

Walker Chandiook & Co LLP

Walker Chandiook & Co LLP
(Formerly Walker, Chandiook & Co)
16th Floor, Tower II
Indiabulls Finance Centre
S B Marg, Elphinstone (W)
Mumbai 400013
India

Review Report of Unaudited Interim Consolidated Financial Statements

T +91 22 6626 2600
F +91 22 6626 2601

To the Board of Directors of Hindustan Construction Company Limited

Introduction

We have reviewed the accompanying Unaudited Interim Consolidated Financial Statements of Hindustan Construction Company Limited ("the Company"), its subsidiaries, associates and joint ventures (collectively referred to as "the Group"), which comprise of Consolidated Balance Sheet as at 31 December 2014, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the nine-month period then ended and a summary of significant accounting policies and other explanatory information (together herein referred to as the "Consolidated Financial Statements"). The management is responsible for the preparation and fair presentation of these Unaudited Interim Consolidated Financial Statements in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). Our responsibility is to issue a report on the Unaudited Interim Consolidated Financial Statements based on our review.

Scope of Review

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. A review of Unaudited Interim Consolidated Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 43(a) of the Unaudited Interim Consolidated Financial Statements, the Independent Auditors of a subsidiary of the Company, Lavasa Corporation Limited ("LCL"), have qualified their review report on the interim financial statements for the nine month period ended 31 December 2014 in respect of matter relating to an Order dated 9 November 2011 of the Ministry of Environment and Forests according environment clearances which are subject to compliance of certain terms and conditions by LCL. LCL has filed an appeal before the National Green Tribunal, New Delhi challenging some of the conditions prescribed in the said order which is pending before tribunal, and the management believes, that the matter will be decided in their favour. In view of the nature of the terms and conditions set therein, we are unable to comment on the liability in respect of the aforesaid matter that may devolve upon LCL and the consequential impact, if any, on the Unaudited Interim Consolidated Financial Statements. The predecessor auditor's audit report on the consolidated financial statements for the year ended 31 March 2014 was also qualified in respect of the aforesaid matter.



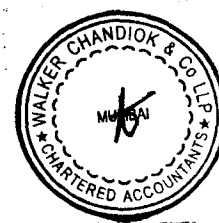
Qualified Conclusion

Based on our review conducted as above and upon consideration of reports of other auditors, *with the exception of the matter described in the Basis for Qualified Conclusion paragraph*, nothing has come to our attention that causes us to believe that the accompanying Unaudited Interim Consolidated Financial Statements prepared in accordance with applicable accounting standards, as notified under the Companies (Accounting Standards) Rules, 2006 read with Rule 7 of the Companies (Accounts) Rules, 2014 in respect of Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies, contains any material misstatement.

Emphasis of Matter

We draw attention to:

- (a) Note 36 to the Unaudited Interim Consolidated Financial Statements, regarding recoverability of unbilled contracts and value of work done, long term trade receivables and short term loans and advances, aggregating Rs.14,910 million, representing various claims recognised in the earlier years in respect of projects which were suspended or substantially closed and where the claims are currently under negotiations/ arbitration/ litigation. Any consequential financial impact, if any, will be known only when these matters are resolved. In the opinion of management, these are fully recoverable and no provision is required. Our review report is not qualified in respect of this matter.
- (b) Note 37(b) to the Consolidated Financial Statements regarding managerial remuneration of Rs. 106.6 million, paid to Chairman and Managing Director for the financial year ended 31 March 2014, which is in excess of the limits prescribed under the provisions of the erstwhile Companies Act, 1956, and for which the Company has submitted review application with the Central Government; however approvals in this regard is pending till date. Pending the outcome of the aforesaid matter, which is presently unascertainable, no recovery of excess remuneration paid has been made. Our review report is not qualified in respect of this matter.
- (c) The Independent Auditors of the Company's Subsidiary, HCC Infrastructure Limited, in their review report on interim financial statement for the nine month period ended 31 December 2014, have drawn attention to the matter stated in Note 14.1 to the Unaudited Interim Consolidated Financial Statements wherein during the period of delay in land acquisition, Raiganj Dalkhola Highways Limited, a subsidiary company, has continued to capitalize cost incurred till date aggregating Rs.1,143.9 million (including interest of Rs.371.8 million), as in the opinion of the management, the cessation of land acquisition is temporary in nature. Our review report is not qualified in respect of this matter.
- (d) The Independent Auditors of the Company's Subsidiary, HCC Real Estate Limited, in their review report on interim financial statement for the nine month period ended 31 December 2014, have drawn attention to the matter stated in Note 14.2 to the Unaudited Interim Consolidated Financial Statements, in respect of the goodwill arising on the consolidation in respect of Lavasa Corporation Limited of Rs. 507 million; which in the opinion of the management does not require any impairment. Our review report is not qualified in respect of this matter.



Walker Chandiok & Co LLP

Other Matter

- (i) We did not review the financial statements of sixty nine subsidiaries, eight associates and three joint ventures (including un-incorporated joint ventures), included in the Unaudited Interim Consolidated Financial Statements whose interim consolidated financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 105,830 million as at 31 December 2014, total revenues (after eliminating intra-group transactions) of Rs. 49,514.6 million, net cash flows aggregating Rs.1,734.7 million for the nine month period then ended and net loss after tax (after eliminating intra-group transactions) of Rs. 4.1 million for the nine month period then ended with respect to the associates. These interim financial statements have been reviewed by other auditors whose review reports have been furnished to us, and our conclusion on the Unaudited Interim Consolidated Financial Statements of the Group for the nine month period then ended to the extent they relate to the interim financial statements not reviewed by us as stated in this paragraph, is based solely on the review reports of the other auditors. Our review report is not qualified in respect of this matter.
- (ii) We did not review the interim financial statements of three subsidiaries and six joint ventures (including un-incorporated joint ventures), included in the Unaudited Interim Consolidated Financial Statements, whose interim financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 229.1 million as at 31 December 2014; total revenues (after eliminating intra-group transactions) of Rs. 12 million and net cash flows aggregating Rs. 1.5 million for the nine month period ended 31 December 2014. These interim financial statements have been certified by the Company's management and our conclusion on the Unaudited Interim Consolidated Financial Statements of the Group for the nine month period then ended to the extent they relate to these subsidiaries and joint ventures, is based solely on such management certified interim financial statements. Our review report is not qualified in respect of this matter.
- (iii) In respect of investment in an associate valued at Re. 1 in the Unaudited Interim Consolidated Financial Statements of the Group, no adjustments have been made in the Unaudited Interim Consolidated Financial Statements as at 31 December 2014 as the financial statements of this associate were not available. Our review report is not qualified in respect of this matter.
- (iv) The Consolidated Financial Statements for the year ended 31 March 2014 were audited by another auditor, Messrs K. S. Aiyar & Co., Chartered Accountants, who had expressed a modified opinion on those consolidated financial statement, vide their audit report dated 2 May 2014. Our review report is not qualified in respect of this matter.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No: 001076N/N500013

Amyr Jassani
Per Amyr Jassani

Partner

Membership No. 46447

Place: Mumbai

Date: 6 April 2015