GAMMON

14th May, 2014

The National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra - Kurla Complex,
Bandra (East),
Mumbai - 400 051

Bombay Stock Exchange Limited
1st Floor, New Trading Ring,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Dear Sir,

Sub: Outcome of the Board Meeting held on 14th May, 2014

As required under Clause 41 of the Listing Agreement, please find enclosed herewith Unaudited Financial Results of the Company for the first quarter ended 31st March, 2014 along with the Limited Review Report on the same.

The aforesaid results, duly reviewed by the Audit Committee, have been approved and taken on record by the Board of Directors at its Meeting held on 14th May, 2014.

Kindly take note of the same.

Thanking you,

Yours faithfully,
FOR GAMMON INDIA LIMITED

GITA BADE
COMPANY SECRETARY

Encl.: As above

GAMMON INDIA LIMITED

Unaudited Financial Results for the Quarter Ended 31 March 2014

(Rupees in Lacs)

S.No.	Particulars	Quarter Ended			9 Month Ended
		Unaudited	Audited *	Audited *	Audited
		31 Mar 2014	31 Dec 2013	31 Mar 2013	31 Dec 2013
1	**Income from Operations**				
	Net Sales / Income from Operations	1,14,120	1,01,803	1,63,256	3,27,931
2	**Expenses**				
	Cost of Material Consumed	51,223	43,366	80,045	1,40,582
	Purchases of Stock-in-trade	7,654	5,032	9,109	13,291
	Change in inventory of WIP and FG	4,353	2,035	(10,874)	18,265
	Subcontracting Expenses	24,649	25,034	36,755	77,531
	Employee Benefits Expenses	11,601	10,767	13,818	32,816
	Depreciation and Amortisation	2,762	2,841	2,638	8,330
	Other Expenses	19,034	31,072	23,919	70,705
	Total Expenses	1,21,276	1,20,147	1,55,410	3,61,520
3	**Profit/(Loss) from Operations Before Other Income, Finance Costs**	(7,156)	(18,344)	7,846	(33,589)
4	Interest & Other Income	3,331	3,602	2,865	8,444
5	**Profit/(Loss) from Ordinary Activities Before Finance Costs and Forex Fluctuation**	(3,825)	(14,742)	10,711	(25,145)
6	Finance Cost	14,342	14,395	11,789	40,215
7	Forex Fluctuation (Gain) / Loss	334	220	242	(1,346)
8	Exceptional Items	-	28,141	10,664	27,088
9	**Profit Before Tax**	(18,501)	(57,498)	(11,984)	(91,102)
10	Tax Expenses	(1,142)	(12,057)	514	(14,511)
11	**Net Profit/(Loss) for the period**	(17,359)	(45,441)	(12,498)	(76,591)
12	Paid-up Equity Share Capital (Face Value Rs.2/- per Equity Share)	2,716	2,716	2,716	2,716
13	Reserves, excluding Revaluation Reserve as per Audited Balance Sheet				90,726
14	**Earning Per Share (Rupees)**				
	Basic	(12.79)	(33.47)	(9.20)	(56.41)
	Diluted #	(12.79)	(33.47)	(9.20)	(56.41)
A	**Particulars of Shareholding**				
1	Public Shareholding				
	- Number of Shares	8,87,43,314	8,87,43,314	8,83,68,314	8,87,43,314
	- Percentage of Shareholding	65.01%	65.01%	64.74%	65.01%
2	Promoters & Promoter Group Shareholding				
	Pledge/ Encumbered				
	- Number of Shares	4,46,53,699	4,46,53,699	1,15,75,000	4,46,53,699
	- Percentage of Shares				
	(as a % of total Shareholding of Promoter & Promoter group)	93.50%	93.50%	24.05%	93.50%
	(as a % of total Share Capital of the Company)	32.72%	32.72%	8.48%	32.72%
	Non-encumbered				
	- Number of Shares	31,03,455	31,03,455	3,65,57,154	31,03,455
	- Percentage of Shareholding				
	(as a % of total Shareholding of Promoter & Promoter group)	6.50%	6.50%	75.95%	6.50%
	(as a % of total Share Capital of the Company)	2.27%	2.27%	26.78%	2.27%

B	**Investor Complaints**	
	Pending at the beginning of the period	0
	Received during the period	3
	Disposed of during the period	3
	Remaining unresolved at the end of the period	0

 # Since the options granted are anti dilutive hence diluted EPS is not computed

** Refer Note 9*

Notes:

1. The Financial Results for the quarter ended March 2014 were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on 14 May 2014 and have been subjected to limited review by the Statutory Auditors of the Company as required by Clause 41 of the listing agreement.
2. The application for a pre-insolvency procedure filed by FTM was admitted by the court of Milan on 7 June 2013 after having received confirmation of the possibility of continuity of the company, by calling for bids for the lease of its business. The successful bidder for the lease was foreseen to be finalized by early December 2013. However the commissioner has revised the procedure by which, instead of lease of a business the bidder will have to place an offer for outright sale of operational business to prospective bidders. The date of bid submission is finalized as 30 June 2014. In light of the ongoing procedure no financial statements of the company have been released to date and it is expected that this will not be released until the entire process is complete. Further the step down subsidiary holding the shares of FTM has entered into a memorandum of understanding with intended purchaser for sale of its investment in FTM. The sale purchase agreement is however subject to the regulators, bankers and shareholders' approval.
3. The Auditors of M/s SAE Powerlines S.r.l, Italy (SAE), a subsidiary of the Company have expressed their inability to opine on the financial statements in view of the said SAE's 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 entered in to an MOU for sale of the said SAE that was subject to approvals of the bankers and the regulatory authorities, which has since been cancelled. The Company has exposure towards investment and guarantee against acquisition loan. In the previous year following principle of conservatism the Company has made a provision of Rs.11045 Lac and Rs.8829 Lac towards guarantees given for acquisition loan taken by SPV and the net exposure of the company is Rs.12000 Lac. The company is taking steps to draw up a business plan and for the revival of the company and carry out a business valuation of the same considering the strong references that the company holds in the international markets.
4. In respect of the projects undertaken by the company, in furtherance to the recommendation of the Dispute Resolution Board (DRB) and arbitration awards in the company's favour, the company has recognized income to the extent of Rs.15226 Lac including Rs.1629 Lac for the quarter which is part of Long Term trade receivable. The Company contends that such awards have reached finality for the determination of the amounts of such claims and are reasonably confident of recovery of such claims although the client has moved the court to set aside the awards. Considering the fact that the Company has received favourable awards from the DRB and the arbitration tribunal, the Management is reasonably certain that the claims will get favourable verdict from the courts. The Company had also recognised revenue of Rs.5800 Lac in respect of one of the project based on advanced negotiation and discussion with the client and is confident of realising the same, pending the final revision in contract value.
5. The Company's exposure towards Sofinter group is Rs.57503 Lac as at March 2014 including Investments and guarantees towards the acquisition loan taken by the SPV. The Company has carried out valuation of Sofinter group through an independent valuer considering business plan of all companies within the Sofinter group, order book position and economic environment where the company is operating. The carrying value is higher compared to the valuation by Rs.14832 Lac. The management is of the view that valuation carried out is based on current European scenario whereas growth option to various sub-continents in future cannot be ruled out. The management asserts that the valuation does not factor future growth when the world economies including those in Russia/CIS and USA improve and therefore considering the long term commitment of the management and its business plan, the management does not expect any provision towards diminution in the value of Investment in Sofinter. The management is of the view that the diminution in the value being the difference in the carrying value of investment over the valuation carried out by the external valuer is temporary in nature and does not require provisioning. Hence, based on valuation report and management perception for future scenario, the carrying value of investment in this group does not require any impairment.

6. The Auditor has qualified their audit report on the following matters-
   a) Their inability to opine on the adequacy of the provision towards impairment relating to investment in Franco Tosi Meccanica S.p.A. (FTM), step down subsidiary.
      Management Response:
      In view of the facts stated in note 2 above the final decision can be taken only after the completion of the proceeding including getting bids and the approval for the stake sale.
   b) Their inability to opine on the adequacy of provision for impairment relating to Investment and advance in SAE S.r.l. step down subsidiary of the Company.
      Management Response:
      In view of the facts stated in note 3 above the management feels that considering business prospects further provisions are not required.
   c) The Company's application for waiver of excess remuneration of Rs.184 Lac paid to CMD and Rs.25 Lac paid to an Executive Director during the year 2011-12 has been rejected. The Company has preferred a representation to the Ministry to reconsider its decision and reply is awaited.
      The Company's application for payment of remuneration to Chairman & Managing Director for the year 2012-13 of Rs.685 Lac, 2013-14 of Rs.414 Lac and during the quarter of Rs.162 Lac is pending for approval with the Central Government.
7. Exceptional items of previous period represent provision towards risks and contingencies, impairment of its investments/advances and reversal of interest costs (net of expenses) related to CDR implementation.
8. The Company is engaged mainly in "Construction and Engineering" segment. The Company also has "Real Estate Development" and Windmills as other segments. Revenue from such activities 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 in respect of these segments.
9. The figures for the quarter ended December 2013 are the balancing figures between audited figures for the nine months and the unaudited year to date figures for the period ended September 2013 which was subjected to limited review by the auditors of the company. Similarly the figures for the quarter ended March 2013 are the balancing figures between the audited figures in respect of year ended March 2013 and the unaudited year to date figures for the period ended December 2012 which were subject to limited review by the auditors of the company
10. The Company has closed its previous financial year as at 31 December 2013 (9 months).
11. Corresponding figures of the previous period have been regrouped / rearranged wherever necessary.

For **Gammon India Limited**

Abhijit Rajan
Chairman & Managing Director
Mumbai, 14 May 2014

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 March 31, 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 is expected to be concluded in July 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. 557.33 cores which includes the loans made and Investments made of Rs.353.70 crores and the exposure of corporate guarantee towards the borrowing made by the overseas SPV through which the step down subsidiary is held of Rs.291.62. Further there are guarantee exposures towards the non-fund based guarantees given to the projects of the said subsidiary of Rs.644.92 crores outstanding*

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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.

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 entered into an MOU for sale of the said SAE which was subject to approvals of the bankers and the regulatory authorities, has since been cancelled. 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. 120 crores as detailed in Note no.3. In view of the cancellation of the MOU and in the absence of any business valuations to support the unprovided exposure of Rs.120 crores, we are unable to comment on the adequacy of the aforesaid provisions made thereof.*

c. *The Company's Application for managerial remuneration for the Chairman and Managing Director and other executive directors 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. 2.10 crores for year ended 31st March 2012 and 2013 for application rejected and partly allowed for which the company has gone into a review appeal.*
   ii. *Managerial remuneration paid in excess of limits of Rs. 10.98 crores for the period ended December 2013 for which no decision has been taken*
   iii. *Managerial remuneration paid in excess of limits of Rs.1.62 crores for the quarter ended March 2014, for which no decision has been taken.*

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.152.26 crores as at March 2014 including Rs.16.29 crores 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. 58.00 crores 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.



Natvarlal Vepari & Co.
CHARTERED ACCOUNTANTS

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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(c) 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 : May 14, 2014