GAMMON INDIA LIMITED

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STATEMENTS OF CONSOLIDATED UNAUDITED RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2019

(₹ in Crore)

Sr No	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		31-Dec-19	30-Sep-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Mar-19
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Income**						
	a) Revenue from Operations	8.67	21.18	259.76	58.87	773.96	984.38
	b) Other Income	41.15	(14.94)	(46.90)	48.41	70.06	78.31
	Total Income	**49.82**	**6.24**	**212.86**	**107.28**	**844.01**	**1062.69**
2	**Expenses**						
	a) Cost of Sales	2.44	2.44	382.87	11.01	730.96	770.67
	b) Purchases of stock-in-trade	-	-	-	-	-	0.09
	c) Changes in inventories of finished goods, work-in progress and stock-in-trade	-	-	-	-	-	-
	d) Subcontracting Expenses	3.59	13.34	21.27	37.87	49.65	127.56
	e) Employee benefits expense	2.36	2.18	2.46	7.21	7.93	28.54
	f) Finance Costs	176.85	172.50	161.50	516.32	505.05	683.71
	g) Depreciation & amortization	2.76	2.82	3.03	8.39	9.13	13.46
	h) Other expenses	(18.70)	28.20	10.58	15.83	79.39	203.50
	Total Expenses	**169.30**	**221.48**	**581.70**	**596.63**	**1382.09**	**1827.53**
3	**Profit/(Loss) before exceptional items and tax (1-2)**	**(119.48)**	**(215.24)**	**(368.84)**	**(489.35)**	**(538.10)**	**(764.85)**
4	Exceptional items (Income)/Expense	-	-	(37.96)	-	206.26	443.32
5	**Profit/(loss) before share of (profit)/loss of associates and joint ventures and tax (3-4)**	**(119.48)**	**(215.24)**	**(330.88)**	**(489.35)**	**(744.36)**	**(1208.17)**
6	Share of profit/(loss) of associates and joint ventures	-	-	(8.75)	(5.82)	(14.28)	**(79.33)**
7	**Profit/(loss) before tax (5-6)**	**(119.48)**	**(215.24)**	**(339.63)**	**(495.17)**	**(758.64)**	**(1287.50)**
8	**Profit/(Loss) from continuing operations**	**(119.48)**	**(215.24)**	**(339.63)**	**(495.17)**	**(758.64)**	**(1287.50)**
9	**Tax expenses**						
	Current Tax	-	-	8.02	-	8.02	8.01
	Excess/Short Provision of Earlier years	-	-	-	-	-	0.03
	Deferred Tax Liability/(asset)	0.12	0.12	0.23	0.64	3.45	0.90
	Total tax expenses	**0.12**	**0.12**	**8.25**	**0.64**	**11.47**	**8.94**
10	**Profit/(Loss) for the period from continuing operations (8-9)**	**(119.60)**	**(215.36)**	**(347.88)**	**(495.83)**	**(770.11)**	**(1296.44)**
11	**Profit/(Loss) from discontinued Operations**						
12	**Tax expenses**						
	Current Tax	-	-	-	-	-	-
	Excess/Short Provision of Earlier years	-	-	-	-	-	-
	Deferred Tax Liability/(asset)	-	-	-	-	-	-
	Total tax expenses	**-**	**-**	**-**	**-**	**-**	**-**
13	**Profit/(Loss) from Discontinued Operations after Tax (11-12)**	**-**	**-**	**-**	**-**	**-**	**-**
14	**PROFIT FOR THE YEAR (10) + (13)**	**(119.60)**	**(215.36)**	**(347.88)**	**(495.83)**	**(770.11)**	**(1296.44)**
15	**Other Comprehensive Income:**						
	Items that will not be reclassified to profit or loss:						
	- Remeasurements of the defined benefit plans [net of tax]	(0.01)	(0.01)	(0.06)	(0.30)	(0.01)	(0.14)
	Items that will be reclassified to profit or loss	-	-	-	-	-	
	- Exchange differences through OCI	(56.77)	26.81	60.68	(44.42)	(11.81)	46.56
	- Net gain/ (loss) on fair value of equity instruments through OCI	-	-	-	(0.08)	-	(32.42)
	Other Comprehensive Income for the year	**(56.78)**	**26.80**	**60.62**	**(44.80)**	**(11.82)**	**14.00**
16	**Total Comprehensive Income/(Loss) For The Period**						
	Profit for the year attributable to:						
	- Owners of the Company	(119.68)	(215.58)	(330.49)	(495.36)	(710.00)	(1209.89)
	- Non- Controlling interest	0.08	0.22	(17.39)	(0.47)	(60.11)	(86.55)
17	**Other Comprehensive Income attributable to:**						
	- Owners of the Company	(56.78)	26.80	60.62	(44.80)	(11.82)	13.99
	- Non- Controlling interest	-	-	-	-	-	0.01
18	**Total Comprehensive Income attributable to:**						
	- Owners of the Company	(176.46)	(188.78)	(269.87)	(540.16)	(721.82)	(1195.90)
	- Non- Controlling interest	0.08	0.22	(17.39)	(0.47)	(60.11)	(86.54)
19	**Earnings per equity share**						
	Basic	(3.24)	(5.84)	(8.96)	(13.43)	(19.25)	(32.80)
	Diluted	(3.24)	(5.84)	(8.96)	(13.43)	(19.25)	(32.80)

See accompanying notes to the financial results

Notes:

1. The Consolidated Financial Results for the quarter and nine months ended December 31, 2019 were reviewed by the Audit Committee and approved by the Board of Directors of the Company at its meeting held on 5th March, 2020 and have been subjected to limited review by the Statutory Auditors of the Company.

   The Statutory auditors have carried out "Limited Review" of the results only for the quarter and nine months ended December 31, 2019. The Financials and Other financial information for the quarter ended December 31, 2018 have not been subjected to limited review. However, management has exercised due diligence to ensure that such financial results provide true and fair views of its affairs.

2. The Consolidated financial statements have been prepared in accordance with the Companies (Indian Accounting Standards) Regulations, 2015 specified under Section 133 of the Companies Act, 2013, read with relevant Rules thereon and other accounting principles generally accepted in India.

3. The auditors have qualified their report in respect of the following matters -

   a) The Company had evaluated its claims in respect of on-going, completed and/or terminated contracts in the earlier periods which amounts to ₹ 894.41 crore as at December 31, 2019 with the help of an independent expert in the field of claims and arbitration who had assessed the likely amount of claims being settled in favour of the Company. The management contends that there is no change in position during the quarter and the same are due to them and they have a very good chance of realization.

   b) There are disputes in four projects of the Company. The total exposure against these projects is ₹ 253.38 Crore consisting of receivable of ₹ 140.48 crores, inventory ₹ 38.72 crore and other receivables ₹ 74.18 crores. The Company is pursuing legal recourse/ negotiations for settling the disputes in favour of the Company and is of the opinion that it has a good case in the matter hence does not require any provision considering the claims of the Company against the Clients.

   c) The Group's exposure to a real estate project being carried out in one of the subsidiary company in Bhopal is ₹ 914.60 crore. Due to slow down in the real estate market the subsidiary company is facing problems in its development and sale. The Company has already made a provision of ₹ 100 crores against its project development inventory based on internal estimates of the realisable value which has been adjusted against its carrying value. The management is confident that there will be no further provision required towards impairment. The subsidiary company is in active discussion with the lenders for the financial support for completion of the project.

   d) During the nine months ended December 31, 2019 two lenders have levied penal interest and charges of ₹ 45.38 Crores. Total amount of penal interest amount to ₹ 164.09 Crores up to December 31,2019. The management is disputing the same and has not accepted the debit of penal interest and charges in its books. They have also requested the lenders to reverse the same.

4. The auditors of one subsidiary Ansaldo Caldaie Boilers India Limited of the Company have qualified their limited review report which is being replicated by the Group auditor as follows:

   ACBI had received amounts as share application money of ₹ 16.64 Crores from M/s Ansaldo caldaie S.p.A. for further allotment of shares which were to be issued on terms and conditions to be decided by the Board. However, the Company has neither made the allotment of shares nor refunded the money as per the regulations and provision of the Companies act, 2013 and Reserve Bank of India (RBI). The RBI vide its letter dated August 16, 2018 has asked the Company to refund the money. The Company has replied to RBI asking them to reconsider their directive due to various operational issues. RBI has not responded on the matter till date. The Company has not given any effects to the RBI directive and has disclosed the same as Current Liabilities

5. (a) Material Uncertainty Relating to Going Concern - Holding Company

   The Company's operations have been affected in the last few years by various factors including liquidity crunch, unavailability of resources on timely basis, delays in execution of projects, delays in land acquisition, operational issues etc. The Company's overseas operations are characterized due to weak order booking, paucity of working capital and uncertain business environment. Also the Company's current liabilities exceed the current assets. The facilities of the Company with the CDR lenders are presently marked as NPA since June 2017. The liquidity crunch has resulted in several winding up petitions being filed against the Company by various stakeholders for recovery of the debts which the Company has been settling as per the mutually agreed repayment terms. The liquidity crunch is affecting the Company's operation with increasing severity. The CDR lenders have recalled the various facilities, initiated recovery suits in the Debt Recovery Tribunals as well as filing a winding up petition with the National Company Law Tribunal, Mumbai bench under the Insolvency and Bankruptcy code

   The Company has been making every effort in settling the outstanding CDR dues.

   The Reserve Bank of India had vide its circular no. RBI/2018-19/ 203 DBR.No.BP.BC.45/ 21.04.048/2018-19 dated 7th June, 2019 issued directions for 'Prudential Framework for Resolution of Stressed Assets'. These directions were called the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 and which came into immediate effect i.e. 7th June, 2019

   These directions were issued by RBI with a view to providing a framework for early recognition, reporting and time bound resolution of stressed assets.

   Pursuant to the provisions of the above mentioned directions, all the lenders shall enter into an Intercreditor Agreement (ICA) within 30 days of the issuance of the said circular i.e. within 7th July, 2019 to provide for ground rules for finalisation and implementation of the resolution plan in respect of borrowers with credit facilities from more than one lender. The circular also provided that the ICA shall be binding on all the lenders, if the decision is agreed by lenders representing 75% by value of total outstanding and 60% of lenders by number

   To take into consideration the above mentioned circular issued by RBI and the execution of the ICA, ICICI Bank Limited being the lead monitoring institution of the CDR Lenders, invited all the lenders for a consortium meeting held on 4th July, 2019. Based on the discussions at the aforementioned consortium meeting the execution of the ICA was scheduled on 5th July, 2019.The ICA was executed by all the lenders.

   Pursuant to the execution of the ICA the lenders appointed M/s Deloitte Touche Tohmatsu India LLP as Process Advisory (PA) in the resolution process of the Company. Subsequent to the above mentioned appointment the representatives of Deloitte attended one of the Joint Lenders Meeting held on 13th January, 2020, wherein the plans regarding the way forward on the resolution process were presented. Pursuant to the quotes sought by Deloitte from various valuers and legal consultants to carry out the valuation of the Company and estimation on the recoverability of arbitration claims of the Company, the quote received from Duff and Phelps (D&P) was found to be lower as compared to others. Based on the recommendation by Deloitte the Company signed an engagement letter with Duff and Phelps (D&P) on such terms and conditions as directed by IDBI Bank.

   The Company had received a proposal from an Investor who had evinced interest in acquiring major stake in the Company and the draft proposal from the Investor was received earlier. At the said meeting of 13th January 2020 the investor has been asked to provide the revised plan for the consideration of the lenders, which is under preparation.

   The management is hopeful of being successful in accomplishing its objective and servicing the debt and maintain its going concern status.

   Therefore, in the view of the management the going concern assumption of GIL is intact and these financials are prepared on a going concern basis. The above action plan of the Company for repaying the debts and servicing the same is exposed to material uncertainties including the necessary value of the balance stake being available and realisation of the claim amounts filed by the Company, monetisation of the stake sale of investments and also the acceptance of the Investors proposal by the lenders.

   (b) Material Uncertainty Relating to Going Concern - Subsidiary Companies

   Ansaldo Caldaie Boilers India Pvt Ltd

   The Company is facing difficulties and material uncertainties relating to Operations and cash flows which is significantly impairing its ability to continue as a going concern. These conditions indicate the existence of significant uncertainty over the cash flows expected and the company`s ability to continue as a going concern. Our report is not qualified on this matter.

6. The Company in evaluating its jobs has considered an amount of ₹ 7.56 Crore relating to the likelihood of the claim materializing in favour of the Company, arising out of claims for work done, cost overruns arising due to client delays, changes of scope, escalation claims, variation orders, deviation in design and other charges recoverable from the client which are pending acceptance or certification by the client or referred the matter to the dispute resolution board/arbitration panel.

   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 ₹ 235.77 Crore, 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 favorable awards from the DRB and the Arbitration Tribunal, the management is reasonably certain that the claims will get favorable verdict from the courts.

7. The Company has receivable including retention and work in progress aggregating to ₹ 44.51 Crore (inventory - ₹ 21.19 crores and receivables ₹ 23.32 crores) in various jobs relating to the Real Estate Projects due to the problems faced by the Real Estate Sector. The management is confident of ultimate recovery considering its contractual position and therefore no adjustments are required to be made in respect of such contracts.

8. The Company's funded and non-funded exposure towards Franco Tosi Mecannica S.p.A (FTM) group is ₹ 717.59 crores (fully provided) including Investments and guarantees towards the acquisition loan taken by the SPV. The commissioner in charge of the Extraordinary Administration of Franco Tosi Meccanica S.p.A. had already concluded the sale of the operating business of FTM to the successful bidder and has commenced the disposal of the non-core assets (i.e. those assets which were not part of the sale of operating business), which includes 60 acres of land in Legnano, Italy. The commissioner has not started the actual disposal of the property. However the liabilities to be discharged against the surplus on disposal (net of tax) are not yet crystallised and firmed up as on date. The Commissioner of the said FTM has released summarized statement of affairs from July 2016 to December 2016 from which the values of assets and liabilities to be discharged there against are unclear.

   The management was expecting that the value of the non core assets would be sufficient to cover the exposure of the company. However there has been no progress in the matter either for the disposal of the non core assets or ascertainment of the value of the non core assets by the commissioner in charge of the Extraordinary Administration of Franco Tosi Meccanica S.p.A. Considering the elapse of time and uncertainties relating to the value of the non core assets and its disposal, the management on a prudent basis has provided for the entire exposure, notwithstanding its ongoing endeavor to recover the value of the non core assets.

9. A fresh valuation of Sofinter for the purposes of determining its fair value has not been carried out because the management is of the view that significant changes in its fair value would not have taken place since the last valuation report dated September 16, 2019 determined for the year ended March 31, 2019. The management proposes to carry out the valuation for the purposes of the full year financial statement ending March 31, 2020.

10. On account of the company being marked as non-performing assets by the lenders no interest has been debited by majority of the lenders. The company has made provision for interest on the basis of the last sanction and last revision of terms. Therefore, the loan balances and finance cost are subject to confirmation and consequent reconciliation, if any.

11. Also one of the Subsidiary i.e. Gactel has been marked as non-performing assets by the lenders.

12. The Company is engaged mainly in "Construction and Engineering" segment. The Company also has "Real Estate Development" 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 Indian Accounting Standard INDAS -108 is done in respect of this segment. Therefore comparative previous period have also not been provided.

13. The application of IND AS 116 "Leases" effective from April 1, 2019, has no impact on the profit and loss for the quarter and nine months ended December 31, 2019 as the Group does not have any right of use assets.

14. Corresponding figures of the previous period have been regrouped/rearranged wherever necessary.

For Gammon India Limited

Anurag Choudhry
Executive Director & CFO
DIN No. 00955456

Mumbai, 5th March, 2020