have longest held their office since their last appointment. A retiring Director is eligible for re-appointment. Our Directors are not required to hold any qualification shares.

The following table sets forth details regarding the Board as at the date of this Preliminary Placement Document.

Name, Designation, DIN and Address	Age	Category	Other directorships
Mr. Peter Gammon Chairman Emeritus Address: The Hazard, Constantine Bay, Padstow, Cornwall, England	73	Promoter/Non-Executive/Non Independent	1. Trevose Limited 2. Masayor Enterprises Limited 3. Prospect Investments Limited
Mr. Abhijit Rajan Chairman and Managing Director DIN: 00177173 Address: Rituraj, 1, Military Road, 2, Mittal Park, Juhu, Mumbai, 400 049	48	Promoter/Executive/Non Independent	1. Gammon Infrastructure Projects Limited 2. First Asian Capital Resources Private Limited 3. First Asian Overseas (India) Limited 4. Pacific Energy Private Limited 5. Vizag Seaport Private Limited 6. Gammon & Billimoria Limited 7. Fin Est S.p.A (Italy) 8. Sofinter S.p.A (Italy) 9. Sadelmi S.p.A (Italy) 10. Franco Tosi Meccanica S.p.A (Italy)
Mr. Rohit Modi Deputy Managing Director DIN: 00078222	47	Executive/Non Independent	Nil

Name, Designation, DIN and Address	Age	Category	Other directorships
Address: Flat No. 1801, 18th Floor, C – Wing, Chaitanya Towers, Appasaheb Marathe Marg, Prabhadevi, Mumbai – 400 025			
Mr. Himanshu Parikh Executive Director DIN: 00760181 Address: 2A, ‘Rituraj’, Juhu Military Road, Opposite Mittal Park, Mumbai 400 049	50	Executive/Non Independent	1. Gammon Infrastructure Projects Limited 2. Ashwin Overseas Private Limited 3. Gammon Information Technologies Limited 4. Sneha Agencies Private Limited 5. Vizag Seaport Private Limited 6. Gammon Realty Limited 7. Gammon International L.L.C (Oman) 8. Sofinter S.p.A (Italy) 9. Gammon Power Limited
Mr. Rajul A. Bhansali Executive Director- International Operations DIN: 00178558 Address: 401, Heritage, Shirley Rajan Road, Bandra (West), Mumbai 400 050	53	Executive/Non Independent	1. Gammon and Billimoria Limited 2. Gammon Power Limited 3. Gammon Holdings B.V. 4. Gammon International B.V. 5. P.Van Eerd Beheermattschappij B.V. 6. Gammon International F.Z.E. 7. Fin Est S.p.A (Italy) 8. Sofinter S.p.A (Italy) 9. Sadelmi S.p.A (Italy) 10. Franco Tosi Meccanica S.p.A (Italy) 11. Gammon International L.L.C (Oman) 12. Campo Puma Oriente S.A. 13. Tensacciai S.p.A 14. Gammon Italy S.r.l 15. Ansaldo Caldaie S.p.A 16. Commissioning Italia S.r.l 17. Ecoengineering Impianti S.r.l 18. Centro Combustione Ambiente S.r.l 19. Saline Water Specialities S.r.l 20. Europower S.p.A 21. SAE power Lines S.r.l
Mr. Digambar Bagde Executive Director and CEO	59	Executive/Non Independent	1. Gammon Logistics Limited 2. ATSL Infrastructure Projects

Name, Designation, DIN and Address	Age	Category	Other directorships
(T&D) Business DIN: 00122564 Address: Samruddhi, Plot No. 31, Lok Seva Nagar, Bhamti Lay Out , Nagpur 440 022			Limited 3. Gammon Projects Developers Limited 4. Transrail Lighting Limited 5. ATSL Holdings B.V 6. SAE Power Lines S.r.l. 7. ATSL – Nigeria
Mr. C.C. Dayal Director DIN: 00178583 Address: B-7, Narayan Dabholkar Road, Mumbai 400 006	65	Non-Executive/Independent	1. Gammon Information Technologies Limited 2. STFA Piling (India) Limited 3. Cochin Bridge Infrastructure Company Limited 4. Transmetal Limited 5. Gammon Infrastructure Projects Limited 6. Gammon and Billimoria Limited 7. Mumbai Nasik Expressway Limited 8. Rajahmundry Expressway Limited 9. Andhra Expressway Limited 10. Synchrofin Services Private Limited 11. Gammon Housing and Estate Developers Private Limited 12. Spectrum Informatics Private Limited 13. Navdeep Chemicals Private Limited 14. Mature Trading and Investment Private Limited
Mr. Atul Dayal Director DIN: 00005021 Address: 21, Valentina, 2nd Floor, Gamadia Road, Mumbai - 400 026	61	Non-Executive/Independent	1. GeneMedix Plc 2. Pudumjee Agro Industries Limited 3. Reliance Retail Finance Limited 4. Reliance Petroleum Limited
Dr. Naushad Forbes Director DIN: 00630825	49	Non-Executive/Independent	1. Kirloskar Oil Engines Limited 2. Godrej Industries Limited 3. Spirax Marshall Private Limited 4.J.N. Marshall Private Limited

Name, Designation, DIN and Address	Age	Category	Other directorships
Address: 106th Milestone, Mumbai - Pune Road, Kasarwadi, Pune 411 034			5. Forbes Marshall Private Limited 6. Forbes Marshall Arca Private Limited 7. Forbes Polymetron Private Limited 8. Krohne Marshall Private Limited 9. Rapideffect Private Limited 10. Forbes Marshall (Hyd) Private Limited 11. Forbes Marshall Codel Private Limited
Mr. Jagdish Sheth Director DIN: 00675344 Address: 28, Jaldarshan, 51, Lady Jagmohandas Marg, Mumbai 400 036	78	Non-Executive/Independent	Maryland Maritime Services Private Limited
Ms. Urvashi Saxena Director DIN: 02021303 Address: 2602, Light Bridge, Hiranandani Meadows, Gladys Alwares Road, Thane 400 610	64	Non-Executive/Independent	1. Kosi Bridge Infrastructure Company Limited 2. Elder Pharmaceuticals Limited
Mr. Naval Choudhary Director DIN: 00192164 Address: B 63 / 64, Kalumal Estate, A. B. Nair Road, Opp. Juhu Post Office, Juhu, Mumbai 400 049	62	Non-Executive/Independent	1. Rhodia Chemicals India Private Limited 2. U B Engineering Limited 3. Indo Swiss Fabrics Private Limited
Mr. Parvez Umrigar Director	46	Non-Executive/Independent	1. Gammon Infrastructure Projects Limited 2. Cochin Bridge Infrastructure

Name, Designation, DIN and Address	Age	Category	Other directorships
DIN: 00106689 Address: 164, Bora Bazar Street, 1 st Floor, Fort, Mumbai 400 001.			Company Limited 3. Mumbai Nasik Expressway Limited 4. Sikkim Hydro Power Ventures Limited 5. Kosi Bridge Infrastructure Company Limited 6. Gorakhpur Infrastructure Company Limited 7. Sez Adityapur Limited 8. Punjab Biomass Power Limited 9. Haryana Biomass Power Limited 10. Modern Tollroads Limited 11. Gammon Logistics Limited 12. Tidong Hydro Power Limited 13. Indira Container Terminal Private Limited
Mr. Atul Kumar Shukla Director DIN: 00121601 Address: 501, May Flower, 31 - A, Union Park, Khar (West), Mumbai 400 022	63	Non-Executive/Independent	1. Deccan Infrastructure and Land Holdings Limited 2. Mittal Corp. Limited 3. Almondz Global Securities Limited 4. India Venture Advisors Private Ltd 5. India Infoline Trustee Company Limited

Except as Mr. C. C. Dayal and Mr. Atul Dayal, none of the Directors are related to each other.

Biographies of Directors:

Mr. Peter Gammon is a British national and is the eldest son of Late Mr. J. C. Gammon, the founder of the Company. He joined the Board of the Company in 1988 and was elevated as the chairman of the Board in 1989. In 1997, he was elevated to the position of Chairman Emeritus of the Company.

Mr. Abhijit Rajan is a commerce graduate and has pursued management studies from Europe. He has been a whole-time director in IPCA Laboratories Limited. He was first inducted as a Director on the Company on February 14, 1991 and was appointed as the chairman and managing Director in 2001. He was re-appointed as the chairman and managing Director for a further period of five years w.e.f May 17, 2006.

Mr. Rohit Modi holds bachelors degree in economics from Sri Ram College of Commerce and masters degree in economics from Delhi School of Economics. He joined the Indian Administrative Services (“IAS”) in 1985 and served as an IAS officer till 1999. From 1999 to 2006, he served as the chief executive officer of Tamil Nadu Road Development Corporation and also held additional charge as Managing Director of Road Infrastructure

Development Corporation of Rajasthan. His last assignment was as head of India business operations in Suzlon group. Mr. Rohit Modi was appointed as whole time Director for a period of five years w.e.f June 7, 2009.

Mr. Himanshu Parikh is a commerce graduate. He has wide experience in diverse fields such as purchase and general management and looks after various functions of the Company such as purchase, commercial, E.D.P. He has also been managing director of Vizag Seaport Private Limited. He was re-appointed as executive Director for a further period of five years w.e.f May 1, 2008.

Mr. Rajul A. Bhansali is a commerce graduate and a chartered accountant. He has vast experience in construction industry in finance, commercial and general management areas. He has served as deputy managing director in Afcon Infrastructure Limited and has 30 years of experience in handling operations and other management areas. He has been with the Company since March 30, 2003 and was re-appointed as whole time Director for a further period of three years w.e.f March 30, 2009.

Mr. Digambar Bagde, holds a B.E. (Civil) degree. He has wide and varied experience of more than 33 years in design and execution of transmission lines in India and abroad and also railway electrification in India. Previously, Mr. Bagde was the managing director of the erstwhile ATSL, which was amalgamated with the Company. Mr. Digambar Bagde was appointed as whole time Director and chief executive officer (T&D) business for a period of three years w.e.f July 9, 2009.

Mr. Chandradas C. Dayal is a chartered accountant having vast professional experience and expertise in internal audit, taxation and finance. Mr. Dayal was appointed as Director w.e.f. March 29, 1995.

Mr. Atul Dayal is a solicitor having vast experience in legal field. His areas of expertise are economic laws, such as customs and central excise and corporate laws. Mr. Dayal was appointed as Director w.e.f. September 28, 1999. Mr. Dayal was appointed as Director w.e.f. September 28, 1999.

Mr. Naushad Forbes is B.A.S, M.A.S and doctorate in industrial engineering from Stanford University and has a vast professional experience in the areas of industrial engineering and management. Mr. Forbes was appointed as Director w.e.f. August 11, 2006.

Mr. Jagdish Sheth, holds a B. Sc. (Hons) degree from Bombay University and is a fellow of Institute of Chartered Ship Brokers (London). He also has a diploma in business management. He is a board member of various professional shipping bodies. He has served as chairman and managing director of Shipping Corporation of India. Mr. Sheth was appointed as Director w.e.f. September 29, 2007.

Ms. Urvashi Saxena, holds M.A and LLB degrees. She has held various positions in the department of revenue, ministry of finance, government of India. She is presently associated with a law firm advising in corporate and taxation matters particularly international taxation and transfer pricing issues. She has served as the chairperson of Income Tax Settlement Commission, New Delhi. Ms. Sharma was appointed as Director w.e.f. January 31, 2008.

Mr. Naval Choudhary holds a B.E (mechanical) degree from University of Rajasthan and a master of business administration degree from Indian Institute of Management, Ahmedabad. He has served as the managing director of Albright and Wilson Chemicals India Limited and has gain vast experience of serving in the capacity of managing director and chief executive officer in several organizations in India and overseas. He has vast experience in various management disciplines such as strategic planning, marketing, finance and banking, and production and inventory control. Mr. Chaudhary was appointed as a Director w.e.f May 21, 2009.

Mr. Parvez Umrigar, is a B. Com., AICWA, FCA. He has wide experience of over 17 years in areas like strategic planning, finance, accounts, taxation and compliance. Presently Mr. Umrigar is the managing director of Gammon Infrastructure Projects Limited, a listed subsidiary of the Company. Mr. Parvez Umrigar was appointed Director w.e.f June 1, 2009.

Mr. Atul Kumar Shukla holds a degree of masters in science. He has vast experience in the field of general management, marketing management and management consultancy. He has served as the chairman of Life Insurance Corporation of India. Presently, he is a management consultant and is a director on the boards of various companies. Mr. Shukla was appointed as Director w.e.f July 9, 2009.

Borrowing Powers of the Directors

Pursuant to a shareholders' resolution dated October 14, 2009, the Board has been authorised to borrow monies from time to time from any one or more banks, financial institutions and other persons, firms, body corporates, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained by the Company from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves provided that the total monies borrowed and outstanding at any time shall not exceed Rupees 50,000,000,000 (Rupees 50 billion).

Interests of Directors of the Company

All of the Directors may be deemed to be interested to the extent of fees payable to them for attending Board or Board committee meetings as well as to the extent of other remuneration and reimbursement of expenses payable to them. The executive Directors also may be deemed interested to the extent of remuneration paid to them for services rendered as officers or employees of the Company.

All of the Directors may also be regarded as interested in any Equity Shares and stock options held by them and also to the extent of any dividend payable to them and other distributions in respect of the Equity Shares. All Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to, the companies, firms and trust, in which they are interested as directors, members, partners, trustees.

All of the Directors may be deemed to be interested in the contracts, agreements or arrangements entered into or to be entered into by the Company with any company in which they hold directorships or any partnership firm in which they are partners. Except as otherwise stated in this Preliminary Placement Document and the statutory registers of the Company, the Company has not entered into any contracts, agreements or arrangements during the preceding two years from the date of this Preliminary Placement Document in which any of the directors are interested directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them. The directors have not taken any loans from the Company.

Shareholding of Directors

The following table sets forth the shareholding of the Directors in the Company as on November 27, 2009:

Name	Number of Equity Shares	Shareholding Percentage (in %)
Mr. Peter Gammon	Nil	Nil
Mr. Abhijit Rajan	1,008,365	0.94
Mr. Rohit Modi	Nil	Nil

Name	Number of Equity Shares	Shareholding Percentage (in %)
Mr. Himanshu Parikh	Nil	Nil
Mr. Rajul A. Bhansali	Nil	Nil
Mr. Digambar Bagde	847,332	0.79
Mr. C.C. Dayal	600	0.00
Mr. Atul Dayal	Nil	Nil
Mr. Naushad Forbes	Nil	Nil
Mr. Jagdish Sheth	Nil	Nil
Mr. Urvashi Saxena	Nil	Nil
Mr. Naval Choudhary	Nil	Nil
Mr. Parvez Umrigar	Nil	Nil
Mr. Atul Kumar Shukla	Nil	Nil

Terms of Employment of Executive Directors of the Company

The executive Directors of the Company are not liable to retire by rotation. Further, they are not entitled to any sitting fees for attending the meetings of the Board or any committee thereof. During the period of their service with the Company, the executive Directors are required to perform, observe and conform to such orders and instructions as may from time to time be reasonably given or communicated to them by the Board.

Mr. Abhijit Rajan

Pursuant to a shareholders' resolution dated September 26, 2008, Abhijit Rajan was appointed as the chairman and managing Director of the Company for a period of five years with effect from May 17, 2006. The remuneration of Mr. Rajan includes a salary on a scale of Rs. 650,000 per month to Rs. 2,100,000 per month. In addition, he is entitled to an amount by way of commission, payable annually in addition to the salary calculated with reference to the net profits of the Company in a particular financial year at the absolute discretion of and as may be determined by the Board at the end of each financial year.

Further, he is also entitled to perquisites like furnished / unfurnished accommodation or house rent allowance, medical re-imburement for self and family, leave travel concession for self and family, club fees, personal accident insurance, provident fund and gratuity in accordance with the rules of the Company.

Mr. Rohit Modi

Pursuant to a shareholders' resolution dated October 14, 2009, Rohit Modi was appointed as whole-time Director designated as Deputy Managing Director for a period of five years with effect from June 7, 2009. The remuneration of Mr. Modi is in the scale of Rs. 600,000 per month to Rs. 2,100,000 per month with authority to the Board to fix the salary within the scale from time to time. The increment within the scale will be merit based and take into account the Company's performance. In addition, he is entitled to an amount by way of commission, payable annually in addition to the salary calculated with reference to the net profits of the Company in a particular financial year at the absolute discretion of and as may be determined by the Board at the end of each financial year.

Further, he is also entitled to perquisites like furnished / unfurnished accommodation or house rent allowance, gas, electricity, water, medical re-imburement and leave travel concession for self and family, club fees, personal accident insurance and other benefits in accordance with the rules of the Company.

Mr. Himanshu Parikh

Pursuant to a shareholders' resolution dated September 25, 2008, Himanshu Parikh was appointed as an executive Director for a period of five years w.e.f May 1, 2008. The remuneration payable to Mr. Parikh is in the scale of Rs. 300,000 per month to Rs. 1,000,000 per month with authority to the Board to fix the salary within the scale from time to time. The increment within the scale will be merit based and take into account the Company's performance. In addition, he is entitled to an amount by way of commission, payable annually in addition to the salary calculated with reference to the net profits of the Company in a particular financial year at the absolute discretion of and as may be determined by the Board at the end of each financial year.

Further, he is also entitled to perquisites like furnished / unfurnished accommodation or house rent allowance, gas, electricity, water, medical re-imburement and leave travel concession for self and family, club fees, personal accident insurance and other benefits in accordance with the rules of the Company.

Mr. Rajul Bhansali

Pursuant to a shareholders' resolution dated October 14, 2009, Rajul Bhansali was re-appointed as a whole-time Director designated as Executive Director-International Operations for a period of three years w.e.f March 30, 2009. The remuneration of Mr. Bhansali is in the scale of Rs. 200,000 per month to Rs. 1,000,000 per month with authority to the Board to fix the salary within the scale from time to time. The increment within the scale will be merit based and take into account the Company's performance. In addition, he is entitled to an amount by way of commission, payable annually in addition to the salary calculated with reference to the net profits of the Company in a particular financial year at the absolute discretion of and as may be determined by the Board at the end of each financial year.

Further, he is also entitled to perquisites like furnished / unfurnished accommodation or house rent allowance, gas, electricity, water, medical re-imburement and leave travel concession for self and family, club fees, personal accident insurance and other benefits in accordance with the rules of the Company.

Mr. Digambar Bagde

Pursuant to a shareholders' resolution dated October 14, 2009, Digambar Bagde was appointed as a whole-time Director designated as executive Director and CEO (T&D) business for a period of three years w.e.f July 9, 2009. The remuneration of Mr. Bagde is in the scale of Rs. 300,000 per month to Rs. 1,000,000 per month with authority to the Board to fix the salary within the scale from time to time. The increment within the scale will be merit based and take into account the Company's performance. In addition, he is entitled to an amount by way of commission, payable annually in addition to the salary calculated with reference to the net profits of the Company in a particular financial year at the absolute discretion of and as may be determined by the Board at the end of each financial year.

Further, he is also entitled to perquisites like furnished / unfurnished accommodation or house rent allowance, gas, electricity, water, medical re-imburement and leave travel concession for self and family, club fees, personal accident insurance and other benefits in accordance with the rules of the Company.

Remuneration of Executive Directors of the Company

The following table sets forth all compensation paid to the Executive Directors for the fiscal year ended March 31, 2009.

Name	Salary (Rs.)	Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Abhijit Rajan	7,800,000	5,464,782	1,000,000	14,264,782
Mr. Himanshu Parikh	2,540,000	1,831,101	1,000,000	5,371,101
Mr. Rajul Bhansali	2,495,000	2,236,838	1,000,000	5,731,838
Total	12,835,000	9,532,721	3,000,000	25,367,721

Remuneration of Non-Executive Directors of the Company

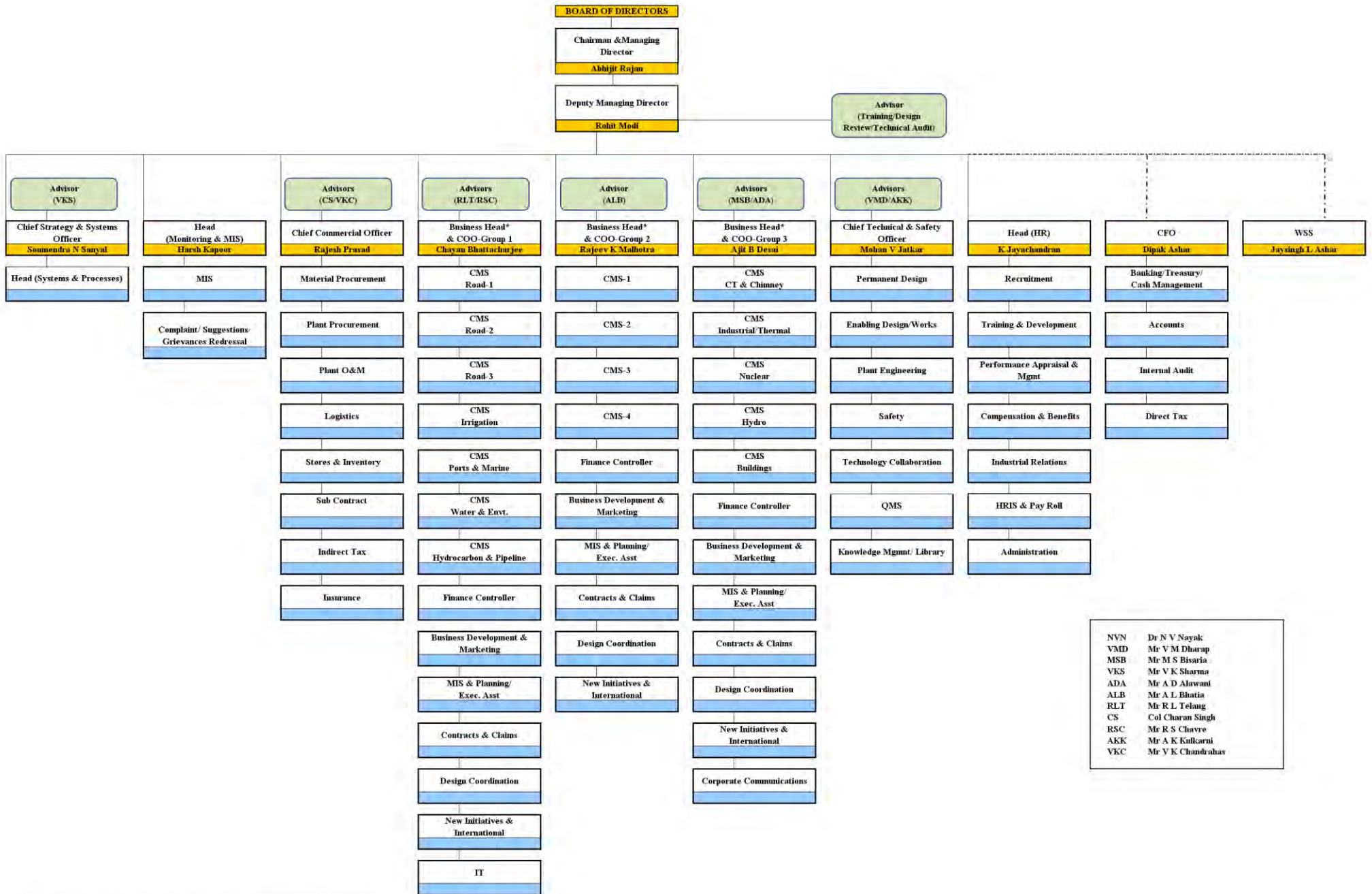
The non - Executive Directors of the Company do not draw any remuneration from the Company other than sitting fees for attending Board and Committee meetings. Details of sitting fees paid to non - executive Directors for attending Board and Committee Meetings during the fiscal year ended March 31, 2009 are given below.

Name	Remuneration (Rs.)
Mr. C.C. Dayal	600,000
Mr. Atul Dayal	20,000
Mr. Naushad Forbes	40,000
Mr. Jagdish Sheth	100,000
Mr. Urvashi Saxena	100,000

Mr. Peter Gammon did not attend any Board or Committee meeting during the fiscal 2009.

The shareholders in their meeting dated October 14, 2009 have, subject to the approval of the central government, approved payment of remuneration of Rs.6,000,000 per annum to Mr. Parvez Umrigar, non executive Director for all such services as may be rendered by him to the Company .

Organisation Chart



- | | |
|-----|-------------------|
| NVN | Dr N V Nayak |
| VMD | Mr V M Dharap |
| MSB | Mr M S Bisaria |
| VKS | Mr V K Sharma |
| ADA | Mr A D Alawani |
| ALB | Mr A L Bhatia |
| RLT | Mr R L Telang |
| CS | Col Charan Singh |
| RSC | Mr R S Chavre |
| AKK | Mr A K Kulkarni |
| VKC | Mr V K Chandrahas |

Group 1 : Transportation of Men & Material (except Bridges/Flyovers/Rail/Metro & Urban Projects)
 Group 2 : Bridges/Flyovers/Elevated Aquaducts/Metro/Rail/Urban Transportation Projects
 Group 3 : Power (Thermal, Nuclear, Hydro, Cooling Towers & Chimneys), Industrial Structures & Buildings

Key Management Personnel

The key managerial personnel of the Company, other than the Directors, are as follows:

Name	Age	Designation	Date of Joining	Qualification
M S Bisaria	74	Advisor - hydro	October 1, 2001	B.E.
Dr. N V Nayak	72	President - monitoring committee	October 1, 2006	M.Tech, Ph.D
Harsh Kapoor	60	Head (monitoring and management information system)	June 26, 2008	B.Sc, B.Tech - mechanical, M.E. - mechanical
Virendra Kumar Sharma	68	President – operations	March 3, 2005	B.Sc. – engineering
Dipak Narayandas Ashar	56	Chief financial officer	May 12, 2008	B.Com, ACA, AICWA
Rajesh Prasad	54	Chief commercial officer	May 2, 2009	B. Tech, P.G.D.M
S N Sanyal	59	Chief strategy and systems officer	January 1, 1976	B.E. - civil
M V Jatkar	54	Chief technical and safety officer	January 1, 1981	B.E. – civil, M.E.
R K Malhotra	57	Business head and chief operating officer (Group II)	January 8, 1979	B.E. – civil, M. Tech
A B Desai	53	Business head and chief operating officer (Group III)	September 1, 1979	B.E. - civil
C Bhattacharjee	58	Business Head and COO (Group I)	February 8, 1987	B.E. – civil, diploma in financial management
K Jayachandran	52	Head - human resources	February 12, 2007	D.M.E, B.A., M.A., L.L.B., P.G.D.P.M.

Shareholding of Key Management Personnel

The following table sets forth the shareholding of the key management personnel as on November 27, 2009:

Name	Number of Equity Shares	Shareholding Percentage (in %)
M S Bisaria	245	0.00
Dr. N V Nayak	Nil	-
Harsh Kapoor	Nil	-
Virendra Kumar Sharma	100	0.00
Dipak Narayandas Ashar	Nil	-
Rajesh Prasad	10	0.00
S N Sanyal	Nil	-
M V Jatkar	550	0.00
R K Malhotra	10,000	0.01

A B Desai	Nil	-
C Bhattacharjee	Nil	-
K Jayachandran	80	0.00

Bonus or profit sharing plan for the Key Management Personnel

There is no bonus of profit sharing plan for the key managerial personnel.

Interests of Key Management Personnel

The key management personnel of the Company do not have any interest in the Company other than to the extent of their shareholding in the Company, the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

None of the key management personnel have been paid any consideration of any nature from the Company, other than their remuneration.

Corporate Governance

We comply with all applicable corporate governance requirements, including the listing agreement with the Stock Exchanges and the SEBI Regulations, including constitution of the Board and committees thereof. Our corporate governance framework is based on an effective independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and proper constitution of committees of the Board of Directors. Our Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board of Directors with detailed reports on our performance periodically.

Currently our Board of Directors consists of 14 directors out of which eight are independent directors.

Committees of the Board of Directors

The Board currently has two committees. These are audit committee and share transfer committee. The Board determines the constitution of the committees, the terms of reference for committee members including their role and responsibilities.

Audit Committee

The audit committee presently comprises of the following:

- 1) Mr. C.C. Dayal (Chairman);
- 2) Mr. Atul Dayal;
- 3) Ms. Urvashi Saxena; and
- 4) Mr. Himanshu Parikh

The role of audit committee includes the following:

- a) Overseeing of the Company's financial reporting process and the disclosure of its financial information;
- b) Recommending to the Board the appointment and removal of statutory auditors, branch auditors and fixation of their remuneration;

- c) Reviewing with management the annual financial statements before submission to the Board;
- d) Reviewing the adequacy of internal control systems;
- e) Reviewing the quarterly and half yearly financial results;
- f) Discussion with Internal Auditors, any significant findings and follow up thereon;
- g) 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; and
- h) Reviewing the Company's financial and risk management policies.

During the Fiscal 2009, the audit committee met four times.

Share Transfer Committee

The share transfer committee comprises of the following:

- 1) Mr. C. C. Dayal (Chairman);
- 2) Mr. Atul Dayal; and
- 3) Mr. Himanshu Parikh.

The share transfer committee deals with various matters relating to:

- a) Transfer/ transmission of shares;
- b) Issue of duplicate share certificates;
- c) Review of shares dematerialized/ rematerialized and all other related matters;
- d) Non- receipt of annual reports and dividend; and
- e) Redressal of investors/ shareholders complaints

During the Fiscal 2009, the share transfer committee met 21 times.

Policy on disclosures and internal procedure for prevention of insider trading

Pursuant to the Company's policy on disclosures and internal procedure for prevention of insider trading, any Director of the Company shall not derive benefit or assist others to derive benefit by giving investment advice from access to and possession of price sensitive information about the Company, which is not in public domain and constitutes insider information. All Directors and the senior management of the Company are required to comply with SEBI (Prohibition of Insider Trading) Regulations, 1992 and also adhere to the Code of Conduct for Directors and Members of Senior Management framed by the Company.

Employee Stock Option Scheme

The Company does not have an employee stock option scheme other than the Employee Stock Option Scheme – 2007 which has been taken over from the erstwhile Associated Transrail Structures Limited on its amalgamation. As on date, pursuant to the said ATSL scheme, 93,870 options are unexercised.

PRINCIPAL SHAREHOLDERS

Shareholding Pattern

The following table sets forth our shareholding pattern as at November 27, 2009

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Individuals / Hindu Undivided Family	3	1,027,885	1,025,385	0.96	0.96	-	-
Bodies Corporate	4	24,072,555	24,072,555	22.38	22.38	5,000	0.02
Sub Total	7	25,100,440	25,097,940	23.33	23.33	5,000	0.02
(2) Foreign							
Bodies Corporate	1	3,086,435	3,086,435	2.87	2.87	-	-
Sub Total	1	3,086,435	3,086,435	2.87	2.87	-	-
Total shareholding of Promoter and Promoter Group (A)	8	28,186,875	28,184,375	26.20	26.20	5,000	0.02
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	21	9,138,532	9,138,432	8.49	8.49	-	-
Financial Institutions / Banks	27	2,604,824	2,599,054	2.42	2.42	-	-
Foreign Institutional Investors	44	24,383,489	24,383,489	22.67	22.67	-	-
Sub Total	92	36,126,845	36,120,975	33.58	33.58	-	-
(2) Non-Institutions							
Bodies Corporate	612	24,318,323	19,838,133	22.60	22.60	-	-
Individuals							
Individual shareholders holding nominal share capital up to Rs. 1 lakh	23,694	5,244,163	3,912,210	4.87	4.87	-	-
Individual shareholders holding	8	1,884,511	1,158,711	1.75	1.75	-	-

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
nominal share capital in excess of Rs. 1 lakh							
Any Others (Specify)						-	-
Clearing Member	224	96,894	96,894	0.09	0.09	-	-
Market maker						-	-
Office bearers	74	53,933	274,18	0.05	0.05	-	-
Foreign nationals	11	168,570		0.16	0.16	-	-
Foreign nationals						-	-
Non resident indians (repat)	309	117,898	117,898	0.11	0.11	-	-
Non resident indians (non-repat)	100	49,278	43,193	0.04	0.04	-	-
Overseas bodies corporates	2	4,684,720	4,679,220	4.35	4.35	-	-
Other directors	2	847,932	847,932	0.79	0.79		
Trusts	5	5,806,754	2,074	5.40	5.40		
SUB TOTAL (B)(2):	25,041	43,272,976	30,723,683	40.22	40.22		
Total Public Shareholding (B) = (B)(1) + (B)(2)	25,133	79,399,821	66,844,658	73.80	73.80		
TOTAL (A) + (B)	25,141	107,586,696	95,029,033	100.00	100.00		
(C) Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-	-	-
Total (A)+(B)+(C)	25,141	107,586,696*	95,029,033	-	100.00		

* Includes 725,800 Equity Shares held in abeyance.

The following table sets forth the shareholding of the “Promoter and Promoter Group” as at November 27, 2009.

Sl. No.	Name of the Shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+(B)+(C)	Number	% of Total shares held	As a % of grand total (A)+(B)+(C)
1	Abhijit Rajan	1,008,365	0.94	-	-	-
2	Jagdish Rajan	19,520	0.02	-	-	-
3	Pacific Energy Private Limited	15,013,015	13.95	-	-	-
4	First Asian Capital Resources Private Limited	291,315	0.27	-	-	-
5	Nikhita Estate Developers Private	3,485,420	3.24	5,000	0.14	0.00

Sl. No.	Name of the Shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+(B)+(C)	Number	% of Total shares held	As a % of grand total (A)+(B)+(C)
	Limited					
6	Devyani Estate and Properties Private Limited	5,282,805	4.91	-	-	-
7	Masayor Enterprises Limited	3,086,435	2.87	-	-	-
	Total	28,186,875	26.20	5,000	0.02	0.00

The following table sets forth the shareholding of the shareholders holding more than 1% of our paid-up capital, other than those belonging to the “Promoter and Promoter Group”, as at November 27, 2009.

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1.	Warhol Limited	8,577,061	7.97
2.	Gammon India Trust	5,804,680	5.40
3.	Copthall Mauritius Investments Limited	4,840,304	4.50
4.	Humid Investments & Traders Private Limited	4,827,045	4.49
5.	Summicorp Limited	4,679,220	4.35
6.	HSBC Global Investment Funds A/c HSBC Global Invst Funda Mauritius Limited	4,494,414	4.18
7.	Ritu Estate Developers Private Limited	3,130,289	2.90
8.	Mogra Investment Private Limited	2,991,152	2.78
9.	Ellora Organic Industries Private Limited	2,800,000	2.60
10.	Birla Sun Life Insurance Company Limited	2,593,155	2.41
11.	HSBC Global Investment Funds Mauritius Limited – GDR	1,482,000	1.38
12.	Reliance Capital Trustee Company Ltd A/c Reliance Diversified Power Sector Fund	1,440,100	1.34
13.	HDFC Standard Life Insurance Company Limited	1,255,739	1.17
14.	Sundaram BNP Paribas Mutual Fund A/c Sundaram BNP Paribas Tax Saver Open Ended Fund	1,236,614	1.15
15.	Pragmatic Traders Private Limited	1,140,339	1.06
16.	The Master Trust Bank of Japan Ltd A/c HSBC Indian Equity Mother Fund	1,113,030	1.03
	Total	52,405,142	48.71

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to bidding, application payment, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and the prospective investors are assumed to have apprised themselves of the same from the Company or the Joint Global Co-ordinators. The prospective investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Please see “Selling Restrictions” and “Transfer Restrictions”.

Qualified Institutions Placements

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI Regulations through the mechanism of a QIP. Under Chapter VIII of the SEBI Regulations, a listed company in India may issue equity shares /fully convertible debentures/partly convertible debentures/non-convertible debentures with warrants or any other security (other than warrants) which are convertible into or exchangeable with equity shares at a later date to QIBs, provided that:

- equity shares of the same class of such company are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year as on the date of issuance of notice to its shareholders for convening the meeting; and
- such company complies with the minimum public shareholding requirements set out in the Listing Agreement with the stock exchange referred to above.

The Company has received the in-principle approval of the Indian Stock Exchanges under Clause 24 (a) of its Listing Agreement for the listing of Equity Shares on the Stock Exchange.

Additionally, there is a minimum pricing requirement under the SEBI Regulations. The issue price of the equity shares shall not be less than the average of the weekly high and low of the closing prices of the related equity shares quoted on the stock exchange during the two weeks preceding the relevant date.

The “relevant date” referred to above means the date of the meeting in which the board of directors or the committee of directors duly authorized by the board of a company decides to open the issue and “stock exchange” means any of the recognized stock exchanges in which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the relevant date.

Equity shares must be allotted within twelve months from the date of the shareholders resolution approving the QIP. The equity shares issued pursuant to the QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations. The placement document is a private document provided to less than 49 investors through serially numbered copies and is required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors. A copy of the placement document is required to be filed with the SEBI for record purposes within 30 days of the allotment of the securities.

The aggregate of the proposed QIP and all previous QIPs made in the same financial year shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year. The Company shall furnish a copy of the placement document to each stock exchange on which its Equity Shares are listed.

Equity Shares allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on a recognized stock exchange in India.

Issue Procedure

1. The Company and the Joint Global Co-ordinators shall circulate serially numbered copies of the Preliminary Placement Document and the Application Form, either in electronic form or physical form, to not more than 49 QIBs.
2. The list of QIBs to whom the Application Form is delivered shall be determined by the Joint Global Co-ordinators in consultation with the Company. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.
3. QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the Joint Global Co-ordinators.
4. QIBs will be required to indicate the following in the Application Form:
 - a. Name of the QIB to whom Equity Shares are to be Allotted;
 - b. Number of Equity Shares Bid for;
 - c. Price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at “Cut-off Price”; and
 - d. The details of the dematerialized account(s) to which the Equity Shares should be credited.

Note: Each sub-account of an FII will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting Application Form(s).

5. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid Closing Date. The Bid Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Application Form.
6. Upon the receipt of the Application Form, the Company shall determine the Issue Price and the number of Equity Shares to be issued in consultation with the Joint Global Co-ordinators. Upon determination of the Issue Price and the QIBs to whom Allocation shall be made, the Joint Global Co-ordinators will send the CAN to the QIBs who have been Allocated the Equity Shares. The dispatch of the CAN shall be deemed a valid, binding and irrevocable contract for the QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB.

Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, through electronic transfer to the designated bank account of the Company by the Pay- In Date as specified in the CAN sent to the respective QIBs.

Upon receipt of the application monies from the QIBs, the Company shall Allot Equity Shares as per the details in the CAN to the QIBs. The Company shall not Allot Equity Shares to more than 49 QIBs. The Company will intimate to the Stock Exchanges the details of the Allotment.

7. After receipt of the listing approval from the Stock Exchanges, the Company shall credit the Equity Shares into the Depository Participant accounts of the respective QIBs.
8. The Company shall then apply for the trading permissions from the Stock Exchanges.
9. The Equity Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.
10. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, the Company shall inform the QIBs who have received an Allotment of the receipt of such approval. The Company and the Joint Global Co-ordinators shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest. Currently, QIB means:

- Public financial institutions as defined in section 4A of the Companies Act;
- Scheduled commercial banks;
- Mutual funds registered with SEBI;
- Foreign institutional investors and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- Multilateral and bilateral development financial institutions;
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- State industrial development corporations;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million;
- Pension Funds with minimum corpus of Rs. 250 million; and
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated 23 November 2005 of the Government of India published in the Gazette of India.

FIIIs are permitted to participate through the portfolio investment scheme in this Issue. FIIIs are permitted to participate in the QIP subject to compliance with all applicable laws and such that the shareholding of the FIIIs does not exceed specified limits as prescribed under applicable laws in this regard.

FIIIs can hold up to a maximum of 49 per cent. in the paid-up equity share capital of the Company.

The issue of Equity Shares to a single FII should not exceed 10 per cent. of the post-Issue, issued capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10 per cent. of the total issued capital of the Company or 5 per cent. of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual.

No Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being a Promoter or any person related to the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to Promoter:

- (a) rights under a shareholders agreement or voting agreement entered into with the Promoter or persons related to the Promoter;
- (b) veto rights; or
- (c) right to appoint any nominee director on the Board,

provided that a QIB which does not hold any Equity Shares in the Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoter.

The Company and the Joint Global Co-ordinators are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. QIBs are advised to make their own independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

As per the SEBI Regulations, a minimum of 10 per cent. of the Equity Shares in this Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: Affiliates or associates of the Joint Global Co-ordinators who are QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the Joint Global Co-ordinators in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of this Preliminary Placement Document and the Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under “Representations by Investors” and “Transfer Restrictions”:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and is eligible to participate in this Issue;
2. The QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly, and its Application Form does not, directly or indirectly, represent the Promoter or promoter group of the Company or a person related to the Promoter;
3. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board of the Company other than those acquired in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the Promoter;
4. The QIB has no right to withdraw its Bid after the Bid Closing Date;
5. The QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;
6. The QIB confirms that the QIB is eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue, the QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;
7. The QIB confirms that the Application Form would not eventually result in triggering a tender offer under the Takeover Code;
8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50 per cent. of the Issue Size. For the purposes of this statement:
 - a. The expression “belongs to the same group” shall derive meaning from the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act;
 - b. “Control” shall have the same meaning as is assigned to it by clause 1(c) of Regulation 2 of the Takeover Code.
9. The QIBs shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by the QIBs shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by the Company in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied for. The Application Form shall be submitted to the Joint Global Co-ordinators either through electronic form or through physical delivery at the following address:

Name: IDFC-SSKI Limited
Address: 803-804, Tulsiani Chambers, Free Press Journal Marg, Nariman Point, Mumbai 400 021
Contact Person: Hiren Raipancholia
Email: gammonindia.qip@idfcsski.com
Phone: (91 22) 6638 3333

Name: India Infoline Limited
Address: 10th Floor, One Indiabulls Centre, 841, Senapati Bapat Marg, Elphinstone Road (W), Mumbai, 400 013
Contact Person: Pinak R. Bhattacharyya
Email: gammonindia.qip@iiflcap.com
Phone: (91 22) 4646 4600

The Joint Global Co-ordinators shall not be required to provide any written acknowledgement of the same.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision of) within the Bidding Period to the Joint Global Co-ordinators.

Price discovery and allocation

The Company, in consultation with the Joint Global Co-ordinators, shall determine the Issue Price for the Equity Shares, which shall be at or above the Floor Price. Post finalisation of the Issue Price, the Company shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

The Company shall determine the Allocation in consultation with the Joint Global Co-ordinators on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Application Forms received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10 per cent. of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE COMPANY IN CONSULTATION WITH THE JOINT GLOBAL CO-ORDINATORS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER THE COMPANY NOR THE JOINT GLOBAL CO-ORDINATORS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Joint Global Co-ordinators as per the details provided in the respective CAN.

Number of Allottees

The minimum number of Allottees in the Issue shall not be less than:

- (a) two, where the issue size is less than or equal to Rs. 2,500 million; or
- (b) five, where the issue size is greater than Rs. 2,500 million.

Provided that no single allottee shall be Allotted more than 50 per cent. of the aggregate amount of the Issue Size.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single Allottee for the purpose of this clause. For details of what constitutes “same group” or “common control” please see “Application Process - Application Form”.

The maximum number of Allottees of Equity Shares shall not be greater than 49 Allottees. Further the Equity Shares will be Allotted within 12 months from the date of the shareholders resolution approving the Issue.

CAN

Based on the Application Forms received, the Company in consultation with the Joint Global Co-ordinators, in its sole and absolute discretion, decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares by the Pay-in Date in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date (“**Designated Date**”), being the date of credit of the Equity Shares to the QIB’s account, as applicable to the respective QIBs.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Joint Global Co-ordinators and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

Company Account for Payment of Application Money

The Company will open a special bank account (the “Escrow Bank Account”) with Citibank N.A. in terms of the arrangement between the Company, the Joint Global Co-ordinators and the Citibank N.A. (acting as an escrow

bank). The QIB will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Bank Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, the Company and the Joint Global Co-ordinators have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to not more than 49 QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of “Gammon India Limited – QIP Escrow Account” as per the payment instructions provided in the CAN.

QIBs may make payment only through electronic fund transfer.

Note: Payment of the amounts through outstation cheques are liable to be rejected.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Bank Account as stated above.
2. In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
3. The Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
4. Following the Allotment and credit of Equity Shares into the QIBs Depository Participant account, the Company will apply for final trading and listing approvals from the Stock Exchanges.
5. In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by the Company.
6. The Escrow Bank shall not release the monies lying to the credit of the Escrow Bank Account to the Company, until such time as the Company delivers to the Escrow Bank documentation regarding the final approval of the Stock Exchanges, for the listing and trading of the Equity Shares issued pursuant to the Issue.

After finalization of the Issue Price, the Company shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Submission to SEBI

The Company shall submit the Placement Document to SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its PAN allotted under the Income Tax Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Right to Reject Applications

The Company, in consultation with the Joint Global Co-ordinators, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of the Company and the Joint Global Co-ordinators in relation to the rejection of Bids shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

1. A QIB applying for Equity Shares must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.
2. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.
3. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with CDSL and NSDL.
4. The trading of the Equity Shares would be in dematerialized form only for all QIBs in the demat segment of the respective Stock Exchanges.
5. The Company will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or otherwise on part of the QIBs.

PLACEMENT

Placement Agreement

The Joint Global Co-ordinators have entered into a agreement with the Company (the “**Placement Agreement**”), pursuant to which the Joint Global Co-ordinators have agreed to place, on a best efforts basis, up to such number of the Equity Shares, the aggregate subscription amount of which shall be up to Rs. 200 million, to Qualified Institutional Buyers, pursuant to Chapter VIII of the SEBI Regulations, outside the United States on reliance with Regulation S under the Securities Act.

The Placement MoU contains customary representations and warranties, as well as indemnities from the Company and is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs.

In connection with the Issue, the Joint Global Co-ordinators (or their respective affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Joint Global Co-ordinators may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Joint Global Co-ordinators may purchase Equity Shares and be allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes. Please see “Offshore Derivative Instruments”.

Lock-up

The Company will not, for a period of 90 days from the date of the Placement Document, without the prior written consent of the Book Running Lead Managers, (A) directly or indirectly, issue, offer, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (A) or (B) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (C) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depository receipt facility, or publicly announce any intention to enter into any transaction. The foregoing sentence shall not apply to: (i) any issuance, sale, transfer or disposition of Equity Shares by the Company to the extent such issuance, sale, transfer or disposition is required by Indian law; (ii) any issuance of Equity Shares by the Company upon exercise of options outstanding as at the date

hereof by the employees of the Company; (iii) any issuance of Equity Shares by the Company upon conversion of warrants outstanding as at the date hereof; and (iv) the Placement.

The Promoter during the period commencing on the date of the Placement Agreement and ending 180 days after the date of allotment of equity shares under the Offering, agrees not to, (a) directly or indirectly, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned by the undersigned) with respect to any of the foregoing or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or (c) deposit Equity Shares with any other depository in connection with a depository receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depository receipt facility or publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided, however, that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares by the undersigned to the extent such sale, transfer or disposition is required by Indian law.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

General

No action has been or will be taken in any jurisdiction by the Company or the Joint Global Co-ordinators that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating in us or the Equity Shares in this Issue in any jurisdiction where action for the purpose is required. Accordingly, the Equity Shares in this Issue may not be offered or sold, directly or indirectly and neither this Preliminary Placement Document nor any other offering material or advertisements in connection with the Equity Shares imposed no be issued pursuant to this Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or the Joint Global Co-ordinators. The Issue will be made in compliance with the SEBI ICDR Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or to be deemed to have made, as applicable, the acknowledgments and agreements as described under “*Transfer Restrictions*”.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of any Equity Shares contemplated by this document may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares, which has been approved by a competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospective Directive, except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances, which do not require publication of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for the publication by the Company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the

expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

This Preliminary Placement Document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Equity Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and the Securities and Futures (Professional Investor) Rules made thereunder or in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue any invitation, advertisement or other document relating to the Equity Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder.

The Joint Global Co-ordinators have not issued, or had in their possession for the purposes of issue, and will not issue, or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

This Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (“SFA”) and accordingly, the Equity Shares may not be offered or sold, nor may the Equity Shares be the subject of an invitation for subscription or purchase, nor may this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 275 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Equity Shares are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (a) A corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) A trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

- (1) To an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or to a relevant person or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA;
- (2) Where no consideration is or will be given for the transfer; or
- (3) Where the transfer is by operation of law.

United Arab Emirates

This Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Preliminary Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Preliminary Placement Document has not been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E., nor has the placement agent, if any, received authorization or licensing from the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell securities within the United Arab Emirates. No marketing of any financial products or services has been or will be made from within the United Arab Emirates and no subscription to any securities, products or financial services may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

By receiving this Preliminary Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that the Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The Dubai Financial Services Authority has not approved this Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it.

Nothing contained in this Preliminary Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice. This Preliminary Placement Document is for your information only and nothing in this Preliminary Placement Document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

United Kingdom

The Joint Global Co-ordinators:

- (a) Have not offered or sold, and prior to the expiry of a period of six months from the issue date of any Equity Shares, will not offer or sell any securities of the Company to persons in the United Kingdom except to "qualified investors" as defined in section 86(7) of the Financial Services and Markets Act 2000 ("FSMA") or otherwise in circumstances which have not resulted in an offer to the public in the United Kingdom;

- (b) Have complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom; and
- (c) In the United Kingdom, will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) to persons that are “qualified investors” and who are (a) “investment professionals” falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“**Order**”) or (b) high net worth entities and/or other persons to whom it may lawfully be communicated falling within Article 49(2)(a) to (d) of the Order in circumstances in which section 21(1) of the FSMA does not apply to the Company.

United States of America

The Equity Shares are being offered and sold outside of the United States in reliance on Regulation S. The Equity Shares have not been and will not be registered under Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each purchaser of the Equity Shares will be deemed to have made the acknowledgements, representations and agreements described in “*Transfer Restrictions*”.

TRANSFER RESTRICTIONS

Purchasers of the Equity Shares in this Issue are not permitted to sell the Equity Shares for a period of one year from the date of allotment except through the Stock Exchanges.

Subject to the foregoing:

U.S. Offer Transfer Restrictions

- You have received a copy of the Preliminary Placement Document and such other information as you deem necessary to make an informed decision and that you are not relying on any other information or the representation concerning the Company or the Equity Shares and neither the Company nor any other person responsible for this document or any part of it or the Joint Global Co-ordinators will have any liability for any such other information or representation;
- You are purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S and you agree that you will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India;
- You are authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;
- You acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that such Equity Shares have not been and will not be registered under the Securities Act;
- You certify that either (A) you are, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and are located outside the United States (within the meaning of Regulation S) or (B) you are a broker-dealer acting on behalf of your customer and your customer has confirmed to you that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S); and
- The Company, Joint Global Co-ordinators, their respective affiliates and others will rely upon the truth and accuracy of your representations, warranties, acknowledgements and undertakings set out in this document, each of which is given to (a) the Joint Global Co-ordinators on their own behalf and on behalf of the Company, and (b) to the Company, and each of which is irrevocable and, if any of such representations, warranties, acknowledgements or undertakings deemed to have been made by virtue of your purchase of the Equity Shares are no longer accurate, you will promptly notify the Company.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above stated restrictions will not be recognized by the Company.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE and the NSE, and has not been prepared or independently verified by the Company or the Joint Global Co-ordinators or any of their respective affiliates or advisors.

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulations

Indian Stock Exchanges are regulated primarily by SEBI, as well as by the Government of India acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act, 1956, as amended (the “**SCRA**”) and the Securities Contracts (Regulation) Rules, 1957, as amended (the “**SCRR**”). The SCRA and the SCRR along with the rules, by-laws and regulations of the respective stock exchanges regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into, settled and enforced between members.

The SEBI Act under which the SEBI was established by the Government in February 1992, granted powers to SEBI to promote, develop and regulate the Indian Securities markets, including stock exchanges and other intermediaries, promote and monitor self-regulatory organizations, prohibit fraudulent and unfair trade practices and insider trading and regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buybacks of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants.

The Companies Act as amended has empowered the SEBI to administer certain provisions of the Companies Act, in so far as they relate to issue and transfer of Securities and non-payment of dividends by listed public companies as well as companies intending to list their securities on any recognised stock exchange in India and to conduct inspection of the companies records in respect of matters relating to issue and transfer of securities. The power to prosecute defaulting companies with respect to the same has also been vested with SEBI.

SEBI has also set up a committee for the review of Indian securities laws, which has proposed a draft Securities Bill. The draft Securities Bill, if enacted in its present form may result in a substantial revision in the laws relating to securities transactions in India. The Companies Bill has been introduced in the Lok Sabha on August 3, 2009.

Listing

The listing of securities on a recognised Indian stock exchange is regulated by the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines issued by SEBI and the listing agreements of the respective stock exchanges. Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of an issuer’s obligations under such listing agreement or for any other reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. In the event that a suspension of a company’s securities continues for a period in excess of three months, the company may appeal to the Securities Appellate Tribunal (“**SAT**”) established under the SEBI Act to set aside the suspension. SEBI has the power to vary or set aside the decision of stock exchange decisions in this regard. SEBI also has the power to amend such listing agreements and the bye-laws of the stock exchanges in India.

Clause 49 of the Listing Agreement provides that if non-executive chairman of a listed company is a promoter or is related to promoters of the company or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of independent directors.

The Listing Agreement requires that all listed companies are required to ensure a minimum level of public shareholding at 25 per cent. of the total number of issued shares of a class or kind for every such class or kind of shares that are listed for the purpose of continuous listing.

The exceptions to this rule are for companies which (i) are offering or have offered shares to the extent of at least 10 per cent. of the issue size in terms of Rule 19(2)(b) of the SCRR; (ii) have 20 million or more outstanding shares; (iii) have a market capitalization of Rs. 10,000 million or more and the minimum public shareholding to be maintained by such companies is 10 per cent. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement and may result in a penal action being taken against the listed company pursuant to the SEBI Act.

The Company is subject to continuing disclosure requirements of publishing unaudited financial statements on a quarterly basis and immediately inform the Indian Stock Exchanges of any published price sensitive information.

Any non-compliance with the terms and conditions of Listing Agreement of the Stock Exchanges may entitle delisting of the company from the Indian Stock Exchanges, which will effect future trading of shares of the Company.

Delisting of securities

SEBI has recently, pursuant to a notification dated 10 June 2009 notified the SEBI (Delisting of Equity Shares) Regulations, 2009 (“Delisting **Regulations**”).

The Delisting Regulations are applicable to: (i) voluntary delisting of securities by promoters of a company; (ii) any acquisition of shares of a company (either by a promoter or by any other person) or a scheme or arrangement, consequent to which the public shareholding in such company falls below the minimum limits specified in the listing conditions or listing agreement that may result in delisting of securities; (iii) promoters of companies who voluntarily seek to delist their securities from some or all stock exchanges on which the security is listed; (iv) cases where a person in control of the management is seeking to consolidate his holdings in a company in a manner that would result in the public shareholding in the company falling below the limit specified in the listing conditions or in the listing agreement that may have the effect of company being delisted; and (v) companies which may be compulsorily delisted by the stock exchanges on account of, among other things, violation of stock exchange by-laws. Following a compulsory delisting, a company, its whole time directors, its promoters and the firms promoted by any of them cannot directly or indirectly access the securities market or seek listing of any shares for a period of 10 years from the date of such delisting.

No company can apply for permission to delist: (i) pursuant to a buy-back of shares or preferential allotment made by a company or (ii) unless a period of three years has elapsed since the listing of that class of shares on any recognised stock exchange. Furthermore, if any instruments issued by the company which are convertible into the same class of shares that are sought to be delisted, are outstanding, delisting is disallowed.

A company may delist its shares from one or more recognised stock exchanges where they are listed and continue their listing on one or more other recognised stock exchanges, subject to the provisions of the Delisting Regulations. This is subject to the following:

- (i) if, after the proposed delisting from any one or more recognised stock exchanges, the shares would remain listed on any recognised stock exchange which has nationwide trading terminals, no exit opportunity is required to be given to the public shareholders; and
- (ii) if after the proposed delisting, the shares would not remain listed on any recognised stock exchange having nationwide trading terminals, an exit opportunity has to be given to all the public shareholders holding the shares sought to be delisted.

In the latter situation, the company has to, *inter alia*, obtain the prior approval of shareholders of the company by special resolution passed through postal ballot, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution. A special resolution shall be acted upon if and only if the votes cast by public shareholders in favour of the proposal amount to at least two times the number of votes cast by public shareholders against it. The company also has to file for in-principle approval and a final application to the stock exchange at the stipulated time.

The floor price for delisting will be determined by calculating the average of the weekly high and low of the closing prices during the last twenty six weeks or two weeks preceding the date on which the recognized stock exchange were notified of the board meeting in which the delisting proposal was considered.

The promoter has a right to not accept this price determined by the book building process. Where the public shareholding at the opening of the bidding period was less than the minimum level of public shareholding required under the listing agreement, the promoter has to ensure that the public shareholding is brought up to such minimum level within a period of six months from the date of closure of the bidding through any of the following ways:

- (i) by issue of new shares by the company in compliance with the provisions of the Companies Act and the guidelines and regulations of SEBI relating to issue of securities and disclosures;
- (ii) by the promoter making an offer for sale of his holdings in compliance with applicable laws; or
- (iii) by the promoter making sale of his holdings through the secondary market in a transparent manner.

The Ministry of Finance has, on June 10, 2009 proposed certain amendments to the Securities SCRR (the “**MoF Notification**”) in relation to voluntary and compulsory delisting, to bring them in line with the Delisting Regulations. The MoF Notification shall become effective from the date when it is published in the official gazette. Due to their recent issuance, the applicability of the Delisting Regulations and MoF Notification have not been tested in any manner and hence it is possible that some of the clauses may be amended to make either the Delisting Regulations or the MoF Notification more effective or clarify any ambiguities contained therein. Investors are also requested to consult their advisors before taking any steps under the Delisting Regulations.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10 per cent., 15 per cent. and 20 per cent. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20 per cent. movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI Regulations, and be filed with the Registrar of Companies having jurisdiction over the place where a company’s registered office is situated. A company’s directors and promoters may be subjected to civil and criminal liability for misstatements in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. Pursuant to the provisions of the SEBI Act, the SEBI has issued detailed guidelines concerning disclosures by public companies and to further investor protection. Prior to the repeal of certain rules in mid-1992, the Controller of Capital Issues of the Government regulated the prices at which companies could issue securities. The SEBI Regulations now permit companies to price their domestic issues of securities freely. The SEBI Regulations permit companies to freely price their issues of securities. All companies, including public limited companies, are required under the Companies Act to prepare and file with the Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the disclosure requirements of the Companies Act and regulations governing their manner of presentation, which include sections pertaining to corporate governance and the management’s discussion and analysis as required under the Listing Agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the

requirement to publish un-audited financial statements on a quarterly basis, and is required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Companies Act further requires mandatory compliance with accounting standards issued by the ICAI. The ICAI and SEBI have implemented changes which require Indian companies to account for deferred taxation, consolidate their accounts (subsidiaries only), and provide segment-wise reporting and disclosure of related party transactions from April 1, 2001 and accounting for investments in affiliated companies and joint ventures in consolidated accounts from April 1, 2002.

As of April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of April 1, 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets. The ICAI has recently announced that all listed companies and public interest entities have to comply with International Financial Reporting Standards from 1 April 2011.

Indian Stock Exchanges

There are currently 23 recognized stock exchanges in India. Most of the stock exchanges have their own governing board for self regulation. The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization, and trading activity.

BSE

The BSE is one of the stock exchanges in India on which the Company's Equity Shares are listed. Established in 1875, it is the oldest stock exchange in India. It was the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. Pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of SEBI, the BSE has been corporatised and demutualised and is now a company under the Companies Act. The BSE has switched over to an on-line trading network since May 1995 and has today expanded this network to over 350 cities in India.

Derivatives trading commenced on the BSE in 2000. The BSE has a wholesale and retail debt trading categories. Retail trading in government securities commenced in January 2003. The BSE Sensitive Index, or Sensex, consists of listed shares of 30 companies. The companies are selected based on market capitalization, liquidity and industry representation. Sensex was first compiled in 1986 with the Fiscal Year ended March 31, 1979 as its base year. The BSE 100 Index (formerly the BSE National Index), introduced in January 1989, contains listed shares of 100 companies including the 30 in Sensex with Fiscal Year 1984 as the base year.

As of October 31, 2009 the BSE had 1,004 members comprising 173 individual members, 808 Indian companies and 23 FIIs. As of October 31, 2009 there were 4,951 companies trading on the BSE and the estimated market capitalisation of stocks trading on the BSE was Rs. 53,745.59 billion. The average daily turnover on the BSE as of October 31, 2009 was Rs. 57.00 billion.

NSE

The NSE is one of the stock exchanges in India on which the Company's Equity Shares are listed. The NSE was established by financial institutions and banks to serve as a national exchange and provide nationwide on-line satellite-linked screen-based trading facilities with electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units.

On its recognition as a stock exchange under the SCRA in 1993, the NSE commenced operations in the wholesale debt market segment in 1994 and operations in the derivatives segment commenced in 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. NSE trading terminals are situated in over 300 cities across India.

As of October 31, 2009 there were 1,291 companies trading on the NSE and the estimated market capitalisation of stocks trading on the NSE was Rs. 50,248.30 billion. The average daily turnover on the NSE as of October 31, 2009 was Rs. 181.48 billion.

Internet-based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by the SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

Trading Hours

In terms of circular dated October 23, 2009 issued by SEBI, the stock exchanges have been permitted to set their trading hours (in cash and derivative segments) subject to the condition that the trading hours are between nine a.m. and five p.m. and the exchange has in place risk management system and infrastructure commensurate to the trading hours. The BSE and NSE are closed on public holidays.

Trading Procedure

In order to facilitate smooth transactions, in 1995, BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE introduced for the first time in India, fully automated screen based trading. It uses a modern, fully computerised trading system designed to offer investors across the length and breadth of the country a safe and easy way to invest. The NSE trading system called 'National Exchange for Automated Trading is a fully automated screen based trading system, which adopts the principle of an order driven market, and operates on a price and time priority basis and enables members from across the country to trade various types of securities efficiently.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code, which prescribes certain thresholds or trigger points that give rise to these obligations. The Takeover Code is under constant review by the SEBI and was last amended on November 6, 2009. Since the Company is an Indian listed company, the provisions of the Takeover Code apply to the Company.

The salient features of the Takeover Code are as follows:

- The term “shares” is defined under the Takeover Code to mean equity shares or any other security, which entitles a person to receive shares with voting rights but does not include preference shares.
- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company, or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert with him) who acquires shares or voting rights (together with the company’s equity shares or voting rights, if any, already held by such acquirers) that would entitle him to more than 5%, 10%, 14%, 54%, 74% or 90% of the shares or voting rights in a company is required to disclose the aggregate of his shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company’s shares are listed at every such stage within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition of shares or voting rights, as the case may be. Such company in turn is also required to disclose the same to the stock exchanges on which the company’s shares are listed.
- A person who holds more than 15% of the shares or voting rights in any company is required to make an annual disclosure of his holdings to that company within 21 days of the financial year ending on March 31 (which in turn is required to disclose the same to each of the stock exchanges on which that company’s

shares are listed). Further, any person together with persons acting in concert with him who holds 15% or more but less than 55% or 55% or more but less than 75% of the shares or voting rights in any company is required to disclose any purchase or sale of shares aggregating 2% or more of the share capital of a company along with the aggregate shareholding after such acquisition or sale, to that company (which in turn is required to disclose the same within seven days of receipt of such information to each of the stock exchanges on which the company's shares are listed) and to each of the stock exchanges on which the shares of the company are listed within two days of (i) the receipt of intimation of the allotment of shares or (ii) the acquisition of shares or voting rights, as the case may be.

- Promoters or persons in control of a company are also required to make periodic disclosure of their holdings or the voting rights held by them along with persons acting in concert, in the same manner as above, annually within 21 days of the end of each financial year as well as from the record date for entitlement of dividends. The company is also required to disclose the holdings of its promoters or persons in control as of March 31 of the respective year and on the record date fixed for the declaration of dividends to each of the stock exchanges on which its equity shares are listed. In addition, promoters or persons forming part of the promoter group of the company are also required to disclose to the company the details of the shares of the company pledged by them within seven days of the creation, or invocation, of the pledge, as the case may be. The company is, in turn, required to disclose the information to the stock exchanges within 7 days of receipt of such information, if during any quarter ending March, June, September and December of any year: (i) the aggregate number of pledged shares of a promoter or a person forming part of the promoter group taken together with the shares already pledged during that quarter exceeds 25,000, or (ii) the aggregate total pledged shares of a promoter or a person forming part of the promoter group taken together with the shares already pledged during that quarter exceeds 1% of the total shareholding or voting rights of the company, whichever is lower.
- An acquirer who, together with persons acting in concert with him, acquires or agrees to acquire 15% or more (taken together with existing equity shares or voting rights, if any, held by it or by persons acting in concert with it) of the shares or voting rights of a company would be required to make a public announcement offering to acquire a further minimum of 20% of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code. Such offer has to be made to all public shareholders of a company (public shareholding is defined as shareholding held by persons other than the promoters) and a public announcement is required to be made within four working days of entering into an agreement for the acquisition of or of the decision to acquire shares or voting rights which exceed 15% or more of the voting rights in a company. A copy of the public announcement is required to be delivered on the date on which such announcement is published to SEBI, the company and the stock exchanges on which such company's equity shares are listed.
- An acquirer who, together with persons acting in concert with him, has acquired 15 %, or more, but less than 55% of the shares or voting rights in the shares of a company, cannot acquire additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights (with post acquisition shareholding or voting rights not exceeding 55%) in any financial year ending on March 31 unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code.
- An acquirer who, together with persons acting in concert with him, if any, holds 55% or more but less than 75% of the shares or voting rights (or, where the company concerned obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company) in a company cannot acquire additional shares either by himself, or with, or through person acting in concert, entitling him to exercise voting rights or voting rights unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code.
- However, an acquirer may acquire, together with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise up to 5% voting rights in the company, without making a public announcement as aforesaid if (i) the acquisition is made through open market purchase in normal

segment on the stock exchange but not through bulk/block deal/negotiated deal/preferential allotment, or the increase in the shareholding or voting rights of the acquirer is pursuant to a buyback of shares by the company; and (ii) the post acquisition shareholding of the acquirer together with persons acting in concert with him shall not increase beyond 75%.

- Where an acquirer who (together with persons acting in concert) holds 55% or more, but less than 75% of the shares or voting rights (or, where the company concerned obtained initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCR Rules, less than 90% of the shares or voting rights) in the company, intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so only through an open offer under the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, i.e. up to the delisting threshold (75% or 90%, as the case may be).
- The mandatory public offer requirements prescribed by the Takeover Code have also been made applicable to acquisitions of global depository receipts where the holders of such global depository receipts become entitled to exercise voting rights, in any manner, on the underlying shares.
- In addition, regardless of whether there has been any acquisition of shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the shares of the company. In addition, the Takeover Code introduces the “chain principle” by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each of its subsidiary companies which is listed. However, the public announcement requirement will not apply to any change in control which takes place pursuant to a special resolution passed by way of postal ballot by shareholders. The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are “frequently” or “infrequently” traded (as defined in the Takeover Code). In the case of shares which are frequently traded, the minimum offer price shall be the highest of the:
 - (a) negotiated price under the agreement for the acquisition of shares or voting rights in the company;
 - (b) highest price paid by the acquirer or persons acting in concert with him/her for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of the public announcement; or
 - (c) average of the weekly high and low of the closing prices of the shares of the company as quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of the public announcement or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two-week period prior to the date of the public announcement, whichever is higher.
- The open offer for the acquisition of a further minimum of 20% of the shares of a company has to be made by way of a public announcement which is to be made within four working days of entering into an agreement for the acquisition or the decision to acquire shares or voting rights exceeding the relevant percentages or within four working days after the decision to make any such changes is made which would result in acquisition of control.
- The Takeover Code provides that an acquirer who seeks to acquire any shares or voting rights which would result in the public shareholding in the target company being reduced to a level below the limit specified in the listing agreement with the stock exchange for the purpose of listing on a continuous basis, shall take the necessary steps to facilitate the compliance by the company with the relevant provisions of such listing

agreement, within the time period mentioned therein. Further, the Takeover Code contains penalties for the violation of any provisions.

- The Takeover Code permits conditional offers and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been set out.
- Acquirers making a public offer are also required to deposit a percentage of the total consideration for such offer in an escrow account. This amount will be forfeited in the event that the acquirer does not fulfil his/her obligations.
- The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a “sick industrial company” pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A “financially weak company” is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves as at the beginning of the previous financial year. A “sick industrial company” is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The public offer provisions of the Takeover Code (subject to certain specified conditions), do not apply, *inter alia*, to certain specified acquisitions, including the acquisition of shares (i) by allotment in a public and rights issue subject to the fulfilment of certain conditions, (ii) pursuant to an underwriting agreement, (iii) by registered stockbrokers in the ordinary course of business on behalf of clients, (iv) in unlisted companies (unless such acquisition results in an indirect acquisition of shares in excess of 15% in a listed company), (v) pursuant to a scheme of arrangement or reconstruction including an amalgamation or demerger, under any law or regulation of India or any other country, (vi) pursuant to a scheme under section 18 of SICA, (vii) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and their relatives, provided the relevant conditions are complied with, (viii) through inheritance or succession, (ix) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with the SEBI, to their respective promoters or to other venture capital undertakings, (x) by companies controlled by the Indian Government unless such acquisition is made pursuant to a disinvestment process undertaken by the Indian government or a state government, (xi) pursuant to a change in control by the takeover/restoration of the management of a borrower company by a secured creditor under the terms of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (xii) by acquisition of shares by a person in exchange for equity shares received under a public offer made under the Takeover Code, and (xiii) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions, either on their own account or as a pledgee. An application may also be filed with the SEBI seeking exemption from the requirements of the Takeover Code.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations 1992, as amended (“**Insider Trading Regulations**”) have been notified by SEBI to prohibit and penalize insider trading in India. The Insider Trading Regulations prohibit an “insider” from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchanges when in possession of unpublished price-sensitive information. The terms “insider” and “unpublished price-sensitive information” are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counselling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who while in possession of such unpublished price-sensitive information is prohibited from dealing in securities. The prohibition under the Insider Trading Regulations extends to all persons, including a company dealing in the securities of a company listed on any stock exchange or associate of that other company, while in the possession of unpublished price-sensitive information. Pursuant to recent amendments to the Insider Trading Regulations, the definition of the term insider has been broadened to include any person who has received or has had access to unpublished price sensitive information of the company.

The Insider Trading Regulations require any person who holds more than 5 per cent. of the outstanding shares or voting rights in any listed company to disclose to the company the number of shares or voting rights held by such person on becoming such holder within two working days of:

- the receipt of intimation of allotment of shares; or
- the acquisition of the shares or voting rights, as the case may be.

On a continuous basis any person who holds more than 5 per cent. of the shares or voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by such person and change in shareholding or voting rights (even if such change results in the shareholding falling below 5 percent) and any such change in such holding since last disclosure made, where such change exceeds 2 per cent. of the total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of either: (i) the receipt of intimation of allotment of shares; or (ii) the acquisition or sale of shares or voting rights, as the case may be.

Further, all directors and officers of a listed company are required to disclose to the company the number of shares or voting rights held and positions taken in derivatives by such person in such company within two working days of becoming a director or officer of such company. All directors and officers of a listed company are also required to make periodic disclosures of their shareholding in the company as specified in the Insider Trading Regulations.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. As per the recent amendments, the Insider Trading Regulations require that the model code of conduct should not be diluted in any manner and shall be complied with. The model code of conduct has also been amended to prohibit all directors/officers/ designated employees who buy or sell any number of shares of the company from entering into opposite transactions during the next six months following the prior transaction. All directors, officers and designated employees have also been prohibited from taking positions in derivative transactions in shares of the company at any time. Further, certain provisions pertaining to, *inter alia*, reporting requirements have also been extended to dependants of directors and designated employees of the company.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Rules and Regulations, 1996, as amended which provide *inter alia*, for the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets. The Depositories Act requires that every person subscribing to securities offered by an issuer has the option either to receive the security certificate or hold the securities with a depository. The NSDL and CDSL are two depositories that provide electronic depository facilities for the trading of equity and debt securities in India. Trading of securities in book-entry form commenced in December 1996. In order to encourage “dematerialization” of securities, SEBI has set up a working group on dematerialization of securities comprising foreign institutional investors, custodians, stock exchanges, mutual funds and the NSDL to review the progress of securities and trading in dematerialised form and to recommend scrips for compulsory, dematerialised trading in a phased manner. In January 1998, the SEBI notified scrips of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialised trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialised trading is compulsory for all investors. SEBI has also provided that the issue and allotment of shares in public offers, rights offers or offers for sale after specified dates to be notified from time to time by SEBI shall only be in dematerialised form and an investor shall be compulsorily required to open a depository account with a participant. Under the Depositories Act, a company shall give the option to subscribers/shareholders to receive the security certificates or hold securities in dematerialised form with a depository. However, even in the case of scrips notified

for compulsory dematerialised trading, investors, other than institutional investors, are permitted to trade in physical shares on transactions outside the stock exchange where there are no requirements for reporting such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Charges for opening an account with a depository participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each Depository Participant and have to be borne by the account holder. Upon delivery, the shares shall be registered in the name of the relevant depository on the company's books and this depository shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be affected through the records of the depository. The beneficial owner shall be entitled to all rights and benefits and be subject to all liabilities in respect of his/her securities held by a depository.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialised form in accordance with the provisions of the Depositories Act and the regulations made thereunder.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organization under the supervision of SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2001, July 2001 and November 2001, respectively.

DESCRIPTION OF SHARES

Set forth below is certain information relating to the share capital of the Company including a brief summary of certain of the provisions of the Memorandum and Articles of Association of the Company relating to the rights attached to its shares.

The following description of shares is subject to and qualified in its entirety by the Company's Memorandum and Articles of Association and by the provisions of the Companies Act, which governs its affairs, and other applicable provisions of Indian law.

General

The authorised share capital of the Company is Rs. 1,760 million comprising of 355,000,000 Equity Shares of face value Rs. 2 each aggregating to Rs. 710 million and 3,000,000 6% optionally convertible preference shares aggregating to Rs. 1,050 million.

Dividends

The Company may pay dividends in proportion to the amount paid up or credited as paid up on each share, where a larger amount is paid up or credited as paid up on some shares than on others. The Company in a general meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits, and subject to the provisions of the Act, may fix the time for payment.

No larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits of the Company, and the declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Subject to the provisions of the Act, the Directors may from time to time pay to the members on account of the next forthcoming dividend such interim dividends as in their judgment the position of the Company justifies.

Subject to applicable provisions of the Foreign Exchange Management Act, 1999 and the rules and regulations issued thereunder, as amended, all dividends and other distributions declared and payable on the Equity Shares may be paid by the Company to the holder thereof in Indian Rupees and may be converted into foreign currency and freely transferred out of the Republic of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the Republic of India or any political subdivision or taxing authority thereof.

Capitalisation

Any general meeting may upon the recommendation of the capitalisation by Board resolve that any amounts standing to the credit of the share premium account or the capital redemption reserve account or any monies, investments or other assets forming part of the undivided profits (including profits or surplus monies arising from realisation and (where permitted by law) from the appreciation in value of any capital assets of the Company) standing to the credit of the general reserve, or any reserve fund or any other fund of the Company or is the hands of the Company and available for dividend be capitalised:

- a. by the issue and distribution as fully paid up shares of the Company; or

- b. by crediting shares of the Company which may have been issued to and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the share premium account or the capital redemption reserve account shall be applied only in crediting the payment of capital on shares of the Company or be issued to members as fully paid bonus shares.

Such issue and distribution and such payment to credit of unpaid share capital shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution shall be made.

The Directors shall give effect to any such resolution and apply such portion of the profits, general reserve or reserve fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares of the Company as distributed for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up; provided that no such distribution or payment shall be made unless recommended by the Directors and, if so recommended, such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.

For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may vest any such cash or shares, in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, and fractional certificates or otherwise as they may think fit.

Alteration of share capital

The Company may from time to time in General Meeting alter the conditions of its Memorandum by increase of its share capital by the creation of new shares of such amount as it thinks expedient.

Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as by the general meeting creating the same shall be directed and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company. Provided always that any preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed.

The Company may in General Meeting alter the conditions of its Memorandum as follows:

- (a) Consolidate and divide all or any its share capital into shares of larger amounts than its existing shares;
- (b) Sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum subject nevertheless to the provisions of the Act and of the Articles; and/or
- (c) Cancel shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amounts of its share capital by the amount of the shares so cancelled.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith, but in no respect in priority thereto.

General meetings of shareholders

Subject to the provisions contained in Sections 166 and 210 of the Act as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Provided further that if the registrar may, for any special reason, extend the time within which any annual general meeting shall be held by a period not exceeding three months, then such annual general meeting may be held within such extended period.

All general meetings other than annual general meeting shall be called extraordinary general meetings. The Board of Directors may, whenever it thinks fit, call an extraordinary general meeting. The Board of Directors shall, on the requisition of such number of members of the Company as held in regard to any manner at the date of deposit of the requisition, not less than one-tenth of such of the paid up capital of the Company as at the date carries the right of voting in regard to that matter, forthwith proceed duly to call an Extraordinary General Meeting of the Company.

A general meeting of the Company may be called by giving not less than twenty-one days' notice in writing. However, a general meeting may be called after giving a shorter notice than twenty-one days, if the consent is accorded thereto:

- (i) in the case of an annual general meeting by all the members entitled to vote there at; and
- (ii) in the case of any other meeting, by members of the Company holding not less than 95 per cent of such part of the paid up share capital of the Company as gives a right to vote at that meeting.

Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account in respect of the former resolution or resolutions but not in respect of the latter.

At least five members entitled to vote and present in person shall be a quorum for a general meeting. No business shall be transacted at any general meeting unless the quorum requisite be present at the commencement of the business.

If within half an hour from the time appointed for holding a meeting of the Company, a quorum be not present, the meeting, if called upon the requisition of members, shall stand dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the Board may determine. If at any adjourned meeting also a quorum is not present within half an hour of the time appointed for holding the meeting, the members present, whatever their number or the amount of the shares held by them, shall be a quorum and shall have power to decide upon all the matters which could properly have been disposed of at the meeting from which the adjournment took place.

Voting rights

Subject to the provisions of the Act and of the Articles:

1. upon a show of hands every member holding equity shares and entitled to vote and present in person (including an attorney or proxy of a corporation or a representative of a company) shall have one vote;
2. upon a poll the voting right of every member holding equity shares entitled to vote and present in person (including a corporation or company present as aforesaid) or by attorney or by proxy shall be in the same

proportion as the capital paid on the equity share or shares (whether fully paid or partly paid) held by him bears to the total paid up equity capital of the Company;

3. upon a show of hands or upon a poll, the voting right of every member holding preference shares shall be subject to the provisions, limitations and restrictions laid down in Section 87 of the Act.

No member not personally present shall be entitled to vote on a show of hands unless such member is a Corporation present by attorney or proxy or a Company present by representative duly authorized under Section 187 of the Act in which case such attorney, proxy or representative may vote on a show of hands as if he were an individual member of the Company. No member shall be entitled to be present or to vote at any general meeting either personally or by proxy or attorney or be reckoned in a quorum or to exercise any other privilege as a member unless all calls or other sums presently payable by him in respect of shares in the Company had been paid.

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than Rupees 50,000 has been paid up. The demand for a poll may be withdrawn at any time by the person or persons who make the demand.

Except on the question of the election of a chairman or of adjournment as aforesaid, a poll demanded on any other question shall be taken at such time not being later than 48 hours from the time when the demand was made. The Chairman shall have the power to regulate the manner in which a poll shall be taken. The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken. Subject to the provisions of the Act and the Articles, votes may be given either personally or by an attorney or by proxy, or in the case of a body corporate also by a representative duly authorised.

Transfers

An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee. Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

Subject to the provisions of Section 111 of the Act or any statutory modifications of the said provisions for the time being in force, the Directors may, at their own absolute and uncontrolled discretion and without assigning any reason, decline to register or acknowledge any transfer of shares, and in particular may so decline in any case in which the Company has a lien upon the shares or any of them or whilst any moneys in respect of the shares desired to be transferred or any of them remain unpaid or unless the transferee is approved by the Directors, and such refusal shall not be affected by the fact that the proposed transferee is already a member. The registration of transfer shall be conclusive evidence of the approval by the Directors of the transferee, provided that registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever, except in respect of the shares on which the Company has got a lien.

The Company is required to maintain a register of members wherein the particulars of the members of the Company are entered. For the purpose of determining the shareholders, the register may be closed for such period not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Directors

The Articles of the Company provide that the number of Directors of the Company shall not be less than five and not be more than 15. The Directors shall be appointed by the Company in the general meeting subject to the provisions of the Companies Act and the Articles of Association. Not less than two-thirds of the Directors of the Company shall be persons whose period of office is liable to determination by retirement of directors by rotation. The remaining Directors shall be appointed in accordance with the Articles.

The Company shall, subject to the provisions of the Act, be entitled to agree with any person, firm or corporation that he or it shall have the right to appoint his or its nominee on the Board upon such terms and conditions as the Company may deem fit. Such nominees and their successors in office appointed shall be called special Directors of the Company.

Liquidation Rights

If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution but subject to the rights attached to any preference share capital, divide amongst the contributories *in specie*, any part of the assets of the Company and may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit.

Subject to applicable provisions of the Foreign Exchange Management Act, 1999 and the rules and regulations issued thereunder, as amended, all amounts payable with respect to Equity Shares upon liquidation of the Company may be paid by the Company to the holder thereof in Indian Rupees and may be converted into foreign currency and freely transferred out of the Republic of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the Republic of India or any political subdivision or taxing authority thereof.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of the Equity Shares, under the current tax laws presently in force in India. Several of these benefits are dependent on our shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of any shareholder to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. You are advised to consult your own tax consultant and advisors with respect to the tax implications of an investment in the Equity Shares, particularly in view of certain recently enacted legislation which may not have a direct legal precedent or may have a different interpretation on the benefits which you can avail.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO OUR SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961 (“IT ACT”) AND OTHER DIRECT TAX LAWS PRESENTLY IN FORCE IN INDIA TAX BENEFITS AVAILABLE TO OUR SHAREHOLDERS

- This statement sets out below the possible tax benefits available to our shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on such shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of our shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the shareholders may or may not choose to fulfil;
- This statement sets out below the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of Equity Shares. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue;
- In respect of non-residents, the tax rates and the consequent taxation, mentioned in this section shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and
- The stated benefits will be available only to the sole/first-named holder in case the Equity Shares are held by joint shareholders.

I. Benefits Under the IT Act

A. Resident Shareholders

1. Under Section 10(32) of the IT Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs.1,500 per minor child whose income is so included.
2. As per Section 10(34), read with Section 115-O of the ITA, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the domestic companies) received on the Equity Shares is exempt from tax. However it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not an allowable expenditure.
3. As per Section 2(29A), read with Section 2(42A), Equity Shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in

respect of long term capital assets would be available if the Equity Shares are held for more than twelve months.

4. As per Section 10(38) of the ITA, long term capital gains arising from the transfer of a long term capital asset being an Equity Share, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.
5. As per Section 54EC of the ITA and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under Section 10(38) of the ITA) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer. It may be noted that investment made on or after April 1, 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lacs.

However, if the assessee transfers or converts (otherwise than by transfer) the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money. Further the cost of such long-term specified asset will not qualify for deduction under section 80C of the act.

A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2007 by the:

- National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or
- Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

6. As per Section 54F of the ITA, long term capital gains (in cases not covered under Section 10(38)) arising on the transfer of the Equity Shares held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the Equity Shares; or
- purchases another residential house within a period of one year after the date of transfer of the Equity Shares; or
- constructs another residential house within a period of three years after the date of transfer of the Equity Shares; and

the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed

to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

7. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ short term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long-term capital gains.
8. As per Section 111A of the ITA, short term capital gains arising from the sale of Equity Shares transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).

Where total income as reduced by such short term capital gain is below the maximum amount which is not chargeable to tax, then such short term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income tax.

9. As per Section 112 of the ITA, taxable long-term capital gains, if any, on sale of listed securities will be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less. Under Section 48 of the ITA, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.

B.1 Non-Resident Shareholders – Other Than Foreign Institutional Investors

1. Under Section 10(32) of the IT Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1,500 per minor child whose income is so included.
2. As per Section 10(34) read with Section 115-O of the ITA, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the domestic companies) received on the Equity Shares is exempt from tax. However it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not an allowable expenditure.
3. As per Section 2(29A) read with Section 2(42A), Equity Shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the Equity Shares are held for more than twelve months.
4. As per Section 10(38) of the ITA, long term capital gains arising from the transfer of long term capital asset being an Equity Share, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.
5. As per first proviso to Section 48 of the ITA, in case of a non-resident shareholder, the capital gain/loss arising from transfer of Equity Share, acquired in convertible foreign exchange, is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively incurred in connection with such transfer, into the same foreign currency which was initially utilised in the purchase of Equity Shares. Cost Indexation benefit will not be

available in such a case. As per Section 112 of the ITA, taxable long-term capital gains, if any, on sale of Equity Shares is chargeable to tax at the rate of 20% (plus applicable surcharge and education cess).

6. As per Section 54EC of the ITA and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under Section 10(38) of the ITA) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer. It may be noted that investment made on or after April 1, 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lacs.

However, if the assessee transfers or converts (otherwise than by transfer) the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money. Further the cost of such long-term specified asset will not qualify for deduction under section 80C of the act.

A “long term specified asset” for making investment under this Section on or after 1st April 2007 means any bond, redeemable after three years and issued on or after the 1st April 2007 by:

- National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or
- Rural Electrification Corporation Limited, a company formed and registered under the Companies Act.

7. As per Section 54F of the ITA, long term capital gains (in cases not covered under Section 10(38)) arising on the transfer of the Equity Shares held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the Equity Shares; or
- purchases another residential house within a period of one year after the date of transfer of the Equity Shares; or
- constructs another residential house within a period of three years after the date of transfer of the Equity Shares; and

the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

8. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.
9. As per Section 111A of the ITA, short term capital gains arising from the sale of Equity Shares transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).
10. As per Section 115E of the ITA, in the case of a shareholder being a Non-Resident Indian, and subscribing to the Equity Shares in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains arising on transfer of the Equity Shares (in cases not covered under Section 10(38) of the ITA) will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit.
11. As per Section 115F of the ITA and subject to the conditions specified therein, in the case of a shareholder being a Non-Resident Indian, gains arising on transfer of a long term capital asset being Equity Shares will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the ITA. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the ITA then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
12. As per Section 115G of the ITA, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the ITA, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the ITA.
13. As per Section 115H of the ITA, where Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the ITA to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
14. As per Section 115I of the ITA, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under Section 139 of the ITA, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the ITA.

For the purpose of aforesaid clauses "Non-Resident Indian" means an Individual, being a citizen of India or a person of Indian origin who is not a "resident". A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

Provisions of the ITA vis-à-vis provisions of the Tax Treaty

15. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident is resident. As per the provisions of Section 90(2) of the ITA, the provisions of the ITA would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

B.2 Non-Resident Shareholders – Foreign Institutional Investors

1. We are required to pay a “dividend distribution tax” currently at the rate of 16.995% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividend referred to in Section 115-O received on our Equity Shares is exempt from income tax in the hands of shareholders. However it is pertinent to note that Section 14A of the IT Act restricts claim for deduction of expenses incurred in relation to exempt income.
2. As per Section 10(34) read with Section 115-O of the ITA, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the domestic companies) received on the Equity Shares is exempt from tax.
3. As per Section 2(29A) read with Section 2(42A), Equity Shares held in a company are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the Equity Shares are held for more than twelve months.
4. As per Section 10(38) of the ITA, long term capital gains arising from the transfer of long term capital asset being Equity Shares, where such transaction is chargeable to securities transaction tax, will be exempt to tax in the hands of the FIIs.
5. As per Section 54EC of the ITA and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under Section 10(38) of the ITA) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer. It may be noted that investment made on or after April 1, 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lacs.

However, if the assessee transfers or converts (otherwise than by transfer) the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” for making investment under this Section on or after 1st April 2007 means any bond, redeemable after three years and issued on or after the 1st April 2007 by:

- National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or
 - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
6. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ short term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against

long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

7. As per Section 111A of the ITA, short term capital gains arising from the sale of Equity Shares transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).
8. As per Section 115AD of the ITA, FIIs will be taxed on the capital gains that are not exempt under the provision of Section 10(38) of the ITA, at the following rates:

Nature of income	Tax Rate (%)
Long term capital gains	10
Short term capital gains (other than referred to in Section 111A)	30

The above tax rates have to be increased by the applicable surcharge and education cess.

In case of long term capital gains, (in cases not covered under Section 10(38) of the ITA), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

9. As per Section 196D, no tax is to be deducted from any income, by way of capital gains arising from the transfer of Equity Shares payable to Foreign Institutional Investor.

Provisions of the ITA vis-à-vis provisions of the Tax Treaty

10. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII is resident. As per the provisions of Section 90(2) of the ITA, the provisions of the ITA would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

II. Benefits Available Under the Wealth-Tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, Equity Shares are not liable to wealth tax in the hands of shareholders.

III. Benefits Under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of Equity Shares will not attract gift tax. However if an individual or HUF receives any property which includes shares except in the circumstances provided in the second proviso of the said subsection, on or after 01.10.2009 without consideration, the aggregate fair market value of which exceeds Rs 50,000/- the whole of the fair market value of such property will be considered as income under section 56(2)(vii) of the Income Tax Act 1961.

IV. Benefits available to Mutual Funds

As per Section 10(23D) of the ITA, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

V. Tax Deduction at Source

No income-tax is deductible at source from income by way of capital gains under the present provisions of the IT Act, in case of residents. However, as per the provisions of section 195 of the IT Act, any sum , payable to non residents which is chargeable to tax under ITA (except long-term capital gains exempt under section 10(38) of the IT Act), may fall within the ambit of with-holding tax provisions, subject to the provisions of the relevant tax treaty. Accordingly income tax may have to be deducted at source in the case of a non- resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities

LEGAL PROCEEDINGS

Save as described below, the Company believes that the Company and its subsidiaries are not involved in any legal proceedings and in the opinion of the Company no proceedings are threatened, which may have, or have had during the 12 months preceding the date of this Preliminary Placement Document, a material adverse effect on the Company's business, financial position, profitability or results of operations.

Proceedings initiated in India

Criminal proceedings

1. Geetha Bore Wells (“Complainant”) has filed a complaint with the metropolitan magistrate court, Cyberabad against the Company, Abhijit Rajan, Peter Gammon, Himanshu Parikh and others (“Accused”) under the provisions of the Indian Penal Code, 1908 (“Penal Code”). The Complainant has alleged that Accused parties are guilty of criminal breach of trust under the provisions of the Penal Code as they have forcefully obtained the custody of entire machinery and equipments belonging to the Complainant. The magistrate had directed inquiry in the said matter. The Company has obtained interim stay on the proceedings pending in the court of metropolitan magistrate and its order directing inquiry from the High Court of Andhra Pradesh. The matter is pending.
2. The Inspector Security Guard Board for Greater Bombay and Thane districts (“Complainant”) had filed a complaint with the additional chief metropolitan magistrate court, Mumbai, against the Company, Abhijit Rajan, Himanshu Parekh and others (“Petitioners”), alleging that the Company had employed security guards of M/s. National Security Services at its andheri premises. The additional chief metropolitan magistrate court took cognizance of the above complaint and issued process. The Petitioners have filed a writ petition in the High Court, Bombay for quashing the order of issue of process. The High Court has stayed the further proceedings of the magistrate court. The matter is pending.
3. The labour enforcement inspector (central), Nagpur (“Complainant”) has filed two complaints against the erstwhile ATSL and others before the judicial magistrate first class, Amravati and chief judicial magistrate, Akola under sections 23 and 24 of Contract Labour (Regulation and Abolition) Act, 1970, respectively. The Complainant has alleged that ATSL failed to maintain register of persons, did not issue wage slip, and failed to keep first aid box. The charges have been denied. The matters are pending.
4. The labour enforcement inspector (central), Nagpur (“Complainant”) has filed a complaint against the erstwhile ATSL and others before the chief judicial magistrate, Wardha under section 47 of the Building and Other Construction Workers (Regulation and Employment and Conditions of Service) Act, 1996. The Complainant has alleged that ATSL failed to make any provisions for essential life saving aids and appliances to be kept at the site. The matter is pending for framing of charges.
5. The government labour officer (“Complainant”) has filed a complaint before judicial magistrate first class, Nagpur, against ATSL through D.C Bagde, Director for non observance of provisions of Contract Labour (Regulation and Abolition) Act, 1970 at Hingana factory taken on lease from Sunrise Engineering Limited. The matter is pending.

Civil proceedings

6. Dena Bank (“Applicant”) and filed an application against Satav Infrastructure Private Limited (“Defendant”) and others, including the Company in the DRT, Pune. The joint venture involving the Company was made a

party as the Defendant had alleged that an amount of Rs. 340,000,000 is due to it from the joint venture. The Company had engaged the services of Defendant as the sub-contractor for certain works in relation to contract of civil works of Sewa Hydro Electric Project. As a result of default by the Defendant, the Company had taken over the entire plant site and equipment. This action of the Company was challenged by the Applicant as being illegal as the plant equipment was hypothecated to Applicant by the Defendant. The matter is pending. The Applicant has prayed for release of the plant and machinery in custody of the Company.

7. M/s. National Hydro-Electric Power Corporation (“Plaintiff”) has filed a petition in the High Court of Jammu and Kashmir against the Company under section 34 of the J&K Arbitration and Conciliation Act, 1997 for setting aside the arbitral award dated January 4, 2005. The Plaintiff had appointed the Company as the contractor for construction of tail race tunnel at salal hydro electric project. The Company had filed a claim before the arbitrator for recovery of certain amounts from the Plaintiff which was allowed in favour of the Company. The matter is pending. The total amount involved is approximately Rs. 217.5 million.
8. Madhavi Dandekar and others (“Plaintiffs”) have filed a money suit against the Company in court of senior civil judge, Palghar. The Plaintiffs have alleged that the Company has encroached their land and carried out excavation activities, including excavation of stone, without their permission. The Plaintiffs have claimed the price of the stone excavated from the Company. The matter is pending. The total amount involved is approximately Rs. 195 million.

Arbitration proceedings

9. Champ Enterprises Limited (“Claimant”) has initiated two arbitration proceedings against the Company for recovery of additional cost incurred by the Claimant in executing the contract for civil work for construction of tail race channel and other associated works relating to the teesta canal fall hydel project and excavation work in doyang hyro-electric project. The Claimant has filed a statement of claim before the sole arbitrator. The matter is pending. The total amount involved is approximately Rs. 94 million.
10. The Company has initiated arbitration proceedings against the Gas Authority of India Limited (“Respondent”), for recovery of liquidated damages and cost of additional items aggregating to Rs. 5.7 million in relation to work of design, construction, testing and commissioning of cooling tower and cooling water treatment plant for LPG recovery project at Pata, Uttar Pradesh. The Respondent has raised a counter claim for recovery of loss of production in thermal power project due to delay in completion of works by the Company. The matter is pending and is in advanced stages of hearing. The total amount of counter claim involved is Rs. 45.92 million.
11. The Company has initiated arbitration proceedings against the water resources department, government of Bihar (“Opposite Party”), for recovery of contract amount, idle charges and loss of overheads and profits from the Opposite Party in relation to construction of concrete cum masonry dam under burnar reservoir project, aggregating upto Rs. 564.1 million. The Opposite Party had terminated the contract and has raised a counter claim of liquidated damages. The arbitrator has been appointed and the matter is pending. The total amount of counter claim involved is Rs. 74.2 million.

Notice

12. DMRC has issued a show cause notice dated July 29, 2009 to the Company alleging failure to exhibit due professionalism, quality and adoption of ethical procedures by the Company which led to serious accidents at work site. Such accidents have lead death of eight persons and injury to 20 persons. DMRC has proposed to

black list GIL and also its allied/sister concerns/ and partners on DMRC for further period of two years. The Company has replied to the said show cause notice.

Proceedings initiated outside India

13. Al-Manarah International Company, Oman (“Al-Manarah”) has filed a suit against the Company claiming commission in terms of the agreement dated March 24, 2004 by which Al-Manarah was appointed as Company’s exclusive agents, in order to provide the information and consultation for the purpose of promoting, developing, and realizing commercial works. Notice has been served on the Company and the matter is pending. The total amount involved is 3,000,000 Omani Rial.

14. Franco Tosi Meccanica S.p.A and others (“Appellants”) have filed an appeal against Italmobiliare S.p.A. and others (“Respondents”) in the supreme court of Cassation, challenging the order of court of appeal of Milan, that had prohibited the Appellants to use the name ‘Franco Tosi’ both as business name and as trademark, which is registered in the name of the Respondents.

GENERAL INFORMATION

1. The Company was originally incorporated as J. C. Gammon (Bombay) Limited on June 15, 1922 under the Indian Companies Act, 1913. The name of the Company was subsequently changed to J.C. Gammon Limited with effect from December 3, 1923. The name of the Company was further changed to Gammon India Private Limited on June 25, 1954. A fresh certificate of incorporation consequent to change of name to Gammon India Limited was issued to the Company under the provisions of the Companies Act on May 19, 1962.
2. Company's registered office is located at 'Gammon House', Veer Savarkar Marg, Prabhadevi, Mumbai 400 025. The Company is registered with the Registrar of Companies, Maharashtra, under CIN L74999MH1922PLC000997.
3. The Issue was authorised and approved by the Board of Directors on September 25, 2009 and approved by the shareholders in the extra ordinary general meeting held on October 23, 2009.
4. The Company has received in-principle approvals from the NSE and BSE respectively on December 4, 2009, to list the Equity Shares.
5. Copies of Memorandum and Articles of Association of the Company will be available for inspection during usual business hours on any working day between 10.00 A.M. to 1.00 P.M. (except Saturdays, Sundays and public holidays) at the Company's Registered Office.
6. The Company has obtained all consents, approvals and authorizations required in connection with this Issue.
7. There has been no material change in the Company's financial or trading position since March 31, 2009, the date of the latest financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document, except as disclosed herein.
8. Except as disclosed in this Preliminary Placement Document, there are no litigation or arbitration proceedings against or affecting the Company or its assets or revenues, nor is the Company aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Equity Shares.
9. The Company's auditors are Natvarlal Vepari & Co., Chartered Accountants, who have audited the consolidated financial statements of the Company as of and for the years ended March 31, 2007, March 31, 2008 and March 31, 2009 and conducted a limited review of the unaudited standalone financial results of the Company for the half year and quarter ended September 30, 2009 and September 30, 2008, as disclosed under clause 41 of the listing agreement entered between the Stock Exchanges and the Company.
10. The Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.
11. The Floor Price for the Issue is Rs. 237.45 per Equity Share, calculated in accordance with Chapter VIII of the SEBI Regulations.

FINANCIAL STATEMENTS

Index to financial statements:

S. no	Particulars	Page no.
1.	Unaudited standalone financial results for quarter and half year ended September 30, 2009 for the Company, as disclosed under clause 41 of the listing agreement, together with the limited review report of the Auditor.	F 1
2.	Consolidated financial statements for Fiscal 2009, 2008 and 2007 for the Company with Auditor's report.	F 5
3.	Extracted financial information of Sofinter S.p.A as of December 31, 2008.	F 65
4.	Financial statements for calendar year 2008 for Franco Tosi Meccanica S.p.A.	F 69
5.	Financial statements for calendar year 2008 for SAE Power Lines S.r.l.	F 100

Report on Limited Review

To
The Board of Directors
Gammon India Limited,
Mumbai.

We have reviewed the accompanying statement of un-audited financial results *except the additional information given by the company vide note 10 of the notes to the financial results* of Gammon India Limited for the period ended 30th September 2009. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We did not review the financial statements of Gammon India Limited – Nagpur Branch which was audited by the branch auditors reflecting total revenue of Rs.56557 lacs whose reports have been received by us. Our opinion so far as transactions of the said Branches are concerned, is based solely on the limited review report of the Branch Auditors.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, *Engagements to Review Financial Statements* issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Without qualifying our review report we re-iterate our emphasis of matter contained in our audit report dated July 9, 2009 on the financial statements for the year ended 31st March 2009 relating to

- Recoverability of an amount of 94.54 crores under sundry debtors in respect of recognition of contract revenue in the previous years where the company has received arbitration awards in its favour in respect of which the client has preferred an appeal for setting aside the said arbitration awards. The recoverability is dependent upon the final outcome of the appeals getting resolved in favour of the company.
- Investments in one of the joint ventures of a wholly owned subsidiary which has applied for creditors' protection in a Court in Italy. The final outcome and the resultant investment would be dependent upon the approval of the courts to the composition scheme pending which no effects have been taken in these accounts.

Based on our review conducted as above, nothing has come to our attention, *except non-provision of mark to market losses of Rs 1.39 Crores as at 30th September, 2009 in respect of forward contracts for hedging the foreign exchange currency receivables which are in the nature of firm commitments and highly probable future transactions*, that causes us to believe that the accompanying statement of un-audited financial results prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

For Natvarlal Vepari & Co.
Chartered Accountants

N. Jayendran
Partner
M. No. – 40441
Mumbai, Dated :- 30th October 2009

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30th, 2009

(Rupees. in Lacs)

Sr. No.	Particulars	Three Months Ended 30.09.2009 (Unaudited)	Three Months Ended 30.09.2008 (Unaudited)	Year to date for the period ended 30.09.2009 (Unaudited)	Year to date for the period ended 30.09.2008 (Unaudited)	Previous Accounting year ended 31.03.2009 (Audited)
1	Net Sales / Income from Operations	93,752	51,315	178,797	109,839	363,597
	Other Operating Income	642	-	1,764		2,190
2	Expenditure :	94,394	51,315	180,561	109,839	365,787
	Consumption of Materials	38,951	23,472	74,624	44,911	181,913
	(Increase) / Decrease in WIP & FG	(733)	(6,982)	(5,966)	(14,390)	(10,653)
	Subcontract and other Cost	35,416	25,958	73,532	61,500	132,760
	Personnel Cost	7,391	4,557	12,813	7,965	19,858
	Depreciation & Amortisation	1,733	1,393	3,431	2,694	6,395
	Other Expenditure	4,064	652	6,244	1,277	8,462
	Total Expenditure	86,822	49,050	164,678	103,957	338,735
	Company's share in Profit/ (Loss) of JV	-	-	-	-	(409)
3	Profit from Operations before Other Income, Finance Costs	7,572	2,265	15,883	5,882	26,643
4	Other Income	1,506	202	1,616	4,066	4,160
5	Profit before Finance Costs and Forex Fluctuation	9,078	2,467	17,499	9,948	30,803
6	Finance Costs (Net)	3,818	1,550	7,464	2,760	10,526
	Forex Fluctuation (Gain) / Loss	(866)	(764)	(68)	(827)	(591)
7	Profit Before Tax	6,126	1,681	10,103	8,015	20,868
8	Tax Expense	1,717	651	3,188	1,741	6,821
9	Profit / (Loss) after tax	4,409	1,030	6,915	6,274	14,047
10	Paid-up Equity Share Capital (Face Value Rs.2/- per equity share)	2,137	1,735	2,137	1,735	2,137
	Paid-up Preference Share Account	10,500	-	10,500	-	10,500
11	Reserves, excluding Revaluation Reserve as per audited Balance Sheet					120,655

Sr. No.	Particulars	Three Months Ended 30.09.2009 (Unaudited)	Three Months Ended 30.09.2008 (Unaudited)	Year to date for the period ended 30.09.2009 (Unaudited)	Year to date for the period ended 30.09.2008 (Unaudited)	Previous Accounting year ended 31.03.2009 (Audited)
12	Earnings Per Share (Rupees) :					
	Basic	3.96	1.19	6.13	7.23	12.46
	Diluted	3.92	1.18	6.08	7.17	12.35
13	Ratios					
	Debt Service Coverage Ratio(DSCR)#			4.57	12.78	8.94
	Interest Service Coverage Ratio (ISCR)##			3.41	5.17	3.05
14	Public shareholding					
	- Number of shares	79399821	60257195	79399821	60257195	60257195
	- Percentage of shareholding	73.80%	68.89%	73.80%	68.89%	68.89%
15	Promoters & promoter Group Shareholding					
	Pledge/ Encumbered					
	- Number of shares	1743000	-	1743000	-	7,000,000.00
	- Percentage of shareholding	1.62%	-	1.62%	-	8.07%
	Non-encumbered					
	- Number of shares	26443875	28186875	26443875	28186875	20213275
	- Percentage of shareholding	24.58%	31.11%	24.58%	31.11%	23.04%

DSCR= (PAT+Depreciation+Interest on long term loans) /

(Interest & Principal repayment of long term loans)

ISCR= (PBT+Depreciation+Gross Interest)

/ Interest

Notes:

1. The Financial Results were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on 30th October, 2009.
2. Pursuant to the Scheme of amalgamation of the Company with Associated Transrail Structures Limited (ATSL) w.e.f. the appointed date of 1st April, 2008, results of the quarter and half year ended 30th September 2009 include the result of operation of the business of the erstwhile ATSL. Since the effect of the amalgamation was given in the quarter ending 31st March 2009, the figures of the corresponding quarter of previous year do not include the result of operations of the erstwhile ATSL. Hence the results are not comparable.
3. The above Financial results, except for the year ended 31st March 2009 do not include share of Profit/(Loss) from the Company's Joint Venture in Oman and transactions of the Company's branch in Oman. For the quarter, the profit/loss of the Joint Venture in Oman is not determined. The management does not expect the same to be significant which is relied upon by the auditors.
4. The company had entered into, during the previous year, forward contracts for hedging the foreign currency receivables from its projects which are in the nature of firm commitments and highly probable future transactions. The company contends that these are entered into to hedge the currency risks arising out of the firm commitments and that the announcement of the ICAI on derivatives is not applicable to such transactions. The notional marked to market losses is expected to be offset by the higher realisations

from the foreign currency receivables as the project progress. Therefore, the Company has not provided marked to market losses on such forward contracts which is reduced to Rs. 1.39 Crores as at 30th September 2009 from the level of Rs. 15.93 Crores as at 31st March 2009.

The statutory auditors have qualified their limited review report for the quarter and their audit report dated July 9, 2009 for non - provision for such marked to market losses arising out of foreign currency forward contracts.

5. For the previous year ended 31st March 2009 the equity share and preference share pursuant to amalgamation were pending allotment and were shown as equity share suspense and preference share suspense respectively. The earning per share is computed considering the above Equity Share Suspense Account in accordance with AS-20 of the Companies (Accounting Standard) Rule, 2006. The diluted EPS is computed considering the outstanding warrants and the rights equity shares kept in abeyance.
6. Other income includes profit on sale of equity shares.
7. The Company's operations constitute a single business and geographical segment of "Construction & Engineering" as per Accounting Standard AS-17.
8. Corresponding figures of the previous period have been regrouped / rearranged wherever necessary.
9. Number of Investor Complaints:
 - i) Pending at the beginning of the quarter - Nil, ii) Received during the quarter - 4,
 - iii) Disposed during the quarter - 4, iv) Pending at the end of the quarter - Nil.

10. Additional Information:

Consolidated Summarised Results (Unaudited, as per Management Review for six months period)

Turnover	Rs. 2965.60 Crores
EBIDTA	Rs. 249.40 Crores
Profit Before Tax	Rs. 76.30 Crores

For **Gammon India Limited**

Rohit Modi

Deputy Managing Director

Mumbai, October 30th 2009

Auditors' Report on the Reformatted Consolidated Financial Statements

The Board of Directors,

Gammon India Limited,
Gammon House,
Veer savarkar Marg,
Mumbai - 400025

1. We have examined the reformatted Consolidated Balance Sheets of **Gammon India Limited** (the "Company") and its subsidiaries, joint ventures and associates (the Company, its subsidiaries, joint ventures and associates together collectively constitute "the Group") as at 31st March, 2009, 2008, and 2007 and also the Consolidated Profit and Loss Accounts and the Consolidated Cash Flow Statements for the years ended on these dates both annexed thereto (together comprising the "Consolidated Financial Statements") all expressed in Indian Rupees annexed to this report for the purposes of inclusion in the Preliminary Placement Document and the Placement Document prepared in connection with the Qualified Institution Placement of its equity shares of the company in accordance with the extant regulations of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009. These Consolidated Financial Statements are the responsibility of the Company'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 Consolidated Financial Statements based on our examination.
2. The figures disclosed in the attached Consolidated Financial Statements are extracted from the annual audited Consolidated Financial Statements for the years ended March 31, 2009, 2008 and 2007, regrouped where necessary, and our opinion stated herein is based on the opinion as reported by us for each of the years ended March 31, 2009, 2008 and 2007 vide our reports dated September 9, 2009, July 31, 2008 and July 31, 2007 respectively refer Note 37 of the notes to accounts forming part of the Consolidated Financial Statements. Accordingly, any event subsequent to the dates mentioned above have not been considered / adjusted for the said purposes. This report does not in any way mean and should not be in anyway construed as a re-issuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to hereinabove.
3. As reported by us in the reports on the Annual Audited Consolidated Financial Statements, the audits were conducted by us 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We did not audit the financial statements of
 - a. Certain subsidiaries, whose financial statements reflect total Assets of Rs 47052.30 Million as at 31st March, 2009 [31st March 2008: Rs 9168.30 Million, 31st March 2007: Rs 9841.70 Million] total revenue of Rs 9678.50 Million as at 31st March, 2009 [31st March 2008: Rs 1684.20 Million, 31st March 2007: Rs 4235.50 Million] and Cash flows amounting to Rs. 452.30 Million as at 31st March 2009 [31st March 2008: Rs 868.10 Million, 31st March 2007: Rs. 624.10 Million].
 - b. Certain Jointly controlled entities whose financial statements reflect total Assets 3371.40 Million as at 31st March 2009 [31st March 2008: Rs 3271.00 Million, 31st March 2007: Rs 3086.90 Million] total revenue of Rs 739.60 Million as at 31st March 2009 [31st March 2008: Rs 562.80 Million, 31st March 2007: Rs 304.50 Million] and Cash flow amounting to Rs (75.3) Million as at 31st March 2009 [31st March 2008: Rs 56.90 Million, 31st March 2007 Rs 36.10 Million], wherein the company's share of such assets being Rs 1615.70 Million as at 31st March 2009 [31st March 2008: Rs 1391.60 Million, 31st March 2007: Rs 1307.10 Million] revenue being Rs 351.70 Million as at 31st March 2009 [31st March 2008: Rs 237.60 Million, 31st March 2007: Rs 128.50 Million] and cash flow being Rs (30.60) Million as at 31st March 2009 [31st March 2008: Rs 23.7 Million, 31st March 2007: Rs 16.2 Million].
 - c. Certain Associates, whose financial statements reflect a net profit of Rs (13.80) Million as at 31st March 2009 [31st March 2008: Rs 435.60 Million]. The group's share of profit of such associates being Rs (4.10) Million as at 31st March 2009 [31st March 2008: Rs 151.00 Million]
 - d. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries, jointly controlled entities and associates is based solely on the report of other auditors.

5. The financial statements of certain subsidiaries, associates, and jointly controlled entities whose financial statements include total assets of Rs. 37183.20 Million as at 31st March 2009 [31st March 2008: Rs 342.70 Million , 31st March 2007 Rs.NIL], total revenue of Rs 16591.40 Million as at 31st March 2009 [31st March 2008: Rs NIL, 31st March 2007: Rs NIL] and cash flow amounting to Rs (3056.40) Million as at 31st March 2009 [31st March 2008: Rs 2.6 Million, 31st March 2007: Rs NIL] have been considered on the basis of un-audited financial statements prepared by the management. Out of the above the group's share of such asset being Rs 18591.4 Million as at 31st March 2009 [31st March 2008: Rs 171.20 Million, 31st March 2007: Rs.NIL] , revenue being Rs 8294.60 Million as at 31st March 2009 [31st March 2008: Rs Nil, 31st March 2007: Rs NIL] and cash flow amounts to Rs (1527.80) Million as at 31st March 2009 [31st March 2008: Rs 1.3 Million, 31st March 2007: Rs NIL].
6. Of the above figures considered from un-audited financial statements per para 5 one of the overseas Joint Venture Company whose audited consolidated financial statements as at 31st December 2008 were not available for reasons stated in para 2(b) of the notes to accounts, the group's share of total assets, revenue and cash flow is Rs. 18308.6 Million, Rs. 8273.9 Million and Rs. (1543.9) Million
7. The subsidiaries referred in para 4(a) above does not include the standalone financial statements of Gammon Infrastructure Projects Limited, where the audit has been conducted by us as the joint statutory auditors of the Company.
8. As already covered in our audit reports on the consolidated financial statements of the group for the year ended 31st March 2009, 2008 and 2007, without qualifying our report, we had draw attention to
 - a) Note 22(a) 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, 2009, 2008 and 2007. 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 22(c) to the notes to accounts relating to recognition of contract revenue of Rs. 945.40 Million as at 31st March 2009 [31st March 2008: Rs.570.4 Million, 31st March 2007: Rs NIL] in which the Company has received arbitration awards/awards from dispute resolution board in its favour in respect of which the client has preferred an appeal for setting aside the said arbitration awards/ DRB awards. Recoverability of the said amount under sundry debtors is dependent upon the final outcome of the appeals getting resolved in favour of the Company and inclusion of variation and escalation claims of certain road projects in work-in progress as at 31st March 2007.
 - c) Note no 2(d) to the notes to accounts relating to the investments of Rs. 506.40 Million in the year 2008-2009 in one of the joint ventures of a wholly owned subsidiary which has applied for creditors' protection in a Court in Italy. The final outcome and the resultant investment would be dependent upon the approval of the courts to the composition scheme pending which no effects have been taken in these accounts. Pending the availability of the financial statements of the Joint Venture Company, the investment in the JVC is accounted in accordance with AS 13 – “Accounting for Investments”.
9. Subject to the matters referred to in paragraphs 2,3,4 and 5 above:
 - a) We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21-Consolidated Financial Statements, Accounting Standard 23- Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27- Financial Reporting of Interests in Joint Ventures as notified under the Companies (Accounting Standard) Rules, 2006.
 - b) Based on our audit , our reports on the annual audited consolidated financial statements 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 for the year ended March 31, 2009, 2008, 2007 *subject to our comments in para 5 above read together with note no 2(b) of the notes to accounts, Note 25(d) regarding non provision for mark to market losses of Rs 159.30 Million during the year ended 31st March 2009 on outstanding forward contract outstanding as on 31st March, 09 which is not in accordance with Accounting Standard - 1 and announcement made by the ICAI on 29th March, 08, read together with Note No 17 regarding change in the policy of amortization of goodwill resulting in the profit for the year 2007-08 being higher by Rs 137.10 Million , Note no 12 relating to the change in the method of charging depreciation on the assets of the Oman branch and its consequent effect resulting in the profits for the year ended 31st March 2007 being higher by Rs. 55.30 Million and Note no 36 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:*
 - (i) in the case of the Reformatted Consolidated Balance Sheets, of the state of affairs of the Group as at 31st March 2009, 2008 and 2007,

- (ii) in the case of the Reformatted Consolidated Profit and Loss Accounts, of the profit of the Group for the years ended on these dates; and
- (iii) in the case of the Reformatted Consolidated Cash Flow Statements, of the cash flows of the Group for the years ended on these dates.

This report is solely for your information and for inclusion in the Preliminary Placement Document and the Placement Document prepared in connection with the Qualified Institution Placement of its equity shares of the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Natvarlal Vepari & Co
Chartered Accountants

N. Jayendran
Partner
Membership No. 40441
Mumbai, Dated: December 1, 2009

REFORMATTED CONSOLIDATED BALANCE SHEET FOR THE LAST THREE REPORTING YEARS

	Schedule	2008-09	2007-08	2006-07
	No.	Rs. in Millions	Rs. in Millions	Rs. in Millions
SOURCES OF FUNDS :				
Shareholders' Fund				
Share Capital	1	1,267.12	176.91	176.91
Employee Stock Options	1A	43.92	11.35	-
Reserves & Surplus	2	15,554.47	14,062.81	11,970.20
	A	16,865.51	14,251.07	12,147.11
Minority Interest	B	2,318.33	1,482.14	784.31
Warrants issued in Cochin Bridge Infrastructure Co. Ltd.	C	-	-	0.10
Loan Funds				
Secured Loans	3	24,608.20	13,158.17	10,843.24
Unsecured Loans		18,665.30	3,714.00	1,924.24
	D	43,273.50	16,872.17	12,767.48
Deferred Tax Liability		1,390.78	458.74	425.59
TOTAL (A+B+C+D)		63,848.12	33,064.12	26,124.59
APPLICATION OF FUNDS :				
Goodwill on Consolidation	E	6,478.35	650.28	68.20
Fixed Assets				
Gross Block	4	36,827.37	16,645.08	15,139.24
Less : Depreciation & Impairment		10,430.51	3,962.68	3,077.11
Net Block		26,396.86	12,682.40	12,062.13
Add : Capital Work-in-progress		12,749.82	4,405.90	1,398.85
	F	39,146.68	17,088.30	13,460.98
Investments	G	947.54	1,651.22	553.32
Foreign Currency Monetary Item Translation Difference A/c	H	624.67	-	
Current Assets, Loans and Advances				
Interest Accrued Receivable		117.97	54.86	63.44
Inventories	6	15,582.94	7,805.75	7,277.42
Sundry Debtors	7	27,189.95	7,578.47	5,734.31
Cash & Bank Balances	8	6,113.66	3,835.40	2,501.72
Loans & Advances	9	15,019.88	5,690.47	5,228.95
		64,024.40	24,964.95	20,805.84
Less : Current Liabilities and Provisions	10			

GAMMON INDIA LIMITED

REFORMATTED CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE LAST THREE REPORTING YEARS

	Schedule	2008-09	2007-08	2006-07
	No.	Rs. in Millions	Rs. in Millions	Rs. in Millions
INCOME				
Sales/Turnover	12	52,121.81	26,434.56	23,564.75
<i>Less: Excise Duty</i>		459.96	-	-
		51,661.85	26,434.56	23,564.75
Other Operating Income	13	538.05	53.97	71.00
Other Income	14	588.18	102.85	43.95
TOTAL INCOME		52,788.08	26,591.38	23,679.70
EXPENDITURE				
Expenditure on Contracts / Direct Costs	15	43,895.42	22,334.65	20,175.78
Establishment Expenses	16	3,527.71	1,095.37	631.00
Financial Costs (Net)	17	2,414.51	970.24	632.36
Depreciation		1,439.07	883.17	778.39
Goodwill Amortised		-	-	20.72
TOTAL EXPENDITURE		51,276.71	25,283.43	22,238.25
PROFIT BEFORE TAX & SHARE IN ASSOCIATES		1,511.37	1,307.95	1,441.45
Add : Share of Profit/(Loss) in Associates (Refer Note B-3)		(18.66)	151.04	129.89
PROFIT BEFORE TAX & AFTER SHARE IN ASSOCIATES		1,492.71	1,458.99	1,571.34
Provision for Taxation :				
- Current		850.43	593.39	496.09
- Deferred		(34.67)	33.15	67.39
- Fringe Benefit Tax		28.53	17.80	12.61
		844.29	644.35	576.09
PROFIT AFTER TAX		648.42	814.64	995.25
Add/(Less)				
Transferred to Minority Interest		(139.11)	(79.72)	(76.60)
(Short) / Excess provision for taxation for earlier years		8.66	(22.37)	(564.73)
Prior Period Adjustments		45.19	0.35	(3.27)
NET PROFIT AFTER PRIOR YEAR TAX CHARGE		563.16	712.90	350.65
Profit Brought Forward from last year		1,183.94	849.16	846.40

PROFIT AVAILABLE FOR APPROPRIATION		1,747.10	1,562.06	1,197.05
Amount Transferred to General Reserve		297.09	149.49	100.00
Reversal of Profits of erstwhile ATSL pursuant to Amalgamation		354.73	-	-
Amount Transferred to Debenture Redemption Reserve		249.03	115.05	107.11

Amount Transferred from Debenture Redemption Reserve		-	(137.45)	-
Minority Interest for earlier year				(9.30)
Amount Transferred to Special Contingency Reserve		-	200.00	100.00
Amount Transferred from Foreign Projects Reserve		(3.20)	-	-
Amount Transferred to Other Reserve-AS-15		-	0.29	-
Dividend from erstwhile ATSL received during the year		(2.90)	-	-
Proposed Dividend		-		8.68
- Equity Shares		64.97	43.37	-
- Preference Shares		63.00	-	-
Interim Dividend		-	-	35.00
Tax on Dividend		21.68	7.37	6.40
Compensation Cost Reversed in Forfeiture of ESOP		(0.51)	-	-
		1,043.89	378.12	347.89
BALANCE CARRIED TO BALANCE SHEET		703.21	1,183.94	849.16

Earnings per Share (Refer Note B-21)

After Prior Year Tax Charges

Basic	4.58	8.22	4.04
Diluted	4.58	8.15	4.01

Notes to Accounts

18

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

GAMMON INDIA LIMITED

REFORMATTED CONSOLIDATED CASH FLOW STATEMENT FOR THE LAST THREE REPORTING YEARS

	2008-09	2007-08	2006-07
	Rs.in Millions	Rs. in Millions	Rs.in Millions
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Net Profit before Tax and extraordinary items	1,492.71	1,458.99	1,571.34
Adjustments for :			-
Depreciation & Amortisation	1,439.07	883.17	778.39
Personnel Cost (Stock Option Scheme)	23.62	11.35	-
Profit / Loss on Sale of investments (net)	(441.34)	(45.19)	(10.08)
Profit / Loss on Sale of Assets	-	(0.83)	2.04
Dividend Income	(107.62)	(5.71)	(9.89)
Interest (Net)	2,414.51	970.24	632.36
Foreign Exchange loss / gain	4.49	1.27	1.00
Preliminary Expenses written off	2.28	0.78	0.93
Foreign Currency translation Reserve	(173.76)	-	-
Foreign exchange translation	312.33	-	-
Prior Period Adjustments	45.19	-	-
Share of Loss in Associates	18.66	(151.04)	(129.89)
Goodwill Amortised	-	-	20.72
Amount written off	63.09	15.79	31.95
	3,600.52	1,679.83	1,317.53
Operating Profit before Working Capital Changes	5,093.23	3,138.82	2,888.87
Adjustments for :			-
Trade and Other Receivables	(1,648.62)	(1,859.86)	(1,252.00)
Inventory	(6,366.47)	(528.35)	(1,561.70)
Trade Payables & Working Capital Finance	9,005.68	1,897.54	710.81
Loan and Advances	(1,863.95)	785.63	(1,690.00)
Preliminary Expenses	(11.31)	(1.08)	(10.80)
	(884.67)	293.88	(3,803.69)
CASH GENERATED FROM THE OPERATIONS	4,208.56	3,432.70	(914.82)
Direct Taxes paid	(1,737.44)	(1,282.76)	(388.80)
Net Cash Flow from Operating Activities	2,471.12	2,149.94	(1,303.62)
B. CASH FLOW FROM INVESTMENT ACTIVITIES :			-
Goodwill on Acquisition	(5,606.54)	(582.12)	(30.00)
Purchase of Fixed Assets (excl. impairment)	(10,447.78)	(4,543.24)	(3,234.80)
Cash and bank balances taken over pursuant to amalgamation	3,431.23	-	-
Sale of Fixed Assets	43.10	2.03	53.00
Share Application Money Pending Allotment	24.87	(22.99)	20.70
Purchase of Investments in - Associates	(55.16)	(0.49)	(216.60)
- Others	(20,185.81)	(7,461.36)	(2,679.30)
Sale of Investments in - Associates	-	2.90	51.60
- Others	21,141.49	6,580.28	2,686.80
Interest received	276.77	259.47	317.60
Dividend received	107.62	5.71	9.90
Net Cash Flow after Investing Activities	(11,270.21)	(5,759.81)	(3,021.10)

C	CASH FLOW FROM FINANCING ACTIVITIES :			
	Interest Paid	(2,615.87)	(1,194.90)	(1,023.00)
	Grant Received	332.38	-	-
	Proceeds from issue of Share Capital & Share Premium	0.13	-	-
	Warrants redeemed of CBICL	-	(0.10)	-
	Minority Interest Contribution	103.43	618.27	50.00
	Foreign Currency Translation Reserve	(10.67)	(47.53)	58.10
	Proceeds from / (Repayment of) borrowings	13,056.66	4,104.68	4,639.10
	Dividend Paid	(48.49)	(45.22)	(99.80)
	Share Premium Money (net)	264.27	1,509.58	12.50
	Net Cash from Financing activities	11,081.84	4,944.78	3,636.90
	NET INCREASE IN CASH AND CASH EQUIVALENTS	2,282.75	1,334.91	(687.82)
	Opening Balance	3,835.40	2,501.76	3,190.74
	Closing Balance	6,118.15	3,836.67	2,502.92
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,282.75	1,334.91	(687.82)
	Note:			
	Figure in brackets denote outflows			

Cash and cash Equivalents Include Rs 19.30 Millions as on 31.03.2009 (31.03.2008 - Rs 31.80 Millions ; 31.03.2007 Rs - 31.50 Millions) 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	AS AT
	31.3.2009	31.3.2008	31.3.2007
As Per Balance Sheet - Escrow Account	596.02	2,377.67	-
- Other Account	5,517.64	1,457.73	2,501.72
Effect of Exchange Rate Charges	4.49	1.27	1.20
Balance Restated above	6,118.15	3,836.67	2,502.92

	Rs.in Millions	Rs.in Millions	Rs.in Millions
SCHEDULE 2			
RESERVES AND SURPLUS			
Foreign Projects Reserve Account	-	3.20	3.20
General Reserve Account	2,768.23	1,268.20	1,118.71
Securities Premium Account	8,558.37	8,294.18	6,784.44
Revaluation Reserve	2,455.65	2,496.61	2,527.92
Debenture Redemption Reserve Account	562.74	313.71	336.11
Other Reserves (As Per Subsidiary Accounts)	2.25	1.78	1.94
Special Contingency Reserve	500.00	500.00	300.00
Capital Reserve (Grant Received From NHAI)	332.38	-	-
Foreign Currency Translation Reserve	(328.37)	1.19	48.72
Profit And Loss Account	703.22	1,183.94	849.16
	15,554.47	14,062.81	11,970.20
SCHEDULE 3			
SECURED LOANS			
<i>(Refer Note B-5 for Security)</i>			
Non Convertible Debentures placed with Banks and Financial Institutions	2,260.00	1,260.00	1,000.00
Working Capital Loan from Banks	232.10	1,242.25	2,102.54
Term Loan from Banks	8,763.60	612.05	1,062.38
Project Loans -Public Private Partnership Projects SPVs	13,352.50	10,043.87	6,678.32
	24,608.20	13,158.17	10,843.24
UNSECURED LOANS			
Short Term Loans from Banks	14,424.35	1,366.24	1,411.73
Other Loans :			
- From Banks	1,775.30	698.10	72.35
- From Financial Institutions	-	1,115.49	-
- From Others	2,465.65	534.17	440.16
	4,240.95	2,347.76	512.51
	18,665.30	3,714.00	1,924.24

GAMMON INDIA LIMITED
SCHEDULES FORMING PART OF THE LAST THREE YEARS REFORMATTED CONSOLIDATED BALANCE SHEET 31ST MARCH,2009
SCHEDULE 4
FIXED ASSETS

(Rs in Millions)

PARTICULARS	GROSS BLOCK						DEPRECIATION					NET BLOCK		
	AS AT	OPENING ON	ADDITIONS	DEDUCTION	FOREIGN	AS AT	AS AT	OPENING	FOR THE	DEDUCTI	FOREIGN	AS AT	AS AT	AS AT
	01.04.2008	A/C OF				31.03.2009	01.04.2008	ON A/C OF				ON A/C OF	YEAR	ONS/
	AMALGAMATI			TRANSLAT			AMALGAMAT			ON	ION			
	ON /FURTHER			ION	ION		ION				ADJUSTM			
	ACQUISITION			ADJUSTME	ADJUSTME		ACQUISITION				ENT			
				NT	NT									
INTANGIBLE ASSETS	125.00	1,045.90	96.10	-	99.90	1,366.90	-	674.60	37.70	-	75.10	787.40	579.50	125.00
LEASEHOLD LAND	7.92	1,720.50	23.30	(2.70)	92.70	1,841.72	-	162.60	13.60	-	9.50	185.70	1,656.02	7.92
FREEHOLD PROPERTY	2,776.83	4,857.50	154.90	(59.70)	1,109.40	8,838.93	181.09	567.40	115.20	-	142.00	1,005.69	7,833.24	2,595.74
PLANT AND MACHINERY	6,780.78	7,175.50	1,620.00	(53.83)	1,314.50	16,836.95	1,937.29	2,711.40	723.78	(16.20)	405.90	5,762.18	11,074.77	4,843.49
OFFICE EQUIPMENTS	339.57	249.30	93.92	(14.20)	65.20	733.79	191.01	166.80	53.00	(4.40)	50.90	457.31	276.48	148.56
MOTOR VEHICLES	1,093.07	48.80	167.50	(17.30)	10.00	1,302.07	445.48	28.00	127.20	(11.30)	7.90	597.28	704.79	647.59
ROAD & PROJECT BRIDGE	4,862.59	-	-	-	-	4,862.59	1,143.15	-	321.40	-	-	1,464.55	3,398.04	3,719.44
PROJECT BERTH	659.32	110.90	4.70	-	-	774.92	64.66	11.90	37.34	-	-	113.90	661.02	594.66
WINDMILLS	-	269.50	-	-	-	269.50	-	14.70	41.80	-	-	56.50	213.00	-
TOTAL	16,645.08	15,477.90	2,160.42	(147.73)	2,691.70	36,827.37	3,962.68	4,337.40	1,471.02	(31.90)	691.30	10,430.51	26,396.86	12,682.40
PREVIOUS YEAR	15,139.24	-	1,605.05	(99.21)	-	16,645.08	3,077.11	-	914.51	28.94	-	3,962.68		
Add: CAPITAL WIP INCLUDING CAPITAL ADVANCES													12,749.82	4,405.90
													39,146.68	17,088.30

NOTES :-

1. Leasehold Land is at cost less amount written off.
2. The Company has once again revalued on 31st March, 2007 all its Freehold Property present in its books, most of which were revalued earlier on 31st March, 1999 by Approved valuers. The consequent increase in the value of Fixed Assets pursuant to the second revaluation amounted to Rs.2654.90 Millions and has been credited to the Revaluation Reserve A/c.
3. Depreciation for the Year Ended 31st March, 2009 amounts to Rs. 1471.02 Millions (2007-08 Rs. 914.51 Millions ; 2006-07 Rs.819.12 Millions) from which has been deducted a sum of Rs.31.3 Millions (2007-08 Rs. 31.3 Millions ; 2006-07 Rs.14.40 Millions) being the Depreciation in respect of Revaluation of Fixed Assets which has been drawn from the Revaluation Reserve A/C.
4. Exchange Difference Capitalised during the year 2008-09 is Nil (2007-08 Nil ; 2006-07 Rs. 16 Millions)

GAMMON INDIA LIMITED
SCHEDULES FORMING PART OF THE REFORMATTED CONSOLIDATED BALANCE SHEET AS AT 31st March, 2008
SCHEDULE 4
FIXED ASSETS

(Rs in Millions)

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	-	125.00	-	-	125.00	-	-	-	-	125.00	-
LEASEHOLD LAND	8.01	-	-	(0.09)	7.92	-	-	-	-	7.92	8.01
FREEHOLD PROPERTY	2,757.53	19.30	-	-	2,776.83	148.24	32.85	-	181.09	2,595.74	2,609.29
PLANT AND MACHINERY	5,637.66	1,176.67	-	(33.54)	6,780.78	1,566.03	380.80	(9.54)	1,937.29	4,843.49	4,071.73
OFFICE EQUIPMENTS	275.56	82.99	-	(18.98)	339.57	143.96	59.70	(12.65)	191.01	148.56	131.50
MOTOR VEHICLES	901.49	201.09	-	(9.51)	1,093.07	350.63	101.60	(6.75)	445.48	647.59	550.86
ROAD & PROJECT BRIDGES	4,898.83	-	-	(36.24)	4,862.59	828.60	314.55	-	1,143.15	3,719.44	4,070.23
PROJECT BERTH	660.16	-	-	(0.84)	659.32	39.65	25.01	-	64.66	594.66	620.51
TOTAL	15,139.24	1,605.05	-	(99.21)	16,645.08	3,077.11	914.51	(28.94)	3,962.68	12,682.40	12,062.13
PREVIOUS YEAR	11,270.60	2,097.37	1,869.03	(97.82)	15,139.24	2,327.27	819.12	(69.28)	3,077.11		-
Add: CAPITAL WIP INCLUDING CAPITAL ADVANCES										4,405.90	1,398.85
										17,088.30	13,460.98

GAMMON INDIA LIMITED

SCHEDULES FORMING PART OF THE REFORMATTED CONSOLIDATED BALANCE SHEET AS AT 31st March, 2007

SCHEDULE 4

FIXED ASSETS

(Rs. In Millions)

PARTICULARS	GROSS BLOCK					DEPRECIATION				NET BLOCK		
	AS AT 01.04.2006	ADDITIONS	DIFF ON ACCOUNT OF	DEDUCTIONS / ADJUSTMENTS	AS AT 31.03.2007	AS AT 01.04.2006	FOR THE YEAR	DEDUCTIONS / ADJUSTMENTS	IMPAIRMENT	AS AT 31.03.2007	AS AT 31.03.2007	AS AT 31.03.2006
		REVALUATION										
LEASEHOLD LAND	0.41	7.78	-	(0.18)	8.01	-	-	-	-	-	8.01	0.41
FREEHOLD	873.40	15.10	1,869.03	-	2,757.53	132.44	15.80	-	-	148.24	2,609.29	740.96
PLANT AND MACHINERY	4,253.43	1,729.51	-	(69.72)	5,913.22	1,388.02	383.96	(61.99)	-	1,709.99	4,203.23	2,865.41
MOTOR VEHICLES	670.11	237.40	-	(6.02)	901.49	275.62	82.30	(7.29)	-	350.63	550.86	394.49
ROAD & PROJECT BRIDGES	4,888.73	20.21	-	(10.11)	4,898.83	508.30	320.30	-	-	828.60	4,070.23	4,380.43
PROJECT BERTH	584.58	87.37	-	(11.79)	660.16	22.89	16.76	-	-	39.65	620.51	561.69
TOTAL	11,270.66	2,097.37	1,869.03	(97.82)	15,139.24	2,327.27	819.12	(69.28)	-	3,077.11	12,062.13	8,943.39
PREVIOUS YEAR	7,382.70	4,607.90	-	(720.00)	11,270.60	1,490.60	857.00	(19.90)	(0.50)	2,327.20		-

ADD : CAPITAL WORK IN PROGRESS INCLUDING CAPITAL ADVANCES

1,398.85	262.05
13,460.98	9,205.44

	31.03.09	31.03.08	31.03.07
	Rs. in Millions	Rs. in Millions	Rs. in Millions
SCHEDULE 5			
INVESTMENTS			
INVESTMENTS (AT BOOK VALUE)			
1. INVESTMENT IN GOVERNMENT SECURITIES :	2.32	13.89	13.89
2. INVESTMENT IN SHARES & DEBENTURES :			
a) Trade Investments			
Associates Accounted as per AS-23 (Refer Note B-3)	264.92	580.26	431.63
b) Other Investments			
Quoted	53.00	75.50	75.52
Unquoted	583.97	8.64	1.87
3. INVESTMENT IN PARTNERSHIP - CAPITAL CONTRIBUTION			
Gammon Shah (Fully Provided) (Rs. 25,000)	0.03	0.03	0.03
4. Investment In Mutual Funds	8.40	930.03	10.51
5. Share Application Money Pending Allotment	19.94	44.81	21.81
6. GIL Share Suspense A/c (Refer note B-4)	16.90	-	-
GRAND TOTAL	949.48	1,653.16	555.26
Less : Provisions for Diminution in the value of Investment	1.94	1.94	1.94
	947.54	1,651.22	553.32
SCHEDULE 6			
INVENTORIES			
Raw Material	1,227.23	-	-
Stores and Construction Materials	2,590.30	2,030.92	2,164.82
Less : Value of Materials drawn from Contractees			
Contra - Refer Schedule 10	(11.68)	(32.78)	(35.33)
Work In Progress			
- Construction	10,876.38	5,807.61	5,147.93
- Manufacturing	451.01	-	-
Finished Goods	449.70	-	-
	15,582.94	7,805.75	7,277.42

	31.03.09	31.03.08	31.03.07
	Rs.inMillions	Rs.inMillions	Rs.inMillions
SCHEDULE 7			
SUNDRY DEBTORS (Refer Note. B-22)			
Unsecured Considered Good			
Outstanding for over six months (Including Retention Money)	11,463.32	2,274.34	1,742.68
Other Debts (Including Retention Money)	15,552.90	4,932.51	3,991.63
Less: Provision for Doubtful Debts	(203.36)	(5.29)	
Accrued Income	377.09	376.91	
	27,189.95	7,578.47	5,734.31
SCHEDULE 8			
CASH AND BANK BALANCES			
Cash in Hand	39.63	19.99	15.35
Funds-in-Transit and in hand	54.00	43.29	74.07
With Scheduled Banks			
(a) On Current Accounts	2,041.65	445.16	323.90
(b) Unpaid Dividend Bank Account	4.73	2.56	37.60
(c) On Fixed Deposit Account	200.60	175.67	1,808.26
(d) On Escrow Account	596.02	2,377.67	-
With Non-Scheduled Banks			
(a) On Current Account	2,525.88	755.07	242.54
(b) On Call Deposits	0.16	0.16	-
(c) On Fixed Deposit Account	650.99	15.83	-
	6,113.66	3,835.40	2,501.72
SCHEDULE 9			
LOANS AND ADVANCES			
(Unsecured, considered good, unless otherwise stated)-(Refer Note B-6)			
Project Advances	1,382.19	1,021.17	1,870.92
Advance recoverable in cash or kind for value to be received	4,957.31	863.33	351.08
Less : Provision made	20.19	9.62	9.62
	6,319.31	1,874.88	2,212.38
VAT Receivable	1,781.32	-	-
Taxes Paid	3,900.30	2,194.83	947.67
Loan to Joint Venture Company	275.17	188.73	153.13
Advance for Purchase of Development Rights	767.53	561.50	610.01
Advance for Purchase of Equity Shares	-	157.93	-
Tender Deposits	297.03	222.73	198.22
Other Deposits / Advances	642.95	202.22	219.56
Deposits with Joint Stock Companies :			
Considered Good			
- Secured	500.37	110.40	500.00
- Other	535.90	177.25	387.98
Considered doubtful (including interest)	64.02	64.02	64.02
Less : Provisions made	(64.02)	(64.02)	(64.02)
	15,019.88	5,690.47	5,228.95

	31.03.09	31.03.08	31.03.07
	Rs.inMillions	Rs.inMillions	Rs.inMillions
SCHEDULE 10			
CURRENT LIABILITIES			
Sundry Creditors	26,094.07	6,384.04	4,506.79
Advances from Clients	12,386.37	2,690.08	2,686.30
Less : Value of Materials drawn from Contractees			
Contra (Refer Schedule 6)	(11.68)	(32.78)	(35.33)
Interest accrued but not due on Loans	382.29	243.80	217.55
Unclaimed Dividends	5.25	2.57	37.66
Unclaimed Matured Fixed Deposits	1.51	1.79	2.28
	38,857.81	9,289.50	7,415.25
PROVISIONS			
Proposed Dividend			
- Equity Shares	64.54	43.37	8.68
- Preference Shares	63.00	-	-
Provision for Tax	4,866.31	1,869.06	1,271.09
Provision for Tax on Dividend	21.68	7.37	1.45
Provision for Risks and Contingencies	2,215.17	-	-
Provision for Staff Benefits	1,307.99	95.27	80.88
	8,538.69	2,015.07	1,362.10
SCHEDULE 11			
MISCELLANEOUS EXPENDITURE			
Preliminary & Share issue Expenses	22.98	13.95	13.60
	22.98	13.95	13.60

GAMMON INDIA LIMITED

**SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE
LAST THREE REPORTING YEARS**

	2008-09	2007-08	2006-07
	Rs. in Millions	Rs. In Millions	Rs. In Millions
SCHEDULE 12			
SALES / TURNOVER			
Sales / Turnover	50,554.29	24,998.77	22,235.70
Toll Proceeds	36.75	35.52	36.51
Annuity Income	1,166.02	1,166.02	1,166.02
Project Berth Revenue	364.75	234.25	126.52
	52,121.81	26,434.56	23,564.75
SCHEDULE 13			
OTHER OPERATING INCOME			
Fees & Miscellaneous receipts	538.05	53.97	71.00
	538.05	53.97	71.00
SCHEDULE 14			
OTHER INCOME			
Dividend Income	107.62	5.71	9.89
Miscellaneous Income	29.43	51.95	23.98
Profit on Sale of Assets	9.79	-	-
Profit on Sale of Investments (Net)	441.34	45.19	10.08
	588.18	102.85	43.95

	2008-09	2007-08	2006-07
	Rs. In Millions	Rs. In Millions	Rs. In Millions
SCHEDULE 15			
EXPENDITURE ON CONTRACTS/ DIRECT COSTS			
Opening stock			
Opening Works-in-progress :			
Stores and Construction Material at Sites	5,807.61	5,147.93	4,055.58
Add : On A/c Of Amalgamation of ATSL	131.70	-	-
Add : On A/c Of Acquisition of Subsidiaries / Joint Ventures	5,425.69	-	-
Stores and Construction Material at Sites and Godowns	2,030.58	2,163.75	1,716.54
Add : On A/c Of Amalgamation of ATSL	586.01	-	-
Add : On A/c Of Acquisition of Subsidiaries / Joint Ventures	358.10	-	-
A	14,339.69	7,311.68	5,772.12
Add :			
Purchases of Materials	24,785.27	7,711.44	9,416.67
Sub Contract Expenses	11,999.57	9,541.13	6,708.55
Plant Hire Charges	390.51	387.20	625.43
Insurance	142.48	99.02	168.92
Fees and Consultations	246.25	128.40	434.38
Consumption of Spares	331.26	299.01	398.49
Outward Freight	345.92	-	-
Sales Tax	381.73	265.58	255.90
Service Tax	507.95	316.29	191.32
Power and Fuel	1,014.60	846.19	887.51
Site Personnel Expenses	2,616.75	2,011.23	1,542.02
Operation & Maintenance Exp	337.53	161.22	59.81
Sundry Expenses (As per Schedule 15A annexed)	1,544.20	1,094.44	1,026.34
B	44,644.02	22,861.15	21,715.34
Less :			
Closing Stock of Stores & Construction Materials including Materials drawn from Contractees Rs 11.68 Millions (2007-08 Rs 32.78 Millions; 2006-07 Rs. 35.33 Millions)	3,808.26	2,030.57	2,163.75
Closing Work-in-progress including estimated profits	10,876.38	5,807.61	5,147.93
C	14,684.64	7,838.18	7,311.68
(A+B-C)	44,299.07	22,334.65	20,175.78
Finished Good and WIP (Manufacturing)			
Opening Stock			
- WIP – Mfg	196.06	-	-
- Finished Goods	301.00	-	-
Less : Closing stock			
- WIP – Mfg	(451.01)	-	-
- Finished Goods	(449.70)	-	-
	(403.65)	-	-
	43,895.42	22,334.65	20,175.78
	2008-09	2007-08	2006-07

	Rs.inMillions	Rs.inMillions	Rs.inMillions
SCHEDULE 15A			
SUNDRY EXPENSES INCLUDED UNDER EXPENDITURE OF CONTRACT			
Plant Repairs	219.49	100.88	99.03
Rent, Rates & Taxes	189.19	104.68	120.86
Staff Welfare	107.40	157.18	160.38
Travelling Expenses	192.06	179.66	105.30
Guarantee Bond Commission and Bank Charges	52.81	94.30	102.88
Other Site Expenses *	783.25	457.74	437.89
	1,544.20	1,094.44	1,026.34
* None of the individual items included in Other Site Expenses exceeds one percent of the total turnover.			
SCHEDULE 16			
ESTABLISHMENT EXPENSES :			
Electricity Charges	15.04	11.10	8.94
Rent	105.12	19.12	8.32
Salaries incl. Provision for Commission and Bonus	1,694.44	373.44	264.48
Contribution to Employees Provident Fund, ESIS & Other Funds	306.50	36.94	28.62
Contribution to Gratuity Fund	95.09	1.44	6.52
Staff welfare expenses	43.22	12.60	7.01
Insurance	117.73	64.68	48.03
Rates and Taxes	58.61	9.89	6.30
Communication Expenses	67.09	30.30	25.30
Travelling, Leave Passage and Motor Car Expenses	114.39	38.89	26.09
Professional Fees	377.35	107.79	94.15
Advertisement and publicity expenses	28.60	-	-
Miscellaneous Expenses	166.27	48.11	27.76
Agency Commission	-	136.08	-
Repairs & Maintenance	35.64	58.65	38.08
Auditors Remuneration :			
- Audit Fees including Tax Audit Fees & Consolidation	4.03	4.33	3.11
- Limited Review	0.47	0.31	0.25
- Certification	0.25	0.07	0.12
- Managerial Services	0.87	0.11	-
- Reimbursement of Out of Pocket Expenses	0.09	0.06	-
Directors Sitting Fees	10.45	0.83	0.05
Write off against Leasehold Land	0.09	0.09	0.18
Bad Debts / Interest written off	38.90	15.70	31.77
Provision for doubtful debts (Net)	24.10	-	-
Donation	1.64	0.34	0.02
Exchange Loss	195.83	124.55	2.93
Loss on Sale of Assets	-	(0.83)	2.04
Preliminary / Deferred Revenue Expenses	2.28	0.78	0.93
Employee Compensation Expense - ESOS	23.62	-	-
	3,527.71	1,095.37	631.00
	2008-09	2007-08	2006-07
	Rs.inMillions	Rs.inMillions	Rs.inMillions

SCHEDULE 17			
FINANCIAL COST			
INTEREST PAID ON :			
On Fixed Period Loans	843.27	681.02	641.00
Other Loans	1,655.42	393.65	293.78
Provision for Marked to Market Loss	25.45	46.04	-
Other Finance Charges	242.34	103.91	73.76
	2,766.48	1,224.62	1,008.54
Less : INTEREST EARNED ON			
Fixed Deposits with Banks	52.74	35.26	136.40
Others	287.15	215.63	223.22
	339.89	250.89	359.62
Less : Amount Transferred to Capital WIP	12.08	3.49	16.56
	2,414.51	970.24	632.36
Interest on other loans for the year 2008-09 includes interest costs in the investment SPVs of the overseas acquisitions Rs. 290.90 Millions (2007-08 Nil ; 2006-07 Nil)			

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE REFORMATTED 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 hereinafter 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:-

a) Interests in Subsidiaries

- The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses as per Accounting Standard - 21 “Consolidated Financial Statements” issued by Institute of Chartered Accountants of India (‘AS-21’).
- The Consolidated Financial Statements have been prepared using uniform policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company’s separate financial statements
- The excess of cost of investments of the Company over its share of equity in the Subsidiary is recognised as goodwill. The excess of share of equity of Subsidiary over the cost of investments is recognised as capital reserve.

b) Interests in Joint Ventures

The Company’s interests in Joint Ventures in the nature of Jointly controlled entities are included in these Consolidated Financial Statements using the proportionate consolidation method as per the Accounting Standard – 27 “Financial Reporting of Interests in Joint Ventures” issued by the Institute of Chartered Accountants of India (‘AS-27’).The group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, on a line by line basis.

c) Investment in Associates

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

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

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

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

2. Use of Estimates

The preparation of financial statements 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 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) On supply of materials, revenue is recognized upon the delivery of goods to the client in accordance with the terms of contract. Sales include excise duty & other receivable from the customers but exclude VAT, wherever applicable.
- c) Revenues from providing services are recognized in income statement at the moment said services are completed.
- d) Insurance claims are accounted for on cash basis.
- e) On Infrastructure Development Business:

(i) Annuity and Toll Receipts:

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

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

(ii) Berth Operations:

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

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

- f) Cargo freight income is recognized at the time of booking of the consignment and is being accounted net of rebates, discounts and booking commission.
- g) Revenue for design and assemblies are recognized on the basis of work progress reports provided for each contract.
- h) Revenue from the sale of goods and finished products are recognized at the time of transfer to the customer of the risks and benefits relating to the product sold, normally coinciding with the shipment of goods to the customers and acceptance by the same; revenue from services are recognized in the accounting period where the services are rendered.

4. Turnover

Turnover represents work certified as determined by taking into consideration the actual cost incurred and profit evaluated by adopting the percentage of the work completion method of accounting and once the company has transferred to the purchaser all the significant risks and benefits related to the asset ownership. Turnover also includes the revenue from the supply of material in the equipment supply contracts in accordance with the terms of contract.

5. 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.

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

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

6. Employee Retirement Benefits

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

Other retirement benefits being in the nature of a defined benefit obligation is provided on the basis of an actuarial valuation made at the end of each year/period on projected Unit Credit Method.

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

In case of certain subsidiaries and a joint venture the entitlement of employee's retirement benefit is based upon the employee's final salary and length of service, subject to the completion of a minimum service period based on the laws of the respective country. The expected costs of these benefits are accrued over the period of employment. The terminal benefits are paid to employees' on their termination or leaving employment. Accordingly, the Company does not expect settlement against terminal benefit obligation in the near future.

7. Fixed Assets

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

8. Depreciation and Amortization

Indian Operations

Depreciation for the accounting period is provided on:

- (a) Straight Line Method, for assets purchased after 2-4-1987, at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
- (b) Written Down Value Method, for assets acquired on or prior to 2-4-1987, at the rates as specified in Schedule XIV to the Companies Act, 1956.
- (c) Depreciation on revalued component of the assets is withdrawn from the Revaluation Reserve.
- (d) The depreciation on assets used for construction has been treated as period cost.
- (e) The Infrastructure Projects Assets are amortized over a period of the rights given under the various Concession Agreements to which they relate.
- (f) Expenses incurred by the Company on periodic maintenance (required to be incurred by it in the 5th, 10th and 15th year as per the Contract with NHAI) are capitalised on the completion of said activity. These costs are amortised over the period up to which the next periodic maintenance

is due. The periodic maintenance of 5th and 10th year is amortised over a period of 5 years from completion of the activity. The periodic maintenance of 15th year is written off over the balance concession period of 1 year.

Overseas Operations

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

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

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

Intangible Assets

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

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 Institute of Chartered Accountants of India('AS 23').

11. Inventories

- (a) In case of the Indian Operations, the Stores and Construction Materials are valued and stated at lower of cost or net realisable value. The FIFO method of inventory valuation is used to determine the cost. Raw materials are valued at cost, net of Excise duty and Value Added Tax, wherever applicable. Stores and spares, loose tools are valued at cost except unserviceable and obsolete items that are valued at estimated realizable value thereof. Costs are determined on FIFO method
- (b) Work-in-Progress on construction contracts reflects value of material inputs and expenses incurred on contracts including estimated profit in evaluated jobs.

- (c) Work in progress from manufacturing operation is valued at cost and Costs are determined on FIFO method.
- (d) Finished Goods are valued at cost or net realizable value, whichever is lower. Costs are determined on FIFO method except in case of overseas operations where the Finished goods are valued on Weighted Average Cost basis.
- (e) In case of the overseas Operations, the Stores & spares and Construction materials are valued at Weighted Average Cost basis
- (f) Works in progress for service contracts are measured based on the status of completion of work. Whenever the results of the agreement cannot be reliably evaluated, revenues are recognized only to the extent that costs are deemed to be recoverable. The costs for purchasing goods and services are recognized in the income statement on accrual basis and develop into decreases in economic benefits, which occur in the form of cash outflows, or of impairment of assets or incurring liabilities.

12. Foreign Currency Translation

- (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 or, if lower, to that in force at the year end if negative changes have resulted in impairment of these assets.
- (e) The transactions of Oman branch, overseas subsidiaries and joint ventures are accounted as non-integral operations. The related exchange difference on conversion is accounted under Foreign Currency Translation Reserve Account.
- (f) The transactions of branches at Kenya, Nigeria and Algeria are accounted as integral operation.

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.

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

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.

Current and Deferred taxes are recorded in the income statement, with the exception of those relating to items directly debited against or credited to Shareholder's Equity, in which cases the tax effect is directly recognized under Shareholder's Equity. Taxes are off set if and when the income taxes are applied by the same Tax Authority and there is a legal right to off set and settlement of the net balance is expected.

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 realized.

Tax on FBT means the specified rate on the value of fringe benefit in accordance with the provisions of section 115WC of the income Tax Act, 1961. Accordingly, FBT is done as per the guidance note issued by the Institute of Chartered Accountants of India.

14. Borrowing Cost

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

15. Public Grant

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

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

16. Employee Stock Option Scheme

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

17. Sales Tax /Cenvat Credit / VAT / WCT

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

18. Provision, Contingent Liabilities and Contingent Assets

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

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

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

19. Earning Per Share

Basic 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.

20. Derivatives

As of the date the contract is entered into, the derivative instruments are recorded at fair value and, if the derivative instruments do not qualify as being recorded as hedging instruments, the changes in the fair value recorded after initial statement as handled as components of the operating result for the year if they relate to forward transactions (sales or purchases) and the financial result for the year if relating to interest rate swaps.

If by contrast the derivative instruments satisfy the requisites for being classified as hedging instruments, the subsequent changes in the fair value are recorded following the specific criteria indicated below. As a rule, a hedge is considered highly “effective” if, both at the start and over its duration, the changes in the fair value in the event of a fair value hedge or cash flows expected in the future in the event of a cash flow hedge of the element covered, are essentially offset by the changes in the fair value of the hedged instrument.

When the hedge concerns the fair value changes of assets or liabilities recorded in the financial statements (fair value hedge), both the changes in the fair value of the hedging instruments and the changes in that being hedged are charged to the income statement. If the hedge is not perfectly effective, or differences are noted and charged to the profit and loss account for the year.

In the event of hedging aimed at neutralizing the risk of the changes in cash flows originated by the future execution of obligations contractually defined as of the financial statement reference date (cash flow hedge), the changes in the fair value of the derivative instrument registered after initial statement are recorded, solely in relation to the effective part, under the item “Cash Flow Reserve” as part of the shareholders’ equity. When the economic effects originated by that being hedged manifest, the reserve is reversed to the income statement. If the hedge is not perfectly effective, the fair value change of the hedging instrument, referring to the ineffective portion of the same is immediately recorded in the income statement for the year. Vice versa, in the event a derivative instrument is transferred or can no longer be qualified as an effective hedging instrument, the portion of the “Cash Flow Reserve” representative of the fair value changes of the instrument, up to that moment recorded, is maintained as a component of shareholders’ equity and reversed to the income statement following the classification approach described above, at the same time as the manifestation of the transactions originally hedged.

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

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

21. 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.

22. Minority Interest

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

B. NOTES TO ACCOUNTS

1. SUBSIDIARIES

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

	Name of Subsidiaries	Country of Incorporation	For the Year 2008- 09		For the Year 2007- 08		For the Year 2006- 07	
			Ownership Interest	Effective Interest	Ownership Interest	Effective Interest	Ownership Interest	Effective Interest
1	GIPL GROUP							
	Gammon Infrastructure Projects Ltd.(GIPL)	India	76.15%	76.15%	76.15%	76.15%	82.50%	82.50%
	Rajahmundry Expressway Ltd.(REL)	India	93.50%	71.20%	93.50%	71.20%	93.50%	77.14%
	Andhra Expressway Ltd.(AEL)	India	93.50%	71.20%	93.50%	71.20%	93.50%	77.14%
	Cochin Bridge Infrastructure Co. Ltd.(CBICL)	India	97.66%	74.37%	97.66%	74.37%	97.66%	80.57%
	Mumbai Nasik Expressway Ltd.(MNEL)	India	79.99%	60.91%	79.99%	60.91%	79.99%	65.99%
	Sikkim Hydro Power Ventures Ltd.(SHPVL)	India	100.00%	76.15%	100.00%	76.15%	100.00%	82.50%
	Gammon Projects Developers Ltd.(GPD L)	India	100.00%	76.15%	100.00%	76.15%	100.00%	82.50%
	Kosi Bridge Infrastructure Company Ltd.(KBICL)	India	100.00%	76.15%	100.00%	76.15%	100.00%	91.43%
	Gorakhpur Infrastructure Company Ltd. (GICL)	India	100.00%	83.57%	94.90%	72.27%	94.90%	78.29%
	Marine Projects Service Ltd. (MPSL)	India	100.00%	76.15%	100.00%	76.15%	-	-
	Tidong Hydro Power Ltd. (THPL)	India	51.00%	51.00%	100.00%	76.15%	-	-
	Gammon Logistics Ltd. (GLL)	India	100.00%	76.15%	100.00%	76.15%	-	-
	Gammon Hospitality Ltd. (GHL)	India	100.00%	76.15%	-	-	-	-
	Gammon Metro Transport Ltd. (GMTL)	India	100.00%	76.15%	-	-	-	-
	Jaguar Projects Developers Ltd. (JPDL)	India	100.00%	76.15%	-	-	-	-
	Pravara Renewable Energy Ltd. (PREL)	India	100.00%	76.15%	-	-	-	-
	Rajahmundry Godavari Bridge Ltd. (RGBL)	India	100.00%	76.15%	-	-	-	-

	Name of Subsidiaries	Country of Incorporation	For the Year 2008- 09		For the Year 2007- 08		For the Year 2006- 07	
			Ownership Interest	Effective Interest	Ownership Interest	Effective Interest	Ownership Interest	Effective Interest
	Ras Cities and Townships Pvt. Ltd. (RCTPL)	India	100.00%	76.15%	-	-	-	-
	Youngthang Power Ventures Ltd. (YPVL)	India	100.00%	76.15%	-	-	-	-
	Bedi Seaport Ltd. (BSL)	India	100.00%	76.15%	-	-	-	-
	ATSL Infrastructure Projects Ltd	India	100.00%	88.00%	-	-	-	-
2	GACTEL Turnkey Projects Ltd.	India	100.00%	100.00%	100.00%	100.00%	99.86%	99.86%
3	Gammon & Billimoria Ltd.	India	50.94%	50.94%	50.94%	50.94%	50.94%	50.94%
	Gammon & Billimoria LLC *	Dubai	49.00%	49.00%	49.00%	49.00%	-	-
4	Gammon International LLC, OMAN	Oman	69.00%	69.00%	69.00%	69.00%	-	-
5	GIFZE						-	-
	Gammon International FZE	Dubai	100.00%	100.00%	100.00%	100.00%	-	-
	P.Van Eerd Beheersmaatschappaji B.V.- Netherlands **	Netherlands	100.00%	100.00%	100.00%	100.00%	-	-
	Gammon Holding B.V. **	Netherlands	100.00%	100.00%	-	-	-	-
	Gammon International B.V. **	Netherlands	100.00%	100.00%	-	-	-	-
	Franco Tosi Meccanica SPA ***	Italy	75.10%	75.10%	-	-	-	-
	Gammon Italy Srl ***	Italy	100.00%	100.00%	-	-	-	-
6	Deepmala Infrastructure Private Limited	India	51.00%	51.00%	-	-	-	-
7	Gammon Retail Infrastructure Private Limited	India	99.00%	99.00%	-	-	-	-
8	Gammon Power Ltd.	India	100.00%	100.00%	-	-	-	-
9	Campo Puma Oriente S.A.	Panama	66.39%	66.39%	-	-	-	-
10	SAE Powerlines Srl****	Italy	100.00%	100.00%	-	-	-	-
11	ATSL Holding B.V., Nether Lands	Netherlands	100.00%	100.00%	-	-	-	-
12	Transrail Lighting Ltd.	India	100.00%	100.00%	-	-	-	-
13	Associated Transrail Structures Ltd., Nigeria	Nigeria	100.00%	100.00%	-	-	-	-
14	Gammon Realty Ltd. (GRL)	India	75.06%	75.06%	75.06%	75.06%	75.06%	75.06%

** Shareholding is through subsidiary - Gammon International FZE.

*** Shareholding is through subsidiary - Gammon International B.V.

**** Shareholding is through subsidiary – ATSL Holding B.V.

- b) *Gammon & Billimoria Limited holds 49% of the equity of Gammon & Billimoria (LLC), a limited liability Company registered in Dubai hereafter referred as G&B LLC. Since the Management and Operational control of G&B LLC is with Gammon & Billimoria Limited,

G&B LLC is being consolidated as a subsidiary under Accounting Standard (AS) - 21 issued by the Institute of Chartered Accountants of India.

- c) During the year 2008-09 the group has acquired 75.1% equity stake in Franco Tosi Mecannica S.p.A. (FTM), a joint stock company incorporated in Italy through its SPV Gammon Holdings BV and a 100% stake in SAE Powerlines Srl, (SAE) through its SPV ATSL Holdings BV. The Consolidated accounts includes the results of operations from the period June 08 in case of FTM and May 08 in case of SAE , being the date of acquisition of stake in the company to December 2008 being the date upto which the respective companies have drawn up their accounts for local requirements. The consolidated accounts do not include the results of operations for the period January to March 2009 in respect of these companies.
- d) The effect of the acquisition of the subsidiaries on the accounts of the company is given hereunder.

Name of Company	Year	Effect on Group Profit/(Loss) after Minority Interest (Rs. In Millions)	Net Asset As on	Net Asset Value (Rs. In Millions)
Franco Tosi	2008-09	1.80	31.12.2008	6,048.60
SAE	2008-09	(18.00)	31.12.2008	495.60
Gammon Italy SRL	2008-09	(0.30)	31.12.2008	-
P. Van Beheersmaatschappaji B.V. Netherlands	2007-08	(9.90)	31.03.2008	(11.00)

- e) 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 Millions)

Name of the Company	As at March 31, 2009			As at March 31, 2008			As at March 31, 2007		
	No. of shares	Amount Paid	% of holding	No. of shares	Amount Paid	% of holding	No. of shares	Amount Paid	% of holding
AEL	7,467,550	84.83	25.75 %	12,905,000	164.76	44.50 %	12,905,000	164.76	44.50 %
GICL	9,596,923	95.97	26.01 %	95,96,923	95.97	26.01 %	-	-	-
KBICL	6,284,146	62.84	26.01 %	6,284,146	62.84	26.01 %	-	-	-
REL	7,467,550	84.82	25.75 %	12,905,000	163.62	44.50 %	12,905,000	163.62	44.50 %
THPL	25,500	0.25	51.00 %	-	-	-	-	-	-

- i) During the year 2008-09, its subsidiary Company GIPL sold its entire legal stake in THPL to Torrent Power Limited and to its holding company, GIL. GIPL later acquired beneficial, controlling

interest and voting rights in respect of 25,500 (Year 2007-08 Nil, Year 2006-07 Nil) equity shares from GIL.

ii) During the year 2008-09, its subsidiary Company GIPL acquired 50,000 (Year 2007-08 Nil, Year 2006-07 Nil) equity shares in the joint venture company Gammon L & T Infra MRTS Ltd ('GLTIML') from L & T Infrastructure Projects Limited. Due to this acquisition, GLTIML became a wholly owned subsidiary of the Company. The name of GLTIML was subsequently changed to Gammon Metro Transport Limited (GMTL).

iii) During the year 2008-09, BSL, GHL, JPDL, PREL, and YPVL (Year 2007-08 GLL, GICL, HBPL, KBICL, MPSL, THPL; Year 2006-07 Nil) were incorporated by its subsidiary company GIPL by subscribing to the memorandum.

f) Warrant Issued to Investor

Pursuant to the approval of the members of CBICL at an EGM, a Warrant Subscription Agreement between the CBICL, Gammon India Ltd 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 the CBICL fair value therefore. As per put and call option of the said agreement, CBICL has exercised the option for repurchasing the warrant. However, during the year 2007-08 these warrants were cancelled and are not outstanding as at 31st March 2009.

2. JOINT VENTURES

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

Name of Jointly Controlled Entities	% of Interest as at March 31, 2009	% of Interest as at March 31, 2008	% of Interest as at March 31, 2007
Vizag Seaport Private Ltd ('VSPL')*	47.52%	42.22%	42.22%
Punjab Biomass Power Ltd ('PBPL')*	50.00%	50.00%	50.00%
Indira Container Terminal Private Ltd ('ICTPL')*#	50.00%	50.00%	-
SEZ Adityapur Ltd. ("SEZAL")*#	38.00%	38.00%	38.00%
Haryana Biomass Power Limited ('HBPL')*	50.00%	-	-
Gammon Al Matar (GALM)	85.00%	85.00%	85.00%
Gammon Encee Rail (Consortium)	51.00%	51.00%	-
Sofinter S.p.A.#	50.00%	-	-
Gammon L & T Infra MRTS Ltd*	-	50.00%	50.00%

* Shareholding is through subsidiary Gammon Infrastructure Projects Ltd.

As per unaudited Management Accounts.

- b) During the year 2008-09 the group has acquired 50% equity stake in Sofinter S.p.A, a joint stock company incorporated in Italy through its SPV Gammon International BV. Since the group has joint control over the operations and the management of Sofinter group the same are being consolidated as a Joint Venture. The company has been subjected to audit by their statutory auditors for the year ended December 2008 and approved by the board of Directors. Statutory auditors are expected to release their report on receipt of the report from the bankers who are examining the facilities needed by the Group Sofinter, in accordance with Sofinter's business plans and its fund requirements. Pending the issuance of the Auditors Report the accounts of Sofinter is consolidated as unaudited financial statements on the basis of the financial statements which have been the subject of audit by the Statutory Auditors On the principles of prudence and conservatism, the Management of Gammon Group has made provision of Euro 7.5 million under provision for risks and contingencies, in these consolidated Accounts.

The Consolidated account includes the results of operations from the period September 08, being the date of acquisition of stake in the company to December 2008. These accounts are based on unaudited consolidated accounts of Sofinter and are as certified by the management. The results of operations from January to March 2009 have not been included in the consolidated financial statements. The details of the companies that are consolidated as part of Sofinter group are tabulated hereunder.

Subsidiaries:

2008-09

Name of Subsidiaries	Country of Incorporation	Ownership Interest
Ansaldo Caldale S.p.A.	Italy	100.00%
Europower S.p.A.	Italy	100.00%
S.C. Euroboiler s.r.l.	Rumania	100.00%
Commissioning Italia s.r.l.	Italy	100.00%
Consorzio Macchi Idromacchine	Italy	70.00%
S.W.S. Saline Water Specialists s.r.l.	Italy	100.00%
Nitco S.p.A.	Italy	79.59%
Itea S.p.A.	Italy	89.96%
TAG – Tubi Alettati Gioia S.p.A.	Italy	100.00%
CCA Centro Combustione Ambiente s.r.l.	Italy	100.00%
Ansaldo Caldaie Boilers India Pvt. Ltd.	India	85.00%
Ansaldo Caldaie Boilers Egypt SAE	Egypt	98.00%
Ecoengineering Impianti s.r.l.	Italy	100.00%

Associates:

Name of Associates	Country of Incorporation	Ownership Interest
Ecopower s.r.l.	Italy	20.00%
Itro PVE LTD	Singapore	49.00%
SWS & GB INDIA	India	50.00%
Consorzio ENERIN.	Italy	50.00%
Consorzio Nitcomisa	Italy	50.00%
Multiservice S.p.A.	Italy	35.00%
Europower Middle East Co.	Saudi Arabia	49.00%

- c) CBICL, a subsidiary of GIPL had extended a Term Loan of Rs 80 Millions to VSPL, which was fully convertible at par into equity shares of Rs 10 each on April 1, 2008. Accordingly, during the year 2008-09, VSPL allotted 8,000,000 equity shares at par to CBICL on April 1, 2008. These equity shares were purchased by GIPL at par from CBICL, thereby increasing the stake of the Company in VSPL from 42.22% to 47.52%.
- d) The company through its step down subsidiary P. Van Eerd Beheersmaatschappij B. V, Netherlands (PVAN) acquired a 50% shareholding in Sadelmi S.p.A., Italy (Sadelmi) for an aggregate amount of Rs. 506.4 Millions with the remaining 50% held by Busi Impianti S.p.A, Italy since April 2008. During the financial year under review, due to the economic conditions prevailing in different parts of the world where Sadelmi was present some of the projects under execution encountered serious contractual problems. Sadelmi therefore sought creditors' protection through a Court in Italy and simultaneously, as part of scheme, applied for transferring the remaining projects of Euro 46 million and leased all references in connection therewith standing in its name since inception to a new company Busi Power S.r.L. wholly held

by Busi Group. By an Agreement dated 2nd March 2009, Busi Group agreed to give PVAN 50% stake in lieu of its stake in Sadelmi for a consideration of Euro 1 and convert the S.r.L. status into an S.p.A. to facilitate the same. Consequently PVAN will cease to be a shareholder of Sadelmi from that date and will become a shareholder of Busi Power. Pending the approval of the courts in Italy for the composition no effects have been given in these accounts. Busi Group has also agreed to bring cash of Euro 2,500,000 into Busi S.r.L in order to capitalize Sadelmi India Pvt. Ltd. a wholly owned subsidiary in India as earlier contemplated by the shareholders of Sadelmi S.p.A. and has also permitted it to freely draw upon the references to undertake future Projects. Consequent upon this arrangement, Busi Group will be wholly responsible for the operations and all future funding of Busi Power S.r.L and Gammon will be wholly responsible for the operations and future funding of the Indian subsidiary for the projects undertaken by them in the territories identified respectively for them. Each party will however share 50% of the profits of the respective Busi Power and the Indian Subsidiary. The results of these operations will be consolidated in the Company with effect from FY 2010. In the absence of the results of operations of Sadelmi Spa for the year ended December 2008, the same has not been consolidated in the financial statements of the group. The investment in Sadelmi Spa of Rs. 506.4 Millions has therefore been accounted in accordance with AS-13 "Accounting for Investment", at cost.

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

(Rs. in Millions)

	As at 31.3.2009		As at 31.3.2008		As at 31.3.2007	
ASSETS						
Fixed Assets:	6,260.20		1456.60		1,316.90	
Less : Depreciation	<u>2,524.00</u>	3,736.20	<u>162.60</u>	1,294.00	<u>111.20</u>	1,205.70
Capital WIP		0.10		146.00		95.50
Advance for Capital Expenditure		322.50		26.50		1.30
Current Assets:						
Inventories	2,945.20		225.70		1,166.00	
Sundry Debtors	8,105.60		1,288.40		860.60	
Cash & Bank Balances	1,682.80		46.90		22.00	
Loan & Advances	<u>2,243.90</u>		<u>37.00</u>		<u>28.70</u>	
Total Current Assets (A)	14,977.60		1,598.00		2,077.30	
Current Liabilities (B)	<u>12,185.70</u>		<u>348.30</u>		<u>506.00</u>	
Net Current Assets (A-B)		2,791.90		1,249.70		1,571.30
Preliminary & Share Issue Exp		1.90		<u>0.30</u>		<u>0.20</u>
Total Assets		6,852.60		2,716.50		2,874.00

LIABILITIES						
Loan Funds:						
Secured Loans	7,381.10		1,473.90		1,889.60	
Unsecured Loans	44.50		826.50		590.70	
Deferred Tax Liability	<u>(350.10)</u>	7,075.50	<u>56.50</u>	2,356.90	<u>36.70</u>	2,517.00
Reserves & Surplus:		(406.20)		(319.50)		79.00
Total Liabilities		6,669.30		2,037.40		2,596.00

(Rs. in Millions)

REVENUE ITEMS	2008-09		2007-08		2006-07	
Turnover		9,650.00		1,966.60		2,523.60
Less : Expenditure						
Contract & other expenditure	7,693.60		1,851.40		2,226.90	
Port Operation Expenses	-		-		-	
Administration Expenses	923.40		32.10		15.90	

Finance Cost	304.80		174.70		119.10	
Depreciation	148.00		56.30		63.90	
Preliminary/Share Exp. written Off	<u>0.30</u>		<u>0.20</u>		<u>0.50</u>	
Total Expenses		9,576.10		2,114.70		2,426.30
Profit / (Loss) Before Tax		73.90		(148.10)		97.30
Provision for Tax		17.50		19.90		30.60
Profit / (Loss) After tax		562.60		(167.90)		66.70

The above figures pertaining to the Joint Venture Companies are based on the audited accounts for all the years i.e. 2008-09, 2007-08, 2006-07 except Sofinter S.p.A. (Upto December 2008), Indira Container Terminal Private Limited (2008-09 & 2007-08) and SEZ Adityapur Limited(2008-09 & 2007-08) which are based on the un-audited management accounts.

3. 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 Millions)								
Name of the Company	Year	% Share held	Original Cost of Investment	Goodwill / (Capital Reserve)	Adjusted/ Accumulated Profit / (Loss)	Dividend/ adjustments	Profit for the period	Carrying Amount of Investments
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
								(4)+(6)+(7)+(8)
The Freyssinet Prestressed Concrete Co. Ltd	2008-09 2007-08 2006-07	- - 36.64%	- - 4.40	- - -	- - 47.80	- - (59.30)	- - 7.10	- - -
STFA Piling (India) Limited	2008-09 2007-08 2006-07	- - 50.00%	- - 2.20	- - -	- - (2.20)	- - -	- - -	- - -
Associated Transrail Structures Limited	2008-09 2007-08 2006-07	- 28.87% 28.87%	- 16.90 16.90	- 7.10 7.10	- 204.70 78.60	- (2.90) (3.30)	- 151.00 129.40	- 369.70 221.60
ATSL Infrastructure Projects Ltd*	2008-09 2007-08 2006-07	- 37.32% -	- 0.20 -	- - -	- - -	- - -	- - -	- 0.20 -
FIN EST S.p.A.	2008-09 2007-08 2006-07	50.00% 50.00% 50.00%	195.20 195.20 195.20	75.70 75.70 75.70	0.60 - -	- - -	1.50 0.60 -	197.30 195.80 195.20
Eversun Sparkle	2008-	25.36%	21.40	5.50	(7.10)	-	(5.60)	8.70

Maritime Services Pvt. Ltd*	09							
	2007-08	25.36%	21.40	5.50	(6.60)	-	(0.50)	14.30
	2006-07	27.47%	21.40	5.50	-	-	(6.60)	14.80
Modern Tollroads Ltd*	2008-09	37.32%	0.20	-	-	-	-	0.20
	2007-08	37.32%	0.20	-	-	-	-	0.20
	2006-07	-	-	-	-	-	-	-
Total	2008-09		216.80	81.20	(6.50)	-	(4.10)	206.20
	2007-08		234.00	88.30	198.10	(2.90)	151.10	580.20
	2006-07		240.10	88.30	124.20	(62.60)	129.90	431.60

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

In respect of FINEST S.p.A, the accounting of profit as per AS - 23 is carried out on the basis of audited accounts for the period Jan'08 to Dec'08 and based on the management accounts for the period Jan'07 to Dec'07, being the date upto which the said company has prepared its financial statements under local laws. The above does not include disclosure information in respect of associates of one of the overseas joint ventures in the absence of details required for the disclosure being available in the Consolidated Financial Statements of the JVC. The share of loss from such associates recognised in these Consolidated Financial Statements is Rs. 14.60 Millions and the carrying value of such investments is Rs. 58.70 Millions which is included under associates.

4. A. In accordance with the scheme of amalgamation between Associated Transrail Structures Ltd. (ATSL) and the Company approved by the Honourable High Court of Mumbai vide their order dated 18th June 2009 and the Honourable High Court of Gujarat at Ahmedabad vide their order dated 2nd July 2009 which has been filed with the Registrar of Companies on 7th July 2009 to make the scheme effective, under section 391 to 394 of the Companies Act 1956, all the assets, liabilities and the business of ATSL, stand transferred to and vested in the Company, as a going concern , with effect from 1st April ,2008.

The said ATSL is in the business of “Construction and Engineering” and is specifically engaged in the business of Design, Supply, Erect and Commission Power Transmission Lines and Rural Electrification Schemes.

Accordingly, in terms of the scheme approved

- The Company has accounted for the amalgamation as per the Accounting Standard 14 – “Accounting for Amalgamations” as stated in the Companies (Accounting Standards) Rules, 2006 under the Purchase method.
- All the assets and liabilities of ATSL as on 1st April ,2008 have been accounted in the books of the Company at the value appearing in the books of ATSL including the Employees Stock option deferred compensation cost and the Employees stock option outstanding.
- In consideration of the transfer of the business as a going concern, the company shall issue 2 equity shares of Rs.2 each for each equity share of ATSL to the equity shareholders of ATSL. Pending allotment the outstanding equity shares to be issued aggregating to Rs.40.20 Millions is shown as Equity Share Suspense account under Share Capital.
- The company shall issue one 6% optionally convertible Preference share of Rs. 350 each to the holders of the 6% optionally convertible preference shares in ATSL for each such convertible preference share held by them. Pending allotment the outstanding preference share to be issued aggregating to Rs. 1050 Millions is shown as Preference Share Capital Suspense account under Share Capital.
- In exchange for the 29,02,340 equity shares of ATSL held by the Company as investments, 58,04,680 equity shares of the Company shall be issued in favour of a proposed trust to be created whose sole beneficiary shall be the company. Pending the formation of the trust and

the issue of shares to the trust, the Investments in ATSL are shown as GIL shares Suspense account under Investments. When issued these shares shall be suitably disclosed in the accounts.

- f) The excess of assets over liabilities accounted in the company representing Amalgamation Reserve is treated as part of the General Reserve shall form part of the free reserves available for distribution of dividend and shall be reckoned for Net Wealth purposes in accordance with the scheme approved by the Honourable High Court. Had this treatment not been presented in the scheme, the said reserve would have been Capital reserve.
- g) The transaction of the business of ATSL with effect from 1st April ,2008 have been incorporated in the accounts on the basis of the Audited Financial Statements of the business, which is treated as a Branch, as audited by M/s M.G.Shah & Associates and M/s Vinod Modi & Associates, the statutory auditors of the erstwhile ATSL before its amalgamation with the company, who have been appointed by the Board of Directors of the Company as Branch Auditors.
- h) All equity inter group transactions have been eliminated on incorporation of the accounts of ATSL in the company.

B. In view of the Amalgamation of the business of ATSL in these financial statements the figures for the 2008-09 year are not comparable with that of the previous year.

C. The preference capital to be issued to the holders of the preference share capital in the erstwhile ATSL as aforesaid are convertible optionally at the option of the preference share holder at the end of 18 months from the date of issue of the preference shares by ATSL which is 14th July 2009 into 2 equity shares of the Company. The provision for the dividends on the preference shares are made pending the issue of the preference shares. In the event of the preference shareholder not exercising the option, the preference shares become non-convertible and are redeemable at par at the end of five years from the date of allotment of the original optionally convertible preference shares.

D. In the year 2008-09 the dividends received by the Company of Rs. 2.90 Millions from the erstwhile ATSL relating to the proposed dividend of ATSL for the year ended 31st March 2008 has been adjusted in the retained earnings. Similarly during the year the one line profit accounted in accordance with AS 23 in the earlier periods as an Associate by the Company has been reversed in the Appropriation account aggregating to Rs. 352.90 Millions.

5. SECURITY FOR LOAN AVAILED BY THE GROUP :

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

(Rs. In Millions)

Company Name	March 31, 2009	March 31, 2008	March 31, 2007
GIL	3,252.50	2,439.90	2,303.20
Project SPV's	13,352.40	10,043.90	6678.32
GBLLC	184.20	94.20	814.87
GTPL	0.40	0.50	-
GALM	-	579.70	1,046.85
TLL	30.00	-	-
Franco Tosi	797.00	-	-
Investment SPV's	6,991.60	-	-
Total	24,608.10	13,158.20	10,843.24

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

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

GIL:

Cash Credit -

From Canara Bank Led Consortium:

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).

From ICICI Bank Led Consortium and other Term Loans:

Secured by hypothecation of Plant & Machinery, Land & Building, Stocks and Debtors of Nagpur Branch

NCD -

8.75% - Secured Redeemable Non Convertible Debentures of Rs.50 Millions (2007-08 Rs.290 Millions; 2006-07 Rs.290 Millions) are secured by hypothecation of specific Plant & Machinery and *pari passu* charge by mortgage of immovable property in Gujarat. The debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment. i.e. 30th March, 2003.

7.50% - Redeemable Non Convertible Debentures of Rs.150 Millions (2007-08 Rs.150 Millions; 2006-07 Rs.150 Millions) and 7.25% - Redeemable Non Convertible Debentures of Rs 60 Millions (2007-08 Rs.60 Millions; 2006-07 Rs.60 Millions) 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 50 Millions (2007-08 Rs.290 Millions; 2006-07 Rs.290 Millions). 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.380 Millions (2007-08 Rs.380 Millions ; 2006-07 Rs.380 Millions) and 7.25% - Redeemable Non Convertible Debentures of Rs 120 Millions (2007-08 Rs.120 Millions ; 2006-07 Rs.120 Millions) 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 50 Millions (2007-08 Rs.290 Millions ; 2006-07 Rs.290 Millions) and 7.50% Secured Non convertible Debenture of Rs. 150 Millions (2007-08 Rs.150 Millions ; 2006-07 Rs.150 Millions) and 7.25% Secured Non convertible Debenture of Rs. 60 Millions (2007-08 Rs.60 Millions ; 2006-07 Rs.60 Millions). 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. 500 Millions (2007-08 Rs.500 Millions ; 2006-07 – Nil) 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. 50 Millions (2007-08 Rs.50 Millions ; 2006-07 – Nil) and 7.50% Secured Non-convertible Debenture of Rs. 530 Millions (2007-08 Rs.150 Millions ; 2006-07 – Nil) and 7.25% Secured Non convertible Debenture of Rs.180 Millions (2007-08 Rs.60 Millions ; 2006-07 – Nil). The Debentures are due for repayment at the end of 8th, 9th and 10th year from the date of allotment being, 24th March, 2008.

10.8% - Redeemable Non Convertible debentures of Rs. 1000 Millions ((2007-08 & 2006-07 – Nil) are to be secured by hypothecation of specific Plant & machinery with *pari passu* charge by mortgage of immovable property in Gujarat with 9.95% Secured Redeemable Non-Convertible Debentures of Rs 500 Millions and 8.75% Secured Redeemable Non- Convertible Debentures of Rs 50 Millions and 7.5% Secured Non-convertible Debentures of Rs 530 Millions and 7.25% Secured Non Convertible Debentures of Rs 180 Millions. The Debentures are due for repayment at the end of 5th, 6th and 7th year from the date of allotment being, 25th July, 2008.

GAMMON AL MATAR JOINT VENTURE:

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

GAMMON & BILLIMORIA LLC:

Bank Loans and Overdrafts:

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

Motor Vehicle Loans:

Motor Vehicle 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.

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

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

CBICL:

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

VSPL:

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

PBPL:

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

TLL:

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

FRANCO TOSI:

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

GHBV:

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

GIBV:

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

PVAN:

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

- ii) During the year 2008-09 the total amount of borrowing cost capitalized was Rs. 986.4 Millions (2007-08 Rs. 268.60 Millions ; 2006-07 – Nil)
6. Loans and advances include Rs. 500 Millions (2007-08 Rs. 110.40 Millions ; 2006-07 500.00 Millions) 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 (2007-08 7,25,800 ; 2006-07- 7,25,800) Equity Shares of Rs. 2/- each kept in abeyance. Share Forfeited account includes Rs. 2.60 Millions (2007-08 Rs. 2.60 Millions ; 2006-07 Rs.2.60 Millions) of Share Premium collected on application in respect of forfeited shares.
8. 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, 2009	March, 2008	March, 2007	
Andhra Expressway Ltd.	9,135,010	9,135,010	10,225,560	10/-
Rajahmundry Expressway Ltd.	14,266,318	9,135,010	10,429,560	10/-
Mumbai Nasik Expressway	161,20,000	161,20,000	16,120,000	10/-
Gorakhpur Infrastructure Projects Ltd.	9,593,233	9,593,233	-	10/-
Kosi Bridge Infra. Co. Ltd.	6,281,730	6,281,730	-	10/-
Punjab Biomass Power Ltd.	15,250,000	-	-	10/-
Vizag Seaport Private Ltd.	20,589,729	-	-	10/-

9. One of the Subsidiary had charged to Profit & Loss Account, Capital expenditure incurred on Property Development in the year 2007-08. However, during the year 2008-09, the management is of view that the chances of developing the property are materializing and hence the capital expenses incurred in the year 2007-08 are now pertaining to the cost of acquisition of the potential property. Hence the expenses have been shown as an Asset by reversal of Rs. 50.10 Millions reducing the previous year's loss of Rs. 59.30 Millions.
10. Exploration and evaluation of potential mineral reserve is recognised as part of capital Work in progress under intangible assets when such costs are expected to be either recouped in full through successful exploration and development of the area of interest or by its sale or when exploration and evaluation activities in the area of interest have not yet reached a stage which permit a reasonable assessment of the existence or otherwise of economically available reserves and active and significant operations in relation to the area are continuing or are planned for the future. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.
11. 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 the year 2007-08 an amount of Rs. 200 Millions (2008-09 Nil; 2006-07 Rs. 100 Millions) has been transferred to the Special Contingency Reserve
12. The depreciation for the year 2006-07 is net of write back of depreciation of assets in Oman Branch of the Company. Hitherto, the Company was charging depreciation on the assets lying in Oman as per the rates specified in the Omani laws, which were higher than the schedule XIV rates. During the year 2006-07, Oman branch has changed the method of depreciation to bring it in line with the rates and in the manner specified in the schedule XIV. The excess depreciation charged during previous years

amounting to Rs. 26.80 Millions has been reversed. The effect of the change in method of depreciation for this year is Rs. 28.50 Millions. On account of this change in the method of depreciation the profit for that year was higher by Rs. 55.30 Millions.

13. TAXATION:

The break up of Deferred Tax liability and Assets are as follows :-

(Rs. in Millions)			
Particulars	Year ended 31 st March, 2009	Year ended 31 st March, 2008	Year ended 31 st March, 2007
Deferred Tax liability			
-On Account of Depreciation	714.50	545.00	468.30
-On Account of Lease	92.80	-	-
-Others	1,675.10	-	-
Deferred Tax Assets			
-On Account of Gratuity/Leave Encashment Provision	47.10	18.30	12.90
-On Account of Interest on NCD	2.80	5.00	2.10
-On Account of Unabsorbed Depreciation	-	-	5.60
-On Account Delay in payment of TDS	82.70	63.40	-
-Risk and Contingencies	79.00	-	-
-On Account of Tax Losses	778.50	-	-
-Other Disallowances	101.50	-	22.10
Net Deferred Tax Liability	1,390.80	458.30	425.60

a) AEL and REL, are eligible for a 10-year tax holiday under Section 80 IA of the Income Tax Act, 1961. The deferred tax liability would get reversed during the tax holiday period and have not been recognized in accounts in accordance with AS – 22 (Accounting for Taxes on Income), issued by the Institute of Chartered Accountants of India.

b) During the year 2008-09, VSPL has written back Deferred Tax Liability amounting to Rs 133.80 Millions (2007-08 Nil ; 2006-07 Nil) which has been accounted by the Company in proportion to its shareholding in VSPL. The proportionate amount of Deferred Tax Liability written back by the Company is Rs 63.60 Millions (2007-08 Nil; 2006-07 Nil).

c) Gammon Al 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.

d) During the year 2006-07, pursuant to the retrospective amendment of *proviso* to section 80IA the Company has reviewed its' claim in respect of section 80IA and has decided to provide for income tax of earlier years without considering the benefits available u/s. 80IA. The amount of short provision including interest amounting to Rs. 525.60 Millions is being debited to the Profit & Loss Account as short provision of earlier years.

14. Capital Grant

As per terms of the concession agreement dated October 14, 2005 between MNEL and NHAI, the Company is entitled for a Grant from NHAI of Rs. 510 Millions during the Construction Period and Rs.1080 Millions during the Operations period. The company has received a grant of Rs.332.40 Millions. The same is considered as equity support and is credited to capital reserve under Reserves & Surplus in terms of the concession agreement.

15. Consequent upon the adoption of the Companies (Accounting Standard) Rules 2006, with effect from April 01, 2007, in the year 2007-08 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 in the year 2007-08, the net

foreign exchange loss of Rs. 11.20 Millions 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. 11.20 Millions.

16. Cochin Bridge Infrastructure Company Limited (CBICL) depreciates its BOT project assets being the Bridge over the concession period in its books. However, the depreciation as per the Income Tax Act does not fully cover the costs over the concession period. The difference in the charge of depreciation is a permanent difference and hence not recognized in calculation of the deferred tax liability/ asset.
17. Up to the year 2006-07 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 137.10 Millions 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 for the year 2007-08 is higher by Rs 137.10 Millions.
18. During the year 2007-08, the Gammon Infrastructure Projects Ltd. (GIPL) made an Initial Public Offer ('IPO') 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.
19. Significant Accounting Policies followed by the Company are attached with the Standalone Financial Statements. Due to inherent diversities in the legal and regulatory environment governing accounting principles, the accounting policies would be better understood when referred from the individual Financial Statements. However, the following are instances of diverse accounting policies followed by the subsidiaries, which may materially vary with these Consolidated Financial Statements.
 - a) In respect of new acquisitions in 2008-09, inventory of certain overseas JV's and Subsidiaries are valued at weighted average method as against FIFO method followed by the company and the other subsidiaries. The inventory of the JV's and Subsidiaries constitutes 13.38 % of the total inventory.
 - b) In case of SAE the Work-in-progress has been recorded on the basis of the criterion of the completion or the status of progress; the revenues and the job margin are recognized according to the progress of the productive activity as against the method of computing the percentage of work completed as determined by the expenditure incurred on the job till each review date to total expenditure of the job.
 - c) In the year 2008-09 in the absence of disclosures made in the accounts of one of the joint venture regarding effect of acquisition and disposal of subsidiaries, no such disclosure is possible to be made in the consolidated accounts.
 - d) Disclosures relating to the employee benefits for the overseas components have not been given in the absence of data in the required format.

20. Disclosure under AS -29

Year 2008-09

(Rs. In Millions)

Account Head	Opening Balance	Provisions made during the year	Paid Utilized during the year	/ the year	Closing Balance
Provision for Risk and Contingencies	1532.50	1040.60	358.00		2215.20

21. Earning Per Share (EPS) :

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

Particulars	As at 31st March,2009	As at 31st March,2008	As at 31st March,2007
Net Profit After Taxation (Rs. In Millions)	563.20	712.90	350.70
Preference Dividend (incl. Dividend Distribution Tax)	73.70	-	-
Net profit attributable to the Equity Share holders	489.50	712.90	350.70
Weighted Number of Shares during the period – Basic	10,68,50,776	8,67,44,670	8,67,44,670
Weighted Number of Shares during the period – Diluted	11,37,48,742	8,74,70,470	8,74,70,470
Earning Per Share – Basic (Rs.)	4.58	8.22	4.04
Earning Per Share – Diluted (Rs.)	4.58	8.15	4.01

For the purposes of computation of Earning Per Share the equity shares to be issued against the Equity Share Suspense account pursuant to the scheme of amalgamation in 2008-09, preference dividend on preference share suspense account and the options granted to the employees of the erstwhile ATSL have been considered in the weighted average shares during the period. Similarly 7,25,800 equity shares kept in abeyance from earlier equity offerings have also been considered for dilution. Since the further shares to be issued have an anti-dilutory effect, the diluted EPS is the same as basic for the year 2008-09.

22. SUNDRY DEBTORS/ LOANS AND ADVANCES:

a) **BONUS RECOVERABLE FROM THE NHAI**

Sundry debtors also includes Rs. 153.94 million (Year 2007-08 Rs 153.94 million; Year 2006-07 153.94 million) of early completion bonus receivable from National Highways Authority of India ('NHAI') accrued in earlier years by AEL and REL under the Contract which has been disputed by the NHAI. AEL and REL have initiated arbitration proceedings for recovery of the bonus. As the companies believe that the bonus is fully recoverable, no provision has been considered necessary for any amounts not recoverable.

b) **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.

c) In respect of the road projects undertaken by the company, in furtherance to the recommendation of the Dispute Resolution Board (DRB), the company has been awarded claims by the Arbitration Tribunal for an aggregate amount of Rs. 945.40 Millions. The Company contends that such awards has reached finally for the determination of the amounts of such claim and are reasonably confident of recovery of such claims although the client has moved the court for set aside of the award.

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

Accordingly the company has recognized contract revenue upto year 2008-09 of Rs. 945.40 Millions from such awards including Rs. 570.40 Millions recognized in the year 2007-08 on the basis of the DRB recommendation and opinion of experts on the matter.

In respect of some road projects completed during the year 2007-08 the Company has incurred additional cost not covered by contract conditions pertaining to variations, escalations & other claims. These claims were disputed by customer but the Company has received favorable verdicts from Dispute Resolution Board (DRB) and thereafter also in Arbitration awards in some of the cases. The customers 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 council in this regards, who have opined on the recoverability of the claims.

Accordingly, the Company has recognized these claims of Rs. 570.40 Millions as turnover to the extent of the expenditure incurred without recognizing any future profits from the same although the awards/ claims are of higher amount. The said amount of Rs. 570.40 Millions is part of sundry debtors.

d) Recovery of VAT from annuity payments

In the year 2006-07, on the basis of an interim order of the Honourable Andhra Pradesh High Court, NHAI recovered Rs. 92.05 million, 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). This amount was included in Sundry Debtors.

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.

In the year 2007-08, 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. The said amount of Rs. 44.70 million received was adjusted against Sundry Debtors.

- e) Work – in – Progress as at 31st March 07 includes Rs, 200 Million pertaining to variation and escalation claim of certain road project for which the Company has verdicts of DRB in favor of the Company. These claims however have been disputed by the client and the client has preferred arbitration. The Company contends that based on favorable awards by arbitrator in case of similar claims by other contractors; favorable verdict is expected to be received in respect of the claims. The Company has however earmarked out of special contingency reserve an equal amount towards possible awards against the Company following the principle of conservatism and prudence.

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

Particulars	(Rs. In Millions)		
	Year ended March, 2009	Year ended March, 2008	Year ended March, 2007
Turnover for the year	27,527.10	22,608.10	16,108.00
Aggregate Expenditure (Net of inventory adjustments) for contracts existing as at the year end	67,132.50	41,329.60	14,222.80
Aggregate Contract Profits/Losses recognized for contracts existing as at the year end	9,144.60	5,725.30	1,885.20
Contract Advances (Net)	6,402.60	11,348.80	3,097.50
Gross Amount due from Customers for contract work	4,625.90	4,500.00	2,581.60
Gross Amount due to customers for contract work	664.80	25.80	6.50

Disclosure under AS 7 for the year 2008-09 has been done only for the parent company and the Indian Subsidiaries in the absence of similar disclosure information being available from the other component companies in these financial statements especially the overseas subsidiaries and joint ventures. 2008-09 being the year of acquisition for many of the subsidiaries the data for such disclosures was not arranged. The management is taking steps to align disclosures from all such subsidiaries in the future years by active interactions with such companies.

24. Disclosure relating to Employee Benefits

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

(Rs. In Millions)				
Sr. No.	Particulars	2008-09	2007-08	2006.07
I	Change in Benefit Obligation			
	Liability at the beginning of the year.	53.00	38.80	-
	Interest cost.	4.30	2.90	-
	Current Service Cost.	6.30	4.40	-
		-	-	-
	Past Service Cost (Non Vested Benefit)			
	Past Service Cost (Vested Benefit)	-	-	-
	Benefit Paid	(4.70)	(6.10)	-
	Actuarial (gain)/loss on obligations	3.40	3.20	-
	Curtailments and Settlements	-	-	-
	Liability at the end of the year	62.30	43.30	-
II.	Fair Value of Plan Assets	-	-	-
	Fair Value of Plan Assets at the beginning of the year	37.00	26.90	-
	Expected Return on Plan Assets	3.20	2.30	-
	Contributions	5.00	4.30	-
	Benefit paid	(4.70)	(5.60)	-
	Actuarial gain/(loss) on Plan Assets	-	-	-
	Fair Value of Plan Assets at the end of the year	40.50	27.90	-
		Total Actuarial gain/(loss) to be Recognised.	3.40	2.40
III.	Actual Return on Plan Assets	-	-	-
	Expected Return on Plan Assets	3.20	2.30	-
	Actuarial gain/(loss) on Plan Assets	-	-	-
		Actual Return on Plan Assets	3.20	2.30
IV.	Amount Recognised in the Balance Sheet.	-	-	-
	Liability at the end of the year	62.30	43.30	-
	Fair Value of Plan Assets at the end of the year.	40.50	27.90	-
	Difference	21.80	15.40	-
		Unrecognised Past Service Cost.	-	-
	Amount Recognised in the Balance Sheet.	21.80	15.40	-
V.	Expenses Recognised in the Income Statement	-	-	-
	Current Service Cost	6.30	4.40	-
	Interest Cost.	4.30	2.90	-
		Expected Return on Plan Assets	(3.20)	(2.30)

	Net Actuarial (gain)/loss To Be Recognised	3.40	3.20	-
	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	10.80	8.30	-
	Excess Provision of earlier years written back	(0.50)	(5.60)	-
	Expense Recognised in Profit and Loss Account	10.30	2.60	-
VI	Balance Sheet Reconciliation	-	-	-
	Opening Net Liability	16.00	11.90	-
	Expense as above	10.80	8.30	-
	Employers Contribution	(5.00)	(4.70)	-
	Effect of Curtailment or Settlements	-	-	-
	Amount Recognised in Balance Sheet	21.80	15.40	-
VII	Acturial 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.

25. Foreign Currency Transactions, Derivative Instruments and Un-hedged Foreign Currency Exposure

- a. Foreign currency exposure un-hedged for the group as at 31st March, 2009 is at Rs.3683.40 Millions (2007-08 Rs. 611.80 Millions; 2006-07 Rs.1853.90 Millions) receivables and Rs. 10220.60 Millions (2007-08 Rs. 1284.40 Millions; 2006-07 Rs.1068.90 Millions) payables.
- b. During the year 2007-08 the Company has entered into 5 cross currency forward contracts of JPY 1516.30 Million which are outstanding towards hedging of specific currency risk.
- c. In respect of currency swap derivative contracts entered into by the company, the company has Marked to Market loss of Rs. 71.50 Millions (2007-08 Rs. 46.00 Millions; 2006-07 Nil) as at 31st March 2009 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.
- d. The company has entered into forward contracts for hedging the foreign currency receivables from its projects which are in the nature of firm commitments and highly probable future transactions. The company contends that these are entered into to hedge the currency risks arising out of the firm commitments and that the announcement of the ICAI on derivatives is not

applicable to such transactions. The notional marked to market losses is expected to be offset by the higher realizations from the foreign currency receivables as the project progress. Therefore the company has not provided marked to market losses on such forward contracts amounting to Rs. 159.30 Millions as at 31st March 2009.

- e. The breakup of the outstanding derivative position of the overseas subsidiaries is tabulated hereunder.

(Rs. in Millions)

Particulars	As at 31 st Dec, 2008	
	Assets	Liabilities
Derivatives on exchange rates	43.50	22.10
Derivatives on interest rates	-	13.90
Total non-current derivatives	43.50	36.00

- f. In line with notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard - 11 (AS - 11) "The Effects of Changes in Foreign Exchange Rates (revised 2003)", some of the overseas subsidiaries who have prepared the accounts as per Indian GAAP for the purposes of consolidation have chosen to exercise the option under para 46 inserted in the standard by the notification. Accordingly, exchange differences on all long term monetary items, with retrospective effect from April 01, 2007, are:
- i. To the extent such items are used for the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset.
 - ii. In other cases accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

As a result of point (a) and (b) above, amortization cost charged to the profit and loss account during the year 2008-09 was Rs. 312.30 Millions & Rs. 624.70 Millions has been accumulated in the "Foreign Currency Monetary Item Translation Difference Account", being the amount remaining to be amortized as at March 31, 2009. On account of exercise of this option, the profit after tax for 2008-09 is higher by Rs. 624.70 Millions which would have resulted in the profit after tax being a loss of Rs. 61.50 Millions.

26. ESOPS –

GIL

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

The options vest in a graded manner over the period of four years and are exercisable during a period of three years from the date of vesting thereof.

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

GIPL

GIPL has instituted an ESOP Scheme during the year 2007-08, approved by the shareholders vide their resolution dated May 4, 2007, as per which the Board of Directors of the Company granted 1,640,000 stock options to its employees pursuant to the ESOP Scheme on July 1, 2007 and October 1, 2007. Each options entitles an employee to subscribe to 1 equity share of the Company at an exercise price of Rs 80 per share. Out of the options granted, 75,000 options were forfeited during the year 2007-08.

During the year 2008-09, the Compensation Committee of the Board of the Directors of the Subsidiary Company GIPL at its meeting held on October 1, 2008, has further granted 1,410,000 options to eligible employees of the Company at the market price of Rs 63.95 per equity share, prevailing on September 30, 2008 upon expiry of the respective vesting period which ranges from one to three years.

Further, during the year 2008-09, the Compensation Committee of the Board of Directors of GIPL at its meeting held on December 5, 2008, allotted 500,000 stock options under the “GIPL Employees Stock Options Scheme 2008” to its Managing Director enabling him to apply for 500,000 equity shares at par on completion of the vesting period of one year. The market price on the date of grant was Rs 43.45 per equity share.

27. The market value of investments does not consider the market value of the Company’s share which is part of the shares to be issued to the proposed trust to be created for the issue of equity shares of the company in lieu of the shares held by the company in ATSL pursuant to the amalgamation of the company with ATSL.
28. Unpaid dividend includes Rs. 0.50 Millions in the year 2007-08 (2006-07 – Rs. 0.30 Millions) to be transferred to the Investor Education & Protection Fund.

29. CONTINGENT LIABILITIES :

(Rs. in Millions)

	As at 31.03.09	As at 31.03.08	As at 31.03.07
i. Liability on contracts remaining to be executed on capital accounts	28,336.90	33,935.30	26,047.80
ii. Counter Guarantees given to Bankers for Guarantees given by them and Corporate Guarantees, on behalf of subsidiary, erstwhile subsidiary, associate companies stand at	33,409.80	23,962.90	14,369.40
iii. Corporate Guarantees and Counter Guarantees given to Bankers towards Company’s share in the joint Ventures for guarantees given by them to the Joint Venture Project Clients	5,042.90	4,089.30	4,175.30
iv. Corporate Guarantees and Counter Guarantees given to Bankers by a step down subsidiary & Joint Venture for their Projects	18,605.30	-	-
v. Disputed Sales Tax liability for which the Company has Gone into Appeal	222.30	258.60	138.10
vi. Claims against the Company not acknowledged as debt	476.90	460.20	461.40
vii. Disputed Excise Duty liability	0.30	0.30	1.90
viii. Disputed Customs Duty liability	3.20	3.20	3.20
ix. Disputed Service Tax Liability	152.40	47.20	36.60
x. Contingent Liability on partly paid shares	-	-	-
xi. Disputed Income Tax - Demand for which the Company Appeals are pending before Appellant Authority	566.60	55.10	11.60
xii. Claim against the Company by Al Manara International LLC not acknowledged as debt - for Commision Charges	-	-	142.10
xiii. Counter claims in arbitration matter referred by the company – liability unascertainable			

- (a) There is a disputed demand of UCO Bank pending since 1986, of US\$ 436251 i.e. Rs.17.20 Millions. Against this, UCO Bank has unilaterally adjusted the Company’s Fixed Deposit of US\$ 30584 i.e.Rs.1.20 Millions which adjustment has not been accepted by the Company.
- (b) In respect of Joint Venture and operations in Oman, Gammon India Limited-AL Matar JV, refer note no. 36
- (c) An amount of Rs 177.70 Millions 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

(d) Disputed tax liability, in appeal in the case of AEL, is Rs 32.29 million. Of this, an amount of Rs 22.79 million has been deposited by AEL in the year 2007-08.

(e) Export Commitments in Joint Venture VSPL:

(Rs.in Millions)

Particulars	As at March, 2009	As at March, 2008	As at March, 2007
Under EPCG Scheme	88.08	-	72.03

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

31. Cash & Bank balances include 21.30 Millions (2007-08 Rs.31.80 Millions: 2006-07 Rs.31.50 Millions) 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.

32. Details of Joint Ventures entered into by the Company in last 3 Years :-

Sr. No	Name of Joint Venture	Description of Interest	% of involvement		
			2008-09	2007-08	2006-07
1	Gammon Atlanta	Jointly Controlled Operation (JCO)	50.00%	50.00%	50.00%
2	Gammon BBJ	JCO	50.00%	50.00%	50.00%
3	Gammon Sadbhav	JCO	70.00%	70.00%	70.00%
4	Gammon Srinivas	JCO	80.00%	80.00%	80.00%
5	GIL Archirodon	JCO	98.50%	98.50%	98.50%
6	BBJ GIL	JCO	30.50%	30.50%	30.50%
7	JAGER GIL	JCO	50.00%	50.00%	50.00%
8	Jaeger Gammon	JCO	50.00%	50.00%	-
9	Patel Gammon	JCO	49.00%	49.00%	49.00%
10	Gammon Patel	JCO	50.00%	50.00%	50.00%
11	Hyundai Gammon	JCO	49.00%	49.00%	49.00%
12	Jaeger Gammon	JCO	50.00%	50.00%	50.00%
13	Gammon BBJ	JCO	50.00%	50.00%	50.00%
14	Hyundai Gammon	JCO	49.00%	49.00%	49.00%
15	Jaeger Gammon	JCO	50.00%	50.00%	50.00%
16	SAE Gammon	JCO	25.00%	25.00%	-
17	BBJ Gammon	JCO	49.00%	49.00%	-
18	Gammon Hot Engineering	JCO	70.00%	70.00%	-
19	Gammon Technofab (Fuel Storage Facility Project)	JCO	80.00%	80.00%	-
20	Gammon Technofab (Transmission & Distribution of Electricity & Water)	JCO	70.00%	70.00%	-
21	Gammon Limak (Vishnugod Pipalnote HEPP)	JCO	51.00%	51.00%	-
22	Gammon Tensacuai	JCO	80.00%	80.00%	-
23	Gammon Construtora Tensacuai	JCO	60.00%	60.00%	-
24	Gammon Pratibha (BWSSB)	JCO	70.00%	70.00%	-
25	Gammon Pratibha (4 Airport Terminal Buildings)	JCO	70.00%	-	-
26	Gammon Sadelmi (Tripura Gas PP)	JCO	40.00%	-	-
27	Gammon CKD Jyoti	JCO	90.00%	-	-
28	Lemcon Gammon	JCO	51.00%	-	-
29	Mosmetrostroy Gammon	JCO	49.00%	-	-

30	Gammon Sadelmi (Power Plant in Sylhet, Bangladesh)	JCO	90.00%	-	-
31	Gammon Francotosi	JCO	30.00%	-	-
32	Gammon Sadelmi (Power Project in Siddhirganj, Bangladesh)	JCO	90.00%	-	-
33	Gammon SEW	JCO	90.00%	-	-
34	Technofab Gammon (commissioning of pipeline at Srinagar)	JCO	70.00%	70.00%	-
35	Aydeniz Gammon	JCO	30.00%	-	-
36	Gammon Veolia	JCO	60.00%	-	-
37	Afghanistan ATSL AEPC	JCO	75.00%	-	-
38	Gammon Delco	JCO	-	-	50.00%
39	Gammon OAO Stroytransgaz	JCO	-	50.00%	50.00%
40	Gammon OSE	JCO	-	-	50.00%
41	GIL CEC	JCO	-	-	51.00%
42	GIL Enceerail	JCO	-	60.00%	-
43	GIL EIL Consortium	JCO	-	-	97.00%
44	Torno Gammon Dolsar	JCO	-	62.00%	62.00%
45	Torno Gammon Patel Dolsar Alston	JCO	-	20.00%	20.00%
46	Gammon KMC	JCO	-	-	51.00%
47	Gammon JMC Proj.	JCO	-	70.00%	70.00%
48	Torno Gammon	JCO	-	50.00%	50.00%
49	Gammon KMC	JCO	-	-	60.00%
50	Gammon Ratnamani	JCO	-	-	50.00%
51	Gammon Limek	JCO	-	97.00%	97.00%
52	Gammon Limek	JCO	-	-	-
53	Gammon BBJ	JCO	-	-	-
54	Gammon Technofeb	JCO	-	-	60.00%
55	GIL Enceerail	JCO	-	90.00%	90.00%
56	Gammon Limek Francotoshi	JCO	-	60.00%	-
57	Jagar Gammon Seli	JCO	-	33.00%	-
58	MCC Gammon	JCO	-	49.00%	-
59	SGTM Gammon	JCO	-	49.00%	-
60	Satra Gammon Dev	JCO	-	35.00%	-
61	Limac Gammon	JCO	-	49.00%	-
62	Gammon Pratibha	JCO	-	70.00%	-
63	Gammon Limek	JCO	-	51.00%	50.00%
64	OSE GIL	JCO	-	-	50.00%

33. The Company is engaged mainly in only one reportable segment viz., "Construction and Engineering" including the business transferred from the erstwhile ATSL on amalgamation with the company with all its manufacturing operations which are integral to its transmission tower business and the business of manufacturing and installation of power generation equipments viz turbines and boilers etc. Additionally the company has revenue from Windmills which is not significant and accounts for less than 10% of the total revenue and total assets of the Company. Therefore no disclosure of separate segment reporting as required in terms of Accounting Standard AS -17 is done.

The company although operates on a worldwide basis across the globe, they operate in two principal geographical areas of the world from 2008-09, in India and the other countries. The following table presents the break-up of the revenues and assets for 2008-09 regarding the geographical segments.

Particulars	Amount (Rs. in Millions)			Percentage (%)	
	Domestic	Overseas	Total	Domestic	Overseas
Segment Revenue	35919.50	16868.60	52788.10	68.04	31.96
Segment Asset	64203.70	39914.80	104118.50	61.66	38.34
Capital Expenditure	26948.70	12198.00	39146.70	68.84	31.16

34. 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 .
35. 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.

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. 7.20 Millions (2007-08 Rs. 7.20 Millions ; 2006-07 Rs. 8.50 Millions) and under cancelable operating leases was Rs. 0.30 Millions (2007-08 Rs. 0.30 Millions; 2006-07 Rs. 0.30 Millions) which has been disclosed as lease rentals in the profit and loss account.

A detailed break up of amount payable to leasing companies for the year 2008-09 is as follows-

(Rs. in Millions)

Particulars	Amount payable to Leasing Companies
Within 1 Year	44.70
Between 1 and 5 Years	195.90
Beyond 5 Years	1060.80

36. **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 40000 (Rs. 5.30 Millions) 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 profit/ (loss) of Rs. (34.60) Millions (2007-08 Rs. (112.80); 2006-07 Rs. 132.80 Millions) 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, 2009 is RO 2,442,181 (Rs. 321.20 Millions) [2007-08 RO 13,602,266 (Rs. 1415.10 Millions); 2006-07 RO 19,035,026 (Rs. 2154 Millions)] which consists of Fund based RO 802,720 (Rs. 105.6 Millions) [2007-08 RO 9,784,630 (Rs. 1017.90 Millions); 2006-07 RO 1,65,87,491 (Rs. 1877.10 Millions)] and Non-fund based RO 1,639,461 (Rs. 215.60 Millions) [2007-08 RO 3,817,636 (Rs. 397.20 Millions); 2006-07 RO 2,447,535 (Rs. 276.90 Millions)]

(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.

(d) Disputed liquidated damages in the years 2007-08 and 2006-07 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 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 Discussions between VSPL and VPT are ongoing. The management expects to resolve the dispute amicably and obtain a refund of the amounts paid under protest. Hence the management has not considered a provision for the amounts paid and included the same under advances recoverable in these financial statements.

37. (a) As the figures disclosed in the financial statements are extracted from the audited Indian Accounts for the years ended 31st March 2007, 2008 and 2009 approved by the Board of Directors on 31st July, 2007, 31st July, 2008 and 9th September, 2009 respectively, and on which the auditors have issued their opinions dated 31st July, 2007, 31st July, 2008 and 9th September, 2009 respectively, any event subsequent to the said date has not been considered / adjusted.

(b) These financial statements have been prepared on the basis of financial statements for the year 2008-09. The financial statements of 2006-07 and 2007-08 have been reformatted to conform to 2008-09 presentation.

38. 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. (ICTPL), Sikkim Hydro Power Ventures Ltd.(SHPVL), 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.

39. Figures pertaining to the subsidiary companies and joint venture acquired during the year and the other companies have been reclassified wherever necessary to bring them in line with the company's financial statements. Figures for the years, 2007-08 & 2006-07 do not include the results from operations of the overseas acquisitions and amalgamation of ATSL, hence the results for these periods are not comparable with that of the year 2008-09.

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

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

Annexure I

Related party Disclosure as required by AS 18 " Related Party Disclosures"

A) Relationships:			
	2008-2009	2007-2008	2006-2007
Entities where control exists:			
1	Pacific Energy Pvt. Ltd.	Pacific Energy Pvt. Ltd.	Pacific Energy Pvt. Ltd.
2	Nikhita Estate Developers Pvt. Ltd.	Nikhita Estate Developers Pvt. Ltd.	Nikhita Estate Developers Pvt. Ltd.
3	Masayor Enterprises Ltd.	Masayor Enterprises Ltd.	Masayor Enterprises Ltd.
4	First Asian Capital Resources Pvt. Ltd.	First Asian Capital Resources Pvt. Ltd.	First Asian Capital Resources Pvt. Ltd.
5	Devyani Estate & Properties Pvt. Ltd.	Devyani Estate & Properties Pvt. Ltd.	Devyani Estate & Properties Pvt. Ltd.
Associates & Group Companies:			
1	STFA Piling (India) Ltd.	STFA Piling (India) Ltd.	STFA Piling (India) Ltd.
2	Eversun Sparkle Maritime Services P Ltd	Eversun Sparkle Maritime Services P Ltd	Eversun Sparkle Maritime Services P Ltd
3	FIN EST SPA	Associated Transrail Structures Ltd	FIN EST SPA
4	Modern Toll roads Ltd.	ATSL Infrastructure Projects Ltd.	Airscrew(India) Limited
5		Gammon Information Technologies Ltd.	Gammon Information Technologies Ltd.
6			Associated Transrail Structures Ltd
7			Freyssinet (india) Private Ltd.
8			Freyssinet Prestressed Concrete Co.Ltd
9			Gammon Housing & Estate Developers Ltd.
10			Gammon Overseas Engineers Pvt. Ltd.
Key Management Personnel & Relatives			
1	Mr. Abhijit Rajan	Mr. Abhijit Rajan	Mr. Abhijit Rajan
2	Mr. Himanshu Parikh	Mr. Himanshu Parikh	Mr. Himanshu Parikh
3	Mr. Rajul A. Bhansali	Mr. Rajul A. Bhansali	Mr. Rajul A. Bhansali
4	Mr. Parvez Umrigar	Mr. Parvez Umrigar	
Joint Ventures:			
1	BBJ GIL	BBJ GIL	BBJ GIL
2	Gammon Atlanta	Gammon Atlanta	Gammon Atlanta
3	Gammon BBJ	Gammon BBJ	Gammon BBJ
4	Gammon Encee Rail	Gammon Encee Rail	Gammon Encee Rail
5	Gammon JMC	Gammon JMC	Gammon JMC
6	Gammon Limak	Gammon Limak	Gammon Limak
7	Gammon OSE	Gammon OSE	Gammon OSE
8	Gammon Overseas Engineering Pvt. Ltd.	Patel Gammon	Patel Gammon
9	Gammon Pratibha	Jager GIL	Jager GIL
10	Gammon Progressive	Gammon Progressive	Gammon Progressive

11	Gammon Rizzani	Gammon Rizzani	Gammon Rizzani
12	Gammon Sadelmi	Gammon Sadelmi	
13	Gammon SEW JV		
14	Gammon Srinivas	Gammon Srinivas	Gammon Srinivas
15	GIL Archirodon	GIL Archirodon	GIL Archirodon
16	Hyundai Gammon	Hyundai Gammon	Hyundai Gammon
17	Jaeger Gammon	Jaeger Gammon	Jaeger Gammon
18	Jaeger Gammon	Jaeger Gammon	Gammon Patel
19	OSE Gammon	Gammon Patel	Patel Gammon
20	Patel Gammon	Jaeger Gammon Seli	Punjab Biomass Ltd.
21			AMI Water Gammon Ass Consortium
22			CLP Power Projects II GPD L Consortium
23			Gammon & Sew
24			Gammon Al Matar
25			Gammon Delco
26			Gammon KMC
27			Gammon L & T Infra MRTS Ltd.
28			Gammon OAO Stroytransgaz
29			Gammon Ratnamani
30			Gammon Sadbhav
31			Gammon Sadbhav Billimoria Consortium
32			Gammon Soma
33			Gammon STG
34			GIL - NCSPL
35			GIL CEC
36			GIL EIL Consortium
37			GIL GIPL ATSL Consortium
38			GIL JMC
39			Hyundai GIL
40			Limak Gammon
41			Limak GIL Consortium
42			OSE GIL
43			SEZ Adityapur Ltd.
44			STG Gammon
45			STG Gammon Consortium
46			Vizag Seaport Pvt. Ltd.
47			GIL GIPL Consortium

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

(Rupees In Millions)

Nature of Transactions / relationship / major parties	2008-2009		2007-2008		2006-2007	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
<u>Associates</u>						
Subcontracting Expenditure (Operating And Maintenance Income/(Expenses))	-		150.24		492.50	
ATSL				150.20		
FPCC Ltd		-				492.50
Purchase of Goods					13.80	
FPCC Ltd						13.80
Sale of Goods					81.50	
FPCC Ltd						81.50
Rendering of Services					8.60	
Associated Transrail Structures Ltd.						8.00
Receiving of Services					2.60	
Gammon Infotech						2.60
Purchase of Investments/Advances towards Equity/Allotment of Shares			20.80			
Associated Transrail Structures Ltd.				20.80		
Refund received against contract advance					384.80	
FPCC Ltd						384.80
Finance provided (incl. Loans and equity contribution in cash or in kind)	32.00		955.20		584.20	
Finest SpA		32.00		-		
FPCC Ltd						75.00
Associated Transrail Structures Ltd.		-		955.00		509.20
Finance provided for expenses & on a/c payments	-		1.70		2.70	
FPCC Ltd						0.30

Nature of Transactions / relationship / major parties	2008-2009		2007-2008		2006-2007	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Associated Transrail Structures Ltd.		-		1.70		2.30
Amount liquidated towards the finance provided FPCC Ltd Associated Transrail Structures Ltd.	-		885.00		414.70	75.30
		-		884.90		339.40
Interest Income during the year FPCC Ltd Associated Transrail Structures Ltd.	-		25.80		25.60	18.10
		-		25.80		7.50
Finance received (incl. Loans and equity contribution in cash or in kind) FPCC Ltd Associated Transrail Structures Ltd.	-		19.90		0.70	0.20
		-		19.90		0.50
Interest paid during the year	-		1.89			
		-				
Contract Advance received	-		37.76			
		-				
Contract Advance Given FPCC Ltd Associated Transrail Structures Ltd.	-		135.80		443.50	425.90
		-		135.80		
Dividend Income Associated Transrail Structures Ltd.	-		2.90		2.90	2.90
		-		2.90		
Guarantees and Collaterals Outstanding Sofinter SpA Associated Transrail Structures Ltd.	-		842.07		1,173.80	-
		-		-		-
		-		842.10		1,162.80
Outstanding Balances Receivables FinestSpA	32.00	32.00	175.00		246.50	
				-		

Nature of Transactions / relationship / major parties	2008-2009		2007-2008		2006-2007	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Associated Transrail Structures Ltd.		-		174.90		182.30
Outstanding Balances Payable FPCC Ltd	-	-	1.96		82.30	82.30
Total	64.00		3,256.03		3,960.70	
<u>Entities where control exists</u>						
Dividend paid to Shareholders	16.20		13.61		27.20	
Devyani Estate & Properties Pvt. Ltd		3.20		2.64		5.30
Masayor Enterprises Limited		1.90		1.54		3.10
Nikhita Estate Developers Pvt. Ltd.		2.10		1.74		3.50
Pacific Energy Pvt .Ltd.		9.00		7.51		15.00
Total	16.20		13.61		27.20	
<u>Key Managerial Personnel</u>						
Remuneration paid	42.20		29.80		22.60	
Mr Abhijit Rajan		14.30		14.26		13.40
Mr H.V.Parikh		5.40		3.64		2.50
Mr R A Bhansali		5.70		3.47		2.60
Mr Parvez Umrigar		16.80		8.40		4.10
Finance provided (incl. Loans and equity contribution in cash or in kind) Mr Abhijit Rajan					50.00	50.00
Gross Value of Stock Option Issued : Mr Parvez Umrigar	16.70	16.70	11.40	11.40		

Nature of Transactions / relationship / major parties	2008-2009		2007-2008		2006-2007	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Amortization of Option Issued : Mr Parvez Umrigar	9.30	9.30	4.80	4.8		
Total	68.20		46.00		72.60	

Joint Venture						
Subcontracting Income	4,500.00		3,165.14		2,040.50	
OSE Gammon JV						287.80
Gammon Srinivasa						310.10
Gammon BBJ						240.80
Gammon OSE JV						236.60
Jager Gammon						345.90
Patel Gammon		1,117.20		454.10		-
Gammon JMC		1,898.40		1,665.32		332.40
Finance provided (incl. Loans and equity contribution in cash or in kind)	18.93		-			
Gammon Eencee rail		18.90		-		
Finance provided for expenses & on a/c payments	7.33		0.60			
Gammon Eencee rail		7.30		0.50		
						-
Amount liquidated towards the finance provided	22.58		4.52		0.10	
Gammon Eencee rail		22.50				
Interest paid during the year	58.21		37.60		37.60	
OSE Gammon JV						5.50
Jaegar Gammon		41.50		18.22		-

Nature of Transactions / relationship / major parties	2008-2009		2007-2008		2006-2007	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Gammon Srinivas		-		14.43		27.90
Contract Advance received	878.96		802.44		440.70	
Jaegar-Gammon		130.10		170.00		150.00
Gammon-JMC		205.50		351.77		237.00
Patel Gammon		501.00		233.41		-
Contract Advance Given					597.40	
Gammon Srinivas						192.30
Gammon OSE JV						109.70
Jaegar-Gammon						150.00
Refund received against Contract Advance	770.10		1,018.55			
Jaegar-Gammon		-		151.00		
Gammon JMC		196.60		548.47		
Patel Gammon		435.40		141.20		
Gammon Srinivas		81.20		-		
Gammon OSE JV						
Guarantees and Collaterals Outstanding	3,549.72		2,955.80		2,916.00	
Gammon Srinivas		378.70				473.70
Patel Gammon		1,003.00		594.60		-
Jaegar-Gammon		922.70		499.30		482.60
Outstanding Balances Receivables	1,461.18		899.10		630.00	
OSE-Gammon		231.10		-		147.00
Jaegar-Gammon		386.20		240.46		-
Patel Gammon		281.60		156.30		-

Nature of Transactions / relationship / major parties	2008-2009		2007-2008		2006-2007	
	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties	Amounts	Amounts from Major Parties
Gammon JMC		289.00		247.88		188.50
Outstanding Balances Payable	546.41		443.30		346.80	
Gammon-JMC		-		-		200.80
Jaeger Gammon		282.20		174.50		-
Patel Gammon		157.80		92.20		-
Gammon Srinivas				97.00		91.10
Write Off of Balances					2.80	
Gammon Delco						0.30
Gammon Soma						1.60
Gammon Atlanta						0.70
Total	11,813.43		9,327.05		7,011.90	

The following information has been extracted from the Audited consolidated financial statements of Sofinter S.p.A. and its subsidiaries as of December 31, 2008.

SOFINTER S.p.A.

Consolidate Balance Sheet as of December 31, 2008

(in units of Euro)

	31/12/2008	31/12/2007	Trend
<u>ASSETS</u>			
Non current assets			
Property, plant and equipment	63.161.699	62.381.152	780.547
Intangible assets	61.665.458	62.139.678	-474.220
Equity investments	1.721.035	2.355.597	-634.562
Available for sale financial assets	420.319	469.328	-49.009
Derivatives	25.341	732.465	-707.124
Deferred tax asset	13.598.670	13.614.523	-15.853
Other receivables	9.483.041	889.324	8.593.717
	150.075.563	142.582.067	7.493.496
Current assets			
Inventories	6.065.342	5.282.483	782.859
Construction Contract - amounts due from customers	76.149.581	170.276.167	-94.126.586
Trade receivables	219.744.679	172.368.186	47.376.493
Current income tax assets	2.280.250	2.018.215	262.035
Derivatives	1.249.722	1.449.699	-199.977
Other receivables	51.570.296	85.406.373	-33.836.077
Cash and cash equivalents	48.424.876	63.676.664	-15.251.788
	405.484.746	500.477.787	-94.993.041
Total assets	555.560.309	643.059.854	-87.499.545
<u>EQUITY</u>			
Capital stock	99.969.700	66.083.333	33.886.367
Reserves	-1.336.200	4.980.625	-6.316.825
First time adoption reserve	642.411	642.411	0
Retained earning	-26.250.856	-9.273.729	-16.977.127
Net result	-41.690.068	-38.290.286	-3.399.782
	31.334.987	24.142.354	7.192.633
Minority Interest	296.237	307.416	-11.179
Total Equity	31.631.224	24.449.770	7.181.454
<u>LIABILITIES</u>			
Non-current liabilities			
Borrowings n.c.	48.290.295	57.256.866	-8.966.571
Employees benefit liability	7.476.447	8.350.719	-874.272
Derivates	408.652	78.604	330.048
Deferred income taxes	3.543.134	4.960.046	-1.416.912
Other non-current liability	0	0	0
	59.718.528	70.646.235	-10.927.707

Current liabilities			
Bank overdrafts	133.855.300	166.958.175	-33.102.875
Borrowings	40.538.897	56.313.801	-15.774.904
Costruction Contract - amounts due to costumers	53.749.255	55.407.131	-1.657.876
Trade payables	209.037.593	252.855.783	-43.818.190
Current income tax liabilities	848.081	372.406	475.675
Provisions	7.399.457	3.351.365	4.048.092
Derivatives	646.775	93.811	552.964
Other payables	18.135.199	12.611.377	5.523.822
	<u>464.210.557</u>	<u>547.963.849</u>	<u>-83.753.292</u>
Total liabilities	523.929.085	618.610.084	-94.680.999
Total equity and liabilities	555.560.309	643.059.854	-87.499.545

Income statement as of December 31, 2008

	31/12/2008	31/12/2007	Trend
Revenues			
Net Sales	491.395.058	522.327.851	-30.932.793
Other income	7.848.227	5.418.224	2.430.003
Total Revenues	499.243.285	527.746.075	-28.502.790
Operating Costs			
Wages and salaries	53.888.025	49.292.186	4.595.839
Services	204.307.163	170.922.336	33.384.827
Amortisation	6.573.598	6.062.918	510.680
Purchases	227.984.128	304.336.488	-76.352.360
Other operating costs	33.347.605	36.012.095	-2.664.490
Change in inventories	-782.859	-1.422.049	639.190
Capitalisation of internal costs	-2.783.858	-1.288.117	-1.495.741
Total operating costs	522.533.802	563.915.857	-41.382.055
OPERATING RESULT	-23.290.517	-36.169.782	12.879.265
Financial income and expense			
Financial income	1.530.536	2.172.777	-642.241
Financial expense	17.887.196	15.024.293	2.862.903
Net financial income / (Expense)	-16.356.660	-12.851.516	-3.505.144
Share of ((loss)/profit of associates	-484.589	-507.111	22.522
NET RESULT BEFORE TAX	-40.131.766	-49.528.409	9.396.643
Taxation	1.869.999	-11.173.874	13.043.873
NET RESULT / (LOSS)	-42.001.765	-38.354.535	-3.647.230
Minority Interest	-311.697	-64.249	-247.448
NET RESULT / (LOSS)	-41.690.068	-38.290.286	-3.399.782

SOFINTER S.p.A.

Consolidated Cash Flow Statement - December 31, 2008

(in units of Euro)

	31/12/2008	31/12/2007
Net loss before taxes	-40.131.766	-49.528.409
Depreciation of property, plant and equipment	4.127.116	3.020.743
Amorisation and write off intangible assets	2.446.482	3.042.175
Share of loss/profit from associates	484.589	507.111
Net finance costs	15.910.144	13.274.803
Change in inventories	-782.859	-1.240.727
Change in trade receivables and trade payables	-91.194.683	-54.183.465
Change in construction contracts - amounts due from customers and amounts due to customers	92.667.242	83.940.966
Change in other receivables and other payables	43.090.991	-21.352.392
Changes in derivatives	1.790.113	-903.434
Taxes paid	-2.141.010	-3.577.980
Utilisation of provisions (including employee benefit liability)	-3.592.538	-1.295.644
Accruals of provisions (including employee benefit liability)	6.766.358	1.177.118
A - Net cash flow from operating activities	29.440.179	-27.119.135
Net investments in property, plant and equipment	-4.907.663	-3.630.460
Net investments in intangible assets	-1.972.262	-1.156.867
Investments in associates	198.982	-2.519.527
B - Net cash flow from investing activities	-6.680.943	-7.306.854
Capital contribution and other changes in shareholders' equity	49.200.000	0
Interest and other financial income received	1.530.536	-12.851.516
Interest and other financial charges paid	-17.440.680	-12.851.516
Net changes in short and long term borrowings	-71.300.880	68.357.368
C - Net cash flow from financing activities	-38.011.024	55.505.852
D - Total cash flow provided/ (used) in the year (A+B+C)	-15.251.788	21.079.863
E - Cash and cash equivalents at the beginning of the year	63.676.664	42.596.801
F - Cash and cash equivalents at the end of the year (D+E)	48.424.876	63.676.664

Statement of recognised income and expense for the year ended December, 31 2008*(in units of Euro)*

	31/12/2008	31/12/2007
Net expense for recapitalization	-548.800	0
Net income (loss) recognised directly in equity	-548.800	0
Net Result/(loss)	-42.550.565	-38.354.535
Net recognised income and expense for the year	-43.099.365	-38.354.535
<i>Attributable to</i>		
Equity holders of the parent	-42.787.668	-38.290.286
Minority interest	-311.697	-64.249

Franco Tosi Meccanica S.p.A.

Main Offices in Piazza Monumento, 12 – Legnano

F.C. 02560670123

Fully paid-up capital 44,355,720.00 Euro

**Statutory Audit Board Report according to
art. 2429 of the Italian Civil Code**

Financial Statements as of 31st December 2008

To the Shareholders,

during the financial year as of December 31st, 2008 our activities have been carried out in compliance with the principles recommended by the Graduates in Economics and Commerce and Chartered Accountants Association (C.N.D.C.) for the Board of Auditors.

In particular :

1. We have checked full observance of what provided by law and by the Articles of Partnership and compliance with the principles of proper administration;
2. We have attended **Shareholders'** and **Board of Directors'** meetings held in compliance with the statutory obligations, legal provisions and regulations and we can assure that all resolutions taken are in accordance with what provided by law and by the articles of the Association and are not manifestly incautious, risky, potentially in conflict with the Company interests or such as to compromise the Company assets;
3. We have collected information from the Directors about the efficiency of the management as well as about the most important operations carried out by the Company and we can reasonably assure that actions taken are in accordance with what provided by law and by the articles of the Association and are not manifestly incautious, risky, potentially in conflict with what decided by the **Shareholders'** Meeting or such as to compromise the Company assets;
4. We have estimated and checked the efficiency of the Company structure also by collecting information from the Managers of the different departments and there are no particular remarks to be reported;

5. We have estimated and checked the efficiency of the Company administration and accounting systems and also we have assessed its reliability to correctly represent the management activities by collecting information and attending meetings with the Managers of the administration and accounting departments and there are no particular remarks to be reported;
6. We are constantly in contact with the Accounting Company Constantin Rediva S.r.l., in charge for the auditing and there are no particular facts or information to be mentioned in this report;
7. As regards the financial statements as of December 31st, 2008, prepared in compliance with the main accounting principles, we make the following remarks :
 - We have checked the structure of the Financial Statements, its compliance with what provided by law in relation to its form and characteristics and there are no particular notes to be made;
 - We have checked that the Board of Directors' Report has been prepared in compliance with what provided by law and in this respect there are no remarks to be reported;
 - We have checked that the Financial Statements are according to facts and information in our knowledge following the fulfilment of our tasks and there are no particular remarks to be reported.

Taking into consideration the results of the activities performed by the auditing company, results which are indicated in the Financial Statements Report, we propose to the Shareholders to approve the Financial Statements as of December 31st, 2008 as for the resolution proposal submitted by the Board of Directors.

Milano, April 20th, 2009

THE STATUTORY AUDITORS

Nicoletta Morrione

Giulio Brogginì

Ciro Grassia

**INDEPENDENT AUDIT REPORT PURSUANT TO
ART. 2409-TER OF THE ITALIAN CIVIL CODE**

(Translation from the Italian original which remains the definitive version)

To shareholders of
FRANCO TOSI MECCANICA S.p.A.

1. We have audited the financial statements of FRANCO TOSI MECCANICA S.p.A. as at closed on December 31st, 2008. It is FRANCO TOSI MECCANICA S.p.A. directors' responsibility to draw up the balance sheet. It is our duty to make our professional judgment on the balance sheet according to the audit.

2. Our audit has been planned and accomplished in accordance with the audit's decreed accounting standards with the aim of acquiring any element necessary in order to establish whether the balance sheet is invalidated by significant errors and results reliable on the whole. The review proceedings include a spot check audit of the certified elements proving the certainty of all the information within the balance sheet, besides assessing the sufficiency and accuracy of the accounting policies used and of the plausibility of the estimate made by directors. We regard the work performed as a reasonable reference for the exercise of our professional judgment.

As regard to the judgment related to the previous financial year, whose data is supplied as a comparison reference in compliance with the law, the report we issued on March 28th, 2008 is to be taken into account.

3. According to our point of view, the financial statement as of December 31st, 2008 relating to FRANCO TOSI MECCANICA S.p.A. is compliant with the International Financial Reporting Standards adopted by the European Union; it is therefore drawn up clearly and truthfully represents the balance sheet and financial position, the income statement, the changes in the net equity and the cash flow of FRANCO TOSI MECCANICA S.p.A. relating to the financial year for which accounts have been closed on that date.

4. As fully described by directors within the business report and in the explanatory notes, the share structure has deeply changed during 2008 following India Gammon Group's participation in the nominal capital as a majority shareholder. Shares have been purchased from Casti S.p.A. and the nominal capital being subscribed and paid by the new shareholder has increased up to € 8,553,720.

The prompt and favourable market response to the renewed shareholding set-up, the company's acknowledged operational capacity and still favourable economic trend, allowed to reach the high-level profit objectives set by the company for the financial year.

Moreover, the recapitalization of the Company enabled to enter into agreements with social security organisms and with the Treasury as for the payment of past debts; current obligations are regularly honoured.

5. It is FRANCO TOSI MECCANICA S.p.A. directors' responsibility to draft the annual report as provided for by the law. We are in charge of judging the consistency between the annual report and the financial statement as required by art. 2409-ter, par. 2, subpar. e) of the Italian Civil Code. In this connection, we have audited the annual report and checked for consistency of the financial information therein with FRANCO TOSI MECCANICA S.p.A. financial statement as of December 31st, 2008. Furthermore we have carried out an overall reading of the other information included in the annual report according to the data acquired during the auditing procedures in compliance with the principles reported in paragraph 2 above. On the basis of the procedures accomplished, we regard the annual report as consistent with FRANCO TOSI MECCANICA S.p.A. financial statement as of December 31st, 2008.

Milan, April 7th, 2009

Constantin Rediva S.r.l.

Giacomo Bianchi

(Shareholder)

(Signed on the original)

FRANCO TOSI MECCANICA S.p.A.

FINANCIAL STATEMENT AS OF DECEMBER 31ST, 2008

REGISTERED OFFICE : LEGNANO – PIAZZA MONUMENTO N° 12

SHARE CAPITAL : € 44,355,720 – Fully Paid-up

TIN-VAT No. 02560670123 / 13209170151

INTRODUCTION

The 2008 financial statements have been drafted according to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union. IFRS means also all the reviewed international accounting standards (“IAS”), all the interpretations given by the International Financial Reporting Interpretations Committee (“IFRIC”), formerly Standing Interpretations Committee (“SIC”).

Franco Tosi Meccanica S.p.A. has adopted the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) since the financial year 2007 in order to prepare its annual financial statements. The reporting required by the IFRS 1 – First-time adoption of the IFRS, concerning the effects arising from the passage to IFRS, had been reported at paragraph 5.2 of the annual financial statements as of December 31st, 2007, to which we refer.

The financial statements are drafted assuming business continuity. As a matter of fact, Franco Tosi Meccanica S.p.A., has assessed that, despite the difficult economic and financial situation, there is not a significant instability (as provided in par. 25 of IAS 1) on business continuity, also by virtue of actions that have already been identified and taken and which the directors’ report on the management trend will further explain.

The present financial statements are composed of the balance sheet formats, the income statement, and the statement of net equity, the financial report and the explanatory notes. In addition, it is included the directors’ report on the management trend.

The 2008 financial statements reported net equity equal to k€ 34,875 following the operating profit/loss that shows a loss after taxes, equal to k€ 17,662, and following the increase of the capital share subscribed by Gammon Holdings BV, for an amount equal to k€ 8.554.

The 2008 loss represented a considerable economic improvement compared to the previous year and it is in line with the Company forecast, confirming that the road taken is providing positive economic outcomes and, anyway, has improved the financial situation of the Company.

1. NET EQUITY

Amounts in Euro	12.31.2008	12.31.2007
NON CURRENT ASSETS		
1 Tangible assets	135,961,428	134,459,664
2 Intangible Assets	1,125,364	705,371
3 Participations in controlled companies	0	42,826
3 Participations in other companies	5	5
4 Deferred income tax assets	4,091,000	4,123,020
5 Other receivables	1,363,721	35,112
Total non-current assets	142,541,518	139,365,998
CURRENT ASSETS		
6 Inventories	8,185,311	7,566,817
7 Trade receivables	68,818,603	83,340,350
5 Other receivables	8,631,705	6,209,422
8 Cash and cash equivalents	8,340,739	1,232,098
9 Current tax receivables	19,537,007	17,432,983
Total current assets	113,513,365	115,781,671
ASSETS INTENDED FOR BEING TRANSFERRED		
Total assets	256,054,883	255,147,668
	12.31.2008	12.31.2007
NET EQUITY		
10 Share capital	44,355,720	35,802,000
10 Other reserves	67,188,436	67,188,436
10 Retained earning	(59,006,667)	(11,829,299)
10 Operating profit/ loss	(17,662,352)	(47,177,368)
Total net equity	34,875,137	43,983,769
LIABILITIES		
	12.31.2008	12.31.2007
NON-CURRENT LIABILITIES		
11 Bank borrowings and payables to other financial institutions	8,756,864	11,682,587
12 Other payables	22,467,911	13,300,110
13 Provisions for future risks and expenses	19,485,379	13,163,527
14 Deferred income tax liabilities	24,143,296	24,418,949
15 Employee benefit obligations	10,245,674	10,052,619
17 Tax payables	5,932,490	0
Total non-current liabilities	91,031,614	72,617,792
CURRENT LIABILITIES		
11 Bank borrowings and payables to other financial institutions	27,709,610	30,451,303
16 Trade payables	68,087,353	63,768,897
12 Other payables	14,275,778	14,857,880
13 Provisions for future risks and expenses	1,867,175	7,625,004
17 Tax payables	18,208,216	21,843,023
Total current liabilities	130,148,132	138,546,106
LIABILITIES ASSETS INTENDED FOR BEING TRANSFERRED		
Total liabilities	221,179,746	211,163,898
Total liabilities and net equity	256,054,883	255,147,668

2. INCOME STATEMENT

	Amounts in Euro	
	01.01.2008 12.31.2008	01.01.2007 12.31.2007
Revenues from sales and services	52,531,424	95,812,920
Changes in inventories of work in progress and semi-finished products	41,028,134	(11,936,498)
Own work capitalized	221,905	162,734
Other income	8,558,397	2,562,050
18 Total production value	102,339,860	86,601,207
Raw and consumable materials used	(51,761,054)	(54,693,045)
Personnel costs	(26,374,157)	(26,387,109)
Depreciation and amortization	(6,690,216)	(6,325,866)
Other costs	(32,749,043)	(44,611,182)
19 Total production costs	(117,574,470)	(132,017,202)
Earnings before interest and tax (EBIT)	(15,234,610)	(45,415,995)
Financial income	1,417,117	128,283
20 Financial expenses	(3,874,581)	(3,681,238)
Earnings before tax	(17,692,074)	(48,968,950)
21 Taxes	29,722	1,791,581
Net income/(loss) from operating activities	(17,662,352)	(47,177,368)
Net income/(loss) from assets intended for being transferred		
22 Net income (loss) for the year	(17,662,352)	(47,177,368)

3. CASH FLOW STATEMENT

Amounts in Euro	2008	2007
I) PRIMARY CASH FLOW		
Net income for the year	(17,662,352)	(47,177,368)
Net ordinary depreciation/amortization Provisions	6,690,216	6,325,866
for employee's leaving indemnity Provisions for	1,631,016	1,794,024
future risk and expenses net of the use Provisions for	564,023	11,120,081
deferred taxes net of the use	(29,722)	1,791,581
Gains/losses on disposal of assets		(527,907)
TOTAL I	(8,806,819)	(26,673,723)
II) WORKING CAPITAL CHANGE		
(Increase)/Decrease of inventories	(618,494)	178,186
(Increase)/Decrease of payables	10,732,620	13,675,191
(Increase)/Decrease of accrued income and prepaid expenses	(2,065,789)	(12,261,694)
(Increase)/Decrease of payables to suppliers	4,318,456	3,150,860
(Increase)/Decrease of other payables and accrued liabilities	10,669,471	19,898,345
TOTAL II	23,036,264	24,640,888
III) EMPLOYEE'S LEAVING INDEMNITY	(1,437,961)	(2,106,806)
IV) CASH FLOW DERIVED FROM(OR USED) IN FINANCIAL OPERATIONS		
Increase of Share Capital	8,553,720	
TOTAL IV)	8,553,720	
V) CASH FLOW DERIVED FROM (OR USED) IN INVESTMENTS		
Net investments on tangible assets	(8,062,863)	(1,466,958)
Decrease of participation	42,826	
Increase of intangible assets	(549,110)	(338,273)
TOTAL V	(8,569,147)	(1,805,231)
VI) SHAREHOLDERS'DEPOSIT		
VII) DIVIDEND DISTRIBUTION/NON-SCHEDULED OPERATIONS		
NET CASH FLOW OF THE YEAR	12,776,057	(5,944,873)
Original cash	(40,901,792)	7,176,971
Final cash	(28,125,735)	1,232,098
TOTAL	12,776,057	(5,944,873)

4. FORMAT OF NET EQUITY MOVEMENTS

Amounts in Euro	Net Equity 31.12.2007	Changes of the year	2008 net income	Net Equity 12.31.2008
Capital Share	35,802,000	8,553,720		44,355,720
Legal reserve	453,274			453,274
Other reserves	60,942			60,942
Reserve of change in IAS/IFRS	66,674,220			66,674,220
Losses carried forward	(11,829,299)	(47,177,368)		(59,006,667)
2007 net income	(47,177,368)	47,177,368		0
2008 net income			(17,662,352)	(17,662,352)
Total	43,983,769	8,553,720	(17,662,352)	34,875,137

5. NOTES TO THE ACCOUNTING FORMATS

5.1 Balance sheet formats, accounting standards, and reference criteria for, assessment

5.1.1 Balance sheets format

The format adopted to prepare the balance sheet contains the distinction of assets and liabilities between current and non-current.

The profit and loss format adopted contains the costs classification by type, taking into account the activity carried out.

5.1.2 Accounting standards and reference criteria for assessment

NON-CURRENT ASSETS AND LIABILITIES

Intangible assets

The intangible assets are measured at cost, net of the corresponding quotas of amortization and of the impairment loss.

Amortization is determined on the basis of the expected useful life and it begins when the asset is available for use, i.e. when it is operating according to corporate policy, and ceases when the asset is classified as held for sale or when the carrying amount has declined to zero.

Intangible assets of infinite useful lives are not amortized but subject to impairment test, on an annual basis.

- Costs of research and development

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

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

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

The book value of the cost of development is examined every year for the purpose of the recognition of potential losses in value, when the activity is not yet available for use, or more frequently in case there are signals of a possible loss in value within the year.

- Concessions, licenses and trademarks

Concessions, licenses, and trademarks are recognized at cost, net of accumulated amortization and impairment. Amortization is charged over the length of the contract or the asset's estimated useful life, whichever is shorter.

The license purchased during the year 2007 has indefinite life. That's the reason why it is not subject to amortisation, but to impairment test.

- Other intangible assets

Other intangible assets refer to the implementation cost of SAP operative system, recognized in accordance with the expenses borne for the purchase and the start-up, of accumulated amortization and impairment. Said costs are amortized according to their useful life.

Tangible assets

Tangible assets are measured at purchase or production cost that is to say at their fair value (with reference to some categories of tangible assets) intended along the same lines as quantifying criteria in substitution of the purchase price, including directly attributable expenses for the asset's purchase and placement in service, net of accumulated depreciation and impairment.

Depreciation starts when the asset is available for use, or when it is potentially able to provide the economic benefits with which it is associated.

Depreciation is calculated using the starting-line method at rates deemed to represent the asset's useful life.

Lands, either to be developed or closed to buildings, having indefinite useful life shall not be depreciated.

Financial charges on purchasing are posted to income statement unless they are directly attributable to the purchase, construction, or production cost of a qualifying asset, in which case they are capitalized.

Business assets purchased through financial lease contracts are recognized as tangible assets and are offset against financial payables; the leasing fee is split into two components with financial charges recognized in the income statement and repayment of principal entered as a reduction of the financial

payable. According to the IAS 17 provisions, depreciation on the assets is measured based on their useful life.

Participations in controlled companies

Participations in other companies are measured at their adjusted cost so as to take into account possible impairments as a result of appropriate assessment tests. Should the grounds for depreciation be missing in the following financial years, the original cost is re-established.

Employee benefits obligations

Post-employment benefits, from the “defined benefit plans” (employee severance indemnities), shall be subject to actuarial assessment in order to express the present value of benefits that are due at the end of employment or later, but that have been accrued by employees as of the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated based on the temporary differences between the carrying amount of assets and liabilities and their tax base.

Deferred taxes are not discounted and are classified as non-current assets/liabilities.

Deferred tax assets are recognized only if it is probable that taxable profit will be available against which the deductible temporary difference can be used.

As for receivables, payables, provisions for risk and charges and financial assets and liabilities classified as non-current, the accounting policies and standards are the same as those described below for such items classified as current assets and liabilities.

CURRENT ASSETS AND LIABILITIES

Inventories

Inventories consist of raw materials, both ancillary and consumable materials, and of down payments. Ancillary raw material and consumable materials are recognized at the lower cost and estimated realizable value at the date of the financial year closing.

The cost for any single homogeneous category of assets is recognized by means of the weighted average cost of capital method.

Work orders

A work order consists of an agreement, which is specifically entered into for the construction of an asset.

Revenues from agreements include the fees initially agreed with the Purchaser, in addition to the income from job variants and price changes provided for in the agreement that can be reliably estimated.

When the result of a contract can be reliably estimated, the contract is valued using the percentage of completion method. The state of progress is assessed on the basis of the contract costs incurred up to the reporting date as a percentage of the total estimated cost of the contract.

When it is reasonably and highly likely that the costs of the agreements will be higher than the total revenues derived from the agreement, the estimated loss is immediately recognized as a cost.

The gross amount owed by Purchasers for all work orders, for which the costs incurred (plus margins earned, or net of the realized loss) exceed the amount invoiced on a percentage of completion basis, is recognized as a receivable.

The gross amount owed to Purchasers for all work orders, for which the amount invoiced on a percentage of completion basis exceeds the costs incurred, plus margins earned (or net of the realized loss), is recognized as a payable.

Receivables and payables

Receivables and payables are initially recorded at fair value, represented by the current value of the amount that will be collected or paid and are subsequently written down in the event of impairment.

Trade receivables which expiry does not fall within the trade ordinary terms, and which does not produce interest, are discounted.

Receivables sold to the recourse factoring companies are maintained as receivables towards the clients.

Payables are initially recorded at cost, that is to say, at their fair value of the amount paid in the course of the transaction. Afterwards, payables with a fixed expiry shall be measured at amortized cost, using the effective interest rate method, whereas, as far as payables without a fixed expiry are concerned, they shall be measured at cost.

Receivables and payables in currencies other than the company's presentation currency are translated at year-end exchange rates with a contra-entry in the income statement.

Government grants for current expenses

Government grants shall be recognized when it is likely that they will be received for sure and that all the conditions thereof are met.

Cash and Cash equivalents

Cash and cash equivalent are recognized at their nominal value.

Provisions for future risks and expenses

Provisions of future risks and expenses include funds derived from present obligations (legal or constructive) as a result of a past event, the settlement of which will likely involve an outflow in an amount that can be reliably estimated.

Financial assets and liabilities

Financial assets and liabilities are initially recognized at fair value, net of the transaction costs which are directly attributable to the issue of the financial liability.

Afterwards, financial assets and liabilities are measured at their initial cost, net of the capital reimbursement already executed, rectified (increasing or reducing) based on the amortization (making use of the effective interest rate method) of potential differences between the initial value and the value at maturity.

NET EQUITY

Equity transactions costs

Costs directly attributable to capital transactions are treated as a direct reduction in net equity.

REVENUE RECOGNITION

Revenues are recognized at the fair value of the payment received or expected.

The following specific criteria for revenue recognition shall be fulfilled before charging them in the income statement.

Sale of assets

Revenues are recognized once the company has transferred to the purchaser all the significant risks and benefits related to the asset ownership.

Services and work in progress

Revenues from providing services are recognized in income statement at the moment said services are completed.

As for works in progress, they are measured based on the status of completion of work. Whenever the results of the agreement cannot be reliably evaluated, revenues are recognized only to the extent that costs are deemed to be recoverable.

The costs for purchasing goods and services are recognized in the income statement on accrual basis and develop into decreases in economic benefits, which occur in the form of cash outflows, or of impairment of assets or incurring a liabilities.

Interests are recognized based on the principles of competition in accordance with the content of the agreement itself.

5.2 Information on net equity and income statement

We remind you that unless otherwise specified, amounts are expressed in Euro.

The following explanatory notes refer to the statement formats under par. 1 and 2.

NET EQUITY

ACTIVITY

	12.31.2008			12.31.2007		
	Total	Non-Current	Current	Total	Non-Current	Current
Tangible assets	135,961,428	135,961,428		134,459,664	134,459,664	
Intangible assets	1,125,364	1,125,364		705,371	705,371	
Participations in controlled companies	0	0		42,826	42,826	
Participation in other companies	5	5		5	5	
Deferred income taxes	4,091,000	4,091,000		4,123,020	4,123,020	
Trade receivables	68,818,603		68,818,603	83,340,350		83,340,350
Other receivables	9,995,426	1,363,721	8,631,705	6,244,534	35,112	6,209,422
Inventories	8,185,311		8,185,311	7,566,817		7,566,817
Cash and cash equivalents	8,340,739		8,340,739	1,232,098		1,232,098
Tax receivables	19,537,007		19,537,007	17,432,983	0	17,432,983
Total	256,054,883	142,541,518	113,513,365	255,147,668	139,365,998	115,781,670

Note 1. TANGIBLE ASSETS

These amount to €135,961,428 with a net increase of €1,501,764 as compared to December 31st, 2007 and are made up as follows:

	12.31.2008			12.31.2007		
	Historical cost	Accum. Deprec.	Net value	Historical cost	Accum. Deprec.	Net value
Lands	25,415,334	0	25,415,334	25,415,334	0	25,415,334
Buildings	56,481,089	(10,919,233)	45,561,856	49,815,385	(9,138,370)	40,677,015
Plants and machineries	84,400,343	(21,078,074)	63,322,269	83,771,534	(16,986,801)	66,784,733
Production and commercial equipment	3,092,708	(2,225,750)	866,958	2,906,805	(1,695,878)	1,210,927
Other assets such as:						
- vehicles & internal means of transport	465,836	(378,409)	87,427	460,870	(320,837)	140,033
- furniture & decoration	30,196	(18,796)	11,400	30,196	(15,172)	15,024
- electronic equipment	1,069,425	(558,445)	510,980	677,148	(460,550)	216,598
Tangible assets under development	185,204	0	185,204	0	0	0
Total	171,140,135	(35,178,707)	135,961,428	163,077,272	(28,617,608)	134,459,664

The schedules below show movements concerning historical cost and accumulated depreciation in 2008.

	Movements concerning historical cost			
	12.31.2007	Increases	Decreases	12.31.2008
Lands	25,415,334			25,415,334
Buildings	49,815,385	6,665,704		56,481,089
Plants and machineries	83,771,534	628,809		84,400,343
Production and commercial equipment	2,906,805	185,903		3,092,708
Other assets such as:				
- vehicles & internal means of transports	460,870	4,966		465,836
- furniture and decoration	30,196			30,196
- electronic equipment	677,148	392,277		1,069,425
Tangible assets under development	0	185,204		185,204
Total	163,077,272	8,062,863	0	171,140,135

	Movements of the accumulated deprec.			12.31.2008
	31.12.2007	Deprec. year	Utilization year	
Lands	0			0
buildings	9,138,370	1,780,863		10,919,233
Plants and machineries	16,986,801	4,091,273		21,078,074
Production and commercial equipment	1,695,878	529,872		2,225,750
Other assets such as				
- vehicles & internal means of transport	320,837	57,572		378,409
- furniture and decoration	15,172	3,624		18,796
- electronic equipment	460,551	97,894		558,445
Tangible assets under development	0			0
Total	28,617,608	6,561,098	0	35,178,707

The increase of the year is mainly due to the recognition among the tangible assets of a building purchased through a financial lease contract.

Note 2. INTANGIBLE ASSETS

These amount to €1,125,364 with a net increase of €419,993 as compared to December 31st, 2007 and are made up as follows:

	31.12.2008			31.12.2007		
	Historical cost	Accum. Amort.	Net value	Historical Cost	Accum. Amort.	Net value
Set-up and extension costs	52,782	(52,782)	0	52,782	(52,782)	0
Costs of development	1,293,915	(1,244,816)	49,099	1,281,623	(1,125,674)	155,949
Concessions, licenses & trademarks and similar rights	1,197,255	(122,138)	1,075,117	660,437	(113,193)	547,245
Other assets	2,124,442	(2,123,294)	1,148	2,124,442	(2,122,265)	2,177
Total	4,668,394	(3,543,030)	1,125,364	4,119,284	(3,413,913)	705,371

The increase in intangible assets is mainly due to the purchase of SAP licence incurred over the course of the business year.

Note 3. CONTROLLED UNDERTAKING

	12.31.2008			12.31.2007		
	Total	Non-current	current	Total	Non-current	Current
Participation Franco Tosi USA	0	0	0	21,413	21,413	0
Participation Franco Tosi Renewable En.	0	0	0	21,413	21,413	0
Total	0	0	0	42,826	42,826	0

The reduction of the expense item described refers to the sale of participations in the Franco Tosi USA and Franco Tosi Renewable Energie companies occurred on May 30th 2008, as by resolution of the Board of Directors of March 14th 2008.

Note 4. DEFERRED INCOME TAX ASSETS

This item is made up as follows:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Treasury - advance payment of income tax (IRES)	4,091,000	4,091,000		3,711,248	3,711,248	
Treasury - advance payment of income tax (IRAP)	0	0		411,772	411,772	
Total	4,091,000	4,091,000	0	4,123,020	4,123,020	0

Deferred income tax assets are determined based on the temporary difference between the taxable income and the result of the balance sheet by applying the IRES (*corporate income tax*) rate and the IRAP (*regional tax on productive activities*) respectively charged at 27,5% and 3,90%.

Based on the industrial plan and the projects in progress, we have assumed, with extreme prudence, that at least 1/3 of the tax losses achieved in the financial year might be reasonably used during the next three years.

Note 5. OTHER RECEIVABLES

This item is made up as follows:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Advances on leaving indemnities	0			22,344	22,344	
Security deposits	12,768	12,768		12,768	12,768	
From others	4,003,499	1,350,953	2,652,546	2,296,052		2,296,052
Income and prepaid expenses	5,979,159		5,979,159	3,913,370		3,913,370
Total	9,995,426	1,363,721	8,631,705	6,244,534	35,112	6,209,422

The item "other receivables" contains the security deposits in order to have business relationships with third parties.

The increase of the item "accrued income and prepaid expenses" is mainly due to the interest accrued on VAT credits not cashed yet and to insurance charges on work orders related to following business years.

The non-current share of the credits toward third parties is mainly referred to the accrued credit from INPS (*Italian National Social Security Institute* *ndt*) for the TFR (*Trattamento di Fine Rapporto - employee's leaving indemnity* *ndt*) paid to the INPS treasury account, which finds the corresponding offset under liabilities, that is to say, provision for pension funds.

Note 6. INVENTORIES

This item is made up as follows:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Inventories of Raw, Ancillary Materials And Consumables	3,148,123		3,148,123	3,095,604	0	3,095,604
Advances	5,037,188		5,037,188	4,471,213	0	4,471,213
Total	8,185,311	0	8,185,311	7,566,817	0	7,566,817

"Inventories" refers exclusively to raw materials, both ancillary and consumable materials, assessed according to the previously mentioned standards.

The value of “inventories” includes down payments on supplies.

Note 7. TRADE RECEIVABLES

Trade receivables amounts to €68,818,603 and are classified as current assets.

They are divided up as follows

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
From customers	68,601,514		68,601,514	51,838,673		51,838,673
From controlling companies	0		0	31,446,279		31,446,279
From Affiliates	217,089		217,089	55,397		55,397
Total	68,818,603	0	68,818,603	83,340,350	0	83,340,350

At the reporting date, the fair value of this item was approximately equal to its carrying amount.

The amount of receivables from customers includes receivable for work orders for an amount equal to € 26,227,434 that refer to the net amount due by customers following work orders for all the work orders for which the cost incurred plus margin earned (or net of the recognized losses) exceed the amount invoiced on a percentage of completion basis.

Nota 8. CASH AND CASH EQUIVALENTS

They amount to €8,340,739 with an increase of €7,108,641 compared to December 31st, 2007 and refer to temporary deposits of cash on current accounts.

The amount of €1,046,208 is bond to a guarantee issued in favour of the SNEL customer which expiration date is the end of the 2010 financial year.

The following tables show how the cash and cash equivalents are made up in detail:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Banks – ordinary current accounts	1,682,382		1,682,382	198,356	0	198,356
Banks – blocked current accounts	6,646,208	1,046,208	5,600,000	1,029,442	0	1,029,442
Banks – foreign currency account	3,203		3,203	3,162	0	3,162
Cash on hand	8,946		8,946	1,138		1,138
Total	8,340,739	1,046,208	7,294,531	1,232,098	0	1,232,098

Note 9. CURRENT TAX RECEIVABLES

These amount to €19,537,007 with an increase of €2,104,024 as compared to December 31st, 2007.

The amounts presented in the balance sheet refer mainly to the VAT credits accrued as of al December 31st, 2008, of which €13,595,308 already required as a repayment.

LIABILITIES

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Net Equity	34,875,137	34,875,137		43,983,769	43,983,769	
Bank borrowings and payables to other financial institutions	36,466,474	8,756,864	27,709,610	42,133,890	11,682,587	30,451,303
Provisions for future risks	21,352,554	19,485,379	1,867,175	20,788,531	13,163,527	7,625,004
Deferred income tax liabilities	24,143,296	24,143,296		24,418,949	24,418,949	
Employee benefit obligations	10,245,674	10,245,674		10,052,619	10,052,619	
Trade payables	68,087,353		68,087,353	63,768,897		63,768,897
Other payables	36,743,689	22,467,911	14,275,778	28,157,990	13,300,110	14,857,880
Tax payables	24,140,706	5,932,490	18,208,216	21,843,022		21,843,022
Total	256,054,883	125,906,751	130,148,132	255,147,668	116,601,562	138,546,106

Note 10. NET EQUITY

Net equity has recorded the following movement in the course of the financial year 2008:

Amounts in Euro	Net Equity 12.31.2007	Year changes	2008 operating Profit/loss	Net Equity 12.31.2008
Share Capital	35,802,000	8,553,720		44,355,720
Legal reserve	453,274			453,274
Other reserves	60,942			60,942
Reserve of change in IAS/IFRS	66,674,220			66,674,220
Losses carried forward	(11,829,299)	(47,177,368)		(59,006,667)
2007 operating profit/loss	(47,177,368)	47,177,368		0
2008 operating profit/loss			(17,662,352)	(17,662,352)
Total	43,983,769	8,553,720	(17,662,352)	34,875,137

In the course of 2008 the increase of the Capital Share was approved and it occurred on June 5th, 2008 with the issue of 16,772,000 shares with a nominal value of 0,51 Euro each, wholly subscribed and paid-up by Gammon Holdings BV for an amount equal to € 8,553,720.

As of December 31st 2008 the Share Capital is composed of 86,792,000 = share with a nominal value of 0,51 Euro each.

Those previous years' losses which did not match any other item within the other items belonging to the net equity join the item "losses brought forward".

To complete the reporting, we underline that the result on the financial year 2008 arising from the IAS/IFRS implementation can be summed up as follows:

- Tangible assets IAS 17	Euro	2,264,701
- Tangible assets (Revaluation lands-buildings IFRS 1)	Euro	(793,498)
- Tangible assets (Revaluation Plants and machineries IFRS 1)	Euro	(2,423,064)
- TFR, <i>post-employment benefits</i> , (within IAS 19)	Euro	(50,508)
- Deferred tax liabilities IFRS	Euro	275,653
Total	Euro	(726,716)

Nota 11. BANK BORROWINGS AND PAYABLES TO OTHER FINANCIAL INSTITUTIONS

Bank borrowings and payables to other financial institutions are analysed as follows:

	12.31.2008			12.31.2007		
	Total	Non -Current	Current	Total	Non-Current	Current
Banks - ordinary current accounts	45,413		45,413	2,947,559	0	2,947,559
Banks - advance against invoice accounts	24,738,474		24,738,474	25,504,138	0	25,504,138
Loans and other bank financings	11,682,587	8,756,864	2,925,723	13,682,193	11,682,587	1,999,606
Total	36,466,474	8,756,864	27,709,610	42,133,890	11,682,587	30,451,303

Bank borrowings include a payable mortgage entered into on December 1st, 2006 with Banca Carige for an initial amount of €10,000,000, granted by first mortgage indebtedness for an aggregate amount of €20,000,000 opened on the company properties called “area sud” in the municipality of Legnano – Milano with a way giving access to Via San Bernardino n. 3. The decrease compared to the previous financial year is due to the reimbursement of the instalment expired in the 2008 financial year.

The posting includes also a facility obtained pursuant to the Fund for Applied Research under Law n. 46 of February 17th, 1982. Said facility is reimbursable starting from January 1st, 2009 by 10 instalments every six months

Note 12. OTHER PAYABLES

Other payables are analysed as follows:

	31.12.2008			31.12.2007		
	Total	Non-current	Current	Total	Non-current	Current
Payables from Social Sec. Institutes	1,469,695		1,469,695	11,900,579	0	11,900,579
Other payables	10,452,334	3,774,104	6,678,230	2,948,195	0	2,948,195
Accrued income and prepaid expenses	16,303		16,303	9,106	0	9,106
INPS – payables paid in installments	24,805,357	18,693,807	6,111,550	13,300,110	13,300,110	0
Total	36,743,689	22,467,911	14,275,778	28,157,990	13,300,110	14,857,880

The item “payables from social security institutes” refers to contributions borne by the company and the employees of the wages and salaries of December 2008 paid on January 2009.

Franco Tosi Meccanica S.p.A.

The item “INPS – payables paid in instalments” represents the payables from INPS concerning contributions accrued but not yet paid and for which an instalment plan has been obtained.

Said payables include sanctions and interests accrued as of December 31st, 2008.

The subdivision between current and non-current portion of the payables from INPS has taken place based on the obtained instalment plan.

The item “other payables” include the amount of €4.056.800 associated with a financial lease contract, of which €3,774,104 classified as non-current asset.

Other payables include also deferred charges related to revenues achieved in the financial year, but corresponding to the following financial years.

Note 13. PROVISION FOR FUTURE RISKS AND EXPENSES

Provision for future risks and expenses is analysed as follows:

Nota 13. PROVISIONS FOR FUTURE RISKS AND EXPENSES

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Provisions for risks	13,525,662	13,525,662		13,163,527	13,163,527	
Provisions for tax risks	7,826,892	5,959,717	1,867,175	7,625,004	0	7,625,004
Total	21,352,554	19,485,379	1,867,175	20,788,531	13,163,527	7,625,004

Provision for work orders has been allocated in provisions for future risks and expenses. As a precautionary measure, it has been earmarked to cover potential liabilities derived from a possible diseconomy in the work area over the course of the works (claims and penalties for late deliveries) besides the precautionary provisions allocated for controversies which might arise with the personnel. Provision for tax risks refers to sanctions and interests accrued as of December 31st, 2008, in relation to the non paid tax payables.

Note 14. DEFERRED INCOME TAX ASSETS

The deferred income tax assets are analysed as follows:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Deferred tax liabilities - IFRS	23,201,491	23,201,491		23,477,144	23,477,144	
Deferred tax liabilities - IRES	849,527	849,527		849,527	849,527	
Deferred tax liabilities - IRAP	92,278	92,278		92,278	92,278	
Total	24,143,296	24,143,296	0	24,418,949	24,418,949	0

IRES and IRAP deferred income tax liabilities have been recognized in relation to the timing differences between taxable income and the result of the balance sheet by applying the IRES rate and the IRAP respectively charged at 27.5% and 3.90%.

Note 15. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations are analysed as follows:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Blue collars' leaving indemnity	4,913,082	4,913,082		5,651,933	5,651,933	
Office employees' leaving indemnity	3,204,200	3,204,200		3,386,613	3,386,613	
Executive cadres' leaving indemnity	630,677	630,677		807,338	807,338	
Managers' leaving indemnity	181,701	181,701		206,735	206,735	
TFR moved to INPS	1,316,014	1,316,014				
Total	10,245,674	10,245,674	0	10,052,619	10,052,619	0

Provisions for employee benefit obligations refer to employee's leaving indemnity accrued by the employees themselves.

It's worth highlighting that in the 2008 financial year there had not been any further provision since the accrued amount for any employee is paid to the retirement benefits schemes that is to say to INPS treasury account, so that the only increase is attributable to the revaluation of the previously accrued amounts.

Furthermore, it's worth mentioning that, as previously discussed, said payables have been discounted in accordance with IAS 19 standards.

Franco Tosi Meccanica S.p.A.

All actuarial gains and losses in equity arising from the discounting as of December 31, 2008 as well as for the financial year closed as of December 31, 2007, have been wholly recognized in the income statement.

Note 16. TRADE PAYABLES

Trade payables are analysed as follows:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Payables for work orders	34,706,088		34,706,088	36,969,470		36,969,470
Suppliers from Italy	24,131,950		24,131,950	19,066,559		19,066,559
Payables from the Group	0		0	389,052		389,052
Suppliers from abroad	5,401,621		5,401,621	4,486,875		4,486,875
Suppliers for invoices yet to be received	3,847,694		3,847,694	2,856,941		2,856,941
Total	68,087,353	0	68,087,353	63,768,897	0	63,768,897

At the reporting date, the *fair value* of this item was approximately equal to its carrying amount.

Payables for work orders refer to the gross amount owed to Purchasers for all work orders, for which the amount invoiced on a percentage of completion basis exceeds the costs incurred – plus margins earned or net of the realized loss.

Trade payables include accrued payables from suppliers including the invoices yet to be received.

Note 17. TAX PAYABLES

Tax payables are analysed as follows:

	12.31.2008			12.31.2007		
	Total	Non-current	Current	Total	Non-current	Current
Tax payables	3,838,971		3,838,971	4,711,229	0	4,711,229
F24 Form – Treasury payments	20,301,735	5,932,490	14,369,245	15,922,745	0	15,922,745
Tax Amnesty Law n. 289/2002 payables paid in installments	0		0	1,209,049		1,209,049
Total	24,140,706	5,932,490	18,208,216	21,843,023	0	21,843,023

As previously discussed (Note 13) sanctions and interests thereof have been allocated in the provisions for future risks and expenses.

INCOME STATEMENT

Note 18. PRODUCTION VALUE

	12.31.2008	12.31.2007
	Total	Total
Sales Italy	26,846,109	86,628,215
Sales abroad	25,685,315	9,184,705
Changes in inventories of work in progress and semifinished products	41,028,134	(11,936,498)
Increase of assets for In-house production	221,905	162,734
Other income	8,558,397	2,562,050
Total production value	102,339,860	86,601,207

The production value records an 18% increase.

In other words, it is worth noting that said increase is even more significant when compared exclusively to the *power generation* sector, which production value in 2007 was € 45 million. Said increase confirms the fact that the choice to focus on exclusively this business area proved to be extremely correct.

Changes in inventories of work in progress and semifinished products

Original as of 01.01.2008	94,049,240	Original as of 01.01.2007	105,985,738
Final as of 12.31.2008	135,077,374	Final as of 12.31.2007	94,049,240
Change	<u>41,028,134</u>	Change	<u>(11,936,498)</u>

Nota 19. PRODUCTION COSTS

	12.31.2008	12.31.2007
	Total	Total
Raw materials and Consumables	51,761,054	54,693,045
Personnel expenses	26,374,157	26,387,109
Depreciation and Amortization	6,690,216	6,325,866
Other costs	32,749,043	44,611,182
Total	117,574,470	132,017,202

Raw materials and consumable materials used

	12.31.2008	12.31.2007
	Total	Total
Purchase for raw, ancill. Materials and Consum.	47,470,123	55,817,204
Change in invent. of raw materials	4,290,931	(1,124,159)
Total	51,761,054	54,693,045

The item “raw materials and consumable materials” refers mainly to the costs associated with on-going orders.

Personnel costs

	12.31.2008	12.31.2007
	Total	Total
Wages and salaries	18,340,913	18,342,350
Social security	6,265,031	6,250,128
Employee’s leaving indemnity	1,631,016	1,794,024
Other costs	137,197	607
Total	26,374,157	26,387,109

Depreciations and amortizations

	12.31.2008	12.31.2007
	Total	Total
Amortization of Intangible Assets	129,118	227,895
Depreciation of Tangible Assets	6,561,098	6,097,971
Total	6,690,216	6,325,866

Depreciations and amortizations are calculated taking into account the expected useful life of the assets used.

Other costs

	12.31.2008	12.31.2007
	Total	Total
Services	28,799,774	21,657,775
Lease and rental costs	548,098	851,054
Other operating expenses	959,399	3,839,613
Provisions and write-downs	2,441,772	18,262,740
Total	32,749,043	44,611,182

Costs of services include both services carried out upon work order and costs of outsourcing contracts. Provisions and devaluations include the provisions for adjustments of the provisions for risks on work orders and of the other sanctions referable to payables from the Treasury and the social security organizations.

Services

	12.31.2008	12.31.2007
	Total	Total
Technical services of maintenance and repair	14,869,711	9,107,550
Trade services	5,908,256	5,077,545
Admin. and general services	8,021,807	7,472,680
Total	28,799,774	21,657,775

Lease and rental costs

	12.31.2008	12.31.2007
	Total	Total
Rental and leasing	98,608	92,738
EDP fees and licenses	7,000	89,968
Licenses	442,490	668,349
Total	548,098	851,055

Note 20. FINANCIAL EXPENSES

	12.31.2008	12.31.2007
	Total	Total
Interests due to banks	2,031,220	1,733,652
Interest payable on advance against invoice	492,139	536,768
Interest payable on late payments	307,590	735,251
Interest payable on loans and borrowings	903,786	638,695
Passive exchange rate differences	139,846	36,871
Total	3,874,581	3,681,238

Note 21. TAXES

	12.31.2008	12.31.2007
	Total	Total
Current taxes	213,911	0
Provisions for IFRS deferred taxes	(275,653)	(1,082,670)
Deferred/advances taxes	32,020	(708,911)
Total	(29,722)	(1,791,581)

Provisions for IFRS deferred taxes refer to, in particular, the effects on the value differences that originated following the change concerning the accounting standards as far as the items “tangible assets”, “leasing” and “TFR - employee’s leaving indemnity” are concerned.

CONSTANTIN

AUDITORS' REPORT, PURSUANT TO

ARTICLE 2409-TER OF THE ITALIAN CIVIL CODE.

(Translation from the Italian original which remains the definitive version)

To the Shareholders

of **Sae Power Lines S.r.l.**

1. We have audited the Financial Statements of Sae Power Lines S.r.l. as of and for the year ended 31 December 2008. These Financial Statements are the responsibility of the Sae Power Lines S.r.l.'s directors. Our responsibility is to express a professional opinion on these Financial Statements based on our audit.
2. Our audit was made in accordance with the auditing standards generally accepted in Italy. In accordance with such standards, we planned and performed our audit to obtain the information necessary in order to determine whether the Financial Statements are materially misstated and if such Financial Statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our professional opinion.

For our audit opinion on the Financial Statements of the prior year, which are presented for comparative purposes, reference should be made to the other auditors' report dated 1st April 2008.

3. In our opinion, the Financial Statements of Sae Power Lines S.r.l. as of 31 December 2008 are in accordance with the Italian regulations governing the contents and layout; therefore, the Financial Statements have been prepared clearly and give a true and fair view of the company's equity and cash flow position and of its economic results.
4. We draw your attention to the following information, that is described in greater detail in the Explanatory Notes:
 - The Company has included in the Explanatory Notes a summary table of the essential data of the last Financial Statements referred to the Company that exercises the management and coordination activity over Sae Power Lines S.r.l., as required under Article 2497-bis of the Italian Civil Code. Our opinion does not extend to such data.
5. The preparation and presentation of the Annual Report, in accordance with the provisions of law, is the responsibility of the Sae Power Lines S.r.l.'s directors. Our responsibility is to express an opinion on the consistency of such Annual Report with the Financial Statements, as required under Article 2409-ter, paragraph 2, sub-section e) of the Italian Civil Code. We have read the Annual Report for this purpose, with reference to the financial information, and verified the consistency of the foregoing financial information disclosed therein with the Financial Statements of Sae Power Lines S.r.l. as of 31 December 2008. With reference to the other information disclosed in the Annual Report, our procedures consisted exclusively in reading the information, taken as a whole, based on the information acquired during the audit, performed in accordance with the principles outlined in paragraph 2 above. In our opinion, based on the foregoing activities, the Annual Report is consistent with the Financial Statements of Sae Power Lines S.r.l. as at 31 December 2008.

Milan, 24th March 2009

(Signed on the original)

Constantin Rediva S.r.l.

Giacomo Bianchi

Director of audit

SAE POWER LINES S.R.L.

Società unipersonale

Registered Office VIALE EDISON, 50 - 20099 SESTO SAN GIOVANNI (MI) Share Capital 5.000.000,00 i.v.

Financial statements at **31/12/2008**

Balance Sheet		
Assets	31/12/2008	31/12/2007
A) Accounts receivable from shareholders in respect of unpaid share capital		
(called up)		
B) Fixed assets		
<i>I. Intangible assets</i>		
1) Start-up and expansion costs	2.620	5.240
2) Research, development and advertising costs		
3) Industrial patent and intellectual property rights	66.083	20.364
4) Concessions, licenses, trademarks and similar right		
5) Goodwill		
6) Work-in-progress and advances		
7) Other intangible assets	68.703	25.604
<i>II. Tangible assets</i>		
1) Land and buildings	11.844	13.776
2) Plant and machinery	916.812	723.538
3) Industrial and commercial equipment	176.967	188.402
4) Other assets	973.502	547.312
5) Work-in-progress and advances	2.079.125	1.473.028
<i>III. Financial assets</i>		
1) Shareholdings in:		
a) controlled undertakings		
b) affiliated undertakings		
c) controlling companies		
d) other companies		
2) Accounts Receivables		
a) from controlled undertakings		
- falling due within one year		
- falling due after more than one year		
b) from affiliated undertakings		
- falling due within one year		
- falling due after more than one year		
c) from controlling companies		
- falling due within one year		
- falling due after more than one year		
d) Other accounts receivable		
- falling due within one year	2.380.282	3.227.375
- falling due after more than one year	2.073.477	

	4.453.759	3.227.375
		<u>3.227.375</u>
3) Other securities		
4) Treasury shares (nominal amount)		
	4.453.759	3.227.375
<i>Total fixed assets</i>	6.601.587	4.726.007

C) Current assets**I. Stock**

1) Raw materials, subsidiary materials and consumables		
2) Work in process and semi-finished products		
3) Work in progress on order	4.467.689	3.083.256
4) Finished products and goods		
5) Payments on account (advances)	584.170	45.305
	<u>5.051.859</u>	<u>3.128.561</u>

II. Accounts receivable

1) From customers		
- falling due within one year	11.433.555	6.123.627
- falling due after more than one year	828.365	
	<u>12.261.920</u>	<u>6.123.627</u>
2) From controlled undertakings		
- falling due within one year		
- falling due after more than one year		
3) From affiliated undertakings		
- falling due within one year		
- falling due after more than one year		
4) From controlling companies		
- falling due within one year		
- falling due after more than one year		
4-bis) Tax credits		
- falling due within one year	315.892	232.532
- falling due after more than one year		
	<u>315.892</u>	<u>232.532</u>
4-ter) Tax assets		
- falling due within one year	452.926	600.000
- falling due after more than one year	2.714.008	1.736.773
	<u>3.166.934</u>	<u>2.336.773</u>
5) Other accounts receivable		
- falling due within one year	365.272	666.750
- falling due after more than one year		319.946
	<u>365.272</u>	<u>986.696</u>
	16.110.018	9.679.628

III. Financial assets other than fixed assets

- 1) Shareholdings in controlled undertakings
- 2) Shareholdings in affiliated undertakings
- 3) Shareholdings in controlling companies
- 4) Other shareholdings
- 5) Treasury shares
(nominal amount)
- 6) Other securities

<i>IV. Liquid assets</i>		
1) Bank and postal deposits	3.790.952	1.371.836
2) Cheques		
3) Cash and cash equivalents	67.654	44.439
	<u>3.858.606</u>	<u>1.416.275</u>
<i>Total current assets</i>	25.020.483	14.224.464
D) Prepayments and accrued income		
- discounts on loans		
- others	139.556	61.467
	<u>139.556</u>	<u>61.467</u>
Total assets	31.761.626	19.011.938
Liabilities	31/12/2008	31/12/2007
A) Shareholders' equity		
<i>I. Share capital</i>	5.000.000	5.000.000
<i>II. Share premium reserve</i>		
<i>III. Revaluation reserve</i>		
<i>IV. Legal reserve</i>		
<i>V. Reserve for Treasury shares</i>		
<i>VI. Reserves provided for by the articles of association</i>		
<i>VII. Other reserves</i>	(1)	
<i>VIII. Retained earnings (loss) carry forwards</i>	(18.778)	(1.017.908)
<i>IX. Profit (loss) for the year</i>	(2.769.663)	(2.500.870)
<i>Total shareholders' equity</i>	2.211.558	1.481.222
B) Provisions for liabilities and charges		
1) Provision for pensions and similar obligations		
2) Provision for deferred income taxes, including deferred tax assets		
3) Other provisions	209.715	229.352
<i>Total provisions for liabilities and charges</i>	209.715	229.352
C) Employees' leaving indemnity	2.138.625	2.379.241
D) Accounts Payables		
1) Bonds		
- falling due within one year		
- falling due after more than one year		
2) Convertible bonds		
- falling due within one year		
- falling due after more than one year		
3) Shareholders' loans		
- falling due within one year		2.320.000
- falling due after more than one year	7.185.065	
	<u>7.185.065</u>	<u>2.320.000</u>
4) Accounts payable to banks		
- falling due within one year		887
- falling due after more than one year		
		<u>887</u>
5) Accounts payable to third party lenders		

- falling due within one year	1.205.381		1.170.551
- falling due after more than one year			
		1.205.381	1.170.551
6) Payments received on account (advances)			
- falling due within one year	6.816.083		973.850
- falling due after more than one year			
		6.816.083	973.850
7) Accounts payable to suppliers			
- falling due within one year	8.650.128		8.372.732
- falling due after more than one year			
		8.650.128	8.372.732
8) Accounts payable represented by negotiable instruments			
- falling due within one year			
- falling due after more than one year			
9) Accounts payable to controlled undertakings			
- falling due within one year			
- falling due after more than one year			
10) Accounts payable to affiliated undertakings			
- falling due within one year			
- falling due after more than one year			
11) Accounts payable to controlling companies			
- falling due within one year	671.137		
- falling due after more than one year			
		671.137	
12) Taxes payable			
- falling due within one year	1.112.491		780.844
- falling due after more than one year			
		1.112.491	780.844
13) Accounts payable to social security institutions			
- falling due within one year	567.222		430.781
- falling due after more than one year			
		567.222	430.781
14) Other accounts payable			
- falling due within one year	964.542		823.172
- falling due after more than one year			
		964.542	823.172
<i>Total accounts payables</i>		27.172.049	14.872.817
E) Accrued liabilities and deferred income			
- loan interests			
- other accrued liabilities and deferred income	29.679		49.306
		29.679	49.306
Total shareholders' equity and liabilities		31.761.626	19.011.938
Memo accounts		31/12/2008	31/12/2007
1) Third parties' assets at the company's assets		(59.357)	(645.676)
2) Engagements			
3) Risks		7.497.584	7.449.354
4) Link between Civil Code and tax rules			
Total memo accounts		7.438.227	6.803.678

Profit and loss account	31/12/2008	31/12/2007
A) Revenues		
1) From sales and services	28.316.282	24.700.669
2) Changes in stocks of work in process, semi-finished and finished products		
3) Work in progress on order	1.384.433	(543.390)
4) Capitalised internal work in progress		
5) Other revenues:		
- miscellaneous	29.072	2.195
- contribution on trading account		
- contribution on capital account		
	29.072	2.195
<i>Total revenues</i>	29.729.787	24.159.474
B) Expenses		
6) Raw materials, subsidiary materials, consumables and goods	16.765.523	12.192.251
7) Services	7.039.646	5.403.168
8) Rent/lease	990.288	1.196.248
9) Personnel costs		
a) salaries and wages	5.605.271	5.905.418
b) social contributions	1.272.629	1.194.936
c) employees' leaving indemnity	311.912	303.289
d) accruals for pension and similar costs		
e) other costs	165.737	119.404
	7.355.549	7.523.047
10) Depreciation and value adjustments		
a) depreciation of intangible assets	12.076	12.076
b) depreciation of tangible assets	360.313	370.117
c) other value adjustments		
d) write down of accounts receivable recorded among current assets and liquid assets		
	372.389	382.193
11) Changes in raw materials, subsidiary materials, consumables and goods		
12) Accruals to provisions for liabilities and charges	64.000	
13) Other accruals		
14) Miscellaneous running costs	241.390	226.539
<i>Total expenses</i>	32.828.785	26.923.446
Difference between revenues and expenses(A-B)	(3.098.998)	(2.763.972)
C) Financial income and costs		
15) Income from shareholdings:		
- in controlled undertakings		
- in affiliated undertakings		
- other income		
16) Other financial income:		
a) from accounts receivable recorded among fixed assets		
- from controlled undertakings		
- from affiliated undertakings		
- from controlling companies		

- other financial income			
b) from securities recorded among fixed assets			
c) from securities recorded among current assets			16.200
d) other income:			
- from controlled undertakings			
- from affiliated undertakings			
- from controlling companies			
- other income	104.123		100.774
		104.123	116.974
		104.123	116.974
<i>17) Interest and other financial costs:</i>			
- from controlled undertakings			
- from affiliated undertakings			
- from controlling companies			
- others financial costs	564.093		125.743
		564.093	125.743
<i>17-bis) Current and deferred exchange gains and losses</i>		134.529	17.673
<i>Total financial income and costs</i>		(325.441)	8.904
D) Value adjustments of financial assets			
<i>18) Write-ups:</i>			
a) of shareholdings			
b) of financial fixed assets			
c) of securities recorded among current assets			
<i>19) Write downs:</i>			
a) of shareholdings			
b) of financial fixed assets			
c) of securities recorded among current assets			
<i>Total value adjustments to financial assets</i>			
E) Extraordinary income and costs			
<i>20) Income:</i>			
- capital gains on disposals			
- other extraordinary income	124.421		348.900
		124.421	348.900
<i>21) Expenses:</i>			
- losses on disposals			
- taxes of previous years			
- other extraordinary costs	126.365		212.644
		126.365	212.644
<i>Total extraordinary income and costs</i>		(1.944)	136.256
Result before taxes (A-B±C±D±E)		(3.426.383)	(2.618.812)
<i>22) Taxes on the income for the year current and deferred</i>			
a) Current taxes	173.441		168.744
b) Deferred taxes	(830.161)		(286.686)
		(656.720)	(117.942)
23) Profit (loss) of the year		(2.769.663)	(2.500.870)

Presidente del Consiglio di amministrazione
BAGDE DIGAMBAR CHUNNILAL

SAE POWER LINES S.R.L.

Company with sole shareholder

Registered office in V. Edison 50 - 20099 Sesto San Giovanni (MI) Share Capital 5,000,000.00 fully paid up

Notes to the financial statements at 31/12/2008

Introduction

The financial statements at 31.12.2008 close with a loss of 2,769,663 EURO after having made allocations for IRAP taxes of the year amounting to 173,441 EURO.

Area of Business

Your company operates in the sector of the design and construction of power lines and high and low voltage substations.

Group

Your company belongs to the Indian ATSL group which controls your company through Associated Transrail Structures ltd.

The following table shows the main data of the latest approved financial statements of the said company, which carries out management and coordination (article 2497-bis(4) of the Civil Code) draws up the consolidated financial statements. All data are in Krore.

DESCRIPTION	31/12/2008	31/12/2007
BALANCE SHEET	0	
ASSETS	0	
A) Accounts receivable from shareholders in respect of unpaid share capital		
B) Fixed assets	1.066.878.002	702.930.757
C) Current assets	4.900.379.538	3.205.366.514
D) Accrued income and prepayments		
Total assets	5.967.257.540	3.908.297.271
	0	
LIABILITIES:	0	
A) Shareholders' equity:		
Share capital	1.150.518.333	100.518.333
Reserves	714.287.957	184.047.817
Profit (loss) for the year	438.063.736	546.896.988
B) Provisions for liabilities and charges		
C) Employees' leaving indemnity		
D) Accounts payable	3.664.387.514	3.076.834.133
E) Accrued liabilities and deferred income		
Total liabilities	5.967.257.540	3.908.297.271
GUARANTEES, ENGAGEMENTS AND OTHER RISKS	0	

DESCRIPTION	31/12/2008	31/12/2007
PROFIT AND LOSS ACCOUNT	0	
	0	
A) Revenue	5.240.391.127	5.601.049.409
B) Expenses	(4.423.803.652)	(4.590.641.171)
C) Financial income and costs	(139.967.603)	(171.686.215)
D) Value adjustments to financial assets		
E) Extraordinary income and costs		
Taxes on income for the year	238.556.136	291.825.035
Profit (loss) for the year	438.063.736	546.896.988

Major events occurred during the company's fiscal year

It is highlighted that

- On 30th April 2008 the transfer of all shares from Sae Power Limited to Associated Transrail Structures Ltd was completed
- On 30th April 2008 the registered office was transferred from via Alessio Baldovinetti, 86 Rome to Viale Edison, 50 Sesto San Giovanni.
- In the shareholders meeting held on 30th April 2008 the shareholders decided to cover prior year losses amounting to Euro 3.500.000 by reduction of the Share Capital and consequently decided to increase of the same amount within 31st December 2008.

On 17th September 2008 such increase was done and the Share Capital at year end is Euro 5.000.000.

Layout criteria

These financial statements have been drawn up in accordance with arts. 2423 ff of the Italian Civil Code, as appears from these Notes, which have been prepared pursuant to art. 2427 of the Italian Civil Code and are an integral part of the financial statements within the meaning and for the purposes of art. 2423.

Valuation criteria

The criteria used for drawing up the financial statements ended 31/12/2002 have been applied consistently with the prior year, except for the changes made as a result of the application of the new principles introduced by legislative decree no. 6/2003, containing the reform of company law. The financial statements items have been prepared on a prudential, accruals and going-concern basis, taking into account the economic function of the asset or liability considered.

The prudential basis of accounting has resulted in the valuation of the single components of each asset or liability to avoid offsets between losses that should have been reported and profits that should not have been recognised as they have not been realised.

Under the accruals method, the effect of transactions and other events has been reflected on the accounts and attributed to the fiscal year to which the transactions and events refer, and not to that in which the relevant changes to cash in hand and at bank (collections and payments) have taken place.

The consistent application of accounting principles ensures the comparability of the company's financial statements drawn up in different fiscal years.

The fact that valuations take into account the economic function of the asset or liability considered, which implies application of the principle of substance over the form - mandatory where not conflicting with other specific rules governing financial statements – allows the representation of transactions in line with the economic reality

underlying formal aspects.

Fixed assets

Intangible assets

These have been recorded at their historical purchase cost net of the relevant depreciation systematically calculated.

During the fiscal year start-up and expansion costs and research, development and advertising costs with multi-year use have not been sustained.

Industrial patent and intellectual property rights, concessions, licenses, trademarks and similar rights are depreciated at an average annual rate of 20%.

If, regardless of the amortization booked, a permanent loss of value occurs, the fixed assets are written down accordingly. If the reasons for the write-down no longer exist in the following years, the original value is restored, adjusted by amortization.

Tangible assets

These have been recorded at their purchase cost and are adjusted by the relevant accumulated depreciation.

The book value includes any ancillary costs and the costs incurred for the use of the asset, less any trade discounts and any significant cash discounts.

The depreciation charged to profit and loss account has been calculated on the basis of the remaining useful life of the assets, taking into account their use, destination and economic-technical life, and we believe that this is well reflected by the following rates, unchanged compared to the previous fiscal year and halved in the year in which the asset has entered operation:

- light constructions: 12.50%
- plants and machinery: 15.00 %
- equipment: 40.00 %
- trucks and vans: 20.00%
- office furniture: 12.00%
- computers: 20.00%
- vehicles: 25.00%

In the event that, regardless of the depreciation booked, a permanent loss of value occurs, the fixed assets are written down accordingly. If the reasons for the write-down no longer exist in the following years, the original value is restored, adjusted by depreciation.

Tangible assets have not been written up and discretionary or voluntary write-ups have not been made.

Accounts receivable

These have been recorded at their presumed realisable value.

Accounts payable

Accounts payable have been recorded at their nominal value, adjusted by any returns of goods or credit notes.

Accrued liabilities/income – prepayments/deferred income

These have been determined on an accruals basis.

For accrued liabilities/income – prepayments/deferred income of multi-year duration the conditions that determined their original recording was checked making the necessary variations.

Inventory

Work-in-progress has been recorded on the basis of the *criterion of the completion or the status of progress*; the revenues and the job margin are recognized according to the progress of the productive activity.

Provisions for liabilities and charges

These provisions are set aside to cover losses or liabilities that are certain or likely to arise, but for which the amount and date of occurrence could not be determined at the end of the fiscal year

In the valuation of these provisions the general prudential and accrual criteria have been adopted and generic provisions for liabilities without economic justification have not been constituted.

Potential liabilities have been shown in the financial statements and recorded in the provisions as considered probable and as the amount of the relative charge is reasonably estimable.

Provision for employee leaving indemnity

This consists of the amounts actually accrued in favour of the employees pursuant to the law and the current labour agreements, taking into account any elements of remuneration paid on a continuous basis.

The provision includes the total indemnities accrued for employees at the year-end net of any advances paid, and assuming termination of their employment relationship at such date.

Income taxes

The provision for taxes has been set aside on an accruals' basis and includes the following:

- accruals in respect of the taxes paid or to be paid, determined at the current rates and in accordance with current rules;
- the amount of deferred tax assets or liabilities in respect of timing differences which arose or were written off in the year;
- any adjustments to the balance of deferred taxes to account for the change of IRES tax rate which occurred during the year.

Recognition of income

Revenue for supplies are recognised at the time of the transfer of ownership which usually coincides with the delivery or shipment of the goods, and, however, on the basis of the work progress reports provided for each contract.

Revenue for design and assemblies are recognized on the basis of the work progress reports provided for each contract

Financial revenue and revenue from the supplies of services is recognised on an accruals basis.

Revenue and income, costs and charges related to transactions in foreign currencies are determined at the exchange rate in force at the date when the relevant transaction takes place.

Criteria for the translation of accounts in foreign currency

Accounts payable and receivable denominated in foreign currency and recorded at the rates of exchange in force on the date of the transaction, are aligned to the those in force at the year-end on the basis of the surveys made by the

Italian Exchange Rates Office (U.I.C.).

In particular, assets and liabilities not included among fixed assets and non-current financial accounts receivable are recorded at the spot exchange rate ruling at the year-end. The gains or losses arising from the conversion of accounts receivable and accounts payable have been respectively credited and debited to the Profit and Loss Account under item 17 Part 2 "Exchange gains and losses".

Any net gain deriving from the adjustment of the items in foreign currency to the year-end exchange rates is included in the result for the year and, at the time of the financial statements approval and appropriation of the operating result to the legal reserve, the part which is not absorbed by the loss for the year, if any, is apportioned to a reserve not distributable until the gain is realised.

Non-current assets in foreign currency are recorded at the exchange rate ruling at the time of purchase or, if lower, to that in force at the year-end if negative changes have resulted in impairment of these assets.

There are significant effects of the changes to the exchange rates which occurred between the year-end and the financial statements preparation date in USD. To cover this effect an allowance covering this currency risk of 94.863 Euro has been accrued.

Guarantees, engagements, third parties' assets and risks

Any risks in connection with guarantees, either personal or real, given for third parties, have been included among memo accounts in an amount equal to the guarantee offered.

Engagements have been included among memo accounts at their nominal value (as inferred from the relevant documentation).

Employee information

Compared to the previous year the personnel broken down by category has changed as shown below:

Staff	31/12/2008	31/12/2007	Change
Executives	10	12	-2
Employees	35	34	1
Expatriates	23	18	5
Third country nationality	80	78	2
TOTAL	148	142	6

The applicable national collective labour agreement is that of the industry of the iron sector. The international employees (TCN) are employed in the different work sites with temporary contract.

Assets

B) Fixed assets

I. Intangible assets

Balance at 31/12/2008	Balance at 31/12/2007	Changes
68.703	25.604	43.099

Total change in intangible assets

Cost description	Purchase value 31/12/2007	Additions for the year	Decreases for the year	Depreciation for the year	Value at 31/12/2008
Start-up and expansion costs	5.240			2.620	2.620
Research, development and advertising costs					
Industrial patent and intellectual property rights	20.364	55.175		9.456	66.083
Concession, licenses, trademarks and similar rights					
Goodwill					
Work-in-progress and advances					
Other intangible assets					
Rounding off					
TOTAL	25.604	55.175		12.076	68.703

Breakdown of the item start-up and expansion costs, research, development and advertising costs

We indicate below the breakdown of the item start-up and expansion costs, research, development and advertising costs recorded with the permission of the Board of Statutory Auditors, and the reasons for their entry.

Start-up and expansion costs

Cost description	Value at 31/12/2007	Additions for the year	Decreases for the year	Amortization for the year	Value at 31/12/2008
Start-up and expansion costs	5,240			2,620	2,620
Transformation					
Merger					
Increase of share capital					
Other changes to the deed of association					
TOTAL	5.240			2,620	2,620

The recorded costs are reasonably correlated to a use protracted in various years, and are systematically amortized according to their remaining possibility of use.

II. Tangible assets

Value at 31/12/2008	Value at 31/12/2007	Changes
2.079.125	1.473.028	606.097

Land and buildings

Description	Value	
Historical cost	92.258	
Monetary revaluation		
Write-ups		
Accumulated depreciation	(78.482)	
Write-downs of prior year		
Value at 31/12/2007	13.776	of which land
Purchases		

Description	Value	
Monetary revaluation		
Write-up of the year		
Write-down of the year		
Disposals		
Reclassifications (+)		
Reclassifications (-)		
Interest capitalised in the year		
Depreciation	(1.932)	
Net value at 31/12/2008	11.844	of which land

Plant and machinery

Description	Value
Historical cost	2.558.878
Monetary revaluation	
Write-ups	
Accumulated depreciation	(1.835.340)
Write-downs of prior year	
Value at 31/12/2007	723.538
Purchases	294.491
Monetary revaluation	
Write-up of the year	
Write-down of the year	
Disposals	(8.325)
Reclassifications (+)	
Reclassifications (-)	
Interest capitalised in the year	
Depreciation	(92.892)
Value at 31/12/2008	916.812

Industrial and commercial equipment

Description	Value
Historical cost	1.091.397
Monetary revaluation	
Write-ups	
Accumulated depreciation	(902.995)
Write-downs of prior year	
Value at 31/12/2007	188.402
Purchases	78.860
Monetary revaluation	
Write-up of the year	
Write-down of the year	
Disposals	(24.544)
Reclassifications (+)	
Reclassifications (-)	
Interest capitalised in the year	
Depreciation	(65.751)
Net value at 31/12/2008	176.967

Other assets

Description	Value
Historical cost	1.288.644
Monetary revaluation	
Write-ups	
Accumulated depreciation	(741.332)
Write-downs of prior year	
Value at 31/12/2007	547.312
Purchases	632.681
Monetary revaluation	
Write-up of the year	
Write-down of the year	
Disposals	(6.754)
Reclassifications (+)	
Reclassifications (-)	
Interest capitalised in the year	
Depreciation	(199.737)
Net value at 31/12/2008	973.502

III. Financial assets

Value at 31/12/2008	Value at 31/12/2007	Changes
4.453.759	3.227.375	1.226.384

Accounts receivables

Description	31/12/2007	Addition for the year	Decreases for the year	31/12/2008
Controlled undertakings				
Affiliated undertakings				
Controlling companies				
Other companies	3.227.375	1.226.384		4.453.759
Rounding off				
TOTAL	3.227.375	1.226.384		4.453.759

In the item accounts receivable from others, accounts receivable of trade nature have been recorded, for 4.453,759 EURO, as shown below.

Descrizione	31/12/2008
Current bank deposit accounts	4.178.601
Supplier deposits	49.864
Branch deposits	12.851
Receivables from the Treasury on employee leaving indemnity	212.443
TOTAL	4.453.759

The following table shows a break-down of the accounts receivable at 31.12.2008 by geographical area (article 2427(1)(6) of the Civil Code).

Accounts receivable by geographical area	From controlled 31/12/2007	From affiliated undertakings	From controlling undertakings	Other accounts receivable 31/12/2008	Total
Italy				4.440.908	4.440.908

Accounts receivable by geographical area	From controlled 31/12/2007	From affiliated undertakings	From controlling undertakings	Other accounts receivable 31/12/2008	Total
Ghana				12.851	12.851
TOTAL				4.453.759	4.453.759

C) **Current assets**

I. **Inventory**

Balance at 31/12/2008	Balance at 31/12/2007	Difference
5.051.859	3.128.561	1.923.298

Accounting policies have been applied consistently as explained in the introduction to these notes.

As regards the changes corresponding to the single categories, refer to the data shown in the profit and loss account.

The item "Advances" contains the advances contractually recognized to the suppliers for supplies of goods and/or services; this item includes the advances with or without function of advance for the different jobs in progress.

II. **Accounts receivable**

Value at 31/12/2008	Value at 31/12/2007	Changes
16.110.018	9.679.628	6.430.390

The balance can be broken down by due date as follows (article 2427(1)(6) of the Civil Code).

Description	Due within one year	Due after more than one year	Due after more than five years	Total
From customers	11.433.555	828.365		12.261.920
From controlled undertakings				
From affiliated undertakings				
From controlling companies				
Tax credits	315.892			315.892
Deferred tax assets	452.926	2.714.008		3.166.934
Other accounts receivable	365.272			365.272
Rounding off				
Total accounts receivable	12.567.645	3.542.373		16.110.018

Tax credits at 31/12/2008 break down as follows:

Descrizione	Importo
Receivables from the Treasury for VAT	287.007
Withholding tax	19.896
Treasury – reimbursement of VAT on autos	8.989
TOTAL	315.892

Accounts receivable from others at 31/12/2008, which amount to 365,272 EURO, break down as follows.

Descrizione	Importo
ILan towards Sae spa	320.292
Accounts receivable from Seal Investment SAx	43.000
Advances to employees for transfers	1.980
TOTAL	365.272

The prepaid taxes for 3,180,196 EURO refer to deductible temporary differences and to fiscal losses reportable for fiscal purposes.

For a description of the reasons that make the recording of the potential fiscal benefit connected with these losses possible, refer to the relative paragraph of these notes.

The distribution of the accounts receivable at 31.12.2008 according to geographical area is shown in the following table.

Accounts receivable by geographical area	From customers 31/12/2008	From controlled undertakings	From affiliated undertakings	From controlling 31/12/2008	Other accounts receivable	Total
Italy	609.584				365.272	974.856
Algeria	3.719.023					3.719.023
Albania	3.691.656					3.691.656
Benin	1.576.671					1.576.671
Ghana	1.147.678					1.147.678
Sierra Leone	994.692					994.692
Nigeria	363.460					363.460
Spagna	154.156					154.156
Svezia	5.000					5.000
TOTAL	12.261.920				365.272	12.627.192

IV. *Liquid assets*

Value at 31/12/2008	Value at 31/12/2007	Changes
3.858.606	1.416.275	2.442.331

Description	31/12/2008	31/12/2007
Bank and postal deposits	3.790.952	1.371.836
Cheques		
Cash and cash equivalents	67.654	44.439
Rounding off		
	3.858.606	1.416.275

The balance reflects the liquid assets and the cash-in-hand and cash equivalents at the year-end.

D) **Accrued income – prepayments**

Value at 31/12/2008	Value at 31/12/2007	Changes
139.556	61.467	78.089

They constitute the adjustment to costs and income pertaining to more than one fiscal year, incurred and earned before actual payment or collection and calculated on an accrual basis.

Also for these items, the criteria adopted in the valuation and in the conversion of the values expressed in foreign currency are shown in the first part of these

This item can be broken down as follows

Description	Value
Prepayments - insurances	18.664
Prepayments- branch	97.126
Accrued income interest from ABC	22.565
Various accrued income	1.201
TOTAL	139.556

Liabilities

A) Shareholder equity

Value at 31/12/2008	Value at 31/12/2007	Changes
2.211.558	1.481.222	730.336

Description	31/12/2007	Additions	Decreases	31/12/2008
Share capital	5.000.000			5.000.000
Share premium reserve				
Revaluation surplus				
Legal reserve				
Reserves provided for by the articles of association				
Reserves provided for by the articles of association				
Reserve for treasury shares				
Other reserves				
Rounding off				
Retained earnings (losses carried forward)				
Profit (loss) for the year				
TOTAL	(1.017.908)		(999.130)	(18.778)

In the shareholding meeting held on 30th April 2008 the shareholders decided to cover prior year losses amounting to Euro 3.500.000 by reduction of the Share Capital and consequently decided to increase of the same amount within 31st December 2008.

On 17th September 2008 such increase was done and the Share Capital at year end is Euro 5.000.000.

The following table details the changes of the shareholder equity

	Share capital	Legal Reserve	Other Reserve	Net result	TOTAL
At the beginning of the prior year	5.000.000		2.632.799	(3.650.708)	3.982.091
Appropriation of the result for the year					
- dividend distribution					
- other appropriations			(3.650.708)	3.650.708	
Other changes			1		1
Result of the prior year					
At the prior year end				(2.500.870)	(2.500.870)
Appropriation of the result for the year					
- dividend distribution					
- other appropriations			(2.500.870)	2.500.870	

	Share capital	Legal Reserve	Other Reserve	Net result	TOTAL
Other changes	(3.500.000)		3.500.000		
Capital stock increase	3.500.000				3.500.000
Result for the current year			(1)	(2.769.663)	(2.769.664)
At the current year-end	5.000.000		(18.779)	(2.769.663)	2.211.558

The share capital is made up as follows.

Shares	Number	Value in Euro
Quote	5000000	1
	5.000.000	

The items of the shareholder equity are broken down as follows according to their origin, possible use, distributability and use made in the three prior years (article 2427(1)(7-bis) of the Civil Code)

Nature/description	Amount	Possible use*	Available amount	Amount used in the 3 prior years to cover losses	Amount used in the 3 prior years for other reasons
Capital	5.000.000	B			
Share premium reserve		A, B, C			
Revaluation surplus		A, B			
Legal reserve		B			
Treasury shares		A, B			
Reserves provided for by the Articles of Association					
Other reserves	(1)	A, B, C			
Retained earnings (loss carryovers)	(18.778)				
TOTAL					
Non-distributable amount					
Remaining distributable amount					
* A: for capital increase B: for loss coverage C: for distribution to shareholders					

In conformance with everything provided by the accounting principle No. 28 on the Shareholder Equity, the following complementary information is supplied:

- a) write-up reserves have not been recorded
- b) statutory reserves have not been recorded.

B) Provision for liabilities and charges

Balance at 31/12/2008	Balance at 31/12/2007	Changes
209.715	229.352	(19.637)

Description	31/12/2007	Additions	Decreases	Value 31/12/2008
Provision for pension and similar obligations				

Description	31/12/2007	Additions	Decreases	Value 31/12/2008
Provision for taxes, including deferred taxes				
Other provisions	229.352	64.000	83.637	209.715
Rounding off				
TOTAL	229.352	64.000	83.637	209.715

The decreases refers to use of the year.

The item "Other provisions" at 31.12.2008 includes a provision amounting to Euro 114.852 allocated to cover charges for legal action done by two employees of the unit of Rome closed last year an allowance to cover exchange risk on Usd amounting to Euro 94.863.

C) Employees' leaving indemnity

Balance at 31/12/2008	Balance at 31/12/2007	Changes
2.138.625	2.379.241	(240.616)

The difference can be described as follows.

Variazioni	31/12/2007	Additions	Decreases	31/12/2008
TFR, changes occurred in the period	2.379.241	59.050	299.666	2.138.625

The provision represents the real debt of the company at 31/12/2008 to its employees at that date, net of any advances paid.

D) Accounts payable

Balance at 31/12/2008	Balance at 31/12/2007	Changes
27.172.049	14.872.817	12.299.232

Accounts payable have been valued at their nominal value and can be broken down by due date as follows.

Description	Falling due within one year	Falling due after more than one year	Falling due after more than five years	Total
Bonds				
Convertible bonds				
Shareholder loans		7.185.065		7.185.065
Accounts payable to banks				
Accounts payable to third party lenders	1.205.381			1.205.381
Advances	6.816.083			6.816.083
Accounts payable to suppliers	8.650.128			8.650.128
Accounts payable represented by negotiable instruments				
Accounts payable to controlled undertakings				
Accounts payable to affiliated undertakings				
Accounts payable to controlling companies	671.137			671.137
Taxes payable	1.112.491			1.112.491
Accounts payable to social	567.222			567.222

Description	Falling due within one year	Falling due after more than one year	Falling due after more than five years	Total
security institutions				
Other accounts payable	964.542			964.542
Rounding off				
TOTAL	19.986.984	7.185.065		27.172.049

The item "Advances" contains the advances received from the customers for supplies of goods and services; this item includes the advances with function of advance payment for the different jobs in progress.

Shareholder loans can be broken down as follows.

Name	Falling due within one year	of which postponed loan	Falling due after more than one year	Of which postponed loan	Total	Of which postponed loan
ATSL b.v.			4.001.762		4.001.762	
ATSL India			3.183.303		3.183.303	
TOTAL			7.185.065		7.185.065	

Accounts payable suppliers are recorded net of the trade discounts; the cash discounts are instead shown at the moment of payment. The nominal value of these debts has been adjusted, when returns or allowances (invoicing adjustments) have been made, to the extent corresponding to the amount defined with the counterparty.

The item "Tax debts" contains only the liabilities for certain and determinate taxes.

In the item tax debts accounts payable for IRAP tax, amounting to 20,360 EURO, net of the advances paid during the year for 153,081 are recorded.

The item includes accounts payable to the Treasury for withholding taxes to be paid on:

- employee work: Euro 622,399;
- professional fees: Euro 32,130;
- other autonomous work: Euro 2,643;
- accounts payable to the Treasury for Additional: Euro 1,531;
- accounts payable to the Treasury for local Additional: Euro 261;
- tax deductions on branch incomes: Euro 3,087.

There are no significant changes in the consistency of the item "Tax debts".

The following table shows a break-down of the accounts payable at 31.12.2008 by geographical area.

Accounts payable by geographical area	To suppliers	To controlled 31/12/2007	To affiliated undertakings	To controlling undertakings	Other accounts 31/12/2008	Total
Italy	5.561.676				964.542	6.526.218
India	545.423			671.137		1.216.560
Turkey	934.945					934.945
Saudi Arabia	609.267					609.267
Algeria	407.117					407.117
Albania	254.233					254.233
Switzerland	170.406					170.406
Ghana	74.019					74.019
Great Britain	30.750					30.750
Benin	25.716					25.716

Accounts payable by geographical area	To suppliers	To controlled 31/12/2007	To affiliated undertakings	To controlling undertakings	Other accounts 31/12/2008	Total
Sweden	17.220					17.220
France	7.735					7.735
China	6.608					6.608
Spain	5.013					5.013
TOTAL	8.650.128			671.137	964.542	10.285.807

There are no accounts payable backed by collateral guarantees on corporate assets.

E) Accrued liabilities/Deferred income

Value at 31/12/2008	Value at 31/12/2007	Changes
29.679	49.306	(19.627)

They represent the connecting items of the year calculated with the accrual criterion.

The criteria adopted in the valuation and conversion of the values expressed in foreign currency for these items are shown in the first part of these notes.

Accrued liabilities/deferred income with a duration of over five years do not exist at 31/12/2008.

This item can be broken down as follows (article 2427, first paragraph, no. 7, of the Italian Civil Code).

Description	Value
Branch accrued costs	29.679
TOTAL	29.679

Memo accounts

Description	31/12/2008	31/12/2007	Changes
Third parties' assets at the company's premises	(59.357)	(645.676)	586.319
Engagements			
Risks	7.497.584	7.449.354	48.230
Link between Civil Code and tax rules			
TOTAL	7.438.227	6.803.678	634.549

The item refers to the sureties issued by the company towards the customers as guarantee of the advances received (advance bond), for good execution of the jobs (performance bond) and for the submittal of bids (bid bond).

These guarantees are counter-guaranteed by similar sureties, for the whole amount of 59,357 EURO, issued by the suppliers as guarantee of the advances conceded and as guarantee of the good execution of the subcontracted works.

Profit and loss account

A) Revenue

Value at 31/12/2008	Value at 31/12/2007	Changes
29.729.787	24.159.474	5.570.313

Description	31/12/2008	31/12/2007	Changes
From sales and services	28.316.282	24.700.669	3.615.613
Changes in stocks of goods			
Changes to work in progress on order	1.384.433	(543.390)	1.927.823
Capitalised internal work in progress			

Description	31/12/2008	31/12/2007	Changes
Other revenues and proceeds	29.072	2.195	26.877
TOTAL	29.729.787	24.159.474	5.570.313

The reason for the changes is explained in the Directors' report.

Revenue for business category

Category	31/12/2007	31/12/2006	Changes
Sale of goods			
Sale of products			
Sale of accessories			
Supply of services	28,316,282	24,702,864	3,613,418
Receivable rents			
Receivable commissions			
Others	29,072		29,072
TOTAL	28,345,354	24,702,864	3,642,490

Revenue for geographic area

Area	Vendite	Prestazioni	Totale
Italy		555.469	555.469
Algeria		12.255.341	12.255.341
Albania		2.658.338	2.658.338
Ghana		6.602.080	6.602.080
Sierra Leone		4.167.252	4.167.252
Benin		2.050.602	2.050.602
Great Britain		13.600	13.600
Ireland		13.600	13.600
TOTAL		28.316.282	28.316.282

B) Expenses

Value at 31/12/2008	Value at 31/12/2007	Changes
32.828.785	26.923.446	5.905.339

Description	31/12/2008	31/12/2007	Changes
Raw materials, subsidiary materials, consumables and goods	16.765.523	12.192.251	4.573.272
Services	7.039.646	5.403.168	1.636.478
Rent/lease	990.288	1.196.248	(205.960)
Salaries and wages	5.605.271	5.905.418	(300.147)
Social security contributions	1.272.629	1.194.936	77.693
Employees' leaving indemnity	311.912	303.289	8.623
Accruals for pension and similar costs			
Other personnel costs	165.737	119.404	46.333
Depreciation of intangible assets	12.076	12.076	
Depreciation of tangible assets	360.313	370.117	(9.804)
Other value adjustments			
Write-down of accounts receivable recorded among current assets			
Changes to stock of raw materials			
Accruals to provisions for liabilities and charges	64.000		64.000

Description	31/12/2008	31/12/2007	Changes
Other accruals			
Miscellaneous running costs	241.390	226.539	14.851
TOTAL	32.828.785	26.923.446	5.905.339

Costs of raw materials, subsidiary materials, consumables and goods and costs of services

They are closely related to what has been set out in the Directors' report and to point A (Revenue) of the Profit and loss account.

Personnel costs

This item includes all employee costs, including bonuses, promotions, cost-of-living increases, untaken holidays and the provisions made pursuant to the law and the national collective labour agreements.

Depreciation of tangible assets

Depreciation has been calculated on the basis of the useful life of the assets and their contribution to the production process.

Miscellaneous running costs

The item includes the amount of 186,509 EURO concerning the payment of different duties and taxes in the Ghana, Benin and Algerian branches, as well as the amount of 23,941 EURO for fines and sanctions, the amount of 4,280 EURO for waste tax and the amount of 26,650 EURO for other expenses.

C) Financial income and costs

Value at 31/12/2008	Value at 31/12/2007	Changes
(325.441)	8.904	(334.345)

Description	31/12/2008	31/12/2007	Changes
Income from shareholdings			
Income from accounts receivables recorded among fixed assets			
Income from securities recorded among fixed assets			
Income from securities recorded among current assets		16.200	(16.200)
Other income	104.123	100.774	3.349
(Interest and other financial costs)	(564.093)	(125.743)	(438.350)
Exchange gains and losses	134.529	17.673	116.856
TOTAL	(325.441)	8.904	(334.345)

Other financial income

Description	Controlling companies	Controlled undertakings	Affiliated undertakings	Other	Total
Bond interest					
Interest from securities					
Bank and postal interest				103.958	103.958
Interest from customers					
Loan interest					
Other proceeds				164	164
Rounding off				1	1

Description	Controlling companies	Controlled undertakings	Affiliated undertakings	Other	Total
TOTAL				104.123	104.123

Interest and other financial costs

Description	Controlling company	Controlled undertakings	Affiliated undertakings	Other	Total
Bond interest from bonds					
Bank interest				5.497	5.497
Interest due to suppliers				365.998	365.998
Discounts and other financial costs					
Loan interest				97.736	97.736
Depreciation of discount on issue of bonds					
Other financial costs					
Exchange loss				94.863	94.863
Rounding off				(1)	(1)
TOTAL				564.093	564.093

Exchange gains and losses

A positive evaluative component not realized for 125,470 EURO of the total amount of the exchange gains and losses shown in the profit and loss account has been recorded.

E) Extraordinary income and costs

Value at 31/12/2008	Value at 31/12/2007	Changes
(1.944)	136.256	(138.200)

Description	31/12/2008	31/12/2007
Capital gains on disposals		Capital gains on disposals
Other extraordinary income	124.421	Other extraordinary income
Total income	124.421	Total income
Capital losses		Capital losses
Taxes of FYs		Taxes of FYs
		Rettifica ricavi anni precedenti
		Svalutazione credito SAE s.p.a.
Other extraordinary costs	(126.365)	Other extraordinary costs
Total costs	(126.365)	Total costs
TOTAL	(1.944)	136.256

Taxes on the income of the period

Value at 31/12/2008	Value at 31/12/2007	Changes
(656.720)	(117.942)	(538.778)

Taxes	Value at 31/12/2008	Value at 31/12/2007	Changes
Current taxes:	173.441	168.744	4.697
IRES			
IRAP	173.441	168.744	4.697
Substitute taxes			

Taxes	Value at 31/12/2008	Value at 31/12/2007	Changes
Deferred tax liabilities/ (assets)	(830.161)	(286.686)	(543.475)
IRES	(830.161)	(286.686)	(543.475)
IRAP			
TOTAL	(656.720)	(117.942)	(538.778)

The taxes pertaining to the year have been recorded.

We show below the reconciliation between the theoretical charge resulting from the financial statements and the theoretical fiscal charge

Reconciliation between fiscal charge from financial statements and theoretical fiscal charge (IRES)

Descrizione	Valore	Imposte
Result before taxes	(3.426.383)	
Theoretical fiscal charge (%)	27,5	
Temporary differences taxable in following years:	0	
Temporary differences deductible in following years:	0	
Projects contingencies	518.682	
Accantonamento fondo contenzioso	64.000	
<i>Subtotal</i>	582.682	
Transfer of the temporary differences from prior years	0	0
Representation expenses	(3.142)	
<i>Subtotal</i>	(3.142)	
Permanent differences	0	0
Accantonamento fondo rischi su cambi	94.863	
Sopravvenienze passive	126.365	
Multe e sanzioni	23.941	
Spese per mezzi di trasporto	18.976	
Ammortamento veicoli	29.405	
Spese di competenza di altri esercizi	22.034	
Differenze cambi non realizzate	50.366	
Spese eccedenti la quota deducibile	28.064	
Other costs and expenses	86.715	
<i>Subtotal</i>	324.5030	0
Taxable income	(2.366.114)	
Current taxes on the income of the year		

Determination of taxable IRAP

Descrizione	Valore	Imposte
Difference between revenue and expenses	4.251.163	
Costs not relevant for IRAP purposes		
Costi per collaboratori	152.072	
Spese di competenza di altri esercizi	105.629	
Other costs and expenses	103.506	
<i>Subtotal</i>	4.612.370	
Theoretical fiscal charge (%)	3,9	179.882
Temporary differences deductible in following years:	0	
Projects contingencies	518.682	
Variazioni in aumento:		
Spese rappresentanza anni progressi	(3.143)	

Descrizione	Valore	Imposte
Deductions art. 11, par. 1, lett. a)	(854.000)	
Share of foreign income	(208.254)	
Taxable Irap	4.065.655	
Current IRAP for the year		173.441

Pursuant to article 2427, first paragraph, No. 14, of the Italian Civil Code, the required information on the deferred tax assets and liabilities is shown.

Deferred tax assets and liabilities

The prepaid taxes have been shown as there is the reasonable certainty of the existence, in the years in which the deductible temporary differences will be re-transferred, in front of which the prepaid taxes have been recorded, of a taxable income not lower than the amount of the differences that will be cancelled.

The main timing differences that have given rise to deferred tax assets and liabilities and their effects are shown in the following table.

Recording of deferred tax assets and liabilities and relevant effects:

	Fiscal year 31/12/2007		Fiscal year 31/12/2008	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Deferred Tax assets:				
Write-down due to impairment of tangible assets				
Write-down due to impairment of intangible assets				
Provisions for liabilities and charges	625.682	192.291	43.000	11.825
Representation expenses	5.703	1.791	8.846	2.778
Total deferred tax assets	631.385	194.082	51.846	14.603
Deferred tax liabilities				
Accelerated depreciation				
Excess depreciation				
Write-down of accounts receivable				
Total deferred tax liabilities				
Net deferred tax liabilities (assets)	631.385	194.082	51.846	14.603
Deferred tax assets relating to tax losses for the year	2.366.114	650.681	2.349.510	646.115
Deferred tax assets relating to tax losses for the prior year	8.444.255	2.322.170	6.094.744	1.676.055
Timing differences excluded from the determination of deferred tax assets and liabilities:				
Tax losses available for carryover				
Net	11.425.324	3.166.934	8.496.100	2.336.773

Prepaid taxes for 2,972,851 EURO deriving from tax losses of the year and of prior years of 10,810,369 EURO, as the conditions required by the accounting principles for the accounting of the future tax benefit exist, in particular

the reasonable certainty that in future the company will obtain taxable incomes which enable it to absorb these losses.

As more amply shown in the Directors' Report, in the year 2008 a considerable increase of the turnover and order book is forecasted, which will enable it to obtain in the following years to obtain sufficient taxable incomes to absorb the tax losses.

Other information

As required by the law, we set out below the Directors' and Statutory Auditors' fees (article 2427 (1)(16) of the Civil Code):

Office	Fee
Directors	50.000
Statutory Auditors	29.900

These financial statements, composed of the balance sheet, profit and loss account and notes, are a true and fair view of the company's state of affairs and economic result for the year and are in accordance with the underlying accounting records.

President of the Board
BAGDE DIGAMBAR CHUNNILAL

DECLARATION

The Company certifies that all relevant provisions of Chapter VIII of the SEBI Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VIII of the SEBI Regulations and that all approvals and permissions required to carry on its business have been obtained, are currently valid and have been complied with. The Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Mr. Abhijit Rajan
Chairman and Managing Director

December 8, 2009

Mumbai

ISSUER

Gammon India Limited

REGISTERED OFFICE OF THE ISSUER

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