M V Damania & Co

Chartered Accountants

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LIMITED REVIEW REPORT

To,
The Board of Directors
BHARATI SHIPYARD LIMITED

1. We have reviewed the accompanying statement of unaudited financial results of **BHARATI SHIPYARD LIMITED (the company)** for the quarter ended 30th June, 2014 ("the Statement"), being submitted by the Company pursuant to the requirement of clause 41 of the Listing Agreements with Stock exchanges in India, except for the disclosures in Part II – Select Information referred to in paragraph 5 below. 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 results based on our review.

2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Financial Statements are free from material misstatements. A review is limited primarily to inquiries of company personal and analytical procedures applied to financial data and thus provide less assurance than audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. Based on review conducted as above and subject to:

   a. *The Company has stated the Work in Progress ("WIP") in the financial statements at Rs. 3,62,997 lakhs as on 30th June 2014. As per the valuation report of Independent Chartered Engineers as on 31st March 2014, the WIP is overstated by Rs 36,607 lakhs. The Management has not written off the said excess WIP of Rs 36,607 lakhs in the accounts for the year ended 31st March, 2014 and also in quarter ended 30th June, 2014. In our opinion, considering the report of the Independent Chartered Engineer, the Company ought to have written off excess WIP (vessels under constructions) to the extent of Rs. 36,607 lakhs in its Statement of Profit and Loss for the quarter ended 30th June, 2014. Had the same been accounted for, the net loss for the quarter ended 30th June, 2014 would have been higher by Rs. 36,607 lakhs and the accumulated losses as at that date would have been higher by some amount. Further to that we are unable to comment on the valuation of work in progress stated at Rs 3,62,997 lakhs as on 30th June 2014 .*

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b. *As on 30th June, 2014, the Deferred Tax Assets (DTA) (Net) aggregating to Rs 16,281 lakhs is stated in the financial statements of the Company. In our opinion, the DTA need not be recognised in view of consistent losses in the past and of uncertainty regarding estimation of future profit with reasonable certainty and hence the DTA should be written off in the books of accounts. Had the management, written off the DTA, the loss for this quarter would be higher by Rs 16,281 lakhs and the accumulated losses as at that date would have been higher by the same amount.*

c. *Banks has made payment aggregating to Rs. 73,041 lakhs on account of bank guarantee invoked by the customers, along with Interest of Rs. 22,846 lakhs and foreign exchange variation of Rs.28,737 lakhs and has charged further interest of Rs. 13,211 lakhs on such invoked bank guarantee payments upto 30th June 2014. The Company has not made any provision in its financial statements in respect of any of the above payments made by the banks. The Company has filed a suit before the Hon'ble City civil court, Mumbai against the lending banks for payment of such invoked refund bank guarantees. In view of the pending litigation and the uncertainty of outcome of such pending litigation, we are unable to quantify its effect that may arise upon settlement of such litigation on the financial results for the quarter ended 30th June, 2014.*

d. *The Company's has recognised for subsidy of Rs 84,178 lakhs under Ship Building Subsidy Scheme in earlier years and has already received Rs 19,385 lakhs till quarter ended June 30, 2014. 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 view of the uncertainty involved as mentioned above, we are unable to comment on the recoverability or otherwise of the aforementioned Subsidy receivable amounting to Rs. 64,793 lakhs. Therefore, the impact of the same on the financial results for the quarter ended 30th June 2014 cannot be ascertained.*

e. *The Company had been referred to CDR Cell on 16th December, 2011, but the financing arrangements under the scheme have been partly implemented. The said CDR scheme has been subsequently revoked by State Bank Of India being a monitoring institution vide its letter dated June 14, 2014. Some of the lenders have transferred there right, title and interest in financial assistances to Edelweiss Asset Reconstruction Company Limited (EARC). We draw attention to Note no. 8 of the unaudited financial result which indicates that the Company has continuously been incurring substantial losses since past few years and Company has also incurred a net loss of Rs 18,047 lakhs during quarter ended June 30, 2014. As of this date, the Company's total liabilities exceed its total assets by Rs 34,477 lakhs and its net worth has been fully eroded.*

   These financial statements have been prepared on a going concern basis, which is dependent upon company successful financial restructuring including raising requisite finance for its revival and consequent generation of future cash flow to meets its obligations. These conditions along with other matters as set forth in Note no.8 of the unaudited financial result indicate the existence of material uncertainty that may cast doubt about the Company's ability to continue as going concern.

f. *The Company had made aggregate loans and advances of Rs. 91,048 lakhs to its subsidiaries for investment in GOL Offshore Ltd (GOL). As per the latest audited financial statements of GOL as on 31st March 2014 and quarterly results for the period ended 31st*

December 2014, there are continuing defaults in repayment of loans including invokation of some of the corporate guarantees and its cash flows are under financial stress. In the opinion of the management, the company is under temporary financial stress and will be able to restructure its debts with the lenders and Investment in GOL being strategic and long term in nature and hence the loans and advances given are recoverable and no provisioning is required against the same. We are unable to comment on the recoverability of the Loans and Advances and the diminution in value of the investments and ascertain its impact, if any, on the financial statements.

g. *The Company had made aggregate loans and advances of Rs. 8,499 Lakhs to its subsidiary for investment in Tebma Shipyard Limited (TSL). As per the latest audited statements as on 31st March 2014, TSL has been incurring cash losses and its net worth has substantially eroded and its cash flows are under stress. In the opinion of the management, the investment is strategic and long term and the diminution in value of Investment is temporary and the loans and advances given are recoverable and no provisioning is required against the same. We are unable to comment on the recoverability of the Loans and Advances and the diminution in value of the investments and ascertain its impact, if any, on the financial statements.*

h. *The Company has made investment including loans and advances amounting to Rs. 3,185 lakhs in Bengal Shipyard Limited (Bengal). As per the latest audited statements as on 31st March 2014, Bengal is yet to start its business operations due to pending approvals and problems associated with acquisition of land from Govt of West Bengal. Due to procedural and other delay associated with land acquisition and other approvals leading to inordinate delay in commencement of business operation, we are unable to comment on the recoverability of the Loans and Advances and the diminution in value of the investments and ascertain its negative impact, if any, on the financial statements. In the opinion management, the investment is strategic and long term in nature and the loans and advances given are recoverable and no provisioning is required against the same.*

i. *Confirmation / bank statements fromsome banks and Edelweiss Asset Reconstruction Company Limited (EARC) with respect to secured loans outstanding as on June 30, 2014 were not made available for verification. Hence the effect due to pending reconciliation with the books of accounts, if any, on quarterly result remains unascertained.*

j. *Interest provision on borrowings from banks and Edelweiss Asset Reconstruction Company Limited (EARC) has been made in the accounts under simple interest method at the prevailing / estimate rates on such loans in absence of documents / confirmations and statements from the banks and EARC. The impact of calculation of interest on simple interest method instead of compound interest method has not been ascertained.*

k. *Management has informed us that the 'recoverable amount' of assets within the meaning of AS 28 "Impairment of Assets" is more than their carrying value and as such no amount needs to be recognised in the financial results for impairment loss. We have not been able to validate this assertion in the absence of valuation report of an independent agency and the uncertainty of resumption of future operation / results of operations thereafter.*

l. *In absence of relevant documents / confirmations from banks, we are unable to comment on current status of Margin deposit with banks amounting to Rs 29,403 Lakhs.*

m. *The Management has not restated some of the creditor's liabilities in foreign currency as required by AS-11 "The Effects of Changes in Foreign Exchange Rates". In absence of relevant details and information, we are unable to quantify its effect on the financial results for the quarter ended 30th June 2014.*

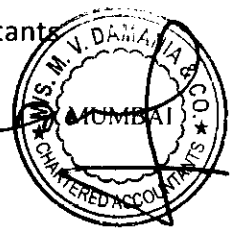
n. *Internal control system in relation to timely and proper recording of the expenses transaction needs to be strengthened.*

o. *Due to pending reconciliation and confirmation of Trade Receivables, Loan and Advances and Trade Payables, we are unable to comment upon its effect on the financial results of the quarter ended 30th June, 2014.*

4. Based on our review conducted as above, *except for the possible effects of matters stated in paragraph 3 above,* nothing has come to our attention that causes us to believe that the accompanying statement has not been prepared in accordance with the accounting standards specified under the Companies Act, 1956 (which are deemed to be applicable as per Section 133 of the Companies Act 2013, read with the Rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India, and has not disclosed the information required to be disclosed in terms of clause 41 of the Listing Agreement with the Stock Exchanges, including the manner in which it is to be disclosed, or that its contains any material misstatement.

5. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged / encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of clause 35 of the Listing Agreements with the Stock Exchanges and the particulars relating to investor complaints disclosed in Part II – Select information for the quarter ended 30th June, 2014 of the Statement, from the details furnished by the Management.

For M V Damania & CO
Firm Registration No. 102079W
Chartered Accountants



CA Bharat Jain
Partner
Membership No. 100583
Place: Mumbai
Date: 19th February, 2015