INDEPENDENT AUDITORS' REPORT

TO,
THE BOARD OF DIRECTORS,
BHARATI SHIPYARD LIMITED,

1. We have audited the accompanying Statement of Standalone Financial Results of **BHARATI SHIPYARD LIMITED** ("the Company") for the quarter and year ended 31st March, 2014 ("the Statement"), being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreements with the Stock Exchanges, except for the disclosures in Part II - Select Information referred to in paragraph 10 below. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to express an opinion on the Statement, based on our audit of the related annual financial statements, which have been prepared in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India.

2. We conducted our audit of the Statement 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 Statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the Statement. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. Attention is invited to Note 8 of the Statement regarding figures for the quarter ended March 31, 2014 being balancing figures between the audited figures in respect of full financial year and the published year to date figures upto the third quarter of the relevant financial year.

4. Attention is invited to Note 2 of the Statement, regarding Work in Progress carried in the financial statements of the Company at Rs. 3,63,049 lakhs . As per the practice regularly followed by the Company, valuation of Work in Progress was carried out as on March 31, 2014 by an Independent Professional Valuer. As determined by the Independent Professional Valuer in the Valuation Report obtained by the Company, net realisable value of Work in Progress is in excess of book value to the extent of Rs. 36,607 lakhs due to decrease in the construction revenue and increase in the construction costs on account delay in the project, penalties and damages, replacement of materials, etc. The Management has not written off the said excess Work in Progress of Rs. 36,607 lakhs in the accounts for the year ending March 31, 2014. In our opinion, considering the report of the Independent Valuer, the Company ought to have written off the Net Realisable Value of vessels under constructions to the extent of Rs. 36,607 lakhs in its Statement of Profit & Loss for the year ended March 31, 2014. Had the same been accounted for, the net loss for the quarter ended March 31, 2014 would have been higher by Rs. 36,607 lakhs and the accumulated losses as at that date would have been higher by the same amount. Our audit opinion on the financial statements for the year ended March 31, 2014 is qualified in respect of the above matter.

DPH & Co. MUMBAI

5. Attention is invited to Note 3 of the Statement, regarding Deferred Tax Asset created by the Company. The Company has created deferred tax asset of Rs. 33,097 lakhs on its Accumulated Losses (including unabsorbed depreciation) and on the unpaid interest (including Funded Interest Term Loans). 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 the creation of Deferred Tax Asset. Had the Deferred tax asset not been created, the net loss for the year ended March 31, 2014 would have been higher by Rs. 33,097 lakhs and the accumulated losses as at that date would have been higher by the same amount. Our audit opinion on the financial statements for the year ended March 31, 2014 is qualified in respect of the above matter.

6. Attention is invited to Note 4 of the Statement, regarding bank guarantees invoked by Customers of Rs. 73,041 lakhs and paid by the bank, interest of Rs. 22,846 lakhs paid by the bank to the Customers on such invoked bank guarantees, foreign exchange variation of Rs. 28,737 lakhs on such bank guarantee payments and further interest of Rs. 7,467 lakhs charged by bank on such bank guarantee payments. The Company has not made any provision in its financial statements in respect of any of the above. The Company has filed a case before the City Civil Court Mumbai against the lending banks for payment of such invoked bank guarantees. In view of the pending litigation and the uncertainty of outcome of such pending litigation, we are unable to quantify and comment upon the liability that may devolve on the Company on account of such invoked bank guarantees. Our audit opinion on the financial statements for the year ended March 31, 2014 is qualified in respect of the above matter.

7. As on March 31, 2014, the company's receivables include Subsidy receivable from the Government of India amounting to Rs. 66,060 lakhs. The receipt of the 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. 66,060 lakhs. Therefore, the impact of the same on the Losses for the year ending March 31, 2014 cannot be ascertained. Our audit opinion on the financial statements for the year ended March 31, 2014 is qualified in respect of the above matter.

8. Based on our audit conducted as stated above, in our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in paragraph 4 to 7 above, the Statement:

   a. is presented in accordance with the requirements of Clause 41 of the Listing Agreements with the Stock Exchanges; and

   b. gives a true and fair view in conformity with the accounting principles generally accepted in India of the net profit/loss and other financial information of the Company for the Quarter and Year ended March 31, 2014.

DPH & Co. MUMBAI Chartered Accountants

9. Without qualifying our opinion, we draw Attention to Note no. 1 and Note no. 30 of the Significant Accounting Policies and Notes to Accounts forming part of the financial statements which indicates that the Company is undergoing the process of Financial Revival and Restructuring. We also refer to our qualifications in point nos. 4 to 7 herein above. The appropriateness of assumption of going concern of the Company is dependent upon the successful financial restructuring including raising of requisite finance for its revival and consequent utilisation of the infrastructure to generate cash flows in future to meet its obligations.

10. 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 and year ended 31st March 2014 of the Statement, from the details furnished by the Management.

For M/s DPH & Co.
Chartered Accountants
(Firm Registration No. 128862W)



CA. Apeksha Gada
Partner
(Membership No. 139282)

Mumbai, 08th September, 2014