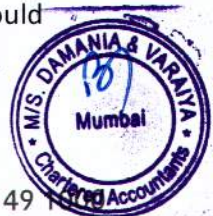


INDEPENDENT AUDITORS LIMITED REVIEW REPORT

To,
The Board of Directors
BHARATI SHIPYARD LIMITED

We have reviewed the accompanying statement of unaudited financial results of **BHARATI SHIPYARD LIMITED** (the company) for the quarter and half year ended 30th September, 2015 ("the Statement"), being submitted by the Company pursuant to clause 41 of the Listing Agreements with Stock Exchanges in India, 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. The 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.

1. We conducted our review of the statement 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. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free from material misstatements. A review is limited primarily to inquiries of company personal 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.
2. Based on review conducted as above and subject to:
 - a) The Company has as on 30th September, 2015 recognised deferred tax asset (net) of Rs. 33,780.95 Lakhs including deferred tax assets (net) of Rs. 278.08 Lakhs and Rs. 3,782.81 Lakhs for the quarter and half year ended 30th September 2015 respectively, on its carried forward accumulated losses (including unabsorbed depreciation), unpaid interest (including Funded Interest Term Loans), disallowance of expenses and employee benefits. 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 creation of Deferred Tax Asset. Had the Deferred tax asset not been created, the net loss for the quarter and half year ended 30th September, 2015 would have been higher by Rs. 278.08 Lakhs and 3,782.81 lakhs respectively and the accumulated losses as at that date would have been higher by Rs.33,780.95 Lakhs.



- b) The Company had issued refund bank guarantees to customers against various advance stage payments received by the Company for construction of vessels. Several of these customers had invoked the Bank Guarantees and Banks have made payment aggregating to Rs. 1,03,936 Lakhs on account of bank guarantee invoked by the customers, along with Interest of Rs. 34,509 Lakhs and foreign exchange variation of Rs.32,845 Lakhs upto 30th September, 2015 and has charged further interest of Rs. 9,027 Lakhs on such invoked bank guarantee payments upto 30th September, 2015. The Company has not made any provision in the statement in respect of above payments made by the banks against invoked Bank Guarantees due to pending litigation with banks as explained in note no. 3 forming part of the statement. In view of the pending litigation and the uncertainty of outcome of such pending litigation, we are unable to comment on the same and its impact, if any, that may arise upon settlement of such litigation, on the statement in respect of above matters.
- c) The Company had recognised for subsidy under Ship Building Subsidy Scheme in earlier years, out of which subsidy of Rs. 64,793 Lakhs is still receivable as on 30th September, 2015. The receipt of 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 our opinion, the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent liabilities and Contingent assets. In view of the uncertainty involved with respect to generation of future cash flow as required for completion of vessels, we are unable to comment on the recoverability or otherwise of the aforementioned subsidy receivable amounting to Rs. 64,793 Lakhs. Therefore, the possible impact of the same on the statement cannot be ascertained.
- d) The Company had been referred to CDR Cell on 16th December, 2011 and the financing Arrangements under the scheme have been partly implemented. The said CDR scheme has been subsequently revoked by CDR EG vide its letter dated 21st August 2014. Most of the lenders including Lead Bankers have transferred their right, title and interest in financial assistances to Edelweiss Asset Reconstruction Company Limited (EARC). EARC is also proposing to come up with various stage wise restructuring plans for debts including reference made to BIFR on 10th April, 2015 to curtail the financial burden of the business cash flows in addition to business operation and management strategy and extending financial assistance.

We draw attention to Note no. 5 of the unaudited financial result, which indicates that the Company has continuously been incurring substantial losses since past few years and Company has also incurred net loss of Rs. 21,992.16 Lakhs and Rs. 28,989.00 Lakhs for the quarter and half year ended 30th September, 2015 respectively. As of reporting date, the Company's total liabilities exceed its total assets by Rs. 1,35,867.33 Lakhs and its net worth has been fully eroded.

The appropriateness of the going concern basis is interalia dependent upon company's successful financial restructuring including raising requisite finance for its revival and consequent generation of future cash flow to meets its obligations. In our opinion, these conditions along with other matters indicate the existence of material uncertainty that may cast doubt about the Company's ability to continue as going concern.



- e) The Company had given loans and advances of Rs. 91,048.18 Lakhs to its subsidiaries, for investment in GOL Offshore Ltd (GOL). GOL has been incurring cash losses and its cash flows are under stress and there are continuing defaults in repayment of loans including invocation of some of the corporate guarantees and in some cases recovery proceedings have been initiated. No provision for non recoverability of loans and advances given is made by the company as explained in note no. 6 (a) forming part of the statement. We are unable to comment on the same and ascertain its possible impact, if any, on the statement in respect of above matters.
- f) The Company had given loans and advances of Rs. 8,497.86 Lakhs to its subsidiary for investment in Tebma Shipyard Limited (TSL). Further an amount of Rs. 70.99 Lakhs is due from TSL on account of trade and other receivables. TSL has been incurring cash losses and its net worth is fully eroded and its cash flows are under stress. No provision for non recoverability of loans and advances given and trade and other receivables is made by the company as explained in note no. 6 (b) forming part of the statement. We are unable to comment on the same and ascertain its possible impact, if any, on the statement in respect of above matters.
- g) The Company had made investment of Rs 22.50 Lakhs and given loans and advances amounting to Rs. 3,184.86 Lakhs in / to Bengal Shipyard Limited (Bengal). Bengal is yet to start its business operations due to pending approvals and issues associated with acquisition of land from Govt of West Bengal. The procedural and other delay associated with land acquisition and other approvals leading to inordinate delay in commencement of business operation. Bengal has been incurring cash losses and its net worth is getting eroded and its cash flows are under stress. No provision for diminution in value of investments and non recoverability of loans and advances given is made by the company as explained in note no. 6 (c) forming part of the statement. We are unable to comment on the same and ascertain its possible impact, if any, on the statement in respect of above matters.
- h) Company has not provided for interest on secured loans including bank guarantee and other debt facility if any (funded as well as non funded) assigned to Edelweiss Asset Reconstruction Company Limited (EARC) by lenders over a period of time. In absence of terms of assignment and other relevant details and information with respect to terms of repayment, rate of interest and other relevant terms for computation of un-provided interest liability, we are unable to quantify its possible impact on the statement in respect of above matters.
- i) Confirmation from Edelweiss Asset Reconstruction Company Limited (EARC) with respect to secured loans assigned by lenders over a period of time and outstanding as on 30th September, 2015 were not made available for verification. Due to pending confirmation and consequent reconciliation with the books of accounts, we are unable to comment on the same and ascertain its impact, if any, on the statement.



j) Company has not provided for interest and other dues on NPA accounts including bank guarantee and other debt facility if any (funded as well as non funded) for which,

(a) it has not received any statement from lenders or in respect of which interest has not been charged in the statement provided by the lenders:

(b) it has received any recall notice, in respect of which interest has not been charged in the statement provided by the lenders.

In absence of relevant details and information with respect to computation of un-provided interest liability and other dues, we are unable to quantify its possible effect, if any, on the statement in respect of above matters.

k) Confirmation / bank statements of secured loans outstanding with ICICI Bank as on 30th September, 2015 were not made available for verification. Due to pending confirmation and consequent reconciliation with the books of accounts, we are unable to comment on the same and ascertain its impact, if any, on the statement.

l) Company has not provided for impairment loss as required by accounting standard 28 "Impairment of Assets" as explained in note no. 9 forming part of the statement. We have not been able to validate the assertion made in note no. 9 in absence of valuation report of an independent agency and the uncertainty of resumption of future operation / results of operations thereafter.

m) We refer to note no. 10 forming part of the statement on physical verification process of inventory of raw material carried out by the company. In absence of corroborative evidence, relevant details and information indicating reasonable assurance and validating physical inventory of raw material and its reconciliation with book stock, we are unable to comment on the same and ascertain its impact, if any, on the statement.

n) We refer to note no. 11 forming part of the statement on Company's policies, procedures and lack of overall controls in order to provide proper evidences regarding recoverability of receivables, valuation of work in progress and accounting for direct and indirect taxes including other statutory compliances and timely and proper recording of the revenue and expenses transaction. We are unable to ascertain its impact, if any, on the statement in respect of above matters.

o) Due to pending reconciliation and confirmation of Trade Receivables, Loan and Advances, Trade Payables and Other Liabilities, we are unable to ascertain its impact, if any, on the statement in respect of above matters.

p) The Company is in the process of obtaining legal opinion with respect to disclosure and accounting treatment of unappropriated amount lying in share application money post expiry of last appointed date for exercise of option for conversion of share warrants and upon revocation of CDR scheme as explained in note no. 13 forming part of the statement. Pending legal opinion, we are unable to ascertain its impact, if any, on the statement in respect of above matters.



q) The Company is in process of technical evaluation of componentisation of fixed assets and useful life thereof and identifying significant part of assets qualifying for component accounting as required by para 4(a), Part C, schedule II of the Companies Act, 2013 amended by MCA notification dated 29th August, 2015. Pending technical evaluation of componentisation of fixed assets and useful life thereof, we are unable to ascertain its impact, if any, on the statement in respect of above matters.

3. Based on our review conducted as above, except for the possible effects of matters stated in paragraph 2 above, nothing has come to our attention that causes us to believe that the accompanying statement prepared in accordance with the Accounting Standards as per Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of clause 41 of the Listing Agreement with the Stock Exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For Damania & Varaiya.

Firm Registration No. 102079W

Chartered Accountants



CA Bharat Jain

Partner

Membership No. 100583



Place: Mumbai

Date: 9th November, 2015