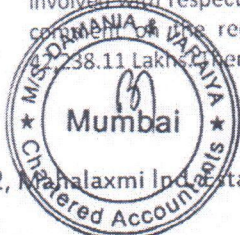


Auditors' Report on the Standalone Financial Results of Bharati Defence and Infrastructure Limited (Formerly Bharati Shipyard Limited)

Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,
The Board of Directors
BHARATI DEFENCE AND INFRASTRUCTURE LIMITED
(FORMERLY BHARATI SHIPYARD LIMITED)
Mumbai, India.

1. We have audited the accompanying Statement of Standalone Financial Results of **BHARATI DEFENCE AND INFRASTRUCTURE LIMITED** ("the Company") for the year ended 31st March, 2016 ("the Statement"), being submitted by the company pursuant to the requirement of the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. This Statement, which is the responsibility of the company's Management and approved by the Board of Directors, have been prepared on the basis of the related financial statements which are in accordance with the Accounting Standards prescribed under Section 133 of the Companies Act 2013 read with the relevant rules issued there under and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the Statement.
2. We have conducted our audit in accordance, with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform audit to obtain reasonable assurance about whether the Statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the Statement. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of the significant accounting estimates made by the Management, as well as evaluating the overall presentation of the Statement. We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.
3. **Basis for Qualified Opinion:**
 - a) The Company has as on 31st March, 2016 recognised deferred tax asset (net) of Rs. 1,01,135.63 Lakhs on its carried forward accumulated losses (including unabsorbed depreciation), unpaid interest (including Funded Interest Term Loans), disallowance of expenses and employee benefits. The principles of Accounting Standard-22 notified in this regard clearly states that deferred tax assets should be recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In our opinion, considering the huge accumulated losses and the present scenario of the company's business, there is no certainty that the company would have sufficient future taxable income to justify creation of Deferred Tax Asset. Had the Deferred tax asset not been created, the net loss for the quarter and year ended 31st March, 2016 would have been higher by Rs. 1,01,135.63 Lakhs and the accumulated losses as at that date would have been higher by the same amount.
 - b) The Company had recognised for subsidy under Ship Building Subsidy Scheme in earlier years, out of which subsidy of Rs. 42,238.11 Lakhs is still receivable as on 31st March, 2016 (after write off of Rs. 22,554.66 Lakhs during the quarter due to change in Government Policy). The receipt of aforesaid Subsidy is dependent upon completion of vessels and compliance with other terms and conditions of the Shipbuilding Subsidy Scheme of the Government of India. In our opinion, the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent liabilities and Contingent assets. In view of the uncertainty involved with respect to generation of future cash flow as required for completion of vessels, we are unable to comment on the recoverability or otherwise of the aforementioned subsidy receivable amounting to Rs. 42,238.11 Lakhs. Therefore, the possible impact of the same on the statement cannot be ascertained.



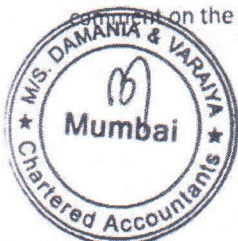
14/2, Mahalaxmi Ind Estate, D. Shivner Road, Lower Parel, Mumbai - 400 013, India. ☎ +91 22 6149 1000

Branch: Pune

- c) We draw attention to Note no. 5 forming part of the Statement, which indicates that the Company has continuously been incurring substantial losses since past few years and Company has also incurred net loss of Rs. 69,715.54 Lakhs and Rs. 1,89,799.01 Lakhs for the quarter and year ended 31st March, 2016 respectively. As of reporting date, the Company's total liabilities exceed its total assets by Rs. 2,96,677.35 Lakhs and its net worth has been fully eroded.

The appropriateness of the going concern basis is interalia dependent upon company's successful financial restructuring including raising requisite finance for its revival and consequent generation of future cash flow to meets its obligations. In our opinion, these conditions along with other matters indicate the existence of material uncertainty that may cast doubt about the Company's ability to continue as going concern.

- d) The Company had given loans and advances of Rs. 91,048.18 Lakhs to its subsidiaries, for investment in GOL Offshore Ltd (GOL). Further an amount of Rs. 3,523.41 Lakhs is due from GOL on account of trade and other receivables. GOL has been incurring losses and its cash flows are under stress and there are continuing defaults in repayment of loans including invocation of some of the corporate guarantees and in some cases recovery proceedings have been initiated. No provision for non-recoverability of loans and advances given to its subsidiaries and trade and other receivables due from GOL is made by the company as explained in note no. 6 (a) forming part of the statement. We are unable to comment on the same and ascertain its possible impact, if any, on the statement in respect of above matters.
- e) The Company had given loans and advances of Rs. 8,497.86 Lakhs to its subsidiary for investment in Tebma Shipyard Limited (TSL). Further an amount of Rs. 86.22 Lakhs was due from TSL on account of trade and other receivables. TSL has been incurring cash losses, its net worth is fully eroded, its cash flows are under stress and being referred to CDR. The Company has made provision of Rs. 3,498.23 Lakhs in respect of loans and advances receivable from its subsidiary and trade and other receivable from TSL of Rs. 86.22 Lakhs on the basis of business valuation of TSL by an independent valuer. In the opinion of management, the investment in TSL is strategic and long term and the loans and advances, trade and other receivables (after considering provisions) are collectible and no further provisioning is required against the same as explained in note no 6 (b) forming part of the statement. We are unable to comment on the same and ascertain its possible impact, if any, on the statement in respect of above matters.
- f) Company has not provided for interest on secured loans and other debt facility if any (funded as well as non-funded) assigned to Edelweiss Asset Reconstruction Company Limited (EARC) by lenders over a period of time. In absence of terms of assignment and other relevant details and information with respect to terms of repayment, rate of interest and other relevant terms for computation of un-provided interest liability, we are unable to quantify its possible impact on the statement in respect of above matters.
- g) Company has not provided for interest and other dues on NPA accounts including bank guarantee and other debt facility if any (funded as well as non funded) for which,
- (a) It has not received any statement from lenders or in respect of which interest has not been charged in the statement provided by the lenders:
- (b) It has received any recall notice, in respect of which interest has not been charged in the statement provided by the lenders.
- In absence of relevant details and information with respect to computation of un-provided interest liability and other dues, we are unable to quantify its possible effect, if any, on the statement in respect of above matters.
- h) Confirmation / bank statements of secured loans outstanding with ICICI Bank as on 31st March, 2016 were not made available for verification. Due to pending confirmation and consequent reconciliation with the books of accounts, we are unable to comment on the same and ascertain its impact, if any, on the statement.
- i) Margin money of Rs.4,472.25 Lakhs with State Bank of Travancore is subject to confirmation and reconciliation. Due to pending confirmation and consequent reconciliation with the books of accounts, we are unable to comment on the same and ascertain its impact, if any, on the statement.



- j) We refer to note no. 8 forming part of the statement regarding Company's policies, procedures and lack of controls in respect of timely and properly recording of the expenses and proper evidences regarding accounting for direct and indirect taxes including other statutory compliances. We are unable to ascertain its impact, if any, on the statement in respect of above matters.
- k) Due to pending reconciliation and confirmation of Trade Receivables, Loan and Advances, Trade Payables and Other Liabilities, we are unable to ascertain its impact, if any, on the statement in respect of above matters.
- l) The Company is in the process of obtaining legal opinion with respect to disclosure and accounting treatment of unappropriated amount lying in share application money post expiry of last appointed date for exercise of option for conversion of share warrants and upon revocation of CDR scheme as explained in note no. 10 forming part of the statement. Pending legal opinion, we are unable to ascertain its impact, if any, on the statement in respect of above matters.
- m) The Company is in process of technical evaluation of componentisation of fixed assets and useful life thereof and identifying significant part of assets qualifying for component accounting as required by para 4(a), Part C, schedule II of the Companies Act, 2013 amended by MCA notification dated 29th August, 2015. Pending technical evaluation of componentisation of fixed assets and useful life thereof, we are unable to ascertain its impact, if any, on the statement in respect of above matters.
- n) The Company has not appointed the Internal Auditor as required by Section 138 of the Companies Act 2013.

4. Qualified opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, the Statement;

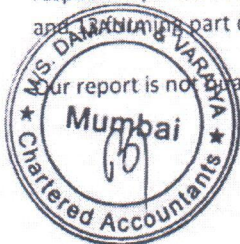
- i. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ; and
- ii. give a true and fair view in conformity with the aforesaid Accounting Standards and other accounting principles generally accepted in India of the net loss and other financial information of the Company for the year ended 31st March, 2016

5. Emphasis of Matter:

We draw attention to following matters in the notes to the Statements:

- a) Based on the valuation report of an Independent Chartered Engineer, Company has written off excess value of work in progress ("WIP") as on 31st March 2016 amounting to Rs. 64,174.54 Lakhs and charged excess value of WIP to statement of profit and loss as "Exceptional items". Refer Note No. 13 forming part of the Statement.
- b) Based on the valuation report of an Independent Valuer, Company has written off Capital work in progress ("CWIP") as on 31st March 2016 amounting to Rs. 6,397.39 Lakhs by recognising impairment in CWIP and charged said CWIP impairment to statement of profit and loss as "Exceptional items". Refer Note No. 13 forming part of the Statement.
- c) The Company has given effect of invoked bank guarantees to customer accounts and resultant Interest and Exchange variation amounting to Rs. 40,457.62 Lakhs and Rs. 32,977.47 Lakhs respectively has been charged to statement of profit and loss as "Exceptional items". Refer Note No. 3 and 13 forming part of the Statement.
- d) The Company has made provision for diminution in the value of investment in Bengal Shipyard Limited and made provision for loans and advances receivable amounting to Rs. 22.50 Lakhs and Rs. 3,162.36 Lakhs respectively. This has been charged to statement of profit and loss as "Exceptional items". Refer Note No. 6 (c) and 13 forming part of the Statement.

Our report is not qualified in respect of these matters.



6. The Statement includes the results for the Quarter ended 31st March, 2016 being the balancing figure between audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year which were subject to Limited Review by us.

For Damania & Varaiya.

Firm Registration No. 102079W

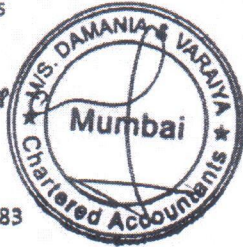
Chartered Accountants

Bharat

CA Bharat Jain

Partner

Membership No. 100583



Place: Mumbai

Date: 30th May, 2016.

COMPLIANCE UNDER REGULATION 33 OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

FORM B (FOR AUDIT REPORT WITH MODIFIED OPINION)

- 1 Name of the Company : Bharati Defence and Infrastructure Limited
(Formerly known as Bharati Shipyard Limited)
- 2 Annual financial statements for the year ended : 31st March 2016
- 3 Type of Audit qualification : Qualified Opinion and Emphasis of Matter
- 4 Frequency of qualification : Standalone Financial Statements
Qualified Opinion:

i) Qualification mentioned in Para 3 (a) and 3(b) under Basis for Qualified Opinion in Audit Report pursuant regulation 33 of SEBI (LODR) 2015, are appearing for third time.

iii) Qualification mentioned in Para 3(c), 3(d), 3(e), 3(f), 3(g), 3(h), 3(i) and 3(k) under Basis for Qualified Opinion in Audit Report pursuant regulation 33 of SEBI (LODR) 2015, is appearing for second time.

iii) Qualification mentioned in Para 3(j), 3(l), 3(m) and 3(n) under Basis for Qualified Opinion in Audit Report pursuant regulation 33 of SEBI (LODR) 2015, is appearing for first time.

Emphasis of Matter

Para 5 (a) regarding write off of Excess Work in Progress is appearing for second time.

Para 5 (b) regarding Impairment of Capital Work in Progress is appearing for first time.

Para 5 (c) regarding accounting of Invoked Bank Guarantee and related interest and Exchange Variation is appearing for first time.

Para 5 (d) regarding provision for diminution in the value of investment and provision for loan and advance receivable of Bengal Shipyard Limited is appearing for first time.

- 5 Draw attention to relevant notes in the financial : Standalone Financial Statement:
results and management response to the
qualification :

For management response, refer to notes forming part of Statement as follows:

Para 3 (a) - Refer Note no 2 regarding Deferred Tax Assets

Para 3 (b) - Refer Note no 4 regarding write off of Ship building subsidy receivable.

Para 3 (c) - Refer Note no 5 regarding Going Concern.

Para 3 (d) - Refer Note no 6 (a) regarding loan and advance and trade receivable from GOL Offshore Limited.

Para 3 (e) - Refer Note no 6 (b) regarding loan and advance and trade receivable from Temba Shipyard Limited.

Para 3 (f), 3(g), 3(h) and 3(i) - Refer Note no 7 regarding non availability of Statements and Non provision of interest on EARC and NPA accounts.

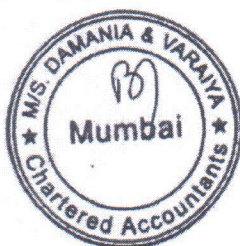
Para 3 (j) - Refer Note no 8 regarding strengthen of Internal control.

Para 3 (k) - Refer Note no 9 regarding reconciliation of receivable and payable accounts.

Para 3 (l) - Refer Note no 10 regarding Share Warrant Application Money.

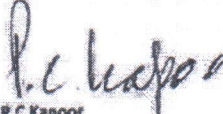
Para 3 (m) - Refer Note no 11 regarding Componentisation of Fixed Asset depreciation.

Para 3 (n) - Refer Note no 12 regarding appointment of Internal Auditor.



6 Additional comments from the board/audit committee chair:

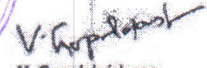
Board/Audit committee is monitoring the above.


P.C. Kapoor
Managing Director

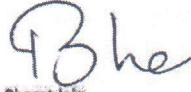

Mr. A.L. Muralidharan
Chairman of Audit Committee

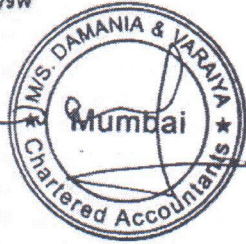



Vijay Kumar
Managing Director


V. Gopalakrishnan
President Finance and Company Secretary

For Damania & Varaiya
Firm Registration No: 102079W
Chartered Accountant


Bharat Jain
Partner
Membership No: 100583



Place : Mumbai
Date : 30th May, 2016.