

BHARATI SHIPYARD LIMITED

NOTES ON AUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH 2015

- 1 The above audited standalone financial results have been reviewed by the Audit Committee and approved by the Board of Directors at their adjourned meeting held on 30th May 2015.
- 2 The Company has as on 31st March 2015, created deferred tax asset (net) of Rs. 29,998 lakhs (As on 31st March 2014 – Rs. 16,281 lakhs) in its standalone financial statement on its Accumulated Losses (including unabsorbed depreciation), on the unpaid interest (including Funded Interest Term Loans) and employee benefits. The Company is confident of financial restructuring and reviving the operations to achieve optimum utilization of its infrastructure. Accordingly, keeping in view the ongoing developments, there would be sufficient future taxable profits against which the accumulated losses would be set off and hence Deferred tax asset (Net) has been created by the Company.
- 3 Banks have made payment aggregating to Rs. 96,633 lakhs on account of bank guarantee invoked by the customers, along with Interest of Rs. 30,245 lakhs and foreign exchange variation of Rs. 32,843 lakhs upto 31st March 2015 and has charged further interest of Rs. 9,027 lakhs on such invoked bank guarantee payments upto 31st March 2015. The Management is of the opinion that the payments under the invoked bank guarantees are made by the banks without following due process of law and even in cases wherein the legal proceedings were pending before various jurisdictional tribunals / courts. Accordingly, the Company has filed a case before the City Civil Court Mumbai against such banks which is pending for disposal. Pending the legal proceedings in the above matter, the Company has not given effect to the above payments made by the Banks to the customers against invoked bank guarantees. The Company continues to reflect advances received from customers under the said contracts even in cases wherein the payments have been made by the Banks against invoked bank guarantees.
- 4 The Company has recognised for subsidy of Rs 66,060 lakhs under Ship Building Subsidy Scheme in earlier years and has already received Rs 1,267 lakhs upto 31st March 2015 and the balance Subsidy receivable from Government of India as on 31st March 2015 is Rs 64,793 lakhs. The said subsidy have been recognised by the Company on the basis of Shipbuilding Subsidy scheme of the Government of India. The Company has been complying with the terms of the said scheme and has already received part of the Subsidy on vessels delivered by the Company. The Shipyards Association of India, of which the Company is a member, has also held several discussions with the Ministry of Shipping on the subject and the association has been assured by the Ministry of the commitment of the Government on the Shipbuilding Subsidy scheme as announced by the Government. Further, as detailed in note 5 of the statement of audited standalone financial results, the Company is confident of financial restructuring and reviving the operations and completing the vessels under construction in respect of which the aforementioned Subsidy is receivable.

For Bharati Shipyards Limited

V. C. Vasudevan
Managing Director



5 The Company's operating results are materially affected due to factors such as global meltdown in Shipbuilding Industry, huge finance costs and part implementation of Restructuring Scheme. The Company has incurred Net Loss of Rs. 86,458 lakhs for the year ended 31st March 2015. As of this date, the Company's total liabilities exceed its total assets by Rs 106,878 lakhs and its networth has been fully eroded. The company is also contesting various winding up petitions including petition filed by LIC of India, one of the secured creditors. The Company is implementing various long-term measures to improve its cash flow and revival of the operations. The Company is exploring various options of financial restructuring and is in discussions with lenders and other institutions to raise finance for revival of its operations. Further some of the lenders including Lead Bankers have assigned their debts to Edelweiss Asset Reconstruction Company (EARC). EARC is also proposing to come up with various stage wise restructuring plans for debts to curtail the financial burden of the business cash flows in addition to business operation and management strategy. Upon revival, the Company will be able to make optimum utilisation of its green field facilities, renegotiate its contracts and complete the under construction vessels to generate future cash flows. The Company believes that these measures will not only generate cash flows for revival but will also result in future orders and consequently sustainable cash flows. The Promoters also continue to be committed to providing the required operational and financial support to Company in the foreseeable future.

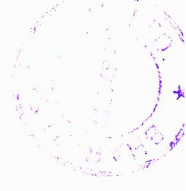
In view of the foregoing scenarios as referred above, the Company's financial statements have been prepared on a going concern assumption which is considered appropriate.

6 a) The Company had given loans and advances of Rs. 91,048 lakhs to its subsidiaries for investment in GOL Offshore Ltd (GOL). As per the Audited Financial Statements of GOL as on 31st March 2015, there are continuing defaults in repayment of loans including invocation of some of the corporate guarantees and in some cases recovery proceedings have been initiated. However GOL is making all efforts for early settlement of dues by taking various corrective initiatives and continuous negotiation with bankers for restructuring of its debts. Being investment in GOL is strategic and long term in nature and diminution in the value of investment, if any, is temporary in nature and loans and advances given are recoverable and hence no provisioning for the same is considered necessary.

b) The Company had given loans and advances of Rs. 8,498 lakhs to its subsidiary for investment in Tebma Shipyard Limited(TSL). TSL has been incurring cash losses and its net worth is eroded and its cash flows are under stress. Being investment made in TSL is strategic and in value chain of core business of the Company and the diminution in value of investment, if any, is temporary in nature and loans and advances given are recoverable and hence no provisioning for the same is considered necessary.

c) The Company has made investments and given loans and advances aggregating to Rs 3,162 lakhs in/to Bengal Shipyard Limited (Bengal). Bengal is yet to start its business operations and is in process of acquisition of lands and construction of assets. Even though there is delay in commencement of business operations, management is confident of future cash flows of the business. Being investment made in Bengal is strategic and long term in nature and the diminution in the value of investment, if any, is temporary in nature and the loans and advances given are recoverable and hence no provision for the same is considered necessary.

For Bharati Shipyard Ltd.



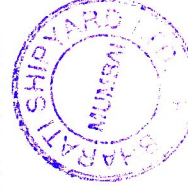
S. C. Kapoor
Managing Director

- 7 The Company has requested all lenders/banks/EARC (Edelweiss Asset Reconstruction Company) for the balance confirmations. However, due to non service of interest and instalment due, some of the lenders/banks and EARC have not provided balance confirmations as on 31st March 2015 and the accounts are finalised based on latest available bank/loan statements. Accordingly, interest have not been provided on outstanding secured loans including bank guarantee & other debt facility if any (funded as well as non funded) assigned to EARC and secured bank loans for which company has received recall notices from the date of assignment and / or receipt of recall notices from banks and NPA loan accounts for which it has not received recall notice or any statement from lenders. In respect of other bank loans, interest have been accounted for as per statements received from lenders.
- 8 The company is in the co ordination with banks for obtaining confirmation/ account statements as at year end with respect to Margin deposits with banks. However, due to non service of interest and instalment due, some of the banks have not provided balance confirmations as on 31st March 2015. In the opinion of the management, carrying amount of the margin deposit in Standalone Financial Result is fully recoverable and the difference, if any, upon reconciliation with bank confirmations would not have any material impact on audited standalone financial result. Further, due to unavailability of the confirmations, the Company has not accounted for the interest income on the Margin Money Deposits with Banks.
- 9 Company is in the process of strengthening Internal control system in relation to timely and proper recording of the revenue & expenses. However due to deep financial problems and global meltdown in ship building business since last few years as experienced by the company, the same is standstill. However In view of ongoing developments, management views this as temporary phenomenon only. Further delay if any in recording of the revenue or expenses does not have any material impact on the audited standalone financial result.
- 10 The Exceptional items includes:
- (a) The Company has stated the Work in Progress ("WIP") in the standalone financial statements at Rs. 308,915 lakhs as on 31st March 2015. Based on the valuation report of an Independent Chartered Engineer, company has written off excess value of Work in Progress ("WIP") as on 31st March 2015 amounting to Rs. 54,177 lakhs . The reduction in value of WIP is mainly on account of Price variation, Provision for Liquidation damages and redoing/ replacement cost and other factors.
- (b) During the quarter ending 30th September 2014, the Company had concluded sale of Wind Turbines having total capacity of 15 MV as a part of restructuring process. The said sale transaction resulted in net gain of Rs. 482 lakhs to the Company.

For Audit
P. C. Chatterjee
Chartered Accountant
Firm No. 123456789
10/04/2015



- 11 Company is in the process of reconciliation of accounts at reasonable intervals and obtaining balance confirmation as at year end with respect to its Trade Receivables, Loan and Advances and Trade Payables. The carrying amount of Trade receivables, Loans and Advances and Trade Payable are approximately of the value as stated, if realised/ paid in the ordinary course of business.
- 12 The Company had allotted 3,20,00,000 Optionally Convertible Warrant in the year 2012-2013 by way of a preferential allotment to the promoters on the conversion terms of one Equity shares of Rs. 10/- each at a premium of Rs. 69.12 Per equity shares. The said issue was In compliance with SEBI ICDR Guidelines for preferential issue. As per the said guidelines, the option to exercise the right for conversion was available to the holders not later than 18 months from the date of allotment. Out of the above, 1,86,11,178 Optionally convertible warrant were converted into equity shares @ total issue price of Rs. 79.12 per warrant till financial year 2013-2014 against receipt of total consideration from the holders on proportionate basis. The promoters have made further part payment of Rs. 4,194.31 lakhs against the balance allotment of share warrant but not exercised their option to convert their balance share warrant into Equity shares on or before the last date appointed to exercise the option on proportionate basis.
- The Company is in process of obtaining expert opinion for legal position and accounting treatment in this matter with respect to amount lying with the company upon expiry of time limit to exercise option by the Promoters. The said amount of Rs 4,194.31 lakhs is grouped under current liabilities in the standalone financial statement for the year ended 31st March 2015 under the account head " Money Received against share warrants".
- 13 The Company is contesting 5 winding up petitions under section 433 and 434 of the Companies Act 1956 before the Honourable High Court of Mumbai and this includes petition filed by LIC of India, one of the secured creditors. All above winding up petitions are pending for disposal as on date.
- 14 Pursuant to Companies Act, 2013, becoming effective 1st April, 2014, the company has reworked depreciation with reference to the estimated useful life of fixed assets prescribed under Part C of Schedule II of Act, 2013. As a result, the charge of depreciation for the year is higher by Rs. 1574.74 lakhs. Further, in terms of Note 7(b) of schedule II of the Act, in respect of assets whose life is already exhausted, carrying value as at 1st April, 2014 of Rs. 200.89 lakhs has been adjusted against the retained earnings.
- 15 Trading in shares of the company is temporarily suspended w.e.f. 25th February 2015 on Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE) vide email communication dated 24th February 2015 from BSE and letter dated 24th February 2015 from NSE due to delay in submission of financial result for the quarter ended 30th June 2014 and 30th September 2014 and non payment of fine for delayed submission of quarterly results in compliance with clause 41 of Listing Agreement. The company has submitted financial result for the quarter ended 30th June 2014, 30th September 2014 and 31st December, 2014 on 19th February 2015, 20th February 2015 and 26th February, 2015 respectively. In view of the compliance made as stated above, share suspension order will be revoked in a very short span of time.



For Bharat Shikhar & Partners

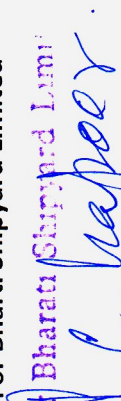
S. C. Kapoor

Managing Director

- 16 There is a delay of 19 days in transferring amount of Rs. 60,912/- to the Investor Education and Protection Fund by the Company.
- 17 The company was also engaged in Windmill business activity for the period ended September 2014 and now Company is operating in manufacture of Ships, Non Propelled Vessels, Cranes,Rigs, Offshore structures, Ship repairing and related activities.
- 18 Company has not prepared Consolidated financial result as required by clause 41 of Listing Agreement due to non availability of financial result of its subsidiaries and Joint Venture.
- 19 The figures of last quarter are the balancing figures between the audited figures in respect of the full financial year 31st March, 2015 and the unaudited published year-to-date figures of third quarter of current financial year.
- 20 The comparatives figures of previous quarters/ periods are regrouped and reclassified where ever considered necessary.

For Bharti Shipyard Limited

For Bharti Shipyard Limited


P. C. Kapoor Managing Director

Managing Director

