RISK FACTORS

1. *We are subject to restrictive covenants under our loan agreements that could limit our flexibility in managing the business*

There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of these banks/financial institutions for various activities, including, amongst others, formulation of any scheme for merger, amalgamation or re-organization, capital restructuring by way of share capital in or lending expenditure or advancing to or placing of deposits with any other concern (excluding normal trade credit or security deposit in the routine courses of business or advances to employees), making any change in their management set-up, declaring, paying or making any dividend or other distribution and incurring any other financial indebtedness.

These restrictive covenants may also adversely affect our ability to conduct our business and have a material adverse effect on our financial condition, results of operations and cash flows.

2. *We may not be able to fully realize the contract value reported in our Order Book*

As of Dec. 31, 2016, our Order Book was approximately Rs.4013 Crores. A construction project is included in our Order Book at such time as a contract is awarded or a firm letter of commitment is obtained. It is possible that we do not realize the contract value stated in our Order Book. For example, if a project reflected in our Order Book is terminated, suspended or reduced in scope; it would result in a reduction to our Order Book which could have a material adverse impact on our financial condition, results of operations and cash flow.

3. *Any failure to accurately estimate the overall risks, revenues or costs in respect of a project, may affect our profits*

Cost overruns, whether due to inefficiency, faulty estimates or other factors, result in lower profit or a loss on a project. A significant number of our contracts are based in part on cost estimates that are subject to a number of assumptions. If our estimates of the overall risks, revenues or costs prove inaccurate or assumptions change due to internal and external factors, then we may incur a lower profit or a loss on the contract. However as most of contracts entered into by us are escalation contracts.

FP Contracts are fixed unit price contracts and generally require us as the contractor to provide all the resources required to complete a project for a fixed sum or at fixed unit price, except for cost of steel and cement (which represents the major cost of construction material). In these contracts, in the event we are unable to control the costs (other than steel and cement) our profit margins could get affected, or we may suffer a loss.

In certain FP Contracts, even the cost of steel and cement may also be factored into the fixed price. In such contracts, an inability to control costs, including that of steel and cement being the primary raw materials for our operations, could affect our profit margins or cause us to suffer a loss. This could further have a material adverse impact on our financial condition, results of operations and cash flow

4. *Inability to raise funds or to meet our working capital requirements may have an adverse impact on our financial performance*

We had sufficient arrangement for working capital requirement, therefore very limited chances of having advance impact on our financial performance due to inaduquance Source of finance.

5. *[Changes in the scope of work may result in disputes which could have a material adverse impact on the profits from that project]*

In certain cases, we may be required to perform additional work on a project that is beyond the stated scope of the contract. We may not receive any remuneration for the same, or payments in respect of the same may be delayed or inadequate, which may have a material adverse effect on our profits.

Further, in certain contracts we are required to execute extra or change work orders as directed by the client even if the scope or price of the work to be performed is not settled at the time of execution of the contract. This process may result in disputes and may result in delayed or inadequate payments, or in payments not being made at all. This could have an adverse effect on our financial condition, results of operations and cash flow.

6. ***Failure to adhere to agreed timelines could adversely affect our reputation and/or expose us to financial liability***

Typically construction contracts are subject to specific completion schedule requirements with liquidated damages chargeable in the event the construction schedules are not adhered to. Failure to adhere to contractually agreed timelines could cause damage to our reputation within the construction industry and client base, and cause us to pay liquidated damages and have an adverse effect on our financial condition and results of operations and cash flow

7. ***Our construction contracts are primarily dependent on adequate and timely supply of raw materials such as cement, steel and bricks at competitive prices***

Timely and cost effective execution of our projects is dependant on adequate and timely supply of raw materials. In case we are unable to procure the requisite quantities of raw materials well in time and at competitive prices, our performance of the Company may be adversely affected. This could also have a material adverse impact on our financial condition, results of operations and cash flow.

8. ***Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business***

Our significant insurance policies are the contractor's all risk policy in respect of a project and workmen's compensation policy to protect against losses caused to workmen through accident. While we believe that the insurance coverage that we maintain would be reasonably adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer loss or damage that is not covered by insurance or which exceeds our insurance coverage, our results of operations, financial condition and cash flows may be affected.

9. ***Work stoppages and other labour problems could adversely affect our business***

We operate in a labor-intensive industry and hire casual labour in relation to specific projects. If we are unable to negotiate with the labour unions on acceptable terms, it could result in strikes, work stoppages or increased operating costs as a result of higher than anticipated wages or benefits. In addition, we may not be able to procure required casual labour for our existing or future projects. These factors could adversely affect our business, financial position, results of operations and cash flows.

10. ***[Adverse weather conditions can delay the implementation of our projects***

Implementation of our projects may get delayed due to adverse weather conditions, such as heavy rains and flood. Though, we make adequate provisions for non-execution during certain seasons like monsoon, any unforeseen vagaries of nature and season may result in failure of our meeting the contractual obligations and affect our business. This could have a material adverse impact on our financial condition, results of operations and cash flow. At present competition are also very strong factor of margin of projects.

B. EXTERNAL RISK FACTORS

11. ***Any downgrading of India's sovereign debt rating or a decline in India's foreign exchange reserves may adversely affect our ability to raise additional debt financing.***

Any adverse revisions by international rating agencies to the credit ratings of the Indian national government's sovereign domestic and international debt may adversely affect our ability to raise additional financing by resulting in a change in the interest rates and other commercial terms at which we may obtain additional financing. This could have a material adverse effect on our capital expenditure plans, business and financial performance. A downgrading of the Indian national government's debt rating may occur, for example, upon a change of government tax or fiscal policy outside our control.

12. *Currency exchange rate fluctuations may affect the value of the Equity Shares.*

The exchange rate between the Indian Rupee and other foreign currencies, including the U.S. Dollar, the British Pound, the Euro, the Hong Kong Dollar, the Singapore Dollar and the Japanese Yen, has changed substantially in recent years and may fluctuate substantially in the future. Fluctuations in the exchange rate between the foreign currencies with which an investor may have purchased Indian Rupees may affect the value of the investment in our Equity Shares. Specifically, if there is a change in relative value of the Indian Rupee to a foreign currency, each of the following values will also be affected:

- the foreign currency equivalent of the Indian Rupee trading price of our Equity Shares in India;
- the foreign currency equivalent of the proceeds that you would receive upon the sale in India of any of our Equity Shares; and
- the foreign currency equivalent of cash dividends, if any, on our Equity Shares, which will be paid only in Indian Rupees.

13. *Terrorist attacks, communal disturbances, civil unrest and other acts of violence or war involving India and other countries may adversely affect the financial markets and our business.*

Terrorist attacks and other acts of violence or war may adversely affect the Indian financial markets, on which our Equity Shares are listed and traded, and may also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, and adversely affect our business. In addition, any deterioration in relations between India and its neighboring countries might result in investor concern about stability in the region, which may adversely affect the price of our Equity Shares. India has also witnessed civil unrest, including communal disturbances, in recent years and future civil unrest, as well as other adverse social, economic and political events in India, may have a negative impact on our business and results of operations. Such incidents may also create a greater perception that investment in Indian companies involves a higher degree of risk and may have an adverse impact on our business and the price of our Equity Shares.

14. *If the rate of price inflation in India increases, our business and results of operations may be adversely affected.*

In the recent past, due to the global economic downturn, India has experienced fluctuating wholesale price inflation, as compared to historical levels. However, in recent months, India has experience high rates of inflation. An increase in inflation in India could cause a rise in the price of raw materials and wages, or any other expenses that we incur. If this trend continues, we may be unable to accurately estimate or control our costs of production and this could have an adverse effect on our business and results of operations.