

Reliance Naval and Engineering Limited
(formerly known as Reliance Defence and Engineering Limited)
CIN: L35110GJ1997PLC033193

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

Statement of Unaudited Standalone Financial Results for the Quarter and Nine Months Period Ended December 31, 2018

Sr. No.	Particulars	Rs in Lakhs					
		Quarter Ended			Nine Months Ended		Year ended
		31-12-2018	30-09-2018	31-12-2017	31-12-2018	31-12-2017	31-03-2018
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income						
(a)	Revenue from Operations	5,206	5,732	5,399	14,461	30,208	33,517
(b)	Other Income	66	151	141	424	7,700	7,867
	Total Income	5,272	5,883	5,540	14,885	37,908	41,384
2	Expenses						
(a)	Cost of Materials Consumed	4,100	4,551	3,116	11,790	32,745	34,628
(b)	Cost of Raw Material Sold	2,369	1,490	-	3,859	-	-
(c)	Changes in Inventories of Work in Progress & Scrap	2,145	(4,040)	(42)	(2,193)	(49)	(160)
(d)	Excise Duty	-	-	-	-	8	8
(e)	Employee Benefits Expenses	599	606	742	1,915	2,510	3,377
(f)	Labour/Fabrication and Subcontractor Charges	471	693	2,163	1,572	9,015	10,017
(g)	Cost Estimated for Revenue Recognised (Refer note no 2)	(4,068)	(878)	(3,182)	(7,855)	(24,583)	(24,853)
(h)	Foreign Exchange Difference (net)	(1,366)	1,983	(508)	2,004	(11)	479
(i)	Provision for Liquidated Damages	-	352	-	352	-	8,494
(j)	Provision for Impairment of Current Assets	-	-	-	-	-	10,289
(k)	Other Expenses	1,247	1,398	2,106	4,391	7,886	10,173
	Total Expenses	5,497	6,155	4,395	15,835	27,521	52,452
3	Profit/(Loss) from Operations before Depreciation/Amortisation Cost and Finance Cost (1-2)	(225)	(272)	1,145	(950)	10,387	(11,068)
4	Finance Costs	31,728	30,836	18,253	91,681	50,139	69,739
5	Depreciation and Amortisation Expenses	5,204	5,205	4,988	15,560	14,902	19,807
6	Profit / (Loss) Before Exceptional Items and Tax (3-4-5)	(37,157)	(36,313)	(22,096)	(1,08,191)	(54,654)	(1,00,614)
7	Exceptional Items - Refer note no 7	-	-	79	-	(16,240)	(16,240)
8	Profit / (Loss) before Tax (6 + 7)	(37,157)	(36,313)	(22,017)	(1,08,191)	(70,894)	(1,16,854)
9	Tax Expenses - 'Deferred Tax Credit	-	-	5,386	-	16,154	21,245
10	Profit / (Loss) for the period / year from continued operations (8+9)	(37,157)	(36,313)	(16,631)	(1,08,191)	(54,740)	(95,609)
11	(Loss) for the period / year	(37,157)	(36,313)	(16,631)	(1,08,191)	(54,740)	(95,609)
12	Other Comprehensive Income	-	-	-	-	-	-
	Items that will not to be reclassified to profit and loss						
(i)	Actuarial gains/(losses) on defined benefit plans	-	-	-	10	(16)	41
(ii)	Income Tax effect	-	-	-	-	5	(13)
	Total Other Comprehensive Income for the period / year	-	-	-	10	(11)	28
13	Total Comprehensive Income for the period / year (11+12)	(37,157)	(36,313)	(16,631)	(1,08,181)	(54,751)	(95,581)
14	Paid-up Equity Share Capital (Face Value of Rs. 10 Each)	73,759	73,759	73,759	73,759	73,759	73,759
15	Other Equity (Reserves and Surplus)	-	-	-	-	-	(51,469)
16	Earnings Per Share (EPS) (* Not Annualised)						
(a)	Basic EPS (Rs.)	* (5.04)	* (4.92)	* (2.25)	* (14.67)	* (7.42)	(12.96)
(b)	Diluted EPS (Rs.)	* (5.04)	* (4.92)	* (2.25)	* (14.67)	* (7.42)	(12.96)



Notes :

- 1 After review by the Audit Committee, the Board of Directors of the Company has approved the above results at their meeting held on February 4, 2019. The Statutory Auditors of the Company have carried out a limited review of the results.
- 2 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 will be adjusted to the statement of profit and loss as and when actual cost is incurred.
- 3 The Company primarily is in the business of Ship Building and Ship Construction having state-of-the-art infrastructure facilities. For last few years there is a downtrend in the shipbuilding industry globally and no new orders in commercial ship building and oil & gas sectors are coming up since they are economically unviable. In defence sector also the process of awarding contract has been deferred in respect of many large orders for variety of reasons. The above mentioned reasons have led to the significant reduction in the Company's current level of operations as compared to its capacity. However, the same may not be an indication of the future performance of the Company.

The above has resulted in temporary financial constraints on the Company due to losses in the operations, erosion of net worth and calling back of loans by the secured lenders. Further, besides IFCI referred to in note 5 below, certain operational creditors and one of the secured lenders of the Company has applied before the NCLT Ahmedabad for the debt resolution under the Insolvency and Bankruptcy Code, 2016 (IBC), none of which has been admitted so far. Also the Hon'ble Supreme Court in the matter of Shipyard Association of India, in which Company is also a member, relating to quashing and setting aside the RBI Circular dated February 12, 2018, requiring in certain circumstances, banks to compulsorily make a reference to NCLT under IBC, has vide its order dated September 11, 2018 ordered the status quo to be maintained. Next date of hearing by the Hon'ble Supreme Court is scheduled on February 19, 2019. The Company is engaged with the lenders to achieve the debt resolution.

Considering the Company's strength with a world class ship building and other infrastructure and its business plans through participation in several business opportunities in diverse sectors, both in and outside India, the Company is hopeful of arriving at the debt resolution plan with the lenders and resolving the existing financial situation. Also, the Board of Directors has formed a committee of directors to carry out an in-depth analysis with the help of the experts in the respective fields, to arrive at a workable solution by way of financial restructuring or otherwise for the Company and its wholly owned subsidiaries.

Pending such assessment by the Committee and implementation of its recommendations as regards financial restructuring, a) the Company continues to prepare its accounts on a going concern basis; b) the Company has suspended recognition of Deferred Tax Assets but the net deferred tax assets as at the end of previous financial year has been carried forward ;c) impairment testing of Non-current assets has not been carried out and the effect thereof, if any, will be considered after finalisation of the financial restructuring.

- 4 In respect of a partly fulfilled order for delivery of vessels, the customer has failed to take delivery of one completed vessel and has subsequently has terminated the contract and also invoked performance and other bank guarantees. The Company has challenged the said actions including invocation of guarantees and has filed an arbitration petition under the provisions of Indian Arbitration and Conciliation Act, 1996. The Company has been advised that refusal of the customer to take the delivery of the vessel is untenable in law and accordingly the amount of Rs. 49,770 lakhs paid by the banks to the customer as well as Rs. 2,076 lakhs being amount unbilled to them is considered realisable as on December 31, 2018.
- 5 The Company had issued a corporate guarantee for loan availed by RMOL Engineering and Offshore Limited ("RMOL"), formerly known as Reliance Marine and Offshore Limited, a wholly owned subsidiary, from IFCI Limited ("IFCI"). IFCI had issued a loan recall notice in FY 2017-18 to RMOL and subsequently applied for debt resolution under IBC against RMOL and the Company. In response to the said recall notice, the Company and RMOL have requested IFCI to recover its dues by monetizing assets charged to secure the loan which, as per IFCI's own claim, is sufficient to meet the debt obligations of RMOL. The petition filed by the IFCI under IBC has not yet been admitted. Accordingly, no provision against the above corporate guarantee is considered necessary at this stage.
- 6 The Company is engaged only in the business of Ship-building and repairs. As such, there are no separate reportable segments.
- 7 Exceptional item for the period ended December 31, 2017 and year ended March 31, 2018 represent one time cost towards right of recompense payable to the lenders on exit from CDR.
- 8 The figures for the previous period / year have been regrouped and rearranged to make them comparable with those of current period.



Debashis Bir

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

Date : 4th February 2019
Place: Mumbai

INDEPENDENT AUDITOR'S REVIEW REPORT

To,
The Board of Directors
Reliance Naval and Engineering Limited
(Formerly known as Reliance Defence and Engineering Limited)

1. We have reviewed the accompanying statement of Unaudited Standalone Financial Results ("the statement") of **Reliance Naval and Engineering Limited** (Formerly known as Reliance Defence and Engineering Limited) ("the Company") for the quarter and nine months ended December 31, 2018 being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated 5th July, 2016.
2. The preparation of the Statement 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 read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015 and SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 is the responsibility of the Company's management and has been approved by the Board of Directors of the Company. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures, applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. For the reason explained in Note No. 3 of the Statement, the Company continues to carry forward net deferred tax assets recognised till 31st March, 2018 and no assessment of impairment in carrying value of non-current assets is performed even though the Company's current operating capacity is low, which are not as per the applicable Accounting Standards. Further, the Company continues to prepare its financial results on going concern basis. The Company has formed a committee of directors to carryout in-depth analysis with the help of experts in the respective fields, to arrive at workable solution and do financial restructuring of the Company and its subsidiaries. We are unable to quantify the impact on the financial results for the quarter and nine months ended December 31, 2018 on account of the various matters enumerated above as also in Note No. 3 of the Statement.
5. Emphasis of Matter

We draw your attention to the:

- i. Note 4 to the statement regarding the invocation of performance and other bank guarantees amounting to Rs. 49,770 Lacs by a customer and unbilled revenue amounting to Rs. 2,076 Lacs, which has been challenged by the company by filing an arbitration petition under the provisions of Indian Arbitration and Conciliation Act, 1996 and have been considered as fully realizable due to reason mentioned therein.



- ii. Note 5 to the statement regarding applications under section 7 of the Insolvency and Bankruptcy Code, 2016 by IFCI Limited against the Company and Reliance Marine and Offshore Limited ("RMOL"), a wholly owned subsidiary of the Company for recovery of loan availed by RMOL, in respect of which, no provisions have been considered necessary at this stage for the reasons mentioned therein.

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

6. Based on our review conducted as stated above, except for the possible effects of our observation in para 4 above, read with our comments in para 5 above, nothing has come to our attention that causes us to believe that the accompanying statement, prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting practices and principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated 5th July, 2016, including the manner in which it is to be disclosed or that it contains any material misstatement.

For Pathak H.D. & Associates
Chartered Accountants
Firm Registration No. – 107783W


Gyandeo Chaturvedi
Partner
Membership No. – 46806



Place: Mumbai
Date: February 04, 2019