

December 11, 2021

BSE Limited

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Dalal Street, Fort,
Mumbai – 400 001.

BSE Scrip Code: 533107

National Stock Exchange of India Ltd.,

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051

NSE SYMBOL: RNAVAL

Dear Sir(s),

Sub: Statement of Standalone Unaudited Financial Results for the quarter ended September 30, 2020.

This is in continuation to our letter dated December 04, 2021 regarding the intimation of date of meeting for consideration and approval of unaudited Financial Results for the quarter ended September 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 September 30, 2020.

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 1:00 PM and concluded at 3:00 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

IBBI Registration no.: IBB/IPA-003/IP-N0080/2017-18/10703

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(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).

Independent Auditor's Review Report on the Quarterly and Half Year Ended Unaudited Standalone Financial Results of Reliance Naval & 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 and Engineering Limited
(A Company under Corporate Insolvency Resolution Professional Process vide NCLT order)
IP Registration No. IBBI/IPA-003/IP-N00080/2017-18/10703

Review Report on the unaudited Standalone Financial Results

1. We were engaged to audit the accompanying statement of half year ended Unaudited Standalone financial results of Reliance Naval & Engineering Limited (the "Company") for the quarter and half year ended September 30, 2020 ("Statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing 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") had 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 the powers of Board of Directors remain suspended and hence, as explained to us, the powers of adoption of the Statement vests with RP. These unaudited standalone financial results are prepared by the Management of the Company, Certified by Mr. Madan Pendse, Chief Financial Officer and approved by RP.
3. The Results for the quarter and half year ended September 30, 2020 have been prepared on the basis of the trial balance for the period ended September 30, 2020 which is on the basis of the carrying balance of assets and liabilities as at March 31, 2020. Prior to the commencement of CIRP, the Board of Directors, whose powers were subsequently suspended during the CIRP, had oversight on the management of the affairs of the Company together with the KMPs for the year ended 31st March 2020. Thus, the Resolution Professional does not assure accuracy and reliability of the opening balances as at 1st April 2020.
4. 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").

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5. The results for the quarter and half year ended September 30, 2020, have been finalized on 11th December, 2021. Accordingly, as required under "SA 560 - Subsequent Events" we have performed audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified and accordingly dealt with in the standalone financial results and the limited review report.
6. **Basis for Disclaimer of Opinion**
 - i. As per SA 510, para 10, read with SA 705 (Revised) as applicable, when an auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express an opinion (qualified opinion or a disclaimer of opinion), as appropriate, in accordance with SA 705 (Revised). Since we were unable to obtain appropriate audit evidences pertaining to opening balances to the extent as mentioned in the subsequent paras and other financial information, (where applicable), we express a disclaimer of opinion.
 - ii. 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. 384,316.87 Lakhs. As explained above, the Company is under CIRP and RP is required to invite resolution plan from potential resolution applicants, which shall be put up for necessary approvals before the CoC and the NCLT. The CIRP is ongoing and the final outcome is yet to be determined basis the resolution process. The Company has not taken into consideration any impact of impairment in 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 Ind AS 36 - Impairment of Assets" and "Ind AS 109 - Financial Instruments" if any, as on September 30, 2020 in the carrying value of the above assets. Hence we are unable to comment on the quantum of provision/impairment to be made on the assets appearing in the accompanying standalone unaudited financial results.
 - iii. As on 30th September 2020, the company has given Security Deposit (short-term and long-term) amounting to Rs. 9373.28 Lakhs. Out of the said security deposits, an amount of Rs. 7,370 Lakhs is with one of the related party i.e. E-Complex Private Limited ("ECPL") towards the land taken on lease. E-Complex Private Limited ("ECPL") has been admitted under NCLT and undergoing CIRP Process and hence the recoverability of the same may be doubtful. Further, the recoverability of the Security Deposits deposited with Court against certain ongoing legal cases amounting to Rs. 1,777.97 Lakhs are subject to the outcome of the said cases.
 - iv. For the period ended 30th September 2020, the company has Gross Trade Receivables for Rs. 79,939.47 Lakhs, out of which provision for doubtful debt/ECL has been created for Rs. 79,673.91 Lakhs in the previous financial years. The detailed party wise breakup of the same was not available with those charged with governance and the officials of the Company. Hence, we are unable to review the party-wise listing of Rs. 79,673.91 Lakhs and accordingly necessary audit procedures couldn't be performed on the same.
 - v. In absence of independent bank confirmations for 35 current accounts, as required under SA 505 - External Balance Confirmation, having a book balance of Rs. 943.32 Lakhs as on September 30, 2020 and borrowings amounting to Rs. 14,68,186.91 Lakhs; also non-availability of Bank account statements for 30 current accounts having a book balance of Rs. (4.81) Lakhs as on September 30, 2020, led to incomplete supporting for our audit opinion. Hence, we are unable to comment on the bank transactions as well as the closing balances as appearing in the



books of accounts for the said bank balances.

- vi. 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 Loans) was Rs. 12,42,928 Lakhs as on 15th January 2020. For sake of clarity, the following table may be read:

A	Amount outstanding as at 31.03.2020	12,06,667 Lakhs	As appearing in Audited financials for FY 2019 -20
B	Amount outstanding as at 30.06.2020	12,36,190 Lakhs	As per unaudited results for 30 th June, 2020
C	Amount outstanding as at 30.09.2020	14,68,186 Lakhs**	As per unaudited results for 30 th September, 2020
D	Amount provisionally admitted as Claims as on the CIRP Date i.e. 15 th January 2020	12,42,928 Lakhs	As per the list of financial creditors shared by RP

The amount under Row D includes invocation of Guarantees given by bank to the Customers, Invocation of Corporate Guarantee given by company (being Reliance Naval & Engineering Limited) on behalf of RMOL Engineering and Offshore Limited being its subsidiary. Since, the claim verification is under process, our report is qualified in this matter.

The above standalone unaudited financial results are drawn on the basis of claim figures of Financial Creditors (excluding loans from Body Corporates) as per the claims received under CIRP process in the books of account of the Company, difference of Rs. 130,165.13 Lakhs are charged to profit and loss account as extraordinary item.

** Reason for change in amount of borrowing as on September 2020 as compared to June 2020, is mainly due to accounting of borrowings of the financial creditors as per the claims admitted by the RP and recognition of finance cost and penal interest on provisional rate of 13% at simple interest on the basis of interest rate available in IDBI sanction letter (being the lead bank).

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.

- vii. During the quarter and half year ended September 30, 2020 as a part of CIRP, financial and operational creditors were called upon to submit their claims to the IRP/RP and the said process of receiving claims is still ongoing. 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. The status of claims is regularly updated on Company's website. No reconciliation exercise has been made by those charged with governance and accordingly no adjustment entry to this effect has been passed in the books of accounts for the quarter and half year ended on September 30, 2020 except for the financial creditor (other than body corporate). Hence, we are unable to comment on the outstanding balance of these liabilities.



- viii. With respect to a contract with Indian Navy 255/DSP/C/11-12/NOPVs (5), the Ship Building Trade Receivable from Indian Navy was Rs.1,68,431.42 Lakhs as on June 30, 2020. 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 on October, 2020 which is pending for further hearing.

Considering the above event, 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 effects has been considered under the unaudited financial results for the quarter ended June 30, 2020.

Particular	Amount (Rs. 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 provisional liability accounted basis the calculation of contract revenue as per Ind AS 115 and AS-7	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 of the inventory as explained in point 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 and inventories relating to the said project (NOPV) in the unaudited standalone financial result for the period ended September 30, 2020.



- ix. The Company has the contract with Indian Navy for the construction of ships (CGTS and FVP) vide contract no. CGTS-AQ/0737/01 and FVP – AQ/0542/14 respectively. The Ship Building Contract receivable from CGTS and FVP were Rs. 8,991.67 lakhs and Rs. NIL respectively, as on June 30, 2020 appearing as Ship Building trade receivable under Other Current Assets. As per the explanation and information received from the management, the Ministry of Defense has sent cancellation Letters to the company for termination of contract on 14th July 2021. The company has not taken any legal action against the said cancellation letters however, the same is contemplated.

Subsequent to quarter and half year ended September 30, 2020, the Ministry of Defense has invoked the Bank Guarantees including Performance Guarantees given to them against the Advances received by the Company.

Considering the above event, the total receivables from shipbuilding contracts amounting to Rs. 8,991.67 and Rs. 0 (NIL) from CGTS and FVP respectively have been considered for impairment testing by the management and accounting effects (as represented below) have been considered in the accompanying unaudited financial results for the quarter and half year ended September 30, 2020.

Particular	Amount in Rs. Lakhs	
	CGTS	FVP
Ship Building Contract Receivable (A)	7,599.01	NIL
Advance received from Customer	NIL	(4,017.06)
Sub-Total (A)	7,599.01	(4,017.06)
1) Increase in Inventory-WIP to the extent of the actual cost incurred till June 30, 2020	15,274.79	4,312.14
2) Advance from Customers on account of Cancellation of Contract*	(7,675.77)	(8,365.07)
3) Reversal of Profit booked on account of the Contract (Shown under the exceptional item)		35.86
Sub-Total (B)	7,599.01	(4,017.06)

*Since the Ministry of Defense has already encashed the Bank Guarantees provided against the Advances Received by Reliance Naval and Engineering Limited, the same has been recorded by the Company as financial Liability and hence liability for advance received from customer towards CGTS and FVP amounting to Rs. 16,040.84 lakhs have been reversed and shown under the exceptional item.

- x. 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 Work in progress amounting to Rs. 5684 Lakhs and Advance against purchase of Material/ Services and Inventories. Further, in absence of the working for Advance against purchase of Material/ Services and inventories relating to the said project (OSVs), we are unable to comment on the quantum of the provision/adjustments to be accounted for with respect to Advance given to vendor related to OSVs and inventories relating to the said project (OSVs) in the unaudited standalone financial result for the quarter and half year ended September 30, 2020.



- xi. 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.

We have noted that the Company has adopted the Project Completion method for determining the recognition of revenue i.e. Management considers the progress of the entire project and not that of individual contracts which is not in line with the requirement of Ind AS 115.

The Company had a 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 (Rs. 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 basis which Budgeted Cost Estimations are considered in working out the 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".

- xii. The Company is currently under the process of CIRP and cash flows generated after the initiation of CIRP are inadequate to meet the cash requirement and, hence the business of the company could not be classified as a cash generating unit. However, during the period ended September, 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.

7. Emphasis of Matter Para

- i. We draw your attention to Note 08 of the financial results which states that there was a large-scale damage to Property, Plant and Equipment, Capital Work in Progress and Inventories due to cyclone Tauktae which hit the company premises at Pipavav, Gujarat during May 2021. The company has taken up the matter with insurance company for assessing the damage and settlement of claims. Pending the outcome, no provision has been made in the accounts for quarter and half year ended September 30, 2020.



- ii. We draw your attention to Note 09 of the financial results which states that, during the process of reconciliation, the RP team has noticed that the Banks have renewed the Company's Fixed Deposits during FY 2019-20 which were adjusted by the Company against the liabilities of the same banks on maturity dates in books of accounts. However, the said Fixed Deposits were renewed by the Bank and were not appropriated by the banks against the liability and hence, the Fixed Deposits have been restated as on 30th September 2020.
- iii. We draw your attention to Note 12 and 13 of the financial results which states that the company has 5 subsidiaries and 1 associate out of which three wholly owned subsidiaries of the Company were admitted under NCLT during the year and IRP / RP were appointed and accordingly investment in these companies have been impaired. Following is the status of Subsidiary and Associate Companies

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

- iv. We draw your attention to Note 14 of the financial results which states that during the Financial Year 2019 - 2020, Reliance Underwater Systems Private Limited (RUSPL) ceased to be subsidiary and also associate company of Reliance Naval and Engineering Limited, by virtue of allotment of additional equity shares (49.99%) to Reliance Corporate Advisory Services Limited, and assigning the voting rights of Reliance Underwater Systems Private Limited to Reliance Capital Limited.
- v. We draw your attention to Note 15 of the financial results which states that as per Regulation 33(3)(b) of the SEBI LODR Regulations, 2015 which provides that in case the listed entity has subsidiaries, in addition to the requirement at clause (a) of sub-regulation (3), the listed entity shall also submit quarterly/year-to-date consolidated financial results. There are 5 (Five) subsidiaries of the Company and one Associate. This is to bring to your notice that the Resolution Professional is not in a position to provide the consolidated financial results, as the subsidiaries of the Company are separate legal entities, also currently few companies are under CIRP Process and non-operational and the team is facing huge difficulty in obtaining relevant data from the said subsidiaries. In view of the above, the Company is only submitting the Standalone Financial Results.
- vi. We draw your attention to Note 16 of accompanying Standalone Financial Results which states that Exceptional Items includes an amount of Rs. 9,616.79 Lakhs (out of Rs. 25,648.89 Lakhs) which is 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 the said Subsidiary company i.e. RMOL Engineering & Offshore Limited had been admitted under CIRP process (now under liquidation), the provision has been created against the receivable balance from RMOL Engineering & Offshore Limited towards such invocation of corporate guarantee



- vii. The company is irregular in payments of Statutory dues and has not filed GST Annual Return for the FY 2019-20 and has also not conducted GST Audit for the FY 2019-20.

8. 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) and by SBI Bank limited (consortium member accounting for 16% of said lending). 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 15th January 2020.

We draw your attention to the Note no. 2 of the Statement of unaudited financial results for the quarter and half year ended September 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 its 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 and half year ended September 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. 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.

9. Other Matters

- i. The Comparative IND AS financial information for the quarter and half year ended September 30, 2019 are included in these unaudited Standalone Financial Results, on which the predecessor auditor has issued unmodified opinion dated October 24, 2019.
- 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. As the final outcome of the secretarial audit report is pending and 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, FEMA and other statutes and regulations.

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


Bhawik Madrecha
Partner
M. No: 163412



Place: Mumbai
Date: 11th December 2021

UDIN : 21163412AAAAQN7870

Reliance Naval and Engineering Limited

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Statement of Unaudited Standalone Financial Results for the Quarter and Half Year Ended September 30, 2020

Sr. No.	Particulars	Quarter Ended			Half Year Ended		Rs in Lakhs
		30.09.2020	30.06.2020	30.09.2019	30.09.2020	30.09.2019	Year Ended
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Revenue from Operations	0	193	2,055	193	4,688	7,549
2	Other Income	87	39	64	126	115	2,371
3	Total Income (1+2)	87	232	2,119	319	4,803	9,920
4	Expenses						
(a)	Cost of Materials Consumed	19,754	138,789	380	158,543	2,738	3,252
(b)	Cost of Raw Material Sold	-	-	321	-	464	516
(c)	Changes in Inventories of Work in Progress & Scrap	(19,586)	(139,260)	(393)	(158,846)	(460)	(1,304)
(d)	Employee Benefits Expenses	230	206	558	436	1,156	2,054
(e)	Labour/Fabrication and Subcontractor Charges	154	241	744	395	1,485	2,600
(f)	Power, Fuel and Water	163	116	280	279	596	1,136
(g)	Cost Estimated for Revenue Recognised (Refer Note 11)	(0)	(355)	(738)	(355)	(3,698)	(2,510)
(h)	Foreign Exchange Difference (net)	(2,015)	2,015	115	-	50	2,615
(i)	Provision for Non-Moving Inventory	-	-	-	-	-	11,015
(j)	Other Expenses	304	200	456	504	1,689	5,809
	Total Expenses	(997)	1,952	1,723	955	4,020	25,183
5	Profit / (Loss) from Operations before Depreciation / Amortisation cost and Finance Cost (3-4)	1,084	(1,720)	396	(636)	783	(15,263)
6	Finance Costs	81,673	35,576	32,603	117,249	64,808	132,801
7	Depreciation and Amortisation Expenses	1,872	1,855	1,805	3,727	3,594	7,461
8	Loss Before Exceptional Items (5-6-7)	(82,461)	(39,151)	(34,012)	(121,612)	(67,619)	(155,525)
9	Exceptional Items (Refer Note 15)	(114,160)	(18,048)	-	(132,208)	-	(6,608)
10	Loss before Tax (8+9)	(196,621)	(57,199)	(34,012)	(253,820)	(67,619)	(162,133)
11	Income Tax for Earlier Years	-	-	-	-	-	-
12	Deferred Tax Credit / (Reversal)	-	-	-	-	-	-
13	Loss After Tax (10+11+12)	(196,621)	(57,199)	(34,012)	(253,820)	(67,619)	(162,133)
14	Other Comprehensive Income						
	Items that will not be reclassified to profit and loss in the subsequent year						
(i)	Actuarial gains/(losses) on defined benefit plans	(2)	2	(5)	-	(9)	7
(ii)	Income Tax effect	-	-	-	-	-	-
	Total Other Comprehensive Income for the period/year	(2)	2	(5)	-	(9)	7
15	Total Comprehensive Income for the period/year (13+14)	(196,623)	(57,197)	(34,017)	(253,820)	(67,628)	(162,126)
16	Paid-up Equity Share Capital (Face Value of Rs. 10 Each)	73,759	73,759	73,759	73,759	73,759	73,759
17	Other Equity	-	-	-	-	-	(1,261,711)
18	Earnings Per Share (EPS) (* Not Annualised)						
(a)	Basic EPS (Rs.)	* (26.66)	* (7.75)	* (4.61)	* (34.41)	* (9.17)	(21.98)
(b)	Diluted EPS (Rs.)	* (26.66)	* (7.75)	* (4.61)	* (34.41)	* (9.17)	(21.98)



STATEMENT OF STANDALONE ASSETS AND LIABILITIES			
Particulars	As at September 30, 2020	As of March 31, 2020	
	Unaudited	Audited	
I ASSETS			
(1) Non Current Assets			
Property, Plant and Equipment	144,275		148,001
Capital Work in Progress	3,669		3,669
	147,944		151,670
Financial Assets			
Investments	153		2,050
Other Financial Assets	-		-
	153		2,050
Deferred Tax Assets (net)	-		-
Other Non Current Assets	7,631		7,996
	7,631		7,996
(2) Current Assets			
Inventories	208,977		49,490
	208,977		49,490
Financial Assets			
Trade Receivables	147,46		46
Cash and Cash Equivalents	943		1,551
Other Bank Balances	201		29
Current Loans	-		-
Other Current Financial Assets	7		1
	1,299		1,627
Current Tax (net)	331		723
Other Current Assets	17,983		190,763
	18,313		191,486
TOTAL ASSETS	384,317		404,319
II EQUITY AND LIABILITIES			
(1) Share Capital			
Share Capital	73,759		73,759
Other Equity	(1,515,532)		(1,261,711)
	(1,441,773)		(1,187,952)
(2) Liabilities			
Non Current Liabilities			
Financial Liabilities			
Borrowings	1,184		23,052
Lease Liability	9,500		9,895
	10,683		32,947
Provisions	87		87
Other Non Current Liabilities	-		-
	87		87
Current Liabilities			
Financial Liabilities			
Borrowings	287,293		645,845
Trade Payables			
Total outstanding dues of micro and small enterprises	754		754
Total outstanding dues of creditors other than micro and small enterprises	31,026		29,238
Other Current Financial Liabilities	1,482,032		844,836
	1,801,106		1,520,673
Other Current Liabilities	3,127		4,065
Provisions	11,086		34,499
	14,213		38,564
TOTAL EQUITY AND LIABILITIES	384,317		404,319

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Unaudited Standalone Cash Flow Statement for the half year ended September 30, 2020

Sr. No	Particulars	Rs in Lakhs	
		September 30, 2020 Unaudited	March 31, 2020 Audited
A	Cash Flow from Operating Activities		
	Net Loss before Tax	(386,028)	(162,133)
	Adjustments for :-		
	Depreciation and Amortisation Expenses	3,727	7,461
	Exceptional Items	132,208	6,608
	Interest Income	(40)	(176)
	Finance Costs	117,249	132,801
	Provision for Liquidated Damages	-	161
	Provision for estimated cost over contract revenue	-	1,755
	Provision for Impairment of Current Assets	-	-
	Provision for Non-Moving Inventory	-	11,016
	Actuarial gains/(losses) on defined benefit plans	-	7
	Cost Estimated for Revenue Recognised	-	(2,510)
	Balances Written off (net)	-	831
	Foreign Exchange Loss/(Gain) (net)	-	2,615
	Operating profit/(loss) before working capital changes	(132,884)	(1,564)
	Adjusted for		
	Inventories	(159,486)	1,710
	Trade and Other Receivables	173,429	(99,636)
	Trade and Other Payables	103,652	(25,973)
	Cash Used in Operations	(15,289)	(125,463)
	Direct Taxes (Paid) / Refund		167
	Net Cash Flow Used in Operating Activities	(15,289)	(125,296)
B	Cash Flow from Investing Activities		
	Sale of Property, Plant and Equipment and Capital Work in Progress	-	(29)
	FD kept with bank	(172)	3,984
	Interest Received	40	176
	Impairment of Investments	1,897	-
	Net Cash Flow (used in)/from Investing Activities	1,765	4,131
C	Cash Flow from Financing Activities		
	Increase in Borrowings	-	118,143
	Recording of Borrowing as per Claims	130,165	-
	Accrued Interest	(117,249)	-
	Payment towards Lease Liability	-	(433)
	Interest Paid	-	-
	Realised (loss)/gain on currency swap transactions	-	-
	Net Cash Flow (used in) / from Financing Activities	12,916	117,710
	Net (decrease) / Increase in cash and cash equivalents (A+B+C)	(608)	(3,455)
	Cash and Cash Equivalents - Opening balance	1,551	5,006
	Cash and Cash Equivalents - Closing balance	943	1,551



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 Sawangkar 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 The above Unaudited Standalone Financial Results of the Company for the period ended September 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 September 2020 and year ended March 31, 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.
- 03 The amounts of the claims by Financial Creditors admitted or to be admitted by the RP under CIRP process differed from the amount reflecting in the books of account of the Company. The above unaudited financial results are drawn on the basis of admitted claim figures of Financial Creditors (excluding loans from Body Corporates) as per the CIRP process in the books of account of the Company, difference of Rs. 130,165.13 lakhs is charged to profit and loss account as extraordinary item. 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.
- 04 During the period as a part of CIRP, financial and operational creditors were called upon to submit their claims to the IRP/RP and the said process of receiving claims is still ongoing. 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 the status of claims is regularly updated on Company's website. No adjustments have been made in the books of accounts for the period ended on September 30, 2020. This matter has accordingly been qualified by the auditors in their audit 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 / adjustments have been made against Work in progress (Rs. 5,684 lakhs), Advance against purchase of Material/Services and Inventories, which has been qualified by the auditors in their audit report.
- 06 As on March 31, 2020, the Company had shipbuilding contracts receivables of Rs. 173,960 lakhs, including invocation of the bank guarantees amounting to Rs. 93,739 Lakhs in January 2020, for 5 Naval Offshore Patrol Vessels (NOPVs) from the Ministry of Defence, New Delhi (the "MOD"). On February 3, 2020, the Company had received a Show Cause Notice from the Ministry of Defence 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 had 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 advance stages of completion by outsourcing the remaining work to a PSU shipyard. This is at a proposal stage and only if the MOD is agreeable to the proposal, the MOD may accept the plan for two of the five NOPVs.
- RP has filed I.A. in NCLT against cancellation of order. Pending the final decision by NCLT and the MOD which is due for hearing on 10th December 2021, no provision/adjustments for Advance against purchase of Material/ Services, Liquidatory Damages Provisions and Inventories has been made in the above results, which has been qualified by the auditors in their audit report.
- In addition to above, the Company has also received the notice cancelling two contracts i.e. CGTS and 14 FPVs from coast guard (MOD) in July 2021. The MOD has also encashed the BG's amounting to Rs. 21,182.74 lakhs. An action against this termination by way of a petition in NCLT is contemplated. Pending the final decision in the matter no provision / adjustments for Advance against purchase of Material/ Services and Inventories has been made in the above results.
- The increase in the Work in Progress Rs. 158,375.61 lakhs is mainly on account of reckoning the cancellation of orders by Indian Navy (NOPV), and by Coast Guard, for CGTS and 14 FPVs.
- 07 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. 384,316.87 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 September 30, 2020 in the carrying value of the above assets.
- 08 There was a large scale damage to Property, Plant and Equipment, Capital Work in Progress and Inventories due to cyclone Tauktae which hit the Company premises during May 2021. The Company has taken up the matter with insurance company for assessing the damage and settlement of claims. Pending the outcome no provision has been made in the accounts for period ended September 30, 2020.
- 09 During the process of reconciliation, the RP team has noticed that the Banks have renewed the Company's Fixed Deposits during FY 2019-20 which were adjusted by the Company against the liabilities to the banks on maturity dates. However, the said Fixed Deposits were renewed by the Bank and were not appropriated by the banks against the liability and accordingly, the Fixed Deposits have been restated as on 30th September 2020.
- 10 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 non payment 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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- 11 In respect of vessels other than the commercial vessels, including offshore support vessels, the Company accounts contract revenue and expenses based on the proportionate completion of contract method as certified by the technical experts. In order to evenly allocate the profit on the said contract to whole of the contract period, provision for proportionate cost to be incurred has been made and charged to statement of profit and loss as "Cost Estimated for Revenue Recognised", which gets adjusted to the statement of profit and loss as and when actual cost is incurred.
- 12 During the year, (2019-2020) RMOL Engineering and Offshore Limited, a wholly owned subsidiary of the Company has been admitted for CIRP by the NCLT, Ahmedabad Bench and appointed Interim Resolution Professional (IRP). Further IRP was appointed as Resolution Professional and it is under CIRP.
- 13 Application filed in the NCLT, Ahmedabad Bench, by financial creditors against E-Complex Private Limited and REDS Marine Services Limited, wholly owned subsidiaries of the Company was admitted and IRP / RP were appointed. The CIRP process is currently in progress. In view of this the investment of the Company in ECPL (Rs.: 1,896.73 lakhs) has been impaired during the year, while the investments in REDS Marine Services Limited had been impaired earlier.
- 14 During the Financial Year 2019 - 2020 (before the commencement of CIRP), Reliance Underwater Systems Private Limited (RUSPL) ceased to be subsidiary and also associate company of Reliance Naval and Engineering Limited, by virtue of allotment of additional equity shares (49.99%) to Reliance Corporate Advisory Services Limited, and assigning the voting rights to Reliance Capital Limited.
- 15 Regulation 33(3)(b) of the SEBI LODR Regulations, 2015 provides that in case the listed entity has subsidiaries, in addition to the requirement of clause (a) of sub-regulation (3), the listed entity shall also submit quarterly/year-to-date consolidated financial results. There are 5 (Five) subsidiaries of the Company and one Associate. This is to bring to your notice that the Resolution Professional is not in a position to provide the consolidated financial results, as the subsidiaries of the Company are separate legal entities, also currently few companies are under CIRP Process and non-operational and the team is facing huge difficulty in obtaining relevant data from the said subsidiaries. In view of the above, the Company has only prepared Standalone Financial Results.

- 16 Exceptional items for the period ended September 30, 2020 are as under:

		Rs. in lakhs
Sr No	Particulars	Amount
1	Diminution of value of Investments in Subsidiary (ECPL)	1,896.73
2	Reversal of Profit reckoned earlier of CGTS and FPV	35.87
3	Reversal of Profit reckoned earlier on Cancellation of	6,534.77
4	Provision of Advances to Subsidiary Company	9,616.79
5	Reinstatement of Loans to claim amounts	130,165.13
6	Reversal of Advances received from Customers on encashment of the BG's which were included in the claims by bank	(16,040.84)
	Total	137,208.45

- 17 The Company has adopted Ind AS 116 "Leases" effective from April 1, 2019 and applied the Standard to its leases. This has resulted in recognizing a Right-of-Use asset and a corresponding Lease Liability of Rs. 10,834 Lakhs as at April 1, 2019. The impact of the same to the Statement of Profit and Loss for the half year ended September 30, 2020 is not material.
- 18 The Company is engaged only in the business of Ship-building and Repairs. As such, there are no separate reportable segments.
- 19 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, financial performance, total comprehensive income, changes in equity and cash flows 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 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 CIRP 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 IBB/I/PA-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, 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.

- 20 The outbreak of COVID-19 pandemic has significantly impacted businesses around the world. The Government of India ordered a nationwide lockdown, initially for 21 days which was extended twice to prevent community spread of COVID-19 in India. 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.

- 21 The figures for the quarter ended September 30, 2020 are the balancing figures between the unaudited figures in respect of half year ended on September 30, 2020 and the published June 30, 2020 figures. The figures for the previous periods and for the year ended March 31, 2020 have been restated and regrouped to make them comparable with those of current period.

Madan Pendse
Chief financial officer

Sudip Bhattacharya
Resolution Professional of Reliance Naval and Engineering Limited
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BY

Date : 11th December 2021
Place: Mumbai



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