Natvarlal Vepari & Co.
CHARTERED ACCOUNTANTS

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Limited Review Report

Review Report to
The Board of Directors
Gammon India Limited

1. We have reviewed the accompanying statement of unaudited Standalone financial results of Gammon India Limited ('the Company') for the quarter ended June 30, 2014 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding', which have been traced from disclosures made by the management and have not been audited by us. 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 the Statement based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (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 Statement is 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.

3. We did not review the financial statements of Gammon India Limited – Nagpur Branch, which was reviewed by the Branch Auditors 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.

4. *Basis For Qualified Conclusion*
   a. *The accounts of one of the subsidiaries M/s Franco Tosi Meccanica S.p.A (FTM) have not been audited since December 2011 for reasons mentioned in note 2 of the Statement which inter-alia covers the application for pre-insolvency composition agreement with creditors in Italian court and delays in conclusion of the process of restructuring. In the light of the on-going procedure the Commissioner in charge of the restructuring procedure has not released any financials. There are therefore no financials available after December 2012 being the date when the Management prepared the last financial statements, which were subject to audit. The commissioner has on April 22, 2014 has set out a tender for conveyance of the business unit of the said FTM to prospective bidders which has further been extended to end of September 2014. The management had during the year ended 31st March 2013 on a prudent basis made an ad-hoc provision towards possible impairment towards the investment in FTM. Notwithstanding the above the management is actively pursuing sale of the stake in FTM as mentioned in Note 2. The group's exposure in the said subsidiary (net of provisions and credit balance in Foreign exchange translation reserve) is Rs. 53373 lacs which includes the loans made and Investments made (net of provisions) of Rs.28950 lacs and the exposure of corporate guarantee towards the borrowing made by the overseas SPV through which the step down subsidiary is held of Rs.29264 lacs. Further there are guarantee exposures towards the non-fund based guarantees given to the projects of the said subsidiary of Rs.64152 lacs outstanding as at 31st December 2013. In the absence of financial statements and financial information after 31st December 2012 we are unable to comment upon the adequacy or otherwise of the provision already made which cannot be quantified.*

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b. *The auditors of M/s SAE Powerlines Srl, Italy (SAE) a subsidiary of the company have expressed their inability to opine on the financial statements in view of the said SAE ability to operate as a going concern being at risk and the directors of the said SAE have highlighted the liquidity crisis. The Company had made provisions for impairment of investments, loans and towards corporate guarantee for acquisition loan of the said SAE, and the net exposure of the company is Rs. 12000 lacs as detailed in Note no.3. In he absence of any business valuations to support the unprovided exposure of Rs.12000 lacs, we are unable to comment on the adequacy of the aforesaid provisions made thereof.*

c. *The Company's Application for waiver of excess managerial remuneration for the Chairman and Managing Director and other executive director is rejected for some of the previous years, partly accepted for some years and no decision has been taken for the balance years. In view of the same no effect has been given in the attached financial statements for the following*

   i. *Recovery of Managerial Remuneration of Rs. 210 lacs for year ended 31st March 2012 for application rejected and partly allowed for which the company has gone into a review appeal. In the case of the Chairman and managing director the review has been rejected and he has since repaid the said amount of 184 lacs. The reply is awaited for the other executive director.*

   ii. *Managerial remuneration paid in excess of limits by Rs. 1098 lacs for the year ended 2012-13 and for the period ended December 2013 for which no decision has been taken*

   iii. *Managerial remuneration paid in excess of limits of Rs.307 lacs for the six months period ended June 2014, for which application is pending to be made.*

5. Without qualifying our review report we re-iterate our emphasis of matter contained in our audit report dated March 18, 2014 on the financial statements for the year ended 31st December 2013 and further updation thereon relating to:

   - Note no 4 of the notes to the Statement of un-audited standalone financial results relating to recoverability of an amount of Rs.15226 Lacs as at March 2014 including Rs.1629 lacs for the quarter under trade receivables where the Company has received arbitration awards/DRB recommendations in its favor in respect of which the client has preferred an appeal for setting aside the said arbitration awards and Rs. 5800 Lacs where the Company is confident of recovery based on advanced stage of negotiation and discussion. The recoverability is dependent upon the final outcome of the appeals & negotiations getting resolved in favor of the company.

   - Note 5 in case of Sofinter S.p.A. where the management has made assertions about the investment and reasons why the same does not require any provision towards diminution in the value of investment and loans provided. Relying on the assertions no adjustments have been made in the financials towards possible impairment.

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6. Subject *to the possible effects of the matters described in our basis for qualified conclusion paragraph* referred to para 4(a) to 4(d) in the Basis of Qualified Conclusion and based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", (notified under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs) 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
Firm registration number:106971W

N Jayendran
Partner
M. No. 40441
Mumbai, Dated : August 13, 2014