

Reliance Naval and Engineering Limited

Registered Office: Pipavav Port, Post Uchhaiya, Via Rajula, Dist. Amreli, Gujarat - 365 560. India.

Website: www.rnavel.co.in, E-mail: rdel.investors@reliancecda.com, CIN: L35110GJ1997PLC033193

Statement of Unaudited Consolidated Financial Results for the Quarter and Nine months period ended December 31, 2019
Rs in Lakhs

Sr No	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		31.12.2019	30.09.2019	31.12.2018	31-12-19	31-12-18	31.03.2019
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Revenue from Operations	1,134	2,056	5,174	5,823	14,461	18,000
2	Other Income	61	65	53	178	400	466
3	Total Income (1+2)	1,195	2,121	5,227	6,001	14,861	18,466
4	Expenses						
(a)	Cost of Materials Consumed	642	380	4,101	3,380	11,790	19,638
(b)	Cost of Raw Material Sold / Traded Goods	(52)	321	2,368	412	3,859	4,722
(c)	Changes in Inventories of Work in Progress & Scrap	(862)	(392)	2,145	(1,321)	(2,193)	(7,095)
(d)	Employee Benefits Expenses	525	558	599	1,681	1,915	2,451
(e)	Labour/Fabrication and Subcontractor Charges	674	744	470	2,159	1,572	2,045
(f)	Power, Fuel and Water	259	273	275	860	849	1,374
(g)	Cost Estimated for Revenue Recognised (Refer note no 8)	-	(738)	(4,068)	(3,698)	(7,855)	(12,074)
(h)	Foreign Exchange Difference (net)	813	114	(1,365)	863	2,004	1,740
(i)	Balances Written off (net)	(110)	55	-	(55)	-	9,179
(j)	Other Expenses	4,285	440	585	5,973	2,869	4,587
	Total Expenses	6,174	1,755	5,110	10,254	14,810	26,567
5	Profit / (Loss) from Operations before Depreciation / Amortisation cost and Finance Cost (3 - 4)	(4,979)	366	117	(4,253)	51	(8,101)
6	Finance Costs	35,651	36,145	33,750	1,07,523	97,109	1,36,825
7	Depreciation and Amortisation Expenses	1,941	1,740	5,387	5,402	16,105	7,050
8	Loss Before Exceptional Items (5-6-7)	(42,571)	(37,519)	(39,020)	(1,17,178)	(1,13,163)	(1,51,976)
9	Exceptional Items	-	-	-	-	-	(9,01,609)
10	Loss before Tax (8+9)	(42,571)	(37,519)	(39,020)	(1,17,178)	(1,13,163)	(10,53,585)
11	Income Tax for Earlier Years	-	-	-	-	-	(4,638)
12	Deferred Tax Credit / (Reversal)	-	-	-	-	-	(34,498)
13	Loss After Tax (10-11-12)	(42,571)	(37,519)	(39,020)	(1,17,178)	(1,13,163)	(10,92,721)
14	Add:- Consolidated share in the profit/(loss) of associate	(2)	(4)	-	(12)	-	66
15	Loss for the year (13 + 14)	(42,573)	(37,523)	(39,020)	(1,17,190)	(1,13,163)	(10,92,655)
16	Other Comprehensive Income						
	Items that will not to be reclassified to profit and loss in the subsequent year						
(i)	Actuarial gains/(losses) on defined benefit plans	(4)	(5)	1	(13)	10	(17)
(ii)	Income Tax effect	-	-	-	-	-	5
	Total Other Comprehensive Income for the period/year	(4)	(5)	1	(13)	10	(12)
17	Total Comprehensive Income for the period/year (15+16)	(42,577)	(37,528)	(39,019)	(1,17,203)	(1,13,153)	(10,92,667)
18	Paid-up Equity Share Capital (Face Value of Rs. 10 Each)	73,759	73,759	73,759	73,759	73,759	73,759
19	Other Equity	-	-	-	-	-	(11,15,908)
20	Earnings Per Share (EPS) (* Not Annualised)						
(a)	Basic EPS (Rs.)	* (5.77)	* (5.09)	* (5.29)	* (15.89)	* (15.34)	(148.14)
(b)	Diluted EPS (Rs.)	* (5.77)	* (5.09)	* (5.29)	* (15.89)	* (15.34)	(148.14)

Notes:

01 On 4th September 2018, IDBI Bank in its capacity as a financial creditor had filed a petition under the Insolvency and Bankruptcy Code 2016 (the IBC/Code) with the Hon'ble National Company Law Tribunal, Ahmedabad (the NCLT) against Reliance Naval and Engineering Limited (the Company).

The NCLT, vide its order dated 15th January 2020 (received on 17th January 2020) initiated the Corporate Insolvency Resolution Process (CIRP) of the Company under the Code. The said NCLT Order also records the appointment of Shree Rajeev Bal Sawangkar as the Interim Resolution Professional (IRP) in accordance with Section 16 of the Code.

Under the IBC proceedings, the powers of the Board have been suspended with effect from 15th January 2020.

The NCLT order also provided for a moratorium with effect from 15th January 2020 till the completion of CIRP or until it approves the resolution plan under Section 31(1) or passes an order for liquidation of the company under Section 33, whichever is earlier. Currently, the Company is under CIRP.

02 The above unaudited standalone financial results of the Company for the period ended December 31, 2019 have been taken on record by the IRP while discharging the powers of the erstwhile Board of Directors of the Company which were conferred upon him by the aforementioned NCLT order dated 15th January 2020 to run the Company as a going concern during CIRP. The IRP and support team have not been able to analyse in depth the accuracy, validity, completeness or authenticity of the information and figures mentioned in the unaudited financial results as they have joined after 15th January 2020. The IRP took charge of the Company on 20th January 2020 and authorized the Key Management Personnel (KMP's) to continue with their respective roles and charges as per their original work allocation.



- 03 The amounts of the claim admitted or to be admitted by the IRP under CIRP process may differ from the amount reflecting in the books of accounts of the Company. The above unaudited financial results are drawn on the basis of December 31, 2019 figures as per the books of accounts of the Company. The IRP and support team believe that these figures may be interpreted solely for the purpose of satisfying the regulatory requirement for filing of Nine months/quarterly unaudited financial results and that these figures could change during the CIRP process or thereafter.
- 04 As on December 31, 2019 the Company has outstanding borrowings from banks and financial institutions aggregating to Rs. 9,74,161 Lakhs including interest thereon. The Company has not received balance confirmations for the principal and interest amount from some of the lenders. Subsequent to the period ended December 31, 2019, as a part of CIRP, financial and operational creditors were called upon to submit their claims to the IRP as on 15th January 2020. These claims are under verification, hence no provision has been made in the books of accounts for the quarter and nine months ended on December 31, 2019. This matter has been qualified by the auditors in their review report.
- 05 ONGC had placed an order for 12 Offshore Vessels (OSVs) in FY 2009-10 out of which 7 OSVs have been delivered till FY 2015-16. Further, ONGC had cancelled the order and invoked all the bank guarantees in FY 2018-19. The Company has filed Arbitration petition against the cancellation of Order, the decision of which is expected during FY 2020-21. Pending the Award, no provision has been made against the shipbuilding contract receivables, advance against purchase of Material/ Services and Inventories, which has been qualified by the auditors in their review report.
- 06 As on December 31, 2019 the Company has shipbuilding contract receivables of Rs. 77,484 lakhs for 5 Naval Offshore Patrol Vessels (NOPVs) from the Ministry of Defence (MoD), New Delhi. Subsequent to the period ended, in the last week of January 2020 MoD invoked bank guarantees amounting to Rs. 93,739 Lakhs. On 3rd February 2020, the Company has received a Show Cause Notice from the MoD for termination of aforesaid Contract. In response to the notice, the Company filed a writ petition along with stay application before the Delhi High Court on 15th February 2020. The captioned matter was listed for hearing before the Hon'ble Delhi High Court on 17th February 2020.
- After hearing the arguments of both parties at length, the Hon'ble Court was pleased to direct the MoD to re-consider the decision on termination as per the law. Further, in-case MoD decides to terminate the contract, the said decision shall not be given effect for a period of 7 days from the date of communication of such decision to the Company. Pending the final decision by the MoD pursuant to the direction of the NCLT, no provision for shipbuilding contract receivables, advance against purchase of Material/ Services and inventories has been made in the above results, which has been qualified by the auditors in their review report.
- 07 During the period, no impairment testing of Property, Plant and Equipment (PPE), Capital Work in Progress (CWIP), Investments, Other Non Current Assets, Inventories, Trade Receivables and other Current Assets (Advances to vendors, Shipbuilding Contracts Receivables, etc) is undertaken by the Company, accordingly the impairment, if any, will be assessed at the year end. This matter has been qualified by the auditors in their review report.
- 08 The CIRP was initiated on 15th January 2020. Further there has been attrition in the finance team in recent period. In view of this, there has been delay in submitting Unaudited Financial results for the period ended December 31, 2019 within the stipulated time.
- 09 In respect of vessels other than the commercial vessels, including offshore support vessels, the Company accounts contract revenue and expenses based on the proportionate completion of contract method as certified by the technical experts. In order to evenly allocate the profit on the said contract to whole of the contract period, provision for proportionate cost to be incurred has been made and charged to Statement of Profit and Loss as "Cost Estimated for Revenue Recognised", which gets adjusted to the Statement of Profit and Loss as and when actual cost is incurred.
- 10 During the period, RMOL Engineering and Offshore Limited, a wholly owned subsidiary of the Company has been admitted for CIRP with NCLT Ahmedabad Bench.
- 11 Exceptional items for the year ended March 31, 2019 includes impairment of property plant and equipments and capital work in progress of Rs. 813,289 lakhs and impairment of receivables of Rs. 88,320 lakhs.
- 12 The Company has adopted Ind AS 116 "Leases" effective from April 1, 2019 and applied the Standard to its leases. This has resulted in recognizing a Right-of-Use asset and a corresponding Lease Liability of Rs. 2,203 lakhs as at April 1, 2019. The Impact of the same to the statement of profit and loss for the quarter and period ended December 31, 2019 is not material.
- 13 The Company is engaged only in the business of Ship-building and repairs. As such, there are no separate reportable segments.
- 14 The figures for the previous periods and for the year ended March 31, 2019 have been rearranged and regrouped to make them comparable with those of current year.

Date : March 06, 2020
Place: Mumbai



Debashis Bir
Debashis Bir
Whole Time Director and Chief Executive Officer
DIN - 01932925

Independent Auditor's Review Report on Consolidated Unaudited Financial Results of the Company Pursuant to the Regulations 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,
INTRIM RESOLUTION PROFESSIONAL OF RELIANCE NAVAL AND ENGINEERING LIMITED, IP Registration No. IBB/IPA-001/IP-P00783/2017-18/11323

1. We have reviewed the accompanying statement of Consolidated Unaudited Financial Results of **Reliance Naval and Engineering Limited** ("the Parent") and its Subsidiaries (the Parent and its Subsidiaries together refer to "the Group"), and its share of the net loss after tax and total comprehensive income of its associate for the quarter ended December 31, 2019 and year to date from April 01, 2019 to December 31, 2019, ("the statement"), attached herewith, being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulation"), as amended. Attention is drawn to the fact that the consolidated figures for the quarter ended December 31, 2018 and nine months ended December 31, 2018, as reported in these consolidated unaudited financial results have been approved by the IRP, but have not been subjected to review.
2. Subsequent to the period ended December 31, 2019, the National Company Law Tribunal ("the NCLT"), Ahmedabad Bench, admitted petition for initiation of Corporate Insolvency Resolution Process ("CIRP") under Section 7 of the Insolvency and Bankruptcy Code, 2016 ("the Code") filed by financial creditors vide order no. CP (IB) No. 418/7/NCLT/AHM/2018 dated January 15, 2020 and appointed an Interim Resolution Professional ("IRP") to manage affairs of the Parent in accordance with the provisions of the Code, which received on January 17, 2020 and IRP took charge on January 20, 2020. In view of pendency of the CIRP and suspension of powers of Board of Directors and as explained to us, the powers of adoption of the Statement vests with IRP.
3. This statement, which is the responsibility of the Parent's management and approved by IRP, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 - Interim Financial Reporting ("Ind AS 34") as prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the statement based on our review.
4. We conducted our review of the statement 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 of interim financial information 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.

We also performed procedures in accordance with the circular No. CIR/CFD/CMD1/44/2019 dated March 29, 2019 issued by the SEBI under Regulation 33 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

5. The statement includes the financial information of following entities:

List of Subsidiaries:

- E Complex Private Limited,
- RMOL Engineering and Offshore Limited (Formerly Reliance Marine & Offshore Limited),
- Reliance Technologies and Systems Private Limited,
- REDS Marine Services Limited (Formerly Reliance Engineering and Defence Services Limited),
- PDOC Pte. Ltd. (incorporated and place of business at Singapore).

List of Associate:

- Conceptia Software Technologies Private Limited

6. **Basis for Qualified Conclusion**

a) We draw your attention to Note no. 4 of the Statement:

i) *regarding non receipt of balance confirmation from banks and financial institutions as on December 31, 2019, accordingly the finance costs for the period has been recognised based on balances as appearing in the books of account as on December 31, 2019 and may undergo change upon receipt of the confirmations. The impact of the same on the financial results cannot be quantified.*

ii) *subsequent to the period end, as a part of CIRP, creditors were called upon to submit their claims upto January 15, 2020. The claims submitted by the creditors are under verification and in respect of operational creditors the process of submitting claims is still going on and it is also under reconciliations with amount as appearing in the books of accounts. Pending reconciliations and final outcome of the CIRP, consequential impact, if any, on the financial results is not currently ascertainable.*

b) *As mentioned in note no. 5 and 6 of the Statement, ONGC has cancelled the order for Offshore Support Vessels (OSVs) and invoked the bank guarantees in FY 2018-19; further subsequent to period end December 31, 2019, the Ministry of Defence has also cancelled the order of Naval Offshore Patrolling Vessels (NOPVs) and invoked the bank guarantees, which have been contested by the Parent. The above cancellation has*



resulted into uncertainty about the recoverable value of its assets. As mentioned in note no. 7 of the Statement, the Parent has not performed the impairment testing of its Property, Plant and Equipment (PPE), Capital Work in Progress (CWIP), Investments, Other Non Current Assets, Inventories, Trade Receivables and other Current Assets including Advance against purchase of material / services, Shipbuilding Contracts Receivables and Other Advances of the Company as at December 31, 2019 aggregating to Rs. 3,31,937 Lakhs. We are unable to obtain sufficient appropriate audit evidence about the recoverable value of the above assets; accordingly we are unable to quantify the provision for impairment for the same and its consequential impacts on the consolidated financial results of the Group.

7. Based on our review conducted and procedure performed as stated in paragraph 4 above, *except for possible effects of our observations described in the Basis of Qualified Conclusion paragraph 6 above* and read with our comments in paragraph 8 and 9 below, nothing has come to our attention that causes us to believe that the accompanying statement of consolidated financial results, prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

8. Material Uncertainty related to Going Concern

We draw attention to the Note no. 2 to the Statement regarding preparation of consolidated unaudited financial results of the group on going concern basis, notwithstanding the fact that the group continues to incur cash losses, it's net worth has been fully eroded, defaulted in repayment of principal and interest to it's lenders, loans have been called back by secured lenders, non-current assets are significantly impaired, current liabilities exceeded the total assets of the group, major customers have cancelled the orders, etc. As mention in para 2 above, since the CIRP is currently in progress, as per the Code, it is required that the Parent be managed as going concern during the CIRP, the consolidated financial statements is continued to be prepared on going concern basis. However there exists material uncertainty about the Group's ability to continue as going concern since the same is dependent upon the resolution plan to be formulated and approved by NCLT. The appropriateness of preparation of consolidated financial statements on going concern basis is critically dependent upon CIRP as specified in the Code.

Our conclusion on the Statement is not modified in respect of this matter.



Other Matters

9. We draw your attention that the Parent has paid managerial remuneration of Rs. 39 Lakhs and Rs. 78 Lakhs for the quarter ended December 31, 2019 and for the period from April 01, 2019 to December 31, 2019, respectively, to its whole time director as approved by the shareholders of the Parent but without obtaining prior approval from the secured lenders as required under the third proviso of the Section 197(1) of the Act.
10. The consolidated unaudited financial results includes the financial information of subsidiaries, whose financial information reflect total revenue of Rs. 550 lakhs and Rs. 1,613 lakhs, total net loss after tax of Rs. (3,636) Lakhs and Rs. (10,850) lakhs and total comprehensive loss of Rs. (3,636) Lakhs and Rs. (10,850) lakhs for the quarter ended December 31, 2019 and for the period from April 01, 2019 to December 31, 2019, respectively as considered in the statement. These financial information have been reviewed by other auditors, whose reports have been furnished to us by the Management. Our conclusion on the statement, in so far as it relates to the affairs of such subsidiaries is based solely on the reports of the other auditors.
11. The Statement includes interim financial information of an associate which reflects Group's share of net loss after tax of Rs. (2) lakhs and Rs. (12) lakhs and total comprehensive loss of Rs. (2) lakhs and Rs. (12) lakhs for the quarter ended December 31, 2019 and for the period from April 01, 2019 to December 31, 2019, respectively which are certified by the Management. According to the information and explanations given to us by the Management, this interim financial information is not material to the Group.

Our conclusion on the Statement is not modified in respect of the above matters.

For **Pathak H.D. & Associates LLP**
Chartered Accountants
Firm Reg. No. 107783W / W100593


Gyandeo Chaturvedi

Partner
Membership No.46806
UDIN No.: 20046806AAAAAE4512



Place: Mumbai
Dated: March 6, 2020

Reliance Naval and Engineering Limited

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Statement of Unaudited Standalone Financial Results for the Quarter and Nine months period ended December 31, 2019

Rs in Lakhs

Sr. No.	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		31.12.2019	30.09.2019	31.12.2018	31-12-2019	31-12-2018	31.03.2019
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Revenue from Operations	1,135	2,055	5,206	5,823	14,461	18,000
2	Other Income	61	64	66	176	424	463
3	Total Income (1+2)	1,196	2,119	5,272	5,999	14,885	18,463
4	Expenses						
(a)	Cost of Materials Consumed	642	380	4,100	3,380	11,790	19,638
(b)	Cost of Raw Material Sold	(52)	321	2,369	412	3,859	4,722
(c)	Changes in Inventories of Work in Progress & Scrap	(862)	(393)	2,145	(1,322)	(2,193)	(7,095)
(d)	Employee Benefits Expenses	525	558	599	1,681	1,915	2,451
(e)	Labour/Fabrication and Subcontractor Charges	674	744	471	2,159	1,572	2,045
(f)	Power, Fuel and Water	259	372	272	855	843	1,363
(g)	Cost Estimated for Revenue Recognised (Refer note no 2)	-	(738)	(4,068)	(3,698)	(7,855)	(12,074)
(h)	Foreign Exchange Difference (net)	812	(65)	(1,366)	862	2,004	1,739
(i)	Legal and Professional Charges	205	189	210	601	483	545
(j)	Other Expenses	3,935	355	765	5,228	3,417	6,193
	Total Expenses	6,138	1,723	5,497	10,158	15,835	19,527
5	Profit / (Loss) from Operations before Depreciation / Amortisation cost and Finance Cost (3-4)	(4,942)	396	(225)	(4,159)	(950)	(1,064)
6	Finance Costs	33,658	32,603	31,728	98,466	91,681	1,27,807
7	Depreciation and Amortisation Expenses	2,011	1,805	5,204	5,605	15,560	6,566
8	Loss Before Exceptional Items (5-6-7)	(40,611)	(34,012)	(37,157)	(1,08,230)	(1,08,191)	(1,35,437)
9	Exceptional Items	-	-	-	-	-	(8,74,662)
10	Loss before Tax (8+9)	(40,611)	(34,012)	(37,157)	(1,08,230)	(1,08,191)	(10,10,099)
11	Income Tax for Earlier Years	-	-	-	-	-	(3,508)
12	Deferred Tax Credit / (Reversal)	-	-	-	-	-	(34,498)
13	Loss After Tax (10-11-12)	(40,611)	(34,012)	(37,157)	(1,08,230)	(1,08,191)	(10,48,105)
14	Other Comprehensive Income						
	Items that will not to be reclassified to profit and loss in the subsequent year						
(i)	Actuarial gains/(losses) on defined benefit plans	(4)	(5)	-	(13)	10	(17)
(ii)	Income Tax effect	-	-	-	-	-	5
	Total Other Comprehensive Income for the period/year	(4)	(5)	-	(13)	10	(12)
15	Total Comprehensive Income for the period/year (13+14)	(40,615)	(34,017)	(37,157)	(1,08,243)	(1,08,181)	(10,48,117)
16	Paid-up Equity Share Capital (Face Value of Rs. 10 Each)	73,759	73,759	73,759	73,759	73,759	73,759
17	Other Equity	-	-	-	-	-	(10,99,585)
18	Earnings Per Share (EPS) (* Not Annualised)						
(a)	Basic EPS (Rs.)	* (5.51)	* (4.61)	* (5.04)	* (14.68)	* (14.67)	(142.10)
(b)	Diluted EPS (Rs.)	* (5.51)	* (4.61)	* (5.04)	* (14.68)	* (14.67)	(142.10)

Notes :

- 01 On 4th September 2018, IDBI Bank in its capacity as a financial creditor had filed a petition under the Insolvency and Bankruptcy Code 2016 (the IBC/Code) with the Hon'ble National Company Law Tribunal, Ahmedabad (the NCLT) against Reliance Naval and Engineering Limited (the Company).

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- 05 ONGC had placed an order for 12 Offshore Vessels (OSVs) in FY 2009-10 out of which 7 OSVs have been delivered till FY 2015-16. Further, ONGC had cancelled the order and invoked all the bank guarantees in FY 2018-19. The Company has filed Arbitration petition against the cancellation of Order, the decision of which is expected during FY 2020-21. Pending the Award, no provision has been made against the shipbuilding contract receivables, advance against purchase of Material/ Services and Inventories, which has been qualified by the auditors in their review report.
- 06 As on December 31, 2019 the Company has shipbuilding contract receivables of Rs. 77,484 lakhs for 5 Naval Offshore Patrol Vessels (NOPVs) from the Ministry of Defence (MoD), New Delhi. Subsequent to the period ended, in the last week of January 2020 MoD invoked bank guarantees amounting to Rs. 93,739 Lakhs. On 3rd February 2020, the Company has received a Show Cause Notice from the MoD for termination of aforesaid Contract. In response to the notice, the Company filed a writ petition along with stay application before the Delhi High Court on 15th February 2020. The captioned matter was listed for hearing before the Hon'ble Delhi High Court on 17th February 2020.
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- 07 During the period, no impairment testing of Property, Plant and Equipment (PPE), Capital Work in Progress (CWIP), Investments, Other Non Current Assets, Inventories, Trade Receivables and other Current Assets (Advances to vendors, Shipbuilding Contracts Receivables, etc) is undertaken by the Company, accordingly the impairment, if any, will be assessed at the year end. This matter has been qualified by the auditors in their review report.
- 08 The CIRP was initiated on 15th January 2020. Further there has been attrition in the finance team in recent period. In view of this, there has been delay in submitting Unaudited Financial results for the period ended December 31, 2019 within the stipulated time.
- 09 In respect of vessels other than the commercial vessels, including offshore support vessels, the Company accounts contract revenue and expenses based on the proportionate completion of contract method as certified by the technical experts. In order to evenly allocate the profit on the said contract to whole of the contract period, provision for proportionate cost to be incurred has been made and charged to Statement of Profit and Loss as "Cost Estimated for Revenue Recognised", which gets adjusted to the Statement of Profit and Loss as and when actual cost is incurred.
- 10 During the period, RMOL Engineering and Offshore Limited, a wholly owned subsidiary of the Company has been admitted for CIRP with NCLT Ahmedabad Bench.
- 11 Exceptional items for the year ended March 31, 2019 includes impairment of property plant and equipments and capital work in progress of Rs. 783,304 lakhs and impairment of receivables of Rs. 75,326 lakhs and provision for financial guarantee obligation in respect of borrowing by one of the wholly owned subsidiary of Rs. 16,032 lakhs.
- 12 The Company has adopted Ind. AS 116 "Leases" effective from April 1, 2019 and applied the Standard to its leases. This has resulted in recognizing a Right-of-Use asset and a corresponding Lease Liability of Rs. 10,834 lakhs as at April 1, 2019. The Impact of the same to the statement of profit and loss for the quarter and the period ended December 31, 2019 is not material.
- 13 The Company is engaged only in the business of Ship-building and Repairs. As such, there are no separate reportable segments.
- 14 The figures for the previous periods and for the year ended March 31, 2019 have been rearranged and regrouped to make them comparable with those of current year.

Date : March 06, 2020
Place: Mumbai



Debashis Bir
Debashis Bir
Whole Time Director and Chief Executive Officer

DIN - 01932925

Independent Auditor's Review Report on Standalone Unaudited Financial Results of the Company Pursuant to the Regulations 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,
INTRIM RESOLUTION PROFESSIONAL OF RELIANCE NAVAL AND ENGINEERING LIMITED, IP Registration No. IBB/IPA-001/IP-P00783/2017-18/11323

1. We have reviewed the accompanying statement of Standalone Unaudited Financial Results of **Reliance Naval and Engineering Limited** ("the Company") for the quarter ended December 31, 2019 and year to date from April 01, 2019 to December 31, 2019, ("the statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulation").
2. Subsequent to the period ended December 31, 2019, the National Company Law Tribunal ("the NCLT"), Ahmedabad Bench, admitted petition for initiation of Corporate Insolvency Resolution Process ("CIRP") under Section 7 of the Insolvency and Bankruptcy Code, 2016 ("the Code") filed by financial creditors vide order no. CP (IB) No. 418/7/NCLT/AHM/2018 dated January 15, 2020 and appointed an Interim Resolution Professional ("IRP") to manage affairs of the Company in accordance with the provisions of the Code, which received on January 17, 2020 and IRP took charge on January 20, 2020. In view of pendency of the CIRP and suspension of powers of Board of Directors and as explained to us, the powers of adoption of the Statement vests with IRP.
3. This statement is the responsibility of the Company's Management and approved by IRP, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting (Ind AS 34) as prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the statement based on our review.
4. We conducted our review of the statement 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 financial statements are free of material misstatement. A review of interim financial information 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.



5. Basis for Qualified Conclusion

a) We draw your attention to Note no. 4 of the Statement:

i) regarding non receipt of balance confirmation from banks and financial institutions as on December 31, 2019, accordingly the finance costs for the period has been recognised based on balances as appearing in the books of account as on December 31, 2019 and may undergo change upon receipt of the confirmations. The impact of the same on the financial results cannot be quantified.

ii) subsequent to the period end, as a part of CIRP, creditors were called upon to submit their claims upto January 15, 2020. The claims submitted by the creditors are under verification and in respect of operational creditors the process of submitting claims is still going on and it is also under reconciliations with amount as appearing in the books of accounts. Pending reconciliations and final outcome of the CIRP, consequential impact, if any, on the financial results is not currently ascertainable.

b) As mentioned in note no. 5 and 6 of the Statement, ONGC has cancelled the order for Offshore Support Vessels (OSVs) and invoked the bank guarantees in FY 2018-19; further subsequent to period end December 31, 2019, the Ministry of Defence has also cancelled the order of Naval Offshore Patrolling Vessels (NOPVs) and invoked the bank guarantees, which have been contested by the Company. The above cancellation has resulted into uncertainty about the recoverable value of its assets. As mentioned in note no. 7 of the Statement, the Company has not performed the impairment testing of its Property, Plant and Equipment (PPE), Capital Work in Progress (CWIP), Investments, Other Non Current Assets, Inventories, Trade Receivables and other Current Assets including Advance against purchase of material / services, Shipbuilding Contracts Receivables and Other Advances of the Company as at December 31, 2019 aggregating to Rs. 3,31,937 Lakhs. We are unable to obtain sufficient appropriate audit evidence about the recoverable value of the above assets; accordingly we are unable to quantify the provision for impairment for the same and its consequential impacts on the financial results of the Company.

6. Based on our review conducted as stated in paragraph 4 above, except for possible effects of our observations described in the Basis of Qualified Conclusion paragraph 5 above and read with our comments in paragraph 7 and 8 below, nothing has come to our attention that causes us to believe that the statement, prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognised accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulation, including the manner in which it is to be disclosed, or that it contains any material misstatement.



7. Material Uncertainty related to Going Concern

We draw attention to the Note no. 2 of the Statement regarding preparation of standalone unaudited financial results of the Company on going concern basis, notwithstanding the fact that the Company continues to incur cash losses, its net worth has been fully eroded, defaulted in repayment of principal and interest to its lenders, loans have been called back by secured lenders, non-current assets are significantly impaired, current liabilities exceeded the total assets of the Company, major customers have cancelled the orders, etc. As mention in para 2 above, since the CIRP is currently in progress, as per the Code, it is required that the Company be managed as going concern during the CIRP, the financial statements is continued to be prepared on going concern basis. However there exists material uncertainty about the Company's ability to continue as a going concern since the same is dependent upon the resolution plan to be formulated and approved by NCLT. The appropriateness of preparation of financial statements on going concern basis is critically dependent upon CIRP as specified in the Code.

Our conclusion is not modified in respect of this matter.

8. Other Matter

We draw your attention that the Company has paid managerial remuneration of Rs. 39 Lakhs and Rs. 78 Lakhs for the quarter ended December 31, 2019 and for the period from April 01, 2019 to December 31, 2019, respectively, to its whole time director as approved by the shareholders of the Company but without obtaining prior approval from the secured lenders as required under the third proviso of the Section 197(1) of the Act.

Our conclusion is not modified in respect of this matter.

For **Pathak H.D. & Associates LLP**
Chartered Accountants
Firm Reg. No. 107783W / W100593


Gyandeo Chaturvedi
Partner

Membership No.46806
UDIN No.: 20046806AAAAAD1513



Place: Mumbai
Dated: March 6, 2020