

**Reliance Naval and Engineering Limited**

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Santa Cruz (East), Mumbai- 400055

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June 8, 2021

**BSE Limited**

Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai - 400 001

**BSE Scrip Code: 533107**

**National Stock Exchange of India Limited**

Exchange Plaza, 5<sup>th</sup> Floor, Plot No. C/1,  
G Block, Bandra Kurla Complex,  
Bandra (E) Mumbai - 400 051

**NSE Symbol: RNAVAL**

Dear Sirs,

**Sub: Statement of Standalone and Consolidated Unaudited Financial Results for the quarter ended June 30, 2020.**

This is in continuation to our letter dated June 7, 2021 regarding the intimation of date of meeting for consideration and approval of unaudited financial results for the quarter ended June 30, 2020.

As your good self is already aware that Reliance Naval & Engineering Limited ('the Company') is undergoing Corporate Insolvency Resolution Process ('CIRP') vide Hon'ble National Company Law Tribunal, Order dated 15 January, 2020 ('Order'), in terms of the provisions of Insolvency and Bankruptcy Code, 2016 ('IBC' or 'Code') and the regulations framed thereunder. Pursuant to the said Order and in accordance with the provisions of IBC, the powers of the Board of Directors and responsibility for managing the affairs of the Company are vested in Interim Resolution Professional, Mr. Rajeev Bal Sawangikar, who was later replaced with Mr. Sudip Bhattacharya as Resolution Professional from May 5, 2020

It may be noted that Company Secretary has resigned from his position in the company on December 15, 2020. Upon commencement of the CIRP, and in accordance with Section 17(1)(b) of the Code, the powers of the Board of Directors of the Company stand suspended and are exercised by the Resolution Professional. In the absence of the Company Secretary and other officials who were primarily responsible for book closure process and financial reporting, the Chief Financial Officer and the employees have made all practical and reasonable efforts from time to time to gather details to prepare these financial statements, despite various challenges and complex circumstances. They have tried to put in best possible efforts to provide information required by the auditors for the purpose of carrying out the audit of the financial statements of the Company.

Basis the financial statements prepared by Chief Financial Officer, the Resolution Professional has considered and approved the unaudited Financial Results of the Company for the quarter ended June 30, 2020.

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

E-mail: [rdel.investors@relianceada.com](mailto:rdel.investors@relianceada.com)

**CIN:L35110GJ1997PLC033193**

These financial results have been signed by the Resolution Professional (RP) while exercising the powers of the Board of Directors of the Company, which has been conferred upon him in terms of the provisions of Section 17 of Code. Resolution Professional has signed these financial statements in good faith, solely for the purpose of compliance and discharging his duty under the Code.

The meeting was commenced at 4:00 PM and concluded at 6:45 PM

This is for your information and records.

Yours faithfully,

For **Reliance Naval & Engineering Limited**



As Resolution Professional of Reliance Naval and Engineering Limited

**Project E-mail:** [ip.reliancenaval@duffandphelps.com](mailto:ip.reliancenaval@duffandphelps.com)

**IBBI Registration no.:** IBI/PA-003/IP-N00080/2017-18/10703

**IBBI Registered Address:** 903 Queensgate CHS, Hiranandani Estate,  
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**Project specific office-**

Duff and Phelps India Pvt. Limited  
14th Floor Raheja Tower, Bandra Kurla Complex,  
Bandra- East- 400 051

(Reliance Naval and Engineering Limited is under Corporate Insolvency Resolution Process as per the provisions of the Insolvency and Bankruptcy Code, 2016 w.e.f. January 15, 2020. Its affairs, business and assets are being managed by Mr. Sudip Bhattacharya, Resolution Professional, appointed by NCLT, Ahmadabad bench by order dated May 05, 2020).



**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@relianceada.com, CIN: L35110GJ1997PLC033193

**Statement of Unaudited Standalone Financial Results for the Quarter Ended June 30, 2020**
*Rs in Lakhs*

Sr. No.	Particulars	Quarter Ended			Year Ended
		30.06.2020	31.03.2020	30.06.2019	31.03.2020
		Unaudited	(Refer Note 16)	(Refer Note 16)	Audited
1	Revenue from Operations	193	1,726	2,633	7,549
2	Other Income	39	2,195	51	2,371
3	<b>Total Income (1+2)</b>	<b>232</b>	<b>3,921</b>	<b>2,684</b>	<b>9,920</b>
4	<b>Expenses</b>				
(a)	Cost of Materials Consumed	138,789	10	2,358	3,252
(b)	Cost of Raw Material Sold	-	104	143	516
(c)	Changes in Inventories of Work in Progress & Scrap	(139,260)	18	(67)	(1,304)
(d)	Employee Benefits Expenses	206	373	598	2,054
(e)	Labour/Fabrication and Subcontractor Charges	241	441	741	2,600
(f)	Power, Fuel and Water	116	281	317	1,136
(g)	Cost Estimated for Revenue Recognised (Refer Note 14)	(355)	(79)	(2,960)	(2,510)
(h)	Foreign Exchange Difference (net)	2,015	1,753	(65)	2,615
(i)	Provision for Non-Moving Inventory	-	11,015	-	11,015
(j)	Other Expenses	200	1,109	1,232	5,809
	<b>Total Expenses</b>	<b>1,952</b>	<b>15,025</b>	<b>2,297</b>	<b>25,183</b>
5	<b>Profit / (Loss) from Operations before Depreciation / Amortisation cost and Finance Cost (3-4)</b>	<b>(1,720)</b>	<b>(11,104)</b>	<b>387</b>	<b>(15,263)</b>
6	Finance Costs	35,576	34,335	32,205	132,801
7	Depreciation and Amortisation Expenses	1,855	1,856	1,789	7,461
8	<b>Loss Before Exceptional Items (5-6-7)</b>	<b>(39,151)</b>	<b>(47,295)</b>	<b>(33,607)</b>	<b>(155,525)</b>
9	Exceptional Items (Refer Note 8, 10 and 11)	(18,048)	(6,608)	-	(6,608)
10	<b>Loss before Tax (8+9)</b>	<b>(57,199)</b>	<b>(53,903)</b>	<b>(33,607)</b>	<b>(162,133)</b>
11	Income Tax for Earlier Years	-	-	-	-
12	Deferred Tax Credit / (Reversal)	-	-	(1)	-
13	<b>Loss After Tax (10+11+12)</b>	<b>(57,199)</b>	<b>(53,903)</b>	<b>(33,608)</b>	<b>(162,133)</b>
14	<b>Other Comprehensive Income</b>				
	Items that will not to be reclassified to profit and loss in the subsequent year				
(i)	Actuarial gains/(losses) on defined	2	20	(4)	7

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	benefit plans				
(ii)	Income Tax effect	-	-	1	-
	<b>Total Other Comprehensive Income for the period/year</b>	<b>2</b>	<b>20</b>	<b>(3)</b>	<b>7</b>
<b>15</b>	<b>Total Comprehensive Income for the period/year (13+14)</b>	<b>(57,197)</b>	<b>(53,883)</b>	<b>(33,611)</b>	<b>(162,126)</b>
16	Paid-up Equity Share Capital (Face Value of Rs. 10 Each)	73,759	73,759	73,759	73,759
17	Other Equity	-	-	-	(1,261,711)
<b>18</b>	<b>Earnings Per Share (EPS) (* Not Annualised)</b>				
(a)	Basic EPS (Rs.)	*(7.75)	*(7.31)	*(4.56)	(21.98)
(b)	Diluted EPS (Rs.)	*(7.75)	*(7.31)	*(4.56)	(21.98)

Notes:

- 01 On September 4, 2018, IDBI Bank in its capacity of 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 January 15, 2020 ("Insolvency Commencement Date") initiated the Corporate Insolvency Resolution Process ("CIRP") of the Company under the Code. The said NCLT Order also records the appointment of Mr. Rajeev Bal Sawangikar as the Interim Resolution Professional ("IRP") in accordance with Section 16 of the Code.

Subsequently, pursuant to the meeting held on March 13, 2020, the Committee of Creditors (the "CoC") has replaced the existing IRP with Mr. Sudip Bhattacharya as the Resolution Professional ("RP") for the Company. Upon the application filed by CoC, the NCLT has approved the appointment of RP vide its order dated May 5th, 2020.

Under the IBC proceedings, the powers of the board have been suspended with effect from January 15, 2020. The powers of the Board of Directors are to be exercised by the RP.

The NCLT order also provided for a moratorium with effect from January 15, 2020 till the completion of the 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 With respect to the financial results for the quarter ended June 30, 2020, the RP has signed the same solely for the purpose of ensuring compliance by the Corporate Debtor with applicable laws, and subject to the following disclaimers:

- The RP has furnished and signed the report in good faith and accordingly, no suit, prosecution or other legal proceeding shall lie against the RP in terms of Section 233 of the Code;
- No statement, fact, information (whether current or historical) or opinion contained herein should be construed as a representation or warranty, express or implied, of the RP including, his authorized representatives and advisors..





- (iii) The RP, in review of the financial results and while signing this statement of financial results has relied upon the assistance provided by the directors of the Corporate Debtor, and certifications, representations and statements made by the directors of the Corporate Debtor, in relation to these financial results. The statement of financial results of the Corporate Debtor for the quarter ended June 30, 2020 have been taken on record by the RP solely on the basis of and on relying the aforesaid certifications, representations and statements of the aforesaid directors and the management of the Corporate Debtor. For all such information and data, the RP has assumed that such information and data are in the conformity with the Companies Act, 2013 and other applicable laws with respect to the preparation of the financial results and that they give true and fair view of the position of the Corporate Debtor as of the dates and period indicated therein. Accordingly, the RP is not making any representations regarding accuracy, veracity or completeness of the data or information in the financial results.
- (iv) In terms of the provisions of the Code, the RP is required to undertake a review of certain transactions. Such review has been completed and the RP has filed the necessary applications with the adjudicating authority.
- 03 The above unaudited Standalone Financial Results of the Company for the period ended June 30, 2020 have been taken on record by the RP while discharging the powers of the erstwhile Board of Directors of the Company which were conferred upon him by the aforementioned NCLT order dated May 5, 2020 to run the Company as a going concern during CIRP. Hence the financial results for the period ended June 30, 2020 have been prepared on going concern assumptions. The RP took charge of the Company on May 5, 2020 and authorized the Key Management Personnel (KMP's) to continue with their respective roles and charges as per their original work allocation.
- 04 The amounts of the claim admitted or to be admitted by the RP under CIRP process may differ from the amount reflecting in the books of account of the Company. The above unaudited financial results are drawn on the basis of June 30, 2020 figures as per the books of account of the Company. The RP and support team believe that these figures may be interpreted solely for the purpose of satisfying the regulatory requirement for filing of quarterly and yearly audited financial results and that these figures could change during the CIRP process or thereafter. The Company has outstanding borrowings from banks and financial institutions aggregating Rs. 12,37,349.16 lakhs including interest thereon and bank balances (current account and term deposit) aggregating to Rs. 1251.40 lakhs, bank balance confirmation amounting to Rs. 1,226.57 lakhs as at June 30, 2020 has been received by the Company. During the period ended June 30, 2020, as a part of CIRP, financial and operational creditors were called upon to submit their claims to the IRP as on January 15, 2020. These claims are under verification and the RP is in the process of receiving, collating, verifying, seeking clarification, sending communications for un-reconciled balances, seeking additional documents to substantiate whole or part of un-reconciled balances on such claims; hence no provision other than disclosed in exceptional items has been made in the books of accounts for the period ended on June 30, 2020. This matter has accordingly been qualified by the auditors in their limited review report.
- 05 ONGC had placed an order for 12 Offshore Vessels (OSVs) in Financial Year (FY) 2009-10 out of which 7 OSVs have been delivered till 2015-16. ONGC has cancelled the order and invoked all the bank guarantees in FY 2018-19. The Arbitration Petition has been filed by the





Company against the cancellation of Order. 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 limited review report.

- 06 As on June 30, 2020, the Company has a shipbuilding contracts receivables of NOPV amounting to Rs.1,68,431.42 lakhs, including invocation of the bank guarantees for 5 Naval Offshore Patrol Vessels (NOPVs) from the Ministry of Defence, New Delhi (the "MOD"). On February 3, 2020, the Company has received a Show Cause Notice from the Ministry of Defence for termination of the aforesaid Contract. In response to the Notice, The Company replied to the notice and also filed a writ petition along with stay application before the Delhi High Court on February 15, 2020.
- 07 The captioned matter was listed for hearing before the Hon'ble Delhi High Court on February 17, 2020. After hearing the arguments of both parties at length, the Hon'ble Court was pleased to direct the MOD to consider the writ petition as a representation in response to the Impugned Termination Notice and take a decision on termination as per law. The Hon'ble Court was further pleased to direct that in case the final decision of the MOD in relation to termination of the NOPV Contract is adverse to the interests of the Company, the operation of the said decision shall remain suspended for a period of 7 days after communication of such decision to the Company.
- 08 Although the MOD has not revived the contract, it has offered the Company an opportunity to present a proposal by August 31, 2020, outlaying how it can complete two of the five NOPVs (NS001 and NS002) which are in advance stages of completion by outsourcing the remaining work to a PSU shipyard.

However, the proposal submitted by the Company was not agreeable to the Ministry of Defense. Accordingly, the contract was terminated vide letter dated September 21, 2020. In response to which, company has filed an application challenging the order in National Company Law Tribunal in the month of October, 2020, which is pending for hearing.

Considering the same the total receivables for shipbuilding contract including bank guarantee invoked by Ministry of Defense amounting to Rs. 1,68,431.42 lakhs have been considered for the impairment testing by the management and below mentioned accounting effect has been considered under the accompanying unaudited financial results for the quarter ended June 30, 2020.

Particular	Amount (in Lakhs)
Total receivable balance of NOPV contract as on June 30, 2020 before considering for the impairment testing (A)	1,68,431.42
Sub-Total (A)	1,68,431.42
Increase in Inventory-WIP to the extent of the actual cost incurred till March 31, 2020**	1,38,788.68
Reversal of the provision liability accounted for basis the calculation of contract revenue	23,107.97
Excess Receivable balance written off (Shown under the exceptional item)	6,534.77
Sub-Total (B)	1,68,431.42

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\*\* Company had not undertaken the impairment testing as the Company is under the CIRP and the valuation is a confidential matter.

Pending the details of the Advance against purchase of Material/ Services, impairment/provision assessment has not been carried out on the same, which has been qualified by the auditors in their limited review report.

- 09 The aggregate carrying value 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 Rs. 399,363.12 lakhs. As explained in Note 1 above, the Company is under CIRP and RP is required to invite submission of resolution plan from potential resolution applicants, which shall be put up for necessary approvals before the CoC and the NCLT. The CIRP is not yet concluded and the final outcome is yet to be ascertained. The Company has not taken into consideration any impact on the value of tangible, financial and other assets, if any, in preparation of Financial Statements and has not made full assessment of impairment as required by the applicable Ind AS, if any, as on June 30, 2020 in the carrying value of the above assets. This matter has accordingly been qualified by the auditors in their limited review report.
- 10 As per "Indian Accounting Standard 36 on Impairment of Assets", which specifies that for an investment in a subsidiary, jointly controlled entity or associate, an impairment indication exists if the carrying amount of the investment in the separate financial statements of the company exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill, then such investment to be tested for the impairment.

Accordingly, the Company had noted that the net assets of one of the Subsidiary E Complex Private Limited is running negative and net worth is also eroded for the Subsidiary as on June 30, 2020. Also E Complex Private Limited has been admitted for under NCLT on December 9, 2020.

On the basis of above indicators, the Company had created a Provision for Impairment for the entire value of investment in E-Complex Private Limited amounting of Rs. 1896.73 Lakhs shown under the Exceptional item in the accompanying unaudited financial results for the quarter ended June 30, 2020.

- 11 An amount of Rs. 96,16.79 lakh is reflected as an Exceptional Items on account of invocation of corporate guarantee given to IFCI Limited by the Company against the loan facilities availed by one of its subsidiary RMOL Engineering & Offshore Limited as required under Ind AS 109. As the said Subsidiary company i.e RMOL Engineering & Offshore Limited has been admitted under CIRP process, the provision has been created against the receivable balance from RMOL Engineering & Offshore Limited towards such invocation of corporate guarantee.
- 12 On March 16, 2020 and subsequent to year end on May 19, 2020, the Gujarat Pipavav Port Limited ("GPPL") has issued a termination notice to terminate the Sub-Concession Lease Agreement for nonpayment of lease rent. The agreement was entered between Gujarat Maritime Board ("GMB"), GPPL and the Company to sub lease the certain land parcels owned by GMB to the Company in order to carry out business activities. As the Company is under CIRP, it has requested GPPL to continue with the agreement for the smooth resolution process and expect to pay the lease rent as per the provision of the Code.

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- 13 The outbreak of COVID-19 pandemic has significantly impacted businesses around the world. This has resulted in significant reduction in economic activities. With respect to operations of the Company, it has impacted its business by way of interruption in construction activities, supply chain disruption, unavailability of personnel, closure/lock down of various other facilities etc. It has also led to delay in the Resolution process of the Company.

Few of the construction activities are already commenced albeit in a limited manner. Further the Company has availed protections available to it as per various contractual provisions to reduce the impact of COVID-19. Any changes due to the changes in situations/circumstances will be taken into consideration, if necessary, as and when it crystallizes; accordingly, it is not possible to determine exact financial impact of COVID-19 pandemic over the business at this juncture.

- 14 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 project method. 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 Recognized", which gets adjusted to the statement of profit and loss as and when actual cost is incurred and reversal in case in excess cost is already accounted as on reporting date.

As per "Indian Accounting Standard 115 on "Revenue from Contracts with Customers", For each performance obligation satisfied over time, an entity shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation i.e. Percentage completion Method. However, the Company has adopted the Project Completion method for determining the recognition of revenue i.e. the Management considers the progress of the entire project and not that of individual vessel.

For instance, the Company had a vessel contract with Indian Coast Guard – AQ/0737/01Trg Ship, on which the Company had booked the reversal of excess cost recognized amounting to Rs. 355.25 Lakhs. The above reversal is on account of below parameters:

Particular	Amount ( in lakhs)
Cost to be allocated as per the adopted output method including provision for foreseeable loss(A)	20,795.35
Cost actually incurred(B)	19,264.51
Total Provision to be made(A-B)	1,530.84
Provision made upto March,2020	1,886.10
Reversal of Excess Cost recognized	355.25

- 15 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 01, 2019. The Impact of the same to the Statement of Profit and Loss for the quarter ended June 30, 2020 is not material.
- 16 The total provisional claim admitted of financial creditors (thereby representing lending facilities availed by the company from various bankers & FIs, as forming a part of Secured

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and Unsecured Loans) was INR 1,242,916.81 Lakhs as at 22<sup>nd</sup> March, 2021. For sake of clarity, the following table may be read:

(in lakhs)			
Sr. No.	Names of Financial Creditors	Amount Claimed	Amount Admitted
01	State Bank of India	196,500.45	196,500.45
02	Union Bank of India	155,642.28	155,534.40
03	IDBI Bank	137,609.11	137,609.11
04	Bank of Baroda	87,910.85	87,910.85
05	Export-Import Bank of India (EXIM)	78,706.88	78,706.88
06	Central Bank of India	72,522.06	72,522.06
07	Punjab National Bank	68,083.21	68,083.21
08	United Bank of India	58,237.72	58,237.72
09	Oriental Bank of Commerce	54,354.45	53,021.02
10	IFCI Ltd	52,821.94	52,821.94
11	Bank of India	51,445.79	51,445.79
12	UCO Bank	46,855.11	46,855.11
13	Punjab Sind Bank	37,664.82	37,664.82
14	Jammu & Kashmir Bank Ltd	32,628.51	32,628.51
15	Corporation Bank	31,978.30	31,380.95
16	India Infrastructure Finance Company (UK) Limited	29,816.97	29,797.21
17	Housing and Urban Development Corporation Ltd.	21,497.32	21,478.32
18	Bank of Maharashtra	11,014.95	11,014.95
19	LIC of India	10,889.94	10,889.94
20	Karur Vysya Bank	4,136.99	4,123.31
21	Karnataka Bank	3,876.81	3,876.81
22	IL & FS	813.42	813.42
<b>Total</b>		<b>1,245,007.88</b>	<b>1,242,916.81</b>

The finance costs appearing in the accompanying results are based on the transactions accounted in the accounting system and as the claim verification is also under process, the Limited review report is qualified in this matter. Also considering that the Claims are provisionally admitted as on 22<sup>nd</sup> March, 2021, and accompanying unaudited financial results are for the quarter ended June 30, 2020 and hence there may be differences in the liabilities claimed, admitted and accounted in the books of accounts, which is also qualified by the auditors.

- 17 The Company is engaged only in the business of Ship-building and Repairs. As such, there are no separate reportable segments.
- 18 "The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, of the Company in accordance with the IND AS and accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of

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the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Pursuant to an application made by IDBI Bank, the Adjudicating Authority vide its order dated January 15, 2020, initiated CIR process of the Company in accordance with the provisions of the Code. The Adjudicating Authority appointed Mr. Rajeev Bal Sawangikar as the Interim Resolution Professional (IRP). Subsequently vide order dated May 5, 2020, Mr. Sudip Bhattacharya having registration number IBBI/IPA-003/ IPN 0080/2017-18/10703 was appointed as the Resolution Professional. In terms of Section 23 of the Code read with Section 25 of the Code, the powers of the Board of Directors stand suspended and the management of the affairs of the Company vests in the Resolution Professional (RP) of the Company i.e. Mr. Sudip Bhattacharya

These unaudited standalone financial results have been prepared by the management of the Company and certified by CFO of the Company. These financial results were placed in the meeting of RP, and CFO for their considerations (CFO is referred herein after as "Key Managerial Persons"). Accordingly, the unaudited standalone financial results were considered and recommended in the meeting. In view thereof, the RP, in reliance of such examinations by and representations, clarifications and explanations provided by the key managerial persons, has approved the Unaudited Standalone Financial Results. The key managerial persons have provided the certifications and representations with responsibility in respect of various secretarial, compliances and matters which are pertaining to the period prior to the appointment of Resolution Professional. The RP is relying on the management representation letters for all information and confirmations in relation to the day to day functioning of the Company.

- 19 The figures for the previous period / year have been regrouped and reclassified to make them comparable with the current period.

Yours faithfully,

For Reliance Naval & Engineering Limited



Sudip Bhattacharya,

As Resolution Professional of Reliance Naval & Engineering Limited  
(Reg. no IBBI/IPA-003/ IPN 0080/2017-18/10703)



Madan Pendse  
(Chief Financial Officer)





Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Standalone Financial Results of Reliance Naval and Engineering Limited (the 'Company') Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

**To**  
**The Resolution Professional of**  
**Reliance Naval & Engineering Limited**  
**(A Company under Corporate Insolvency Resolution Professional Process vide NCLT order)**  
**IP Registration No. IBBI/IPA-003/IP-N00080/2017-18/10703**

- 1 We were engaged to review the accompanying statement of Unaudited Standalone Financial Results of Reliance Naval and Engineering Limited (the 'Company') for the quarter ended June 30, 2020 and year to date from April 1, 2020 to June 30, 2020 ('the Unaudited Standalone Financial Results') attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
- 2 The NCLT/, vide its order dated January 15, 2020 ("Insolvency Commencement Date") initiated the Corporate Insolvency Resolution Process ("CIRP") of the Company under the Code. The said NCLT Order also records the appointment of Mr. Rajeev Bal Sawangikar as the Interim Resolution Professional ("IRP") in accordance with Section 16 of the Code. Subsequently, pursuant to the meeting held on March 13, 2020, the Committee of Creditors (the "CoC") has replaced the existing IRP with Mr. Sudip Bhattacharya as the Resolution Professional ("RP") for the Company. Upon the application filed by CoC, the NCLT has approved the appointment of RP vide its order dated 5th May, 2020. In view of the on-going CIRP and suspension of powers of Board of Directors and as explained to us, the powers of adoption of the Statement vests with RP. These unaudited financial results are prepared by the Management of the Company and Certified by Mr. Madan Pendse, Chief Financial Officer and approved by RP.
- 3 The Unaudited Standalone Financial Results are the responsibility of the Company's Management, inter-alia the persons looking after accounts & finance functions, the CFO, the Officers and those charge with governance. This responsibility includes preparation of financial results in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act 2013, and other accounting principles generally accepted in India and in compliance with Regulation 33 & 52 read with Regulation 63(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with relevant circulars issued by SEBI.

As explained in the basis of preparation, these Unaudited Standalone Financial Results, have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "(Ind AS 34) Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued there under and other accounting principles generally accepted in India. Our responsibility is to express an opinion on these Unaudited Standalone Financial Results based on our review. On account of the matters described in Paragraphs 5 and 6 below, we were not able to obtain sufficient appropriate audit evidence on certain aspects to provide a basis for opinion on

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these Unaudited Standalone Financial Results and hence we do not express an opinion on these Unaudited Standalone Financial Results.

- 4 We conducted our review of the Unaudited Standalone Financial Results, to the extent possible, 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 Unaudited Standalone Financial Results is free of material misstatement. A review of interim financial information consists of making inquiries, primarily from 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 Disclaimer of Opinion

We draw your attention to the fact that the primary purpose of publishing the financial results is for the compliance with the provisions of the Companies Act, 2013, the rules and regulations framed there under ("Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations").

- i. As required by SA-260 "Communication with Those Charged with Governance", we in our capacity of Statutory Auditors, had reached out to the Board of Directors and Resolution Professional for the evaluation on the assessment of Provision/Impairment as required under "Ind AS 36 - Impairment of Assets" and "Ind AS 109 - Financial Instruments". Based on the discussion with those charged with governance, we noted that the as the Company is under the CIRP and the valuation is a confidential matter, Company had not carried out the assessment of Provision/Impairment as required under "Ind AS 36 - Impairment of Assets" and "Ind AS 109 - Financial Instruments" and hence we are unable to comment on the quantum of provision/impairment to be made.
- ii. With respect to a contract with Indian Navy 255/DSP/C/11-12/NOPVs (5), the receivable from Indian Navy was Rs.1,68,431.42 lakhs as on June 30, 2020 appearing as trade receivable. As per the explanation and information received from the management, the Ministry of Defense has sent Show Cause Notice to the company for termination of contract against which the company has filed writ petition and 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 February 17, 2020. After hearing the arguments of both parties at length, the Hon'ble Court was pleased to direct the Ministry of Defense to consider the writ petition as a representation in response to the Impugned Termination Notice and take a decision on termination as per law. The Hon'ble Court was further pleased to direct that in case the final decision of the Ministry of Defense in relation to termination of the NOPV Contract is adverse to the interests of the Company, the operation of the said decision shall remain suspended for a period of 7 days after communication of such decision to the Company. Although the Ministry of Defense has not revived the contract, it has offered the Company an opportunity to present a proposal by August 31, 2020, outlying how it can complete two of the five NOPVs (NS001 and NS002) which were in advance stages of completion by outsourcing the remaining work to a PSU shipyard. However, the proposal submitted by the





Company was not agreeable by Ministry of Defense. Accordingly, the contract was terminated vide letter dated September 21, 2020. In response to which, company has filed an application challenging the order in National Company Law Tribunal October, 2020 which is pending for hearing.

Considering the same the total receivables for shipbuilding contract including bank guarantee invoked by Ministry of Defense amounting to Rs. 1,68,431.42 lakhs have been considered for the impairment testing by the management and below mentioned accounting effect has been considered under the accompanying unaudited financial results for the quarter ended June 30, 2020.

Particular	Amount (in Lakhs)
Total receivable balance of NOPV contract as on June 30, 2020 before considering for the impairment testing (A)	1,68,431.42
<b>Sub-Total (A)</b>	<b>1,68,431.42</b>
1) Increase in Inventory-WIP to the extent of the actual cost incurred till March 31, 2020**	1,38,788.68
2) Reversal of the provision liability accounted for basis the calculation of contract revenue	23,107.97
3) Excess Receivable balance written off (Shown under the exceptional item)	6,534.77
<b>Sub-Total (B)</b>	<b>1,68,431.42</b>

\*\* Company had not undertaken the impairment testing as explained in point i) above.

Further, in absence of the working for Advance against purchase of Material/ Services and inventories relating to the said project (NOPV), we are unable to comment on the quantum of the impairment/provision to be accounted for with respect to Advance given to vendor related to NOPV in the unaudited standalone financial result for the quarter ended June 30, 2020.'

- iii. As per "Indian Accounting Standard 115 on "Revenue from Contracts with Customers", an entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer. For each performance obligation satisfied over time, an entity shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation i.e, Percentage completion Method. However, the Company has adopted the Project Completion method for determining the recognition of revenue i.e the Management considers the progress of the entire project and not that of individual contracts.

For instance, the Company had a Vessel Contract with Indian Coast Guard - AQ/0737/01Trg Ship, on which the Company had booked the reversal of excess cost recognized amounting to Rs. 355.25 Lakhs. The above reversal is on account of below parameters:



Particulars	Amount (in lakhs)
Cost to be allocated as per the adopted output method including provision for foreseeable loss(A)	20,795.35
Cost actually incurred(B)	19,264.51
Total Provision to be made(A-B)	1,530.84
Provision made upto March,2020	1,886.10
Reversal of Excess Cost recognized	355.25

Further, we were not provided with the technical analysis report on which Budgeted Cost Estimations are based, for the calculation of provision for proportionate cost to be incurred, hence we are unable to express an opinion on the accompanying results due to insufficient financial information and assumptions made for the calculation of "Revenue from Contracts with Customer".

- iv. We had not received balance confirmation for all the outstanding borrowings from bank and financial institution as at June 30, 2020, the outstanding balance as per books of accounts is Rs. 1,235,471.52 lakhs including interest thereon amounting to Rs. 303,573.94 lakhs.

We had received the bank balance confirmation of State bank of India & IDBI bank totaling to Rs. 1,226.57 lakhs which is also subject to reconciliation to the tune of Rs. 1.05 lakhs (current account and term deposit) out of total Rs. 1,251.26 lakhs.

The finance cost recognized in the unaudited financial result for the quarter ended June 30, 2020 is based on balances as appearing in the books of accounts as on June 30, 2020 and may undergo changes, if any differences noted subsequently from the bank statements. In absence of the balance confirmation, impact of the same on the standalone financial results cannot be quantified.

- v. The total provisional claim admitted of financial creditors (thereby representing lending facilities availed by the company from various bankers & FIs, as forming a part of Secured and Unsecured Loans) was INR 1,242,916.81 Lakhs as at 22nd March, 2021. For sake of clarity, the following table may be read:

(in lakhs)			
Sr. No.	Names of Financial Creditors	Amount Claimed	Amount Admitted
1	State Bank of India	196,500.45	196,500.45
2	Union Bank of India	155,642.28	155,534.40
3	IDBI Bank	137,609.11	137,609.11
4	Bank of Baroda	87,910.85	87,910.85
5	Export-Import Bank of India (EXIM)	78,706.88	78,706.88
6	Central Bank of India	72,522.06	72,522.06
7	Punjab National Bank	68,083.21	68,083.21
8	United Bank of India	58,237.72	58,237.72
9	Oriental Bank of Commerce	54,354.45	53,021.02
10	IFCI Ltd	52,821.94	52,821.94





Sr. No.	Names of Financial Creditors	Amount Claimed	Amount Admitted
11	Bank of India	51,445.79	51,445.79
12	UCO Bank	46,855.11	46,855.11
13	Punjab Sind Bank	37,664.82	37,664.82
14	Jammu & Kashmir Bank Ltd	32,628.51	32,628.51
15	Corporation Bank	31,978.30	31,380.95
16	India Infrastructure Finance Company (UK) Limited	29,816.97	29,797.21
17	Housing and Urban Development Corporation Ltd.	21,497.32	21,478.32
18	Bank of Maharashtra	11,014.95	11,014.95
19	LIC of India	10,889.94	10,889.94
20	Karur Vysya Bank	4,136.99	4,123.31
21	Karnataka Bank	3,876.81	3,876.81
22	IL & FS	813.42	813.42
	<b>Total</b>	<b>1,245,007.88</b>	<b>1,242,916.81</b>

The finance costs appearing in the accompanying results are based on the transactions accounted in the accounting system and as the claims verification is also under process, our report is qualified in this matter. Also considering that the Claims are provisionally admitted as on 22nd March, 2021 and accompanying unaudited financial results are for the quarter ended June 30, 2020 and hence there may be differences in the liabilities claimed, admitted and accounted in the books of accounts. In absence of the reconciliation, we are unable to comment on the quantum of such difference in the liability.

- vi. The Company is currently under the process of CIRP and no cash flows are generating after the initiation of CIRP, and, hence the business of the company could not be classified as a cash generating unit. However, during the quarter ended June, 2020, company has not disclosed the assets as discontinued operations, as per the requirement of "Ind AS 105 - Non-Current Assets Held for Sale and Discontinued Operations".

Looking to above facts and in conjunction with "Ind AS 105 - Non-Current Assets Held for Sale and Discontinued Operations", the revenue from operations and assets should have been disclosed under discontinued operations. However, in terms of the Section 25 of the IBC Code, the Company is treated as continue to operate as a going concern and accordingly the Financial Results are being presented on a going concern basis by those charged with governance.

- vii. We draw your attention to point 10 of the unaudited financial results for the quarter ended June 30, 2020 which states that As per "Indian Accounting Standard 36 on Impairment of Assets", which specifies that for an investment in a subsidiary, jointly controlled entity or associate, an impairment indication exists if the carrying amount of the investment in the separate financial statements of the company exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill, then such investment to be tested for the impairment.





Accordingly, the Company had noted that the net assets of one of the Subsidiary E-Complex Private Limited is running negative and net worth is also eroded for the Subsidiary as on June 30, 2020. Also E-Complex Private Limited has been admitted for under NCLT on December 9, 2020.

On the basis of above indicators, the Company had created a Provision for Impairment for the entire value of investment in E-Complex Private Limited amounting of Rs. 1,896.73 lakhs shown under the Exceptional item in the accompanying unaudited financial results for the quarter ended June 30, 2020.

## **6 Going Concern Assessment**

The lending arrangement of the Company is classified as a non-performing asset by the lenders. The said classification was done by the lead bank IDBI (forming 11% of total debt from lenders) on 15<sup>th</sup> January, 2020 and by SBI Bank limited (consortium member accounting for 16% of said lending) on 15<sup>th</sup> January, 2020. Further, the Corporate Insolvency Resolution process (CIRP) was initiated against the company under the provisions of Insolvency and Bankruptcy Code, 2016 (Code) by an order of National Company Law Tribunal (NCLT), Ahmedabad dated 15<sup>th</sup> January 2019.

We draw your attention to the Note no. 3 of the Statement of unaudited financial results for the quarter ended June 30, 2020, regarding the preparation of Standalone financial results of the Company on going concern basis, notwithstanding the fact that the Company continues to incur the 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 the secured lenders, non-current assets are significantly impaired, current liabilities exceed total assets of the Company, major customers have cancelled the orders, termination notice received to terminate the sub concession lease agreement of land parcel on which Company's EOU unit operates etc. As mentioned 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 unaudited standalone financial results 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 result under the CIRP process. The appropriateness of preparation of these unaudited financial results for the quarter ended June 30, 2020 on going concern basis is critically dependent upon CIRP as specified in the Code.

In light of the matters indicated above, in our opinion, the company's ability to continue as Going Concern is severely impacted and is unlikely. The underlying results have been prepared by the company on a going-concern basis, resulting in non-statement of assets at their recoverable position (as against currently stated at their brought forward values plus/minus transactions), the quantification of which would be reflected in the subsequent results and / or review reports / annual reports pursuant to the ongoing valuation exercise.

### **Disclaimer of Opinion**

Because of the significance of the matters described in paragraphs 5 and 6 above, taking into consideration the ongoing investigation into various matters, pending assessment of legal compliance by the Company; possible impact thereof has not been quantified by the management; and certain provisions accounted by the Company during the quarter ended June 30, 2020; we have





not been able to obtain sufficient appropriate evidence to provide a basis for our opinion as to whether the accompanying Unaudited Standalone Financial Results:

- i. Are prepared in accordance with the recognition and measurement principles laid down in "Indian Accounting Standard 34 - Interim Financial Reporting" specified under Section 133 of the Companies Act, 2013 and;
- ii. Disclose the information required to be disclosed in terms of the Listing Regulations including the manner in which it is to be disclosed or that it contains material misstatements.


#### **Emphasis of Matter**

We draw your attention to Note 11 of accompanying Standalone Financial Results, which states that an amount Rs. 96,16.79 lakh is reflected as Exceptional Items on account of subsequent invocation of corporate guarantee given to IFCI Limited by the Company against the loan facilities availed by one of its subsidiary RMOL Engineering & Offshore Limited as required under Ind AS 109. As the said Subsidiary company i.e RMOL Engineering & Offshore Limited has been admitted under CIRP process, the provision has been created against the receivable balance from RMOL Engineering & Offshore Limited towards such invocation of corporate guarantee.

#### **Other Matters**

- i. The Comparative IND AS financial information for the year ended March 31, 2020 are included in these Unaudited Standalone Financial Results, on which the predecessor auditor has issued Qualified opinion dated July 31, 2020.
- ii. Due to non- payment of various statutory liabilities, there may be potential non-compliances under the Companies Act, 2013; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other statutes and regulations.

**For Pipara & Co LLP**  
Chartered Accountants  
FRN: 107929W/W100219

  
**Bhawik Madrecha**  
Partner  
M. No: 163412  
Place : Mumbai



**UDIN - 21163412AAAAKG7395**

**Reliance Naval and Engineering Limited**

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**Statement of Unaudited Consolidated Financial Results for the Quarter Ended June 30, 2020**

Sr No	Particulars	Quarter Ended			Rs in Lakhs
		30.06.2020	31.03.2020	30.06.2019	Year Ended
		Unaudited	(Refer Note 16)	(Refer Note 16)	Audited
1	Revenue from Operations	196	1,726	2,633	7,549
2	Other Income	39	2,194	52	2,372
3	<b>Total Income (1+2)</b>	<b>235</b>	<b>3,920</b>	<b>2,685</b>	<b>9,921</b>
4	<b>Expenses</b>				
(a)	Cost of Materials Consumed	138,789	10	2,358	3,252
(b)	Cost of Raw Material Sold / Traded Goods	-	104	143	516
(c)	Changes in Inventories of Work in Progress & Scrap	(139,260)	17	(67)	(1,304)
(d)	Employee Benefits Expenses	206	373	598	2,054
(e)	Labour/Fabrication and Subcontractor Charges	241	441	741	2,600
(f)	Power, Fuel and Water	116	284	328	1,144
(g)	Cost Estimated for Revenue Recognised (Refer Note 14)	-	(79)	(2,960)	(2,510)
(h)	Foreign Exchange Difference (net)	2,015	1,753	(64)	2,616
(i)	Provision for Non-Moving Inventory	-	11,015	-	-
(j)	Other Expenses	(124)	1,147	1,248	16,952
	<b>Total Expenses</b>	<b>1,983</b>	<b>15,065</b>	<b>2,325</b>	<b>25,320</b>
5	<b>Profit / (Loss) from Operations before Depreciation / Amortisation cost and Finance Cost (3 - 4)</b>	<b>(1,748)</b>	<b>(11,145)</b>	<b>360</b>	<b>(15,399)</b>
6	Finance Costs	38,922	39,364	35,727	146,886
7	Depreciation and Amortisation Expenses	1,787	1,793	1,721	7,195
8	<b>Loss Before Exceptional Items (5-6-7)</b>	<b>(42,457)</b>	<b>(52,302)</b>	<b>(37,088)</b>	<b>(169,480)</b>
9	Exceptional Items (Refer Note 8 and 10)	(16,152)	(6,608)	-	(6,608)
10	<b>Loss before Tax (8+9)</b>	<b>(58,609)</b>	<b>(58,910)</b>	<b>(37,088)</b>	<b>(176,088)</b>
11	Income Tax for Earlier Years	-	-	-	-
12	Deferred Tax Credit / (Reversal)	-	-	(1)	-
13	<b>Loss After Tax (10+11+12)</b>	<b>(58,609)</b>	<b>(58,910)</b>	<b>(37,089)</b>	<b>(176,088)</b>
14	Add:- Consolidated share in the profit/(loss) of associate	14	26	(6)	14
15	<b>Loss for the period / year (13 + 14)</b>	<b>(58,595)</b>	<b>(58,884)</b>	<b>(37,095)</b>	<b>(176,074)</b>
16	<b>Other Comprehensive Income</b>				





Sr No	Particulars	Quarter Ended			Year Ended
		30.06.2020	31.03.2020	30.06.2019	31.03.2020
		Unaudited	(Refer Note 16)	(Refer Note 16)	Audited
	Items that will not to be reclassified to profit and loss in the subsequent year				
(i)	Actuarial gains/(losses) on defined benefit plans	2	20	(4)	7
(ii)	Income Tax effect	-	-	1	-
	<b>Total Other Comprehensive Income for the period/year</b>	<b>2</b>	<b>20</b>	<b>(3)</b>	<b>7</b>
17	<b>Total Comprehensive Income for the period/year (15+16)</b>	<b>(58,593)</b>	<b>(58,864)</b>	<b>(37,098)</b>	<b>(176,067)</b>
18	Paid-up Equity Share Capital (Face Value of Rs. 10 Each)	73,759	73,759	73,759	73,759
19	Other Equity	-	-	-	(1,291,511)
20	<b>Earnings Per Share (EPS) (* Not Annualised)</b>				
(a)	Basic EPS (Rs.)	*(7.94)	*(7.98)	*(5.03)	(23.87)
(b)	Diluted EPS (Rs.)	*(7.94)	*(7.98)	*(5.03)	(23.87)

Notes :

01 On September 4, 2018, IDBI Bank in its capacity of 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 January 15, 2020 ("Insolvency Commencement Date") initiated the Corporate Insolvency Resolution Process ("CIRP") of the Company under the Code. The said NCLT Order also records the appointment of Mr. Rajeev Bal Sawangikar as the Interim Resolution Professional ("IRP") in accordance with Section 16 of the Code. Subsequently, pursuant to the meeting held on March 13, 2020, the Committee of Creditors (the "CoC") has replaced the existing IRP with Mr. Sudip Bhattacharya as the Resolution Professional ("RP") for the Company. Upon the application filed by CoC, the NCLT has approved the appointment of RP vide its order dated 5th May, 2020 Under the IBC proceedings, the powers of the board have been suspended with effect from January 15, 2020. The powers of the Board of Directors are to be exercised by the RP. The NCLT order also provided for a moratorium with effect from January 15, 2020 till the completion of the 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 With respect to the unaudited consolidated financial results for the quarter ended June 30, 2020, the RP has signed the same solely for the purpose of ensuring compliance by the Corporate Debtor with applicable laws, and subject to the following disclaimers:

- The RP has furnished and signed the report in good faith and accordingly, no suit, prosecution or other legal proceeding shall lie against the RP in terms of Section 233 of the Code;
- No statement, fact, information (whether current or historical) or opinion contained herein should be construed as a representation or warranty, express or implied, of the RP including, his authorized representatives and advisors.





- (iii) The RP, in review of the unaudited consolidated financial results and while signing this statement of financial results has relied upon the assistance provided by the directors of the Corporate Debtor, and certifications, representations and statements made by the directors of the Corporate Debtor, in relation to these financial results. The statement of financial results of the Corporate Debtor for the quarter ended June 30, 2020 have been taken on record by the RP solely on the basis of and on relying the aforesaid certifications, representations and statements of the aforesaid directors and the management of the Corporate Debtor. For all such information and data, the RP has assumed that such information and data are in the conformity with the Companies Act, 2013 and other applicable laws with respect to the preparation of the financial results and that they give true and fair view of the position of the Corporate Debtor as of the dates and period indicated therein. Accordingly, the RP is not making any representations regarding accuracy, veracity or completeness of the data or information in the financial results.
- (iv) In terms of the provisions of the Code, the RP is required to undertake a review of certain transactions. Such review has been completed and the RP has filed the necessary applications with the adjudicating authority.
03. The above Unaudited Consolidated Financial Results of the Company for the period ended June 30, 2020 have been taken on record by the RP while discharging the powers of the erstwhile Board of Directors of the Company which were conferred upon him by the aforementioned NCLT order dated May 5, 2020 to run the Company as a going concern during CIRP. Hence the financial results for the period ended June 30, 2020 have been prepared on going concern assumptions. The RP took charge of the Company on May 5, 2020 and authorized the Key Management Personnel (KMP's) to continue with their respective roles and charges as per their original work allocation.
04. The amounts of the claim admitted or to be admitted by the RP under CIRP process may differ from the amount reflecting in the books of account of the Company. The above unaudited financial results are drawn on the basis of June 30, 2020 figures as per the books of account of the Company. The RP and support team believe that these figures may be interpreted solely for the purpose of satisfying the regulatory requirement for filing of quarterly and yearly audited financial results and that these figures could change during the CIRP process or thereafter.
05. The accompanying unaudited consolidated financial results includes unaudited interim financial results and other financial information in respect of following subsidiaries and associate concerns and their status:

Sr. No.	Name of the company	Nature of Entity	Status
1	E Complex Private Limited	Wholly Owned Subsidiary	Under CIRP
2	RMOL Engineering and Offshore Limited	Wholly Owned Subsidiary	Under CIRP
3	REDS Marine Services Limited	Wholly Owned Subsidiary	Under CIRP
4	PDOC Pte. Limited	Wholly Owned Subsidiary	Active
5	Reliance Technologies and Systems Private Limited	Wholly Owned Subsidiary	Active
6	Conceptia Software Technologies Private Limited	Associate	Active





The unaudited interim financial results of these subsidiaries and associates have not been reviewed and have been approved and furnished by management.

06. During the period ended June 30, 2020, as a part of CIRP, financial and operational creditors were called upon to submit their claims to the IRP as on January 15, 2020. These claims are under verification and the RP is in the process of receiving, collating, verifying, seeking clarification, sending communications for un-reconciled balances, seeking additional documents to substantiate whole or part of un-reconciled balances on such claims; hence no provision other than disclosed in exceptional items has been made in the books of accounts for the period ended on June 30, 2020. This matter has accordingly been qualified by the auditors in their audit report.
07. ONGC had placed an order for 12 Offshore Vessels (OSVs) in Financial Year (FY) 2009-10 out of which 7 OSVs have been delivered till 2015-16. ONGC has cancelled the order and invoked all the bank guarantees in FY 2018-19. The Arbitration Petition has been filed by the Company against the cancellation of Order. 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 limited review report.
08. As on June 30, 2020, the Company has shipbuilding contracts receivables of NOPV amounting to Rs. 1,68,432.42 including invocation of the bank guarantees amounting to for 5 Naval Offshore Patrol Vessels (NOPVs) from the Ministry of Defence, New Delhi (the "MOD"). On February 3, 2020, the Company has received a Show Cause Notice from the MOD for termination of aforesaid Contract. In response to the Notice, The Company replied to the notice and also filed a writ petition along with stay application before the Delhi High Court on February 15, 2020. The captioned matter was listed for hearing before the Hon'ble Delhi High Court on February 17, 2020. After hearing the arguments of both parties at length, the Hon'ble Court was pleased to direct the MOD to consider the writ petition as a representation in response to the Impugned Termination Notice and take a decision on termination as per law. The Hon'ble Court was further pleased to direct that in case the final decision of the MOD in relation to termination of the NOPV Contract is adverse to the interests of the Company, the operation of the said decision shall remain suspended for a period of 7 days after communication of such decision to the Company. Although the MOD has not revived the contract, it has offered the Company an opportunity to present a proposal by August 31, 2020, outlining how it can complete two of the five NOPVs (NS001 and NS002) which are in advanced stages of completion by outsourcing the remaining work to a PSU shipyard.

However, the proposal submitted by the Company was not agreeable by Ministry of Defense. Accordingly, the contract was terminated vide letter dated September 21, 2020. In response to which, company has filed an application challenging the order in National Company Law Tribunal in the month of October, 2020, which is pending for hearing.

Considering the same the total receivables for shipbuilding contract including bank guarantee invoked by Ministry of Defense amounting to Rs. 1,68,431.42 lakhs have been considered for the impairment testing by the management and below mentioned accounting effect has been considered under the accompanying unaudited financial results for the quarter ended June 30, 2020.



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Particulars	Amount (in Lakhs)
Total receivable balance of NOPV contract as on June 30, 2020 before considering for the impairment testing (A)	1,68,431.42
Sub-Total (A)	1,68,431.42
1) Increase in Inventory-WIP to the extent of the actual cost incurred till March 31, 2020**	1,38,788.68
2) Reversal of the provision liability accounted for basis the calculation of contract revenue	23,107.97
3) Excess Receivable balance written off (Shown under the exceptional item)	6,534.77
Sub-Total (B)	1,68,431.42

\*\* Company had not undertaken the impairment testing as the Company is under the CIRP and the valuation is a confidential matter.

Pending the details of the Advance against purchase of Material/ Services, impairment/provision assessment has not been out on the same, which has been qualified by the auditors in their audit report.

09. The aggregate carrying value 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 Rs. 471,760.55 lakhs. As explained in Note 1 above, the Company is under CIRP and RP is required to invite submission of resolution plan from potential resolution applicants, which shall be put up for necessary approvals before the CoC and the NCLT. The CIRP is not yet concluded and the final outcome is yet to be ascertained. The Company has not taken into consideration any impact on the value of tangible, financial and other assets, if any, in preparation of Financial Statements and has not made full assessment of impairment as required by the applicable Ind AS, if any, as on June 30, 2020 in the carrying value of the above assets. This matter has accordingly been qualified by the auditors in their audit report.
10. An amount of Rs. 96,16.79 lakh is reflected as an Exceptional Items on account of invocation of corporate guarantee given to IFCI Limited by the Company against the loan facilities availed by one of its subsidiary RMOL Engineering & Offshore Limited as required under Ind AS 109. As the said Subsidiary company i.e RMOL Engineering & Offshore Limited has been admitted under CIRP process, the provision has been created against the receivable balance from RMOL Engineering & Offshore Limited towards such invocation of corporate guarantee.
11. On March 16, 2020 and subsequent to year end on May 19, 2020, the Gujarat Pipavav Port Limited ("GPPL") has issued a termination notice to terminate the Sub-concession Agreement for nonpayment of lease rent. The agreement was entered between Gujarat Maritime Board ("GMB"), GPPL and the Company to sub lease the certain land parcels owned by GMB to the Company in order to carry out business activities. As the Company is under CIRP, it has requested GPPL to continue with the agreement for the smooth resolution process and expect to pay the lease rent as per the provision of the Code.

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12. The outbreak of COVID-19 pandemic has significantly impacted businesses around the world. This has resulted in significant reduction in economic activities. With respect to operations of the Company, it has impacted its business by way of interruption in construction activities, supply chain disruption, unavailability of personnel, closure/lock down of various other facilities etc. It has also led to delay in the Resolution process of the Company.

Few of the construction activities are already commenced albeit in a limited manner. Further the Company has availed protections available to it as per various contractual provisions to reduce the impact of COVID-19. Any changes due to the changes in situations/circumstances will be taken into consideration, if necessary, as and when it crystallizes; accordingly it is not possible to determine exact financial impact of COVID-19 pandemic over the business at this juncture.

13. 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 project method. 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 and reversal in case in excess cost is already accounted as on reporting date.
14. As per "Indian Accounting Standard 115 on "Revenue from Contracts with Customers", For each performance obligation satisfied over time, an entity shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation i.e, Percentage completion Method. However, the Company has adopted the Project Completion method for determining the recognition of revenue i.e the Management considers the progress of the entire project and not that of individual vessel.

For instance, the Company had a vessel contract with Indian Coast Guard - AQ/0737/01Trg Ship, on which the Company had booked the reversal of excess cost recognized amounting to Rs. 355.25 Lakhs. The above reversal is on account of below parameters:

Particulars	Amount (in lakhs)
Cost to be allocated as per the adopted output method including provision for foreseeable loss(A)	20,795.35
Cost actually incurred (B)	19,264.51
Total Provision to be made(A-B)	1,530.84
Provision made upto March,2020	1,886.10
Reversal of Excess Cost recognized	355.25

15. 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 01, 2019. The Impact of the same to the Statement of Profit and Loss for the quarter ended June 30, 2020 is not material.
16. The total provisional claim admitted of financial creditors (thereby representing lending facilities availed by the company from various bankers & FIs, as forming a part of Secured

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and Unsecured Loans) was INR 1,242,916.81 lakhs as at 22<sup>nd</sup> March, 2021. For sake of clarity, the following table may be read:

			(in lakhs)
Sr. No.	Names of Financial Creditors	Amount Claimed	Amount Admitted
01	State Bank of India	196,500.45	196,500.45
02	Union Bank of India	155,642.28	155,534.40
03	IDBI Bank	137,609.11	137,609.11
04	Bank of Baroda	87,910.85	87,910.85
05	Export-Import Bank of India (EXIM)	78,706.88	78,706.88
06	Central Bank of India	72,522.06	72,522.06
07	Punjab National Bank	68,083.21	68,083.21
08	United Bank of India	58,237.72	58,237.72
09	Oriental Bank of Commerce	54,354.45	53,021.02
10	IFCI Ltd	52,821.94	52,821.94
11	Bank of India	51,445.79	51,445.79
12	UCO Bank	46,855.11	46,855.11
13	Punjab Sind Bank	37,664.82	37,664.82
14	Jammu & Kashmir Bank Ltd	32,628.51	32,628.51
15	Corporation Bank	31,978.30	31,380.95
16	India Infrastructure Finance Company (UK) Limited	29,816.97	29,797.21
17	Housing and Urban Development Corporation Ltd.	21,497.32	21,478.32
18	Bank of Maharashtra	11,014.95	11,014.95
19	LIC of India	10,889.94	10,889.94
20	Karur Vysya Bank	4,136.99	4,123.31
21	Karnataka Bank	3,876.81	3,876.81
22	IL & FS	813.42	813.42
	<b>Total</b>	<b>1,245,007.88</b>	<b>1,242,916.81</b>

The finance costs appearing in the accompanying results are based on the transactions accounted in the accounting system and as the claim verification is also under process, the limited review report is qualified in this matter. Also considering that the Claims are provisionally admitted as on 22<sup>nd</sup> March, 2021, and accompanying unaudited financial results are for the quarter ended June 30, 2020 and hence there may be differences in the liabilities claimed, admitted and accounted in the books of accounts, which is also qualified by the auditors

17. The Company is engaged only in the business of Ship-building and Repairs. As such, there are no separate reportable segments.
18. "The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, of the Company in accordance with the IND AS and accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and

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completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

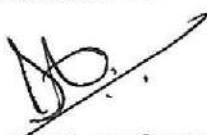
Pursuant to an application made by IDBI Bank, the Adjudicating Authority vide its order dated January 15, 2020, initiated CIR process of the Company in accordance with the provisions of the Code. The Adjudicating Authority appointed Mr. Rajeev Bal Sawangikar as the Interim Resolution Professional (IRP). Subsequently vide order dated May 5, 2020, Mr. Sudip Bhattacharya having registration number IBBI/IPA-003/ IPN 0080/2017-18/10703 was appointed as the Resolution Professional. In terms of Section 23 of the Code read with Section 25 of the Code, the powers of the Board of Directors stand suspended and the management of the affairs of the Company vests in the Resolution Professional (RP) of the Company i.e. Mr. Sudip Bhattacharya

These financial results have been prepared by the management of the Company and certified by CFO of the Company. These financial results were placed in the meeting of RP, and CFO for their considerations (CFO is referred herein after as "Key Managerial Persons"). Accordingly, the unaudited financial results were considered and recommended in the meeting. In view thereof, the RP, in reliance of such examinations by and representations, clarifications and explanations provided by the key managerial persons, has approved the Financial Results. The key managerial persons has provided the certifications and representations with responsibility in respect of various secretarial, compliances and matters which are pertaining to the period prior to the appointment of Resolution Professional. The RP is relying on the management representation letters for all information and confirmations in relation to the day to day functioning of the Company.

19. The figures for the previous period /year have been regrouped and reclassified to make them comparable with the current period.

Yours faithfully,

For Reliance Naval & Engineering Limited

  
Sudip Bhattacharya,

As Resolution Professional of Reliance Naval & Engineering Limited  
(Reg. no IBBI/IPA-003/ IPN 0080/2017-18/10703)





Madan Pendse  
(Chief Financial Officer)





**Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Consolidated Financial Results of Reliance Naval and Engineering Limited (the 'Company') Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**

**To**

**The Resolution Professional of**

**Reliance Naval & Engineering Limited**

**(A Company under Corporate Insolvency Resolution Professional Process vide NCLT order)**

**IP Registration No. IBBI/IPA-003/IP-N00080/2017-18/10703**

1. We were engaged to review the accompanying statement of Unaudited Consolidated Financial Results of Reliance Naval & Engineering Limited (the 'Company') for the quarter ended June 30, 2020 and year to date from April 1, 2020 to June 30, 2020 ('the Unaudited Consolidated Financial Results') attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. The NCLT/, vide its order dated January 15, 2020 ("Insolvency Commencement Date") initiated the Corporate Insolvency Resolution Process ("CIRP") of the Company under the Code. The said NCLT Order also records the appointment of Mr. Rajeev Bal Sawangikar as the Interim Resolution Professional ("IRP") in accordance with Section 16 of the Code. Subsequently, pursuant to the meeting held on March 13, 2020, the Committee of Creditors (the "CoC") has replaced the existing IRP with Mr. Sudip Bhattacharya as the Resolution Professional ("RP") for the Company. Upon the application filed by CoC, the NCLT has approved the appointment of RP vide its order dated 5th May, 2020. In view of the on-going CIRP and suspension of powers of Board of Directors and as explained to us, the powers of adoption of the Statement vests with RP. These unaudited financial results are prepared by the Management of the Company and Certified by Mr. Madan Pendse, Chief Financial Officer and approved by RP.
3. The Unaudited Consolidated Financial Results are the responsibility of the Company's Management, inter-alia the persons looking after accounts & finance functions, the CFO, the Officers & those charge with governance. This responsibility includes preparation of financial results in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act 2013, and other accounting principles generally accepted in India and in Compliance with Regulation 33 & 52 read with Regulation 63(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with relevant circulars issued by SEBI
4. As explained in the basis of preparation, these Unaudited Consolidated Financial Results, have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "(Ind AS 34) Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express an opinion on these Unaudited Consolidated Financial Results based on our review. On account of the matters described in Paragraphs 5 and 6 below, we were not able to obtain

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sufficient appropriate audit evidence on certain aspects to provide a basis for opinion on these Unaudited Consolidated Financial Results and hence we do not express an opinion on these Unaudited Consolidated Financial Results.

5. We conducted our review of the Unaudited Consolidated Financial Results, to the extent possible, 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 Unaudited Consolidated Financial Results is free of material misstatement. A review of interim financial information consists of making inquiries, primarily from 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.
6. Basis for Disclaimer of Opinion

We draw your attention to the fact that the primary purpose of publishing the financial results is for the compliance with the provisions of the Companies Act, 2013, the rules and regulations framed thereunder ("Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations").

- i. As required by SA-260 "Communication with Those Charged with Governance", we in our capacity of Statutory Auditors, had reached out to the Board of Directors and Resolution Professional for the evaluation on the assessment of Provision/Impairment as required under "Ind AS 36 - Impairment of Assets" and "Ind AS 109 - Financial Instruments". Based on the discussion with those charged with governance, we noted that the as the Company is under the CIRP and the valuation is a confidential matter, Company had not carried out the assessment of Provision/Impairment as required under "Ind AS 36 - Impairment of Assets" and "Ind AS 109 - Financial Instruments" and hence we are unable to comment on the quantum of provision/impairment to be made.
- ii. As per "Indian Accounting Standard 36 on Impairment of Assets", Goodwill acquired in a business combination shall be tested for impairment annually. Moreover, due to existence of indications that require testing of impairment, the holding company has fully impaired the value of investment in its subsidiary in consolidated financial results. Above factors substantiate the requirement of testing for Goodwill. The company has not made assessment of impairment of Goodwill and hence we are unable to comment on the impact of the same in consolidated unaudited financial results for the quarter ended June 30, 2020.
- iii. As per Ind AS 109 "Accounting for Financial Instruments", the company has not applied Expected Credit Loss (ECL) Model for measurement and recognition of impairment loss on trade receivable amounting to Rs. 804.04 Lakhs as on June 30, 2020.
- iv. Further with respect to a contract with Indian Navy 255/DSP/C/11-12/NOPVs (5), the receivable from Indian Navy was Rs.1,68,431.42 lakhs as on June 30, 2020 appearing as trade receivable. As per the explanation and information received from the management, the Ministry of Defense has sent Show Cause Notice to the company for





termination of contract against which the company has filed writ petition and 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 February 17, 2020. After hearing the arguments of both parties at length, the Hon'ble Court was pleased to direct the Ministry of Defense to consider the writ petition as a representation in response to the Impugned Termination Notice and take a decision on termination as per law. The Hon'ble Court was further pleased to direct that in case the final decision of the Ministry of Defense in relation to termination of the NOPV Contract is adverse to the interests of the Company, the operation of the said decision shall remain suspended for a period of 7 days after communication of such decision to the Company. Although the Ministry of Defense has not revived the contract, it has offered the Company an opportunity to present a proposal by August 31, 2020, outlying how it can complete two of the five NOPVs (NS001 and NS002) which were in advance stages of completion by outsourcing the remaining work to a PSU shipyard. However, the proposal submitted by the Company was not agreeable by Ministry of Defense. Accordingly, the contract was terminated vide letter dated September 21, 2020. In response to which, company has filed an application challenging the order in National Company Law Tribunal in the month of October, 2020, which is pending for hearing.

- v. Considering the same the total receivables for shipbuilding contract including bank guarantee invoked by Ministry of Defense amounting to Rs. 1,68,431.42 lakhs have been considered for the impairment testing by the management and below mentioned accounting effect has been considered under the accompanying unaudited financial results for the quarter ended June 30, 2020.

Particular	Amount (in Lakhs)
Total receivable balance of NOPV contract as on June 30, 2020 before considering for the impairment testing (A)	1,68,431.42
<b>Sub-Total (A)</b>	<b>1,68,431.42</b>
1) Increase in Inventory-WIP to the extent of the actual cost incurred till March 31, 2020**	1,38,788.68
2) Reversal of the provision liability accounted for basis the calculation of contract revenue	23,107.97
3) Excess Receivable balance written off (Shown under the exceptional item)	6,534.77
<b>Sub-Total (B)</b>	<b>1,68,431.42</b>

\*\* Company had not undertaken the impairment testing as explained in point (i) above.

Further, in absence of the working for Advance against purchase of Material/ Services and inventories relating to the said project (NOPV), we are unable to comment on the quantum of the impairment/provision to be accounted for with respect to Advance given to vendor related to NOPV in the unaudited consolidated financial result for the quarter ended June 30, 2020.

- vi. The accompanying financial results includes unaudited interim financial results for the quarter ended June 30, 2020 and other financial information in respect of following





subsidiaries and associate concerns. As per the facts available with us, the current status of all the subsidiaries and associate is as follows:

Sr. No.	Name of the company	Nature of Entity	Status
1	E Complex Private Limited	Wholly Owned Subsidiary	Under CIRP
2	RMOL Engineering and Offshore Limited	Wholly Owned Subsidiary	Under CIRP
3	REDS Marine Services Limited	Wholly Owned Subsidiary	Under CIRP
4	PDOC Pte. Limited	Wholly Owned Subsidiary	Active
5	Reliance Technologies and Systems Private Limited	Wholly Owned Subsidiary	Active
6	Conceptia Software Technologies Private Limited	Associate	Active

- vii. The unaudited interim financial results of above 5 subsidiaries and 1 associates have not been reviewed and have been approved and furnished to us by management and our conclusion on the statement, in so far as it relates to the affairs of these subsidiaries and associates, is solely on such unaudited interim financial results and other financial information furnished by management. The assets of such components form 25% (111518.41 / 446111.66) of the total assets stated and the Loss of such components form 6.65% (3387.99 / 50933.48) of the total loss in unaudited consolidated financial results for the quarter ended June 30, 2020.
- viii. As per "Indian Accounting Standard 115 on "Revenue from Contracts with Customers", an entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer. For each performance obligation satisfied over time, an entity shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation i.e, Percentage completion Method. However, the Company has adopted the Project Completion method for determining the recognition of revenue i.e the Management considers the progress of the entire project and not that of individual contracts.
- ix. For instance, the Company had a vessel contract with Indian Coast Guard - AQ/0737/01Trg Ship, on which the Company had booked the reversal of excess cost recognized amounting to Rs. 355.25 Lakhs. The above reversal is on account of below parameters:

Particular	Amount (in lakhs)
Cost to be allocated as per the adopted output method as per Ind AS 115 including provision for foreseeable loss on entire project (A)	20,795.35
Cost actually incurred till June 30, 2020 (B)	19,264.51
Total Provision to be made for the quarter ended June 30,2020 (C) = (A-B)	1,530.84





Provision already made up to March,2020 (D)	1,886.10
<b>Reversal of Excess Cost recognized (C-D)</b>	<b>355.25</b>

Further, we were not provided with the technical analysis report on which Budgeted Cost Estimations are based, for the calculation of provision for proportionate cost to be incurred, hence we are unable to express an opinion on the above said reversal in the accompanying unaudited financial results for the quarter ended June 30, 2020.

- x. The total provisional claim admitted of financial creditors (thereby representing lending facilities availed by the company from various bankers & FIs, as forming a part of Secured and Unsecured Loans) was INR 1,242,916.81 Lakhs as at 22nd March, 2021. For sake of clarity, the following table may be read:

Sr. No.	Names of Financial Creditors	Amount Claimed (in lakhs)	Amount Admitted (in lakhs)
1	State Bank of India	196,500.45	196,500.45
2	Union Bank of India	155,642.28	155,534.40
3	IDBI Bank	137,609.11	137,609.11
4	Bank of Baroda	87,910.85	87,910.85
5	Export-Import Bank of India (EXIM)	78,706.88	78,706.88
6	Central Bank of India	72,522.06	72,522.06
7	Punjab National Bank	68,083.21	68,083.21
8	United Bank of India	58,237.72	58,237.72
9	Oriental Bank of Commerce	54,354.45	53,021.02
10	IFCI Ltd	52,821.94	52,821.94
11	Bank of India	51,445.79	51,445.79
12	UCO Bank	46,855.11	46,855.11
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14	Jammu & Kashmir Bank Ltd	32,628.51	32,628.51
15	Corporation Bank	31,978.30	31,380.95
16	India Infrastructure Finance Company (UK) Limited	29,816.97	29,797.21
17	Housing and Urban Development Corporation Ltd.	21,497.32	21,478.32
18	Bank of Maharashtra	11,014.95	11,014.95
19	LIC of India	10,889.94	10,889.94
20	Karur Vysya Bank	4,136.99	4,123.31
21	Karnataka Bank	3,876.81	3,876.81
22	IL & FS	813.42	813.42
	<b>Total</b>	<b>1,245,007.88</b>	<b>1,242,916.81</b>

The finance costs appearing in the accompanying results are based on the transactions accounted in the accounting system and as the claim verification is also under process, our report is qualified in this matter. Also considering that the Claims are provisionally admitted as on 22nd March,2021 and accompanying unaudited financial results are for the quarter ended June 30, 2020 and hence there may be differences in the liabilities claimed, admitted and accounted in the books of accounts. In absence of the reconciliation, we are unable to comment on the quantum of such difference in the liability.





- xi. The Company & three of its subsidiaries are currently under the process of CIRP and no cash flows are generating after the initiation of CIRP, and, hence the business of the company could not be classified as a cash generating unit. However, during the quarter ended June, 2020, company & its subsidiaries have not disclosed the assets as discontinued operations, as per the requirement of "Ind AS 105 - Non-Current Assets Held for Sale and Discontinued Operations".

Looking to above facts and in conjunction with "Ind AS 105 - Non-Current Assets Held for Sale and Discontinued Operations", the revenue from operations and assets should have been disclosed under discontinued operations. However, in terms of the Section 25 of the IBC Code, the Company is treated as continue to operate as a going concern and accordingly the Financial Results are being presented on a going concern basis by those charged with governance.

## **7. Going Concern Assessment**

The lending arrangement of the Company is classified as a non-performing asset by the lenders. The said classification was done by the lead bank IDBI (forming 11% of total debt from lenders) on 15<sup>th</sup> January, 2020 and by SBI Bank limited (consortium member accounting for 16% of said lending) on 15<sup>th</sup> January, 2020. Further, the Corporate Insolvency Resolution process (CIRP) was initiated against the company under the provisions of Insolvency and Bankruptcy Code, 2016 (Code) by an order of National Company Law Tribunal (NCLT), Ahmedabad dated 15<sup>th</sup> January 2019.

We draw your attention to the Note no. 3 of the Statement of unaudited financial results for the quarter ended June 30, 2020, regarding the preparation of Consolidated financial results of the Company on going concern basis, notwithstanding the fact that the Company continue to incur the 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 the secured lenders, non-current assets are significantly impaired, current liabilities exceed total assets of the Company, major customers have cancelled the orders, termination notice received to terminate the sub concession lease agreement of land parcel on which Company's EOU unit operates etc.

As mentioned 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 unaudited consolidated financial results 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 result under the CIRP process. The appropriateness of preparation of these unaudited financial results for the quarter ended June 30, 2020 on going concern basis is critically dependent upon CIRP as specified in the Code.

In light of the matters indicated above, in our opinion, the company's ability to continue as Going Concern is severely impacted and is unlikely. The underlying results have been prepared by the company on a going-concern basis, resulting in non-statement of assets at their recoverable position (as against currently stated at their brought forward values plus/minus transactions), the quantification of which would be reflected in the subsequent results and / or review reports / annual reports pursuant to the ongoing valuation exercise.

## **Disclaimer of Opinion**





Because of the significance of the matters described in paragraphs 5 and 6 above, taking into consideration the ongoing investigation into various matters, pending assessment of legal compliance by the Company; possible impact thereof has not been quantified by the management; and certain provisions accounted by the Company during the quarter ended June 30, 2020; we have not been able to obtain sufficient appropriate evidence to provide a basis for our opinion as to whether the accompanying Unaudited Consolidated Financial Results:

- i. Are prepared in accordance with the recognition and measurement principles laid down in "Indian Accounting Standard 34 - Interim Financial Reporting" specified under Section 133 of the Companies Act, 2013 and;
- ii. Disclose the information required to be disclosed in terms of the Listing Regulations including the manner in which it is to be disclosed or that it contains material misstatements.

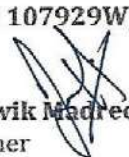
#### **Emphasis of Matter**

We draw your attention to Note 10 of accompanying Consolidated Financial Results, which states that an amount Rs. 96,16.79 lakh is reflected as Exceptional Items on account of subsequent invocation of corporate guarantee given to IFCI Limited by the Company against the loan facilities availed by one of its subsidiary RMOL Engineering & Offshore Limited as required under Ind AS 109. As the said Subsidiary company i.e RMOL Engineering & Offshore Limited has been admitted under CIRP process, the provision has been created against the receivable balance from RMOL Engineering & Offshore Limited towards such invocation of corporate guarantee.

#### **Other Matters**

- i. The Comparative IND AS financial information for the year ended March 31, 2020 are included in these Unaudited Consolidated Financial Results, on which the predecessor auditor has issued Qualified opinion dated July 31, 2020.
- ii. Due to non- payment of various statutory liabilities, there may be potential non-compliances under the Companies Act, 2013; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other statutes and regulations.
- iii. The comparative Financial information of the group for the corresponding quarter and period ended June 30, 2019, included in these consolidated financial results, were reviewed by the predecessor auditor and the consolidated financial statement of the group for the year ended March 31, 2020 were audited by the predecessor auditor who expressed a modified opinion/conclusion on those consolidated financial information/financial statement.

**For Pipara & Co LLP**  
Chartered Accountants  
FRN: 107929W/W100219

  
**Bhawik Madrecha**  
Partner  
M. No: 163412  
Place : Mumbai



**UDIN - 21163412AAAAKH1471**