

**Reliance Naval and Engineering Limited**

(Formerly Reliance Defence and Engineering Limited)
Reliance Center, 8th Floor, South Wing
Prabhat Colony, Off Vakola flyover
Santa Cruz (East) Mumbai 400 055

Tel : +91 22 3303 1000
Fax : +91 22 3303 8662

www.rnaval.co.in

October 1, 2018

The Manager
Dept. of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
BSE Scrip Code : 533107

The Asst Vice President
Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra-Kurla Complex, Sandra (East)
Mumbai 400 051
NSE Symbol : RNAVAL

Dear Sirs,

Re: Annual Report 2017-18

Pursuant to Regulation 34(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, we are enclosing Annual Report for the financial year ended March 31, 2018, of the Company as required.

We hereby confirm that the Annual Report 2017-18 was approved and adopted by the members of the Company with requisite majority at their 21st Annual General Meeting held on Saturday, September 29, 2018, as per provisions of the Companies Act, 2013.

We would request you to take the above on record.

Thanking you.

Yours faithfully,
For **Reliance Naval and Engineering Limited**

Paresh Rathod
Company Secretary



Encl: As above

RELIANCE

Naval and Engineering

Annual Report 2017-18

Profile

Reliance Naval and Engineering Limited (RNAVAL) (formerly Reliance Defence and Engineering Limited) has the largest engineering infrastructure in India and is one of the largest in the world. RNAVAL is the first private sector company in India to obtain the licence and contract to build warships.

RNAVAL operates India's largest integrated shipbuilding facility with 662M x 65M Dry dock. The facility houses the only modular shipbuilding facility with a capacity to build fully fabricated and outfitted blocks. The fabrication facility is spread over 2.1 million sq.ft. The Shipyard has a pre-erection berth of 980 meters length and 40 meters width, and two Goliath Cranes with combined lifting capacity of 1,200 tonnes, besides outfitting berths length of 780 meters.

Mission:

- Meet and exceed customer expectations with a collaborative approach
- Consistently enhance competitiveness and deliver profitable growth
- Adopt global best practices and create a culture of quality to be the Industry leader
- Achieve excellence in project execution in maritime domain ensuring quality, reliability, safety and operational efficiency
- Relentlessly pursue new opportunities and technologies
- Encourage ideas, talent and value systems
- Promote a work culture that fosters learning, individual growth and team building
- Practice high standards of corporate governance and be a financially sound organization
- Earn the trust and confidence of stakeholders, exceeding their expectations
- Be a partner in nation building and contribute towards the country's economic growth.

Reliance Naval and Engineering Limited

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**21st Annual General Meeting on Saturday, September 29, 2018 at 10.30 A.M.
at Pipavav Port, Post Ucchaiya, Via-Rajula, District Amreli, Gujarat- 365 560.**

This Annual Report can be accessed at www.rnaval.co.in

Reliance Naval and Engineering Limited

Letter to Shareholders

My dear fellow Shareholders,

India is under going a major transformation under the leadership of Hon'ble Prime Minister. The Indian economy has continued its high growth momentum. According to the International Monetary Fund, India is forecast to grow at 7.4% in 2018, making us the fastest-growing economy in the world. Series of new initiatives initiated by the Government have moved India into world's top countries towards ease of doing business. The global economy is also growing at its fastest pace and expected to strengthen further in years to come.

India's defence budget for the financial year 2018-19 has been increased by 7.81 per cent to ₹ 2.95 lakh crore over last year's ₹ 2.74 lakh crore allocation.

At a time when India faces military threats from multiple fronts, the defence outlay is unlikely to completely meet the operational requirements and capability development programs of the defence services and there is urgent need for indigenisation in the manufacture of defence ships and the government is committed to transform India into a defence industry hub. India despite having the fifth largest defence budget in the world, procures 60% of its weapon systems from foreign markets.

Performance Review

The Company is India's leading private sector defence & Shipbuilding Company with gross non-current assets as on March 31, 2018 of ₹ 994,266 lakh against ₹ 965,935 lakh a year before. During the financial year 2017-18, the Company reported aggregate revenue of about ₹ 41,384 lakh against ₹ 56,414 lakh in the previous year and incurred a loss of ₹ 95,608 lakh as compared to loss of ₹ 52,343 lakh in the previous year.

Our Company has won multiple contracts for supply of new vessels to the Indian Coast Guard and maintenance / upgrade of Indian Navy warships. During the year, the Company launched the first two Naval Offshore Patrol Vessels at shipyard in Pipavav, Gujarat being constructed for the Indian Navy. The Company has also successfully delivered 73,500 DWT new-built Ice-class Panamax Bulk Carrier viz. 'Golden Opal' to an international customer (The Vessel has been built as per one of the best-in-class international standards meeting the toughest environmental emission norms as well as fuel economy (EEDI) standards). Our Shipyard is certified by the US Navy for servicing of warships from the US Navy's Seventh fleet. Currently, our Company is the only Indian Shipyard to achieve this landmark.

Our Company has also won a contract for design and construction of 14 Fast Patrol Vessels for the Indian Coast Guard. This is the first time, a private sector shipyard has been awarded a contract to design and build a warship for Indian Armed forces. RNaval has strategic agreements for construction of Commercial and Naval Ships – including Frigates, Destroyers and other specialized vessels.

Industry and Business Opportunities

It was never good, and so is not today, to be highly dependent on any foreign nation at least for operability of own defence forces. Diversification and collaboration are the options for obviating country-specific imports. According to the emerging opinion in the Indian maritime community, the country must

be self-reliant in areas where technology denial regimes can be imposed like nuclear, missile, aviation, weapons and metallurgy.

Indian Navy over the years has evolved into a vision centric advanced and technology intensive force. This is especially so as India's growing maritime prowess has not only created a better experience but also technology savy men and fleet. The navy now aspires for top-of-the-range equipment and is capable of handling complicated weaponry. The force of the 21st century looks at domestic industry seriously.

Today, therefore, what Indian Navy only really requires from in-house defence sector are the high-end, cutting-edge systems. The flag ship initiative Make in India thus holds potential hope in this direction as no Navy wants to be held hostage of foreign dependency.

The defence sector has been opened for private sector participation which will help foreign original equipment manufacturers to enter into strategic partnerships with Indian companies and leverage the domestic markets and also aim at global business opportunities. Besides helping build domestic capabilities, this will bolster exports in the long term. Our Company is uniquely placed to tap these growth opportunities.

However, the demand and supply gap will continue as major chunk of orders lies with PSUs shipyards that are overburdened and loaded for atleast next five years and thus are unable to meet timelines as brought out earlier. A nominal share of naval shipbuilding lies with emerging private shipyards. To overcome this gap, there is a requirement of involving the private shipyards at a larger scale in naval ship and submarine building projects.

Shipyards controlled and / or managed by Defence Public Sector Units ('DPSUs') need complementary support from the Private Sector Shipyards to fulfill requirement of the Indian Navy. Apart from the requirements of the Indian Armed forces, the defence market in South-East Asia will also likely to provide growth opportunities in the coming years.

In the non-defence sector, new commercial naval shipbuilding and the Hydro-carbon Exploration and Production ('E&P') assets segment, both in India and in South-East Asia region, present another opportunity to our Company to expand its business. The Government of India has approved new Shipbuilding Financial Assistance Policy for Indian shipyards. This will provide them a level playing field vis-à-vis foreign shipyards. Financial assistance at the rate 20 percentage of the "Contract Price" or the "Fair Price" as determined by international valuers, whichever is lower, will be made available to Indian shipyards. All government departments or agencies are required to provide 'Right of First Refusal' to Indian shipyards for procurement or repair of vessels which are to be utilized for government purposes. This is welcome news for Indian shipyards.

Huge capacity exists in the private sector Indian shipyards for construction of new vessels and for carrying out repairs and refits. This capacity may be utilised by Defence Public Sector Undertakings ('DPSUs') through joint ventures / partnerships to speed up delivery of vessels to the Indian Navy / Coast Guard in order to synergies private infrastructure and modern production processes with the technical capabilities of DPSUs. We are in consultation with the Indian Navy Production and Acquisition wing for achieving this objectives.

Letter to Shareholders

Corporate Governance

Our Company has always maintained the highest governance standards and practices by adopting, as is the norm for all constituent companies of the Group, the "Reliance Group – Corporate Governance Policies and Code of Conduct". These policies and Code prescribe a set of systems, processes and principles, which conform to the highest international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors, both local and global, and all other stakeholders.

Reliance Group

Our Company is a constituent of the Reliance Group which is a prominent business house, widely recognized in India and abroad as one of the leading creators of projects of national importance – in infrastructure, power generation, transmission and distribution, financial services, defence manufacturing, entertainment and telecommunications, amongst others.

We shall strive to make the Company a world-class defence Company, benchmarked to international standards of quality, operational performance, efficiency and customer orientation, to meet the uncompromising standards that our Defence forces need.

Social Commitments

We are committed to enhancing scale, competitiveness, efficiency and productivity of our businesses, benchmarked to global standards of excellence, which shall be a discipline to be pursued at all levels in our Company. Our projects require substantial use of natural resources such as land, water and minerals. We take adequate care in designing of our projects in a manner that ensure optimum utilization of natural resources. The interests of all stakeholders have always been our prime focus.

Our commitment

We remain committed to uphold stakeholders value. Thank you stakeholders, for your continued support in our pursuit of achieving positive transform.

Whole-time Director and CEO

Reliance Naval and Engineering Limited

Notice

Notice is hereby given that the 21st Annual General Meeting of the members of **Reliance Naval and Engineering Limited** (formerly known as Reliance Defence and Engineering Limited) will be held on Saturday, September 29, 2018 at 10.30 A.M. at the registered office of the Company i.e. Pipavav Port, Post Uchhaiya, Via-Rajula, Dist. Amreli, 365 560, Gujarat, to transact the following business:

Ordinary Business:

1. To consider and adopt:
 - a. the audited financial statement of the Company for the financial year ended March 31, 2018 and the reports of the Board of Directors and Auditors' thereon, and;
 - b. the audited consolidated financial statement of the Company for the financial year ended March 31, 2018 and the reports of the Auditors thereon.
2. To appoint a Director in place of Shri Sateesh Seth (DIN: 00004631), who retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers himself for re-appointment.
3. To confirm holding of office by Auditor for remaining term and in this regard, to consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and read with Rules made there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the appointment of M/s. Pathak H.D. & Associates, Chartered Accountants (Firm Registration No. 107783W) as the Statutory Auditors of the Company which was approved by the Members at the 18th Annual General Meeting (AGM), to hold office from the conclusion of the 18th Annual General Meeting for a term of 5 (five) consecutive years till the conclusion of the 23rd Annual General Meeting, be and is hereby confirmed to hold office for the said period."

Special Business:

4. **Appointment and approval for remuneration payable to Debashis Bir as Whole-time Director**

To consider and, if thought fit, to pass the following Resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 152 and all other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the Rules made there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and the provisions of the Article of Association of the Company, Shri Debashis Bir (DIN: 01932925), who was appointed as an Additional Director by the Board of Directors of the Company at their meeting held on March 15, 2018 with effect from April 01, 2018, in the capacity of Whole-time Director and Chief Executive Officer based on the recommendation of Nomination and Remuneration Committee of the Board and who holds office as such up

to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for appointment as a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT in accordance with the recommendations of the Nomination and Remuneration Committee of the Board of Directors and pursuant to the provisions of Sections 196, 197, 198 and 203 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') read with Schedule V to the Act, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Articles of Association of the Company and subject to the approval of Central Government, if applicable, and such other sanctions as may be necessary, approval of the Members be and is hereby accorded to the appointment of Shri Debashis Bir, as Whole-time Director of the Company, for a period of 2 (two) years commencing from April 1, 2018, as per the terms and conditions including the remuneration as shall be decided from time to time by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any Committee which the Board may have constituted or hereinafter constitute, to exercise its powers, including the power conferred by this resolution) and that the Board be and is hereby authorized to alter and vary the terms and conditions including the remuneration payable to him during the tenure of his appointment such that the remuneration payable to him shall not exceed the limits specified in the Act read with Schedule V, as amended thereto;

RESOLVED FURTHER THAT the Board, based on the recommendation of the Nomination and Remuneration Committee of the Board, be and is hereby authorized to provide annual increases in the remuneration payable to the Whole-time Director during his above tenure of appointment, subject to such increases being within the limits specified in the Act read with Schedule V thereto as amended from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds, matters and things and to take all such steps as may be deemed necessary, proper, desirable or expedient in its absolute discretion for the purpose of giving effect to this resolution and to settle any question, difficulty or doubt that may arise in this regard without requiring the Board to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

5. **Appointment of Shri K. Ravikumar as an Independent Director**

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("the Act")

Notice

and the relevant Rules made there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Shri K Ravikumar (DIN: 00119753), who was appointed as an additional Director by the Board pursuant to the provisions of Section 161 of the Act and the Articles of Association of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for appointment as a Director and in accordance with the recommendation of the Nomination and Remuneration Committee, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from September 29, 2017.

6. Appointment of Shri Rana Ranjit Rai as an Independent Director

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the relevant Rules made there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Shri Rana Ranjit Rai (DIN: 01625853), who was appointed as an additional Director by the Board pursuant to the provisions of Section 161 of the Act and the Articles of Association of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for appointment as a Director and in accordance with the recommendation of the Nomination and Remuneration Committee, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from September 29, 2017.

7. Appointment of Shri R. N. Bhardwaj as an Independent Director

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the relevant Rules made there under, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Shri R. N. Bhardwaj (DIN:01571764) who was appointed as an additional Director by the Board pursuant to the provisions of Section 161 of the Act and the Articles of Association of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for appointment as a Director and who will attain the age of seventy five years in financial year 2020-21 and in accordance with the recommendation of the Nomination and Remuneration Committee, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of 5 (five) consecutive years with effect from January 30, 2018.

By Order of the Board of Directors

Paresh Rathod
Company Secretary and Compliance Officer

Registered Office:
Pipavav Port, Post Ucchhaiya,
Via-Rajula, Dist. Amreli, Pin 365 560,
Gujarat, India
CIN: L35110GJ1997PLC033193
Website: www.rnaval.co.in

August 27, 2018

Reliance Naval and Engineering Limited

Notice

Notes:

1. Statement pursuant to Section 102(1) of the Companies Act, 2013 ('the Act'), relating to items of Special Business to be transacted at the Annual General Meeting (the "Meeting") is annexed hereto.
2. **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on a poll, instead of herself / himself, and the proxy need not be a Member of the Company. The instrument appointing the proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before commencement of the Meeting.**
3. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten per cent of the total share capital of the Company carrying voting rights. However, a Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other Shareholder. The holder of proxy shall prove his identity at the time of attending the meeting.
4. Corporate Members intending to send their authorized representative(s) to attend the Meeting are requested to send to the Company, a certified true copy of their board resolution authorising their representative(s) together with their specimen signatures(s) to attend and vote on their behalf at the Meeting.
5. Attendance slip, proxy form and the route map of the venue of the meeting are annexed to the report.
6. Members / Proxies are requested to bring their duly filled attendance slip sent herewith along with their copy of the annual report to the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the meeting.
8. Members who hold share(s) in electronic form are requested to write their DP ID and Client ID numbers and those who hold share(s) in physical form are requested to write their folio number in the attendance slip for attending the Meeting to facilitate identification of membership at the Meeting.
9. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays between 11.00 A.M. and 1.00 P.M. up to the date of the Meeting. The aforesaid documents will also be available for inspection by members at the Meeting.
10. The Company's Register of Members and Transfer Books will remain closed from Wednesday, September 26, 2018 to Saturday, September 29, 2018 (both days inclusive) for the purpose of Annual General Meeting.
11. For security reasons, no gadgets, mobile phones, cameras, article / baggage shall be allowed at the venue of the Meeting. If any such gadgets are brought by any Member, the same shall be deposited with the security personnel at the risk of such Member / attendee.
12. Non-Resident Indian Members are requested to inform Karvy Computershare Private Limited (Karvy), Company's Registrar and Transfer Agent immediately on:
 - a. the change in the residential status on return to India for permanent settlement; and
 - b. the particulars of the bank account(s) maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
13. Re-appointment and appointment of Director:

At the ensuing Annual General Meeting, Shri Sateesh Seth, Director of the Company retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers himself for re-appointment. The Nomination and Remuneration Committee and the Board of Directors of the Company have recommended the re-appointment.

The details pertaining to Shri Sateesh Seth pursuant to the requirements of Regulation 36(3) of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (the Listing Regulations) are furnished below and in the Corporate Governance Report forming part of this Annual Report.

Shri Sateesh Seth, 62 years, is a Fellow Chartered Accountant and a law graduate. He has vast experience in general management. Shri Sateesh Seth is also on the Board of Reliance Infrastructure Limited, Reliance Telecom Limited, Reliance Power Limited, Reliance Anil Dhirubhai Ambani Group Limited, Reliance Defence and Aerospace Private Limited, Reliance Defence Systems Private Limited, Reliance Defence Technologies Private Limited and Reliance Defence Limited.

He was appointed by the Board as a Director of the Company with effect from September 12, 2016.

In terms of Section 152(6) of the Act, he was appointed as an Non-Executive Director at the Annual General Meeting held on August 22, 2017, liable to retire by rotation.

Shri Sateesh Seth is not related to any other Director and Key Managerial Personnel of the Company. He does not hold any share in the Company.

At the ensuing Annual General Meeting Shri Debashis Bir, as a Whole-time Director, Shri K Ravikumar, Shri Rana Ranjit Rai and Shri Raj Narain Bhardwaj, as an Independent Directors are being appointed.

The Nomination and Remuneration Committee and the Board of Directors of the Company have recommended their appointments. The details pertaining to them pursuant to the requirements of Regulation 36(3) of the Listing Regulations and Secretarial Standard on general meeting are furnished in statement pursuant to Section 102 (1) of the Act accompanying this Notice and in the Corporate Governance Report forming part of this Annual Report.

Notice

14. In terms of Notification No. S.O. 1883 (E) dated May 7, 2018, issued by the Ministry of Corporate Affairs, Government of India, the requirement to place the matter relating to appointment of Auditors for ratification by members at every AGM has since been done away. Members at the AGM held on September 30, 2015 had approved the appointment of M/s. Pathak H.D. & Associates, as Statutory Auditors of the Company for a term of five consecutive years. Keeping in view that appointment of above Statutory Auditors was subject to ratification at every AGM, resolution set out at item No. 3 is proposed as an abundant caution, seeking confirmation of the Members for the above Statutory Auditors to continue to hold office for their remaining term. The Statutory Auditors have confirmed that they are not disqualified from continuing as Auditors of the Company.
15. Members are advised to refer to the section titled 'Investor Information' provided in this Annual Report.
16. **SEBI has decided that securities of listed companies can be transferred only in dematerialised form with effect from December 5, 2018. In view of the above and to avail various benefits of dematerialisation, Members are advised to dematerialise shares held by them in physical form.**
17. Members are requested to fill in and submit online the Feedback Form provided in the 'Investor Relations' section on the Company's website www.rnaval.co.in to aid the Company in its constant endeavour to enhance the standards of service to investors.
18. The Statement containing the salient features of the balance sheet, the statement of profit and loss and auditors' report on the Financial Statement, is sent to the Members, along with the Consolidated Financial Statement. Any Member interested in obtaining a copy of the full Annual Report, may write to the Company or Registrar and Transfer Agent of the Company.
19. Members holding shares in physical mode:
 - a. are required to submit their Permanent Account Number (PAN) and bank account details to the Company / Karvy, if not registered with the Company as mandated by SEBI.
 - b. are advised to register the nomination in respect of their shareholding in the Company. Nomination Form (SH-13) is put on the Company's website and can be accessed at link <http://www.rnaval.co.in/web/rnaval/shareholder-services>.
 - c. are requested to register / update their e-mail address with the Company / Karvy for receiving all communications from the Company electronically.
20. Members holding shares in electronic mode:
 - a. are requested to submit their PAN and bank account details to their respective DPs with whom they are maintaining their demat accounts.
 - b. are advised to contact their respective DPs for registering the nomination.
 - c. are requested to register / update their e-mail address with their respective DPs for receiving all communications from the Company electronically.
21. The Securities and Exchange Board of India vide its circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, with a view to protect the interest of the shareholders, has mandated to all the members who holds securities of the company in physical form, to furnish to the Company / its registrar and transfer agent, the details of their valid Permanent Account Number (PAN) and bank account. To support the SEBI's initiative, the Members are requested to furnish the details of PAN and bank account to the Company or Karvy Computershare Private Limited (Karvy), the Company's Registrar and Transfer Agent. **Form for updating PAN / Bank details is provided as a part of this Annual Report. Members are requested to send duly filled form along with (a) self-attested copy of PAN card of all the holders; and (b) original cancelled cheque leaf with names of shareholders or bank passbook showing names of members, duly attested by an authorised bank official.**
22. Members who hold shares in physical form, in multiple folios, in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar and Transfer Agent for consolidation into a single folio.
23. In compliance with the provisions of Section 108 of the Act read with Rules made thereunder and Regulation 44 of the SEBI Listing Regulations, the Company is offering e-voting facility to all Members of the Company through Notice dated August 27, 2018 (remote e-voting). A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners (in case of electronic shareholding) maintained by the depositories as on the cut-off date i.e. Saturday, September 22, 2018 only shall be entitled to avail the facility of remote e-voting / voting. Karvy Computershare Private Limited will be facilitating remote e-voting to enable the Members to cast their votes electronically. The Members can cast their vote online from Tuesday, September 25, 2018 at 10:00 A.M. (IST) to Friday, September 28, 2018 at 5:00 P.M. (IST). The Members shall refer to the detailed procedure on remote e-voting given in the e-voting instruction slip. The facility for voting shall also be available at the Meeting. The Members who have cast their votes by remote e-voting prior to the Meeting may also attend the Meeting, but shall not be entitled to cast their votes again at the Meeting. The Board of Directors have appointed Shri Jitendra R. Rawal, Practicing Company Secretary (Membership No. A54651) as the Scrutiniser to scrutinise the voting process in a fair and transparent manner.

The Scrutiniser will submit his report to the Chairman or any person authorised by him after completion of the scrutiny and the results of voting will be announced after the Meeting of the Company. Subject to receipt of requisite number of votes, the resolutions shall be deemed to be passed on the date of the Meeting. The result of the voting will be submitted to the Stock Exchanges, where the shares of the Company are listed and posted on the website of the Company at www.rnaval.co.in and on the website of Karvy Computershare Private Limited at www.evoting.karvy.com.

Reliance Naval and Engineering Limited

Statement pursuant to Section 102(1) of the Companies Act, 2013 to the accompanying Notice dated August 27, 2018

Item No. 4 Appointment and approval for remuneration payable to Shri Debashis Bir as Whole-time Director

At its meeting held on March 15, 2018, the Board of Directors based on the recommendation of the Nomination and Remuneration Committee, has appointed Shri Debashis Bir as an Additional Director in the capacity of Whole-time Director and Chief Executive Officer effective from April 1, 2018. The appointment of Shri Debashis Bir as Whole-time Director is for a period of 2 years.

The Board has also approved the remuneration payable to him subject to the consent of the shareholders and such other sanctions as may be necessary.

As an Additional Director, Shri Debashis Bir holds office only up to the date of the ensuing Annual General Meeting as per the provisions of the Act.

Shri Bir has given his consent for the appointment and has also confirmed that he is not in any way disqualified from the appointment as per the provisions of the Act. He will be liable to retire by rotation during above tenure of his appointment.

The Company has received a notice in writing from a member under Section 160 of the Act, proposing the candidature of Shri Bir for the office of Director of the Company.

As the Company does not have adequate profit within the meaning of Section 198 of the Act the proposed remuneration

payable to Shri Debashis Bir is subject to approval of members by way of special resolution and approval of Central Government, if applicable.

Shri Debashis Bir is not related to any other Director or Key Managerial Personal of the Company.

Shri Debashis Bir is functioning in a professional capacity and he does not have any interest in the capital of the Company or in any of its subsidiary companies either directly or indirectly or through any other statutory structures. He is not related to the directors or promoters of the Company or any of its subsidiaries at any time during the last two years before this appointment. He possesses B.Tech. qualifications in Naval Architecture from IIT Kharagpur. He has rich and diversified experience of over 40 years in the shipbuilding industry, having acquitted himself creditably by holding senior positions.

As per the provisions of the Companies Act, 2013 read with Schedule V, in the event of no profit or inadequate profit, Company may pay remuneration as per the limits prescribed under Part II of Schedule V to the Companies Act, 2013 and if the conditions prescribed under Part II of Schedule V is not fulfilled, then the Company can pay minimum remuneration with the approval of Central Government, if applicable.

Shri Debashis Bir fulfills the conditions for eligibility for the appointment as contained in Part I of Schedule V of the Act.

The details pertaining to Shri Bir, pursuant to the requirements of Schedule V of the Act, Regulation 36(3) of the Listing Regulations and the Secretarial Standard on General Meetings are given below and also in the Corporate Governance Report forming part of this Report:

I. General Information:					
I	Nature of Industry	Defence / Commercial Shipbuilding and Ship repairs			
ii	Date of commencement of commercial production	April 1, 2009			
iii.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus applicable	Not applicable			
iv.	Financial performance based on given indicators	₹ in Crore			
		Particulars	2017-18	2016-17	2015-16
		Total Income	413.84	564.14	346.27
		PBT	(1168.53)	(706.23)	(803.58)
		PAT	(956.08)	(523.43)	(528.65)
		Net worth	222.90	1170.48	1694.61
v.	Foreign investments or collaborators, if any	The Company has made investment in PDOC Pte. Limited an overseas subsidiary. The Company has a wide spectrum of international strategic alliances in various domains of defence technologies			
II. Information about the Appointee:					
i.	Background details	Shri Debashis Bir, 63 years, is a Science Graduate and has a bachelor degree in Science (Hons.) from Calcutta University and B.Tech. (Hons.) in Naval Architecture from IIT, Kharagpur. Shri Bir has over 40 years of experience in Ship Design and Construction, Ship Repairs, Design & Development of Shipyard infrastructure, Financial Planning, Bidding and Strategic pricing of Projects, Business Development and Customer Management at Global platform. In 2007, Shri Debashis Bir joined the Company as President Shipbuilding and after developing the Yard's Infrastructure, Utilities and Services, implementation of policies and processes, he took over as the Chief Operating Officer.			

Reliance Naval and Engineering Limited

Statement pursuant to Section 102(1) of the Companies Act, 2013 to the accompanying Notice dated August 27, 2018

		Thereafter, Shri Bir served as Head – Business Development for 2 years before being brought in again as COO of the Shipyard in July 2015. Prior to that, Shri Debashis Bir has served in number of ship construction companies including, Alcock Ashdown Ltd., Alang Marine and Chowgule Group.
ii.	Past remuneration	Salary, Perquisites and Allowances: ₹ 71,50,000/- p.a. Performance Linked Incentive: ₹ 3,90,000/-p.a.
iii.	Recognition or awards	Shri Debashis Bir, is part of leadership team of the Company which has felicitated with recognition and awards.
iv.	Job Profile and his suitability	As Shri Debashis Bir has the requisite professional qualification and experience, he is eminently suited for the position
v.	Remuneration proposed	Salary, Perquisites and Allowances: ₹ 71,50,000/- p.a. Performance Linked Incentive: ₹ 3,90,000/- p.a. (In addition to the perquisites and allowances, as aforesaid, medical insurance will be taken by the Company for Shri Debashis Bir and his family members.)
vi.	Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)	The proposed remuneration to the appointee is comparable with the prevailing remuneration in the industry of similar size for similarly placed persons. The proposed remuneration is commensurate to the size and extent of operation of the Company.
vii.	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	None
III.	Other Information:	
i.	Reasons of loss or inadequate profits	<ul style="list-style-type: none"> Global Economy slowdown; Slack in demand in global commercial shipbuilding industry; Delays in awarding defence contracts Sharp fluctuations in crude oil prices which in turn resulted in significant cut in capital expenditures by major oil and gas companies; High Interest rates.
ii.	Steps taken or proposed to be taken for improvement	<ul style="list-style-type: none"> The Company will remain committed to generating superior returns for its stakeholders, by optimizing product-mix; The Company would continue to drive growth through strategic partnership in defence sector; The Company with in-house capabilities has stepped into indigenization of defence ship design as well as 3D modeling; Grant of various defence licences for manufacturing of various defence equipments / systems; The Company is in process of resolving its debt which will reduce interest and repayment burden.
iii.	Expected increase in productivity and profit in measurable terms	Though the Defence / Commercial Shipbuilding and Ship repairs Industry is following a downturn, in anticipation of revival of the market in the near future due to "Make in India" programme of Government of India, the above steps taken/proposed to be taken by the Company are expected to increase the productivity and profits of the Company.

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Disclosures

The following disclosures have been incorporated in the Board's report under the heading 'Corporate Governance' attached to the financial statement:

- i. All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc. of all the directors
- ii. Details of fixed component and performance linked incentives along with the performance criteria
- iii. Service, contracts, notice period, severance fees
- iv. Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable

Shri Bir is Member of the Audit Committee, Stakeholders' Relationship Committee, Resolution Plan Committee and Risk Management Committee of the Company.

The relatives of Shri Debashis Bir may be deemed to be interested in the resolution set out in Item no. 4 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except Shri Bir, none of the Directors, Key Managerial Personnel of the Company and their relatives is, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board accordingly recommends the Special Resolution set out at Item No. 4 of the accompanying Notice for approval of the Members.

Item No. 5 Appointment of Shri K Ravikumar as an Independent Director

Pursuant to the provisions of Section 161 of the Act and as per the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Shri K. Ravikumar as additional Director in the capacity of Independent Director of the Company for a term of 5 (five) consecutive years effective from September 29, 2017. Pursuant to the provisions of Section 161 of the Act, Shri K Ravikumar will hold office up to the date of ensuing AGM.

Shri K. Ravikumar is not disqualified from being appointed as Director in terms of Section 164 of the Act and have given consent to act as Independent Director. The Company has also received declaration from Shri K. Ravikumar that he meets the criteria of independence as prescribed both under Section 149(6) of the Act and under the Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In the opinion of the Board, Shri K. Ravikumar fulfils the conditions for appointment as Independent Director as specified in the Act and Listing Regulations and he is independent of management.

As required under Section 160 of the Act, the Company has received notice in writing from a member proposing the candidature of Shri K. Ravikumar for the office of the Director of the Company.

Copy of draft letter of appointment of Shri K. Ravikumar as an Independent Director of the Company setting out the terms and conditions of appointment is available for inspection by the Members at the Company's Registered Office.

Shri K Ravikumar, 68 years, Ex-Chairman and Managing Director (CMD) of Bharat Heavy Electricals Limited ("BHEL") handled a variety of assignments during career spanning over 36 years. His areas of expertise are design and engineering, construction and project management. He was instrumental in increasing BHEL's generation capacity from 10,000 MW to 20,000 MW per annum. He possesses M.Tech Degree from the Indian Institute of Technology, Chennai besides Post-Graduate Diploma in Business Administration. He was conferred Alumni Awards from the Indian Institute of Technology, Chennai and the National Institute of Information Technology, Trichy. He is also Ex-Chairman of BOG National Institute of Information Technology, Mizoram.

Shri K Ravikumar is also a Director of Reliance Infrastructure Limited, Reliance Power Limited and SPEL Semi-conductor Limited.

Shri K Ravikumar is Chairman of Stakeholders' Relationship Committee of Reliance Infrastructure Limited. He is Chairman of Audit Committee and member of the Stakeholders Relationship Committee of Reliance Power Limited. He is also member of Audit Committee, Risk Management Committee and Corporate Social Responsibility Committee of Reliance Infrastructure Limited.

Shri K Ravikumar is not related to any other Director and Key Managerial Personnel of the Company. He does not hold any share in the Company.

The relatives of Shri K Ravikumar may be deemed to be interested in the resolutions set out at Item No. 5 of the Notice, to the extent of their equity shareholding interest, if any, in the Company.

Save and except Shri K Ravikumar, none of the other Directors, Key Managerial Personnel of the Company and their relatives is, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board accordingly recommends the Ordinary Resolution set out at Item Nos. 5 of the accompanying Notice for the approval of the Members.

Item No. 6 Appointment of Shri Rana Ranjit Rai as an Independent Director

Pursuant to the provisions of Section 161 of the Act and as per the recommendations of Nomination and Remuneration Committee, the Board of Directors appointed Shri Rana Ranjit Rai as additional Director in the capacity of Independent Director of the Company for a term of 5 (five) consecutive years effective from September 29, 2017. Pursuant to the provisions of Section 161 of the Act, Shri Rana Ranjit Rai will hold office up to the date of this AGM.

Shri Rana Ranjit Rai is not disqualified from being appointed as Director in terms of section 164 of the Act and have given consent to act as Independent Director. The Company has also received declaration from Shri Rana Ranjit Rai that he meets

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the criteria of independence as prescribed both under Section 149(6) of the Act and under the Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In the opinion of the Board, Shri Rana Ranjit Rai fulfils the conditions for appointment as Independent Director as specified in the Act and Listing Regulations and he is independent of management.

As required under Section 160 of the Act, the Company has received notice in writing from a member proposing the candidature of Shri Rana Ranjit Rai for the office of the Director of the Company.

Copy of draft letter of appointment of Shri Rana Ranjit Rai as an Independent Director of the Company setting out the terms and conditions of appointment is available for inspection by the Members at the Company's Registered Office.

Shri Rana Ranjit Rai, 67 years, is a graduate in science and law from the University of Delhi. Shri Rai after a short stint in the Ministry of Works and Housing (now named as the Ministry of Urban Development), Government of India; served the Life Insurance Corporation of India ('Corporation') in various important positions including Principal, Zonal Training Centre at Gurgaon and Director, Management Development Centre at Mumbai, Executive Director (Corporate Communication & International Operations), Central Office.

In his professional capacity, he closely interacted with people in all walks of life in urban and rural India. He endeavoured to contribute towards developing potential and shaping attitudes of personnel during his tenure with the Corporation and aimed at sustaining harmonious relationship development among all stakeholders of the Industry. He contributed to premier institute programmes at Indian School of Business, Hyderabad, Administrative Staff College of India, Hyderabad and Management Development Institute, Gurgaon.

Shri Rana Ranjit Rai is not related to any other Director and Key Managerial Personnel of the Company. He does not hold any share in the Company.

The relatives of Shri Rana Ranjit Rai may be deemed to be interested in the resolutions set out at Item No. 6 of the Notice, to the extent of their equity shareholding interest, if any, in the Company.

Save and except Shri Rana Ranjit Rai, none of the other Directors, Manager, Key Managerial Personnel of the Company and their relatives is, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board accordingly recommends the Ordinary Resolution set out at Item No. 6 of the accompanying Notice for the approval of the Members.

Item No. 7 Appointment of Shri Raj Narain Bhardwaj, as an Independent Director

Pursuant to the provisions of Section 161 of the Act and as per the recommendation of the Nomination and Remuneration Committee, the Board of Director appointed Shri R. N. Bhardwaj as additional Director in the capacity of Independent Director of

the Company for a term of 5 (five) consecutive years effective from January 30, 2018.

The Securities and Exchange Board of India (SEBI) vide its Notification No. SEBI/LAD-NRO/GN/2018/10 dated May 9, 2018 has amended Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and prescribed that no company shall continue the directorship of a person as a non-executive director who has attained the age of seventy five years unless it is approved by the members by passing a special resolution. The effective date of Notification is April 1, 2019.

During his tenure of appointment, Shri Bhardwaj will attain the age of 75 years in financial year 2020-21. In terms of the requirements of amended provisions of the Regulation 17, continuation of office as Independent Director beyond the age of seventy five years would require the approval of Members by a Special Resolution.

Shri Bhardwaj is not disqualified from being appointed as Director in terms of Section 164 of the Act and have given his consent to act as Independent Director. The Company has also received declaration from Shri Bhardwaj that he meets the criteria of independence as prescribed both under Section 149(6) of the Act and under the Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In the opinion of the Board, Shri Bhardwaj fulfils the conditions for appointment as Independent Director as specified in the Act and Listing Regulations and he is independent of management.

As required under Section 160 of the Act, the Company has received notice in writing from a member proposing the candidature of Shri Bhardwaj for the office of the Director of the Company.

Shri Raj Narain Bhardwaj, 73 years, was the Chairman and Managing Director of Life Insurance Corporation of India. Shri R. N. Bhardwaj holds a master's degree in Economics from the Delhi School of Economics and a diploma in Industrial Relations and Personnel Management from the Punjabi University, Patiala. He has over 39 years of experience in various functions including economics, finance, investment and portfolio management. Shri Bhardwaj has also served as a member of the Securities Appellate Tribunal.

Shri R. N. Bhardwaj is also a Director in SBI Life Insurance Company Limited, Reliance Communication Limited, Jaiprakash Associates Limited, Jaiprakash Power Ventures Limited, Jaypee Hotels Limited, Arihant Superstructures Limited and Sastasundar Ventures Limited.

Shri Bhardwaj is a Chairman of Audit Committee and Nomination and Remuneration Committee of Reliance Communication Limited. He is also Chairman of Stakeholders' / Investors' Grievance Committee of Sastasundar Ventures Limited. He is also Chairman of Policyholders' Protection Committee, Compensation Committee, Corporate Social Responsibility Committee, Investment Committee and, Profit Committee of SBI Life Insurance Company Limited. He is a member of Stakeholders' Relationship Committee, ESOS Compensation Committee, Risk Management Committee and Corporate Social Responsibility Committee of Reliance Communication Limited.

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He is also a member of Audit Committee of Jaiprakash Power Ventures Limited. He is also member of Audit Committee, Risk Management Committee, Nomination Committee and Compensation Committee of SBI Life Insurance Company Limited. He is a member of Audit Committee of Sastasundar Ventures Limited, Member of Audit Committee of Jaiprakash Associates Limited, Member of Shareholders Relationship Committee and Nomination and Remuneration Committee of Arihant Superstructures Limited.

Shri Bhardwaj is not related to any other Director and Key Managerial Personnel of the Company. He does not hold any share in the Company.

The relatives of Shri Bhardwaj may be deemed to be interested in the resolution set out at Item No. 7 of the Notice, to the extent of their equity shareholding interest, if any, in the Company.

Save and except Shri Bhardwaj, none of the other Directors, Key Managerial Personnel of the Company and their relatives is, in any way, concerned or interested, financially or otherwise, in these resolution.

The Board accordingly recommends the Special Resolution set out at Item No. 7 of the accompanying Notice for the approval of the Members.

By Order of the Board of Directors

Paresh Rathod
Company Secretary and Compliance Officer

Registered Office:
Pipavav Port, Post Uchhaiya,
Via-Rajula, Dist. Amreli, Pin 365 560,
Gujarat, India
CIN: L35110GJ1997PLC033193
Website: www.rnaval.co.in

August 27, 2018

Directors' Report

Dear Shareowners,

Your Directors present the 21st Annual Report and the audited financial statements for the financial year ended March 31, 2018.

Financial Results

The financial performance of the Company, on standalone basis, for the financial year ended March 31, 2018 is summarised below:

Particulars	(₹ in lakh)	
	Financial year ended March 31, 2018	Financial year ended March 31, 2017
Total Income	41,384.25	56,414.44
Profit / (Loss) before taxation	(1,16,853.21)	(70,622.72)
Tax expenses (Net) (including deferred tax and tax for earlier years)	21,245.47	18,280.15
Profit / (Loss) after taxation	(95,607.74)	(52,342.57)
Other Comprehensive Income	28.24	(70.32)
Total Comprehensive Income for the year	(95,579.50)	(52,412.89)
Add: Balance of profit/(loss) brought forward	43,427.32	95,840.21
Securities Premium on issue of shares	683.50	0
Balance carried to Balance Sheet	(51,468.68)	43,427.32

Financial Performance

During the financial year under review, your Company earned an income of ₹ 41,384.25 lakh against ₹ 56,414.44 lakh in the previous year. The Company incurred a loss after tax of ₹ 95,607.74 lakh for the year as compared to ₹ 52,342.57 lakh in the previous year.

The performance and financial position of the subsidiary companies and associate company are included in the consolidated financial statement of the Company and presented in the management Discussion and Analysis forming part of this Annual Report.

Capital Structure

During the year under review, the Company has allotted by way of preferential issue, 13,84,994 Equity Shares having face value of ₹ 10 each ('Equity Shares'), at a price of ₹ 59.35 (including a premium of ₹ 49.35) per Equity Share aggregating ₹ 8,21,99,393.90 (Rupees Eight Crore Twenty One Lakh Ninety Nine Thousand Three Hundred Ninety Three and paise Ninety only) and 4,22,45,764 - 0.10% Compulsorily Redeemable Preference Shares of ₹ 10 each ('CRPS') at par, aggregating ₹ 42,24,57,640 (Rupees Forty Two Crore Twenty Four Lakh Fifty Seven Thousand Six Hundred and Forty only) to Housing Development Finance Corporation Limited ('HDFC') against conversion of equivalent amount of outstanding debt.

Dividend

During the year under review, the Board of Directors has not recommended dividend on the equity shares of the Company.

The Company's Dividend Distribution Policy forms part of this Annual Report.

Business Operations

The Company is primarily engaged into defence and commercial shipbuilding, ship repair and offshore engineering activities and operates the largest dry dock in India. Our Company's shipyard at Pipavav, Gujarat, has integrated state-of-the-art production facilities.

During the year under review, for the first time in India, two Naval Offshore Patrol Vessels ('NOPVs') have been launched simultaneously. The Company has delivered a 75,000 DWT Panamax vessel and successfully completed refit of two naval ships. The Company is focusing on the unexecuted order book. In respect of a partly fulfilled order for delivery of Offshore Support Vessels, the customer had failed to take the delivery of one completed vessel and has subsequently in May 2018, has invoked performance and other bank guarantees aggregating ₹ 498 crores approximately. The Company has challenged the said action including the invocation of guarantees in a writ petition, which is pending before Hon'ble Bombay High Court.

During the year, our Company has submitted revised commercial bid for four Landing Platform Docks ('LPDs'), which would be approximately of ₹ 20,000 crore.

Debt Refinancing

As on March 31, 2018 the Company had outstanding fund based borrowings of ₹ 8,185 crore. Due to long gestation period of large scale infrastructure created by our Company, non-availability of working capital on time coupled with dearth in new orders the operations of our Company were severely impacted during the year. The Company's business is significantly dependent on defence contracts and, in absence of finalisation of any such contracts; the earnings of the Company were insufficient to service the debt. As a matter of fact, it further increased its financial stress.

Immediately after taking management control of the Company, Reliance Group proposed to the Lenders various proposal for refinancing its debts pursuant to applicable RBI Guidelines with the objective to re-structure/refinance the debt and make the operations of the Company viable. These refinancing schemes could not be implemented in absence of approval of 100% of the lenders. Thereafter RBI issued a revised framework for Resolution of Stressed Assets vide its circular no. DBR.NO.BP. BC.101/21.04.048/2017-18 dated February 12, 2018, which made all the existing applicable guidelines for debt restructuring/refinancing redundant.

Reliance Naval and Engineering Limited

Directors' Report

This mandated Company and lenders to revise the Resolution Plan of the outstanding debts of the Company. The Company has submitted the Resolution Plan in compliance with the said RBI circular, which is under Lenders' Consideration.

During the year, IFCI Limited (IFCI) has issued a recall notice and subsequently applied for insolvency petition under the Insolvency and Bankruptcy Code, 2016, due to continued default in repayment of principal and interest against the loan availed by Reliance Marine Offshore Limited (RMOL) (a wholly owned subsidiary of the Company), as the principal borrower and also against the Company, as Corporate Guarantor. In response to recall notice, RMOL and the Company has requested the IFCI to liquidate the securities available which, as per IFCI, is sufficient to meet the obligations of RMOL.

Management Discussion and Analysis

Management Discussion and Analysis Report for the year under review as stipulated under Regulation 34(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) is presented in a separate section forming part of this Annual Report.

Non-Convertible Debentures

During the year under review, your company has issued 2,42,31,000 Secured, Redeemable, Unlisted, Non-Convertible Debentures (NCD's) at an issue price of ₹ 100 per NCD, aggregating to ₹ 242.31 crores which are outstanding as on date. These NCDs are unlisted and issued as per Right to Recompense granted to CDR lenders for compensating for various concessions / rebates guaranteed by the Company in terms of Master Restructuring Agreement dated March 20, 2015.

Deposit

During the year the Company has neither accepted nor renewed any deposits from the public falling within the ambit of Section 73 of the Companies Act, 2013 ('the Act') and the Companies (Acceptance of Deposits) Rules, 2014. There are no unclaimed deposits, unclaimed / unpaid interest, refunds due to the deposit holders or to be deposited to the Investor Education and Protection Fund as on March 31, 2018.

Particulars of Loans, Guarantees or Investments

Pursuant to Section 186 of the Companies Act, 2013 ('the Act'), details of the Investments made by the Company are provided in the standalone financial statement under Note no. 3.

Subsidiary Companies, Associate and Joint Venture

As on March 31, 2018, the Company is having 6 subsidiaries under its fold and 1 Associate Company.

The financial performance of each of the subsidiaries and associate companies as per the Act is provided in the consolidated financial statement.

During the year, the Company has decided to terminate the joint venture with Mazagon Dock Limited ('MDL') and consequently closure of Mazagon Dock Pipavav Defence Private Limited, a Joint Venture company between the Company and MDL.

The Company's Policy for determining material subsidiaries, as approved by the Board, may be accessed on the Company's website at the link: <http://www.rnaval.co.in/web/rnaval/corporate-governance>.

Financial Statement- Application of Indian Accounting Standards (Ind AS) Rules, 2015

The Ministry of Corporate Affairs (MCA) vide its Notification No. G.S.R. 111(E) dated February 16, 2015, has made the application of the Companies (Indian Accounting Standards) Rules, 2015 (Ind-AS Rules).

The audited financial statement of the Company are drawn up, both on standalone and consolidated basis, for the financial year ended March 31, 2018, are in accordance with the requirements of the Ind AS Rules.

Consolidated Financial Statement

The Audited Consolidated Financial Statement for the financial year ended March 31, 2018, based on the financial statement received from subsidiaries, associate and joint venture Companies, as approved by their respective Board of Directors, have been prepared in accordance with Indian Accounting Standard (Ind AS) 110 on 'Consolidated Financial Statements' and Ind AS 28 on 'Accounting for Investments in Associates and Joint Ventures' notified under the Act, read with the Accounting Standards Rules as applicable.

Directors

During the year under review, Vice Admiral (Retd.) H S Malhi, superannuated from the Company and as such relinquished the office of Whole-time Director and CEO with effect from April 11, 2017. The Board of Directors of the Company at its meeting held on April 11, 2017, appointed Cmde (Retd.) Kartik Subramaniam as an Additional Director and has elevated him to the position of Whole-time Director and CEO of the Company, for a period of three years with effect from April 11, 2017.

IDBI Bank has substituted Shri Rajeev Kumar as their nominee Director in place of Shri Ajoy Nath Jha w.e.f. September 8, 2017.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, during the year under review, on September 29, 2017, both Shri Rana Ranjit Rai and Shri K. Ravikumar were appointed as Additional Directors in their capacity of Independent Directors.

Shri Ajai Vikram Singh and Shri Rajendra Chitale have resigned as Directors of the Company, both w.e.f. September 29, 2017. Further, Air Chief Marshal (Retd.) Fali Homi Major has resigned as Director of the Company w.e.f. January 30, 2018.

During the year under review, Shri R. N. Bhardwaj has been appointed as Additional Director in the capacity of Independent Directors of the Company w.e.f. January 30, 2018.

Pursuant to provisions of section 167(1)(b) of the Act, Shri Nikhil Gandhi ceased to be Director on the Board of the Company with effect from February 11, 2018. Shri Rajesh K Dhingra was nominated as an Additional Non-Executive Director with effect from February 20, 2018, on the Board by the promoters of the Company.

Further, Life Insurance Cooperation ('LIC') of India has substituted Shri Raj Kumar as their nominee Director in place of Ms Padmaja

Directors' Report

Bhaskaran w.e.f. March 15, 2018. Shri Bhavesh Gandhi has resigned as Directors of the Company, w.e.f. March 24, 2018.

During the financial year, Cmde (Retd.) Kartik Subramaniam, superannuated from the Company and as such relinquished the office of Whole-time Director and CEO with effect from March 31, 2018. The Board of Directors of the Company at its meeting held on March 15, 2018, appointed Shri Debashis Bir as an Additional Director and has elevated him to the position of Whole-time Director of the Company, for a period of two years with effect from April 1, 2018. The appointment and the remuneration payable to Shri Debashis Bir during the tenure of appointment are subject to the approval of the members at the ensuing AGM and consequent approval of Central Government.

Lt. Gen. Syed Ata Hasnain (Retd.), Shri Rajesh Dhingra and Shri Rahul Sarin have resigned as Directors of the Company w.e.f. August 10, 2018.

Shri Anil D. Ambani has resigned as Director of the Company w.e.f. August 25, 2018.

Shri Rana Ranjit Rai, Shri K Ravikumar and Shri Raj Narain Bhardwaj have been appointed as additional Directors pursuant to the provisions of Section 161 of the Act and shall hold office till the conclusion of ensuing Annual General Meeting of the Company. Subject to approval of the members at the ensuing AGM, Shri Rana Ranjit Rai, Shri K Ravikumar and Shri R. N. Bhardwaj have been appointed as Independent Directors, for a period of five consecutive years effective from the respective date of appointment, not being liable to retire by rotation.

The Company has received notices in writing from a member under Section 160 of the Act, proposing the candidatures of Shri Rana Ranjit Rai, Shri K. Ravikumar, Shri Debashis Bir and Shri R. N. Bhardwaj, for the office of Director of the Company. The Nomination and Remuneration Committee of the Board, has recommended appointment of all the above mentioned Directors. The Board also recommends their appointment.

The Board places on record its appreciation for valuable contribution made by Vice Admiral (Retd.) H S Malhi, Cmde. (Retd.) Kartik Subramaniam, Shri Ajoy Nath Jha, Ms. Padmaja Bhaskaran, Shri Ajai Vikram Singh, Shri Rajendra Chitale, Air Chief Marshal (Retd.) Fali Homi Major, Shri Nikhil Gandhi, Shri Bhavesh Gandhi, Lt. Gen. Syed Ata Hasnain (Retd.), Shri Rajesh Dhingra, Shri Rahul Sarin and Shri Anil D. Ambani during their tenure as Directors of the Company.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under the Act and the Listing Regulations.

The details of programme for familiarization of Independent Directors with the Company, nature of the industry in which the Company operates and related matters are uploaded on the website of the Company at the link <http://www.rnaval.co.in/web/rnaval/corporate-governance>.

In terms of the provisions of the Companies Act, 2013, Shri Sateesh Seth, Non-Executive Director of the Company, retires by rotation and being eligible, offers himself for re-appointment at the ensuing AGM. A brief resume of Shri Sateesh Seth, along with requisite details, as stipulated under Regulation 36(3) of the Listing Regulations, is given in the section on Corporate Governance Report forming part of this Annual Report.

Key Managerial Personnel

During the financial year, Shri Nikhil Jain has been appointed as the Chief Financial Officer ('CFO') of the Company and termed as Key Managerial Personnel ('KMP') by the Board w.e.f. August 2, 2017 in place of Shri Madan Pendse, who resigned as CFO with effect from August 01, 2017.

Cmde. (Retd.) Kartik Subramaniam was appointed as Whole-time Director and Chief Executive Officer ('CEO') and termed as KMP with effect from April 11, 2017, in place of Vice Admiral (Retd.) H S Malhi, who ceased to be Whole-time Director and CEO, due to superannuation from the service of the Company with effect from April 11, 2018.

Shri Debashis Bir has been appointed as Whole-time Director and CEO and termed as KMP with effect from April 1, 2018, in place of Cmde. (Retd.) Kartik Subramaniam, who ceased to be Whole-time Director and CEO, due to superannuation from the service of the Company with effect from March 31, 2018.

Shri Paresh Rathod has been appointed as Company Secretary and termed as KMP with effect from April 1, 2018 in place of Shri Ajit Dabholkar, who has resigned as Corporate Counsel and Company Secretary of the Company from the closure of business hours on March 31, 2018.

The Board places on record its appreciation for valuable contribution made by Shri Madan Pendse, Vice Admiral (Retd.) H S Malhi, Cmde. (Retd.) Kartik Subramaniam and Shri Ajit Dabholkar during their tenure as KMP's of the Company.

Evaluation of Directors, Board and Committees

The Company has devised a policy for performance evaluation of the individual directors, Board and its Committees, which includes criteria for performance evaluation.

Pursuant to the provisions of the Act and Regulation 17(10) of the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of the Committees of the Board. The Board performance was evaluated based on inputs received from all the Directors after considering criteria such as Board composition and structure, effectiveness of Board / Committee processes, and information provided to the Board, etc. A separate meeting of the Independent Directors was also held during the financial year for the evaluation of the performance of non-independent Directors, performance of the Board as a whole and that of the Chairman.

The Nomination and Remuneration Committee has also reviewed the performance of the individual directors based on their knowledge, level of preparation and effective participation in meetings, understanding of their roles as directors, etc.

Policy on appointment and remuneration for Directors, Key Managerial Personnel and Senior Management Employees

The Nomination and Remuneration Committee of the Board has devised a policy for selection, appointment and remuneration of Directors, Key Managerial Personnel and Senior Management Employees. The Committee has formulated the criteria for determining qualifications, positive attributes and independence of a Director, which has been put up on the Company's website <http://www.rnaval.co.in/web/rnaval/corporate-governance> and also is attached as Annexure - A.

Directors' Report

Directors' Responsibility Statement

Pursuant to the requirements under Section 134(5) of the Act with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i. In the preparation of the annual financial statements for the financial year ended March 31, 2018, the applicable Accounting Standards had been followed along with proper explanation relating to material departures, if any;
- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the loss of the Company for the year ended on that date;
- iii. The Directors had taken proper and sufficient care for the 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 fraud and other irregularities;
- iv. The Directors had prepared the annual financial statements for the financial year ended March 31, 2018, on a 'going concern' basis;
- v. The Directors had laid down proper internal financial controls to be followed by the Company and such financial controls are adequate and are operating effectively; and
- vi. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Contracts and Arrangements with Related Parties

All contracts / arrangements / transactions entered into/by the Company during the financial year under review with related parties were on an arm's length basis and in the ordinary course of business.

There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the interest of the Company at large.

During the year, the Company had not entered in to any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of Company on materiality of related party transactions.

All Related Party Transactions were placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee was obtained for the transactions which were of a repetitive nature. The transactions entered into pursuant to the omnibus approval so granted were reviewed and statements giving details of all related party transactions were placed before the Audit Committee and the Board of Directors on a quarterly basis. The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website at the link: <http://www.rnaval.co.in/web/rnaval/corporate-governance>. Your Directors draw attention of the members to Note No. 39 to the Standalone Financial Statements which sets out Related Party Disclosures pursuant to Ind AS.

Material Changes and Commitments, if any, affecting the financial position of the Company

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of their report.

Meetings of the Board

A calendar of Meetings is prepared and circulated in advance to the Directors. During the financial year, six Board Meetings were held, details of which are given in the Corporate Governance Report, forming part of this Annual Report.

Audit Committee

Audit Committee has been re-constituted by the Board of Directors at their Meeting held on April 10, 2017 and vide Circular Resolution dated September 29, 2017. As on March 31, 2018, the committee consists of Independent Directors namely Shri K. Ravikumar as Chairman, Shri Rana Ranjit Rai and Ms Ryna Karani and Non-Independent Director, Cmde. Kartik Subramaniam (Retd.), as members. During the year, all the recommendations made by the Audit Committee were accepted by the Board.

During the year, Vice Admiral (Retd.) H S Malhi ceased to be members of the committee with effect from April 11, 2017 being the date of his resignation. Subsequently, Cmde (Retd.) Kartik Subramaniam was appointed as a member of the Committee with effect from April 11, 2017.

Shri Ajai Vikram Singh and Shri Rajendra Chitale, both ceased to be members of the committee with effect from September 29, 2017, being the date of their resignation. Subsequently, Shri K. Ravikumar and Shri Rana Ranjit Rai, Independent Directors were inducted as members of the Committee with effect from September 29, 2017.

Cmde (Retd.) Kartik Subramaniam has ceased to be member of the committee with effect from the closure of business hours on March 31, 2018 due to his superannuation from the Company. The Board has appointed Shri Debashis Bir as a member of the Committee with effect from April 1, 2018.

Auditors and Auditor's Report

M/s. Pathak H.D. & Associates, Chartered Accountants were appointed as Auditors of the Company for a term of 5 (five) consecutive years, at the Annual General Meeting of the Company held on September 30, 2015. The Company has received confirmation from M/s. Pathak H.D. & Associates, Chartered Accountants that they are not disqualified from continuing as Auditors of the Company.

The observations and comments given by the Auditors in their report read together with notes on financial statements are self-explanatory and hence do not call for any further comments under Section 134 of the Act.

Secretarial Standards

During the year under review, the Company has complied with the applicable Secretarial Standards issued by The Institute of Companies Secretaries of India.

Directors' Report

Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors has appointed M/s. Ashita Kaul & Associates, Practicing Company Secretaries, to undertake the Secretarial Audit of the Company. There is no qualification, reservation or adverse remark made by the Secretarial Auditor in the Secretarial Audit Report. The Audit Report of the Secretarial Auditors for the financial year ended March 31, 2018 is attached as Annexure - B.

Extract of Annual Return

Extract of the Annual Return of the Company in form MGT-9 is attached as Annexure - C and may be accessed on the Company's website at the link: <http://www.rnaval.co.in/web/rnaval/corporate-governance>

Particulars of Employees and related disclosures

In terms of the provisions of Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said Rules are provided in the Annexure, which forms part of this Report.

Disclosures relating to the remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, are also forms part of this Report.

However, having regard to the provisions of first proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. The said information is available for inspection at the registered office of the Company on all working days, except Saturdays between 11:00 A.M. and 1:00 P.M. up to the date of the Meeting. Any member interested in obtaining the same may write to the Company Secretary and the same will be furnished on request.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

The particulars as required to be disclosed in terms of Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 are given in Annexure- D forming part of this Report.

Corporate Governance

The Company has adopted 'Reliance Group- Corporate Governance Policies and Code of Conduct' which sets out the systems, processes and policies conforming to the international standards. The report on Corporate Governance as stipulated under Regulation 34(3) read with para C of Schedule V of the Listing Regulations is presented in a separate section forming part of this Annual Report.

A certificate from the auditors of the Company, M/s. Pathak H. D. & Associates, Chartered Accountants, conforming compliance to the conditions of Corporate Governance as stipulated under Para E of Schedule V of the Listing Regulations, is enclosed to this Report.

a) The disclosures required under Schedule V of the Act as applicable to Shri Debashis Bir as a Whole-time Director and Chief Executive Officer are given below:

- (i) Remuneration comprises of salary, allowances and other perquisites - ₹ 71.50 Lakhs per annum and Performance Linked Incentives of ₹ 3.90 Lakhs.
- (ii) Details of fixed component and performance linked incentives along with the performance criteria - Annual increment / performance linked incentive, as may be decided by the Board of Directors pursuant to recommendation of the Nomination and Remuneration Committee based on his performance and the performance of the Company and as per the Company Policy.
- (iii) Service, contracts, notice period, severance fees - Notice Period- three months, Severance fees- Nil.
- (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable - Not Applicable.

b) The disclosures required under Schedule V of the Act as applicable to Cmde (Retd.) Kartik Subramaniam as a Whole-time Director and CEO are given below:

- (i) Remuneration comprises of salary, allowances and other perquisites - ₹ 77.84 Lakhs per annum.
- (ii) Details of fixed component and performance linked incentives along with the performance criteria - Annual increment / performance linked incentive, as may be decided by the Board of Directors pursuant to recommendation of the Nomination and Remuneration Committee based on his performance and the performance of the Company and as per the Company Policy.
- (iii) Service, contracts, notice period, severance fees - Notice Period- three months, Severance fees- Nil.
- (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable - Not Applicable.

Whistle Blower Policy (Vigil Mechanism)

In accordance with Section 177 of the Act and Listing Regulations, the Company has formulated a Vigil Mechanism, which also incorporated Whistle Blower Policy of the Company to address the genuine concerns, if any, of the directors and employees. The details of the same have been stated in the Report on Corporate Governance and the policy can also be accessed on the Company's website at the link: <http://www.rnaval.co.in/web/rnaval/corporate-governance>

Risk Management

The Company continues to have a Risk Management Committee consisting of majority of independent directors, however, the mandatory provisions of listing regulations are not applicable to the Company. The details of the Committee and its terms of reference, etc. are set out in the Corporate Governance Report forming part of this Report.

Directors' Report

The Company has a robust Business Risk Management (BRM) framework to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhances Company's competitive advantage. The business risk framework defines the risk management approach across the enterprise at various levels including documentation and reporting. The framework has different risk models which help in identifying risk trend, exposure and potential impact analysis at a Company level as also separately for business segment. The risks are assessed for each project and mitigation measures are initiated both at the project as well as the corporate level. More details on Risk Management indicating development and implementation of Risk Management policy including identification of elements of risk and their mitigation are covered in Management Discussion and Analysis section, which forms part of this Report.

Compliance with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is committed to uphold and maintain the dignity of women employees and it has in place a policy which provides for protection against sexual harassment of women at work place and for prevention and redressal of such complaints. During the year under review, no such complaints were received. The Company has also constituted an Internal Compliance Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Corporate Social Responsibility

The Company has constituted Corporate Social Responsibility (CSR) Committee in compliance with the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Corporate Social Responsibility Committee has formulated a Corporate Social Responsibility Policy ('CSR policy') indicating the activities to be undertaken by the Company. The CSR policy may be accessed on the Company's website at the link: <http://www.rnaval.co.in/web/rnaval/corporate-governance>

As on March 31, 2018, the CSR Committee of the Board consists of Shri Rahul Sarin as Chairman, Ms. C R Gayathri, Ms. Ryna Karani and Cmde (Retd.) Kartik Subramaniam, Directors as members.

During the year, Vice Admiral (Retd.) H S Malhi ceased to be member of the committee with effect from the closure of business hours on April 11, 2017 due to his superannuation from the Company. Subsequently, Cmde (Retd.) Kartik Subramaniam was appointed as a member of the Committee with effect from April 11, 2017.

Cmde. (Retd.) Kartik Subramaniam ceased to be member of the committee with effect from the closure of business hours on March 31, 2018 due to his superannuation from the Company. The Board has appointed Shri Debashis Bir as a member of the Committee with effect from April 1, 2018. Shri Rahul Sarin ceased to be member of the committee w.e.f. August 10, 2018.

The disclosure with respect to Corporate Social Responsibility activities forming part of this report is given as Annexure - E.

Order, if any, passed by the Regulators or Courts or Tribunals

No orders have been passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations.

Internal Financial Controls and their adequacy

The Company has in place adequate internal financial controls with reference to financial statement across the organization. The same is subject to review periodically by the internal audit cell for its effectiveness. During the financial year, such controls were tested and no reportable material weaknesses in the design or operations were observed.

Business Responsibility Report

Business Responsibility Report for the year under review as stipulated under Listing Regulations is presented in a separate section forming part of this Annual Report.

Acknowledgement

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from shareholders, Debenture holders, debenture trustee, bankers, financial institutions, regulatory bodies and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

For and on behalf of the Board of Directors

Whole-time Director and CEO

Director

Place : Mumbai

Date : August 27, 2018

Policy on appointment and remuneration of Directors, Key Managerial Personnel and Senior Management Employees

1. Objective

- 1.1 The remuneration policy aims at achieving the following specific objectives:
 - 1.1.1 To attract highly competent talent to sustain and grow the Company's business;
 - 1.1.2 To build a high performance culture by aligning individual performance with business objectives and infusing performance differentiation;
 - 1.1.3 To motivate and retain high performers and critical talent at all levels

2. Scope and Coverage

- 2.1 Remuneration policy covers Directors, Key Managerial Persons (KMPs) and on-roll employees of Reliance Naval and Engineering Limited and its Subsidiaries/Special Purpose Vehicles (SPVs), who are categorized into Top Management Cadre (TMC) and Senior Management Cadre (SMC).

3. Policy

3.1 Non-Executive Directors

The Non executive directors may be paid sitting fees for attending the meetings of the Board and of Committees of which they may be members, and commission within regulatory limits approved by the shareholders. The commission for respective financial year to be recommended by the Nomination and Remuneration Committee and approved by the Board.

3.2 Key Managerial Personnel and Senior Management

- 3.2.1 Remuneration i.e. Cost-to-Company (CTC) may consist of two broad components; Fixed and Variable.
- 3.2.2 Fixed portion comprises Base pay and Choice pay components.
- 3.2.3 Base Pay includes Basic Pay and Contribution towards Retiral Benefits.
- 3.2.4 Choice Pay includes basket of allowances, which executive has the flexibility to choose from based on his individual needs and tax planning.

3.2.5 Variable pay termed as Performance Linked Incentive (PLI) comprises a pre- determined amount, the payout of which is based on the composite score achieved by Individual and Business during the relevant performance year.

3.2.6 Annual Increment is linked to individual performance ratings and is also guided by business performance, Macro-economic indicators, Industry/business outlook, etc.

3.2.7 Individual and Business performance is assessed through a robust annual performance appraisal process, the key features of which are as follows:

- Formulation of well articulated Businesswise AOP
- Setting of Individual KRAs and KPIs in alignment with Business AOP
- Online process for goal setting, self evaluation and assessment by managers
- Normalisation of individual ratings as per prescribed norms
- Business Performance evaluation with higher emphasis on achievement against key financial and project completion parameters

4. Retention Features as part of Compensation Package

- 4.1 Based on the organizational need for retaining high performing/critical executives, certain retention features may be rolled out from time to time as part of the overall compensation package. These may take form of Retention Bonuses (RBs); Special Monetary Programs (SMPs), Long-term Incentives (LTIs), etc.
- 4.2 While attracting talent in critical positions also such retention features could be incorporated as part of the compensation package.

5. Modification / Amendment

- 5.1 This policy shall be reviewed periodically based on benchmarking / business requirement / industry relevance.

Form No. MR-3
Secretarial Audit Report
for the financial year ended March 31, 2018
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Reliance Naval and Engineering Limited
(Formerly known as Reliance Defence and Engineering Limited)
Pipavav Port, Post Ucchaya,
Via Rajula, Gujarat- 365560

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Reliance Naval and Engineering Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on the verification of Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has followed proper Board processes and have required compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **Reliance Naval and Engineering Limited** for the financial year ended on March 31, 2018 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under for compliance in respect of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations,

2009 (Not Applicable to the Company during the Audit Period);

- (d) The Securities and Exchange Board of India (Shares Based Employee Benefit) Regulation, 2014 (Not applicable to the Company during the Audit period);
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the Audit Period);
- (f) The Securities and Exchange Board of India (Registrars to an issue and Share Transfers Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009(Not Applicable to the Company during the Audit Period);
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period); and
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015.

We have also examined compliance with the applicable clauses of the following:

- Secretarial Standards issued by the Institute of Company Secretaries of India.
- The Listing Agreements entered into by the Company with the Stock Exchange Viz BSE Ltd (BSE) and National Stock Exchange of India Ltd (NSE)

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations and Guidelines as applicable mentioned above.

We further report that, the Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Directors' Report

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting.

The decisions at Board Meetings and Committee Meetings are carried out and recorded in the minutes of meetings of the Board of Directors and Committee of the Board accordingly.

We further report that, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Company has undertaken event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above viz.

1. The Company has allotted by way of preferential issue, 13,84,994 Equity Shares having face value of ₹ 10 each, at a price of ₹ 59.35 (including a premium of ₹ 49.35) per Equity Share aggregating ₹ 8,21,99,393.90 (Rupees Eight Crore Twenty One Lakh Ninety Nine Thousand Three Hundred Ninety Three and paise Ninety only).
2. The Company has allotted by way of preferential issue, 4,22,45,764 0.10% Compulsorily Redeemable Preference Shares of ₹ 10 each ('CRPS') at par, aggregating ₹ 42,24,57,640 (Rupees Forty Two Crore Twenty Four Lakh Fifty Seven Thousand Six Hundred and Forty only) to Housing Development Finance Corporation Limited ('HDFC') against conversion of equivalent amount of outstanding debt.
3. The Company has issued 2,42,31,000 Secured, Redeemable, Unlisted, Non-Convertible Debentures (NCD's) at an issue price of ₹ 100 per NCD, aggregating to ₹ 242.31 crores which are outstanding as on date. These NCDs are unlisted and issued as per Right to Recompense granted to CDR lenders for compensating for various concessions/ rebates guaranteed by the Company in terms of MRA dated March 20, 2015.
4. The Company has changed its name from 'Reliance Defence and Engineering Limited' to 'Reliance Naval and Engineering Limited' w.e.f. September 06, 2017.

For Ashita Kaul & Associates
Company Secretaries
Proprietor
FCS 6988/ CP 6529

Date : April 16, 2018
Place : Mumbai

Reliance Naval and Engineering Limited

Directors' Report

Annexure – C

FORM NO. MGT.9
EXTRACT OF ANNUAL RETURN
as at the financial year ended on March 31, 2018
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

I. Registration and other details

(i) CIN	L35110GJ1997PLC033193
(ii) Registration Date	October 17, 1997
(iii) Name of the Company	Reliance Naval and Engineering Limited
(iv) Category/Sub-Category of the Company	Public Company/Limited by Shares
(v) Address of the Registered Office and contact details	Pipavav Port, Post Ucchhaiya, Via Rajula, Dist. Amreli, Gujarat 365 560 Tel : +91 2794 305000 Fax : +91 2794 305100 Email: rdelinvestors@relianceada.com Website: www.rnaval.co.in
(vi) Whether listed company	Yes
(vii) Name, address and contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited (Unit: Reliance Naval and Engineering Limited) Karvy Selenium, Tower – B, Plot No. 31 & 32 Survey No. 116/22, 115/24, 115/25 Financial District, Nanakramguda, Hyderabad, Telangana, 500 032. Tel. : +91 40 6716 1500 Fax : +91 40 6716 1791 Toll Free No. : 1800 4250 999 E-mail :ris.rdel@karvy.com

II. Principal Business Activities of the Company

All the Business Activities contributing 10 per cent or more of the total turnover of the Company shall be stated:

Name and Description of main Product/Services	NIC Code of the Products/Services	Per cent to total turnover of the Company
Ship Building and Fabrication	30-301	80

III. Particulars of Holding, Subsidiary and Associate Companies

Sr. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	E Complex Private Limited Survey No. 658, Village Rampara- II, Taluka Rajula, District Amreli - 365 560, Gujarat	U63000GJ1995PTC026113	Subsidiary	100	2(87)
2	Reliance Marine and Offshore Limited Survey No. 658, Village Rampara- II, Taluka Rajula and Village Lunsapur, Taluka Jafrabad, Amreli - 365 560, Gujarat	U35100GJ2012PLC070568	Subsidiary	100	2(87)
3	Reliance Lighter than Air Systems Private Limited Survey No. 658, Village Rampara- II, Taluka Rajula, District Amreli - 365 560, Gujarat	U29241GJ2013PTC077604	Subsidiary	100	2(87)
4	Reliance Engineering and Defence Services Limited Survey No. 658, Village Rampara- II, Taluka Rajula and Village Lunsapur, Taluka Jafrabad, Amreli 365 560, Gujarat	U29219GJ2012PLC070565	Subsidiary	100	2(87)
5	Reliance Technologies and Systems Private Limited 502, 91/94, Prabhat Colony Santa Cruz (East) Mumbai 400055, Maharashtra	U29248MH2013PTC247148	Subsidiary	100	2(87)
6	PDOC Pte. Ltd. 100 Cecil Street #15-02 The Globe, Singapore 069532	201221932N	Subsidiary	100	2(87)
7	Conceptia Software Technologies Private Limited No. 22, 100 Feet Ring Road, 6th Block, 3rd Phase, Banashankari 3rd stage, Bangalore - 560085, Karnataka	U72900KA2004PTC034151	Associate	25.50	2(6)

Directors' Report

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (April 01, 2017)				No. of Shares held at the end of the year (March 31, 2018)				% Charge during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual /HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	226453025	0	226453025	30.76	220103025	0	220103025	29.84	(0.92)
e) Bank /FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1)	226453025	0	226453025	30.76	220103025	0	220103025	29.84	(0.92)
(2) Foreign									
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Bank /FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A)(2)	-	-	-	-	-	-	-	-	-
Total Shareholding of promoters (A) = (A) (1)+(A)(2)	226453025	-	226453025	30.76	220103025	-	220103025	29.84	(0.92)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds/ UTI	-	-	0.00	-	17946000	-	17946000	2.43	2.43
b) Banks / FI	14404522	-	14404522	1.96	1525744	-	1525744	0.21	(1.75)
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	58465899	-	58465899	7.94	58465899	-	58465899	7.94	(0.01)
g) Foreign Institutional Investors	988685	-	988685	0.13	-	-	-	-	(0.13)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify) Foreign Portfolio Investors	32746545	-	32746545	4.45	37431333	-	37431333	5.07	0.63
NBFCs	-	-	-	-	-	-	-	-	-
Sub-Total (B) (1)	106605651	-	106605651	14.48	115368976	-	115368976	15.64	1.16
2. Non-Institution									
a) Bodies Corporate									
i) Indian	288535801	-	288535801	39.19	271110214	-	271110214	36.76	(2.44)
ii) Overseas	33900000	-	33900000	4.60	31947086	-	31947086	4.33	(0.27)
b) Individuals									
I. Individual Shareholders holding nominal share capital up to ₹ 1 Lakh	53599326	6596	53605922	7.28	69240572	24749	69265321	9.39	2.11
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	21302193	-	21302193	2.89	25832765	-	25832765	3.50	0.61
c) Others (Specify)									
i) Non Resident Indians	2412527	-	2412527	0.33	2619047	-	2619047	0.36	0.03
ii) Clearing Members/ Clearing House	3388450	-	3388450	0.46	1336969	-	1336969	0.18	(0.28)

Reliance Naval and Engineering Limited

Directors' Report

Category of Shareholders	No. of Shares held at the beginning of the year (April 01, 2017)				No. of Shares held at the end of the year (March 31, 2018)				% Charge during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
iii) Trusts	2700	-	2700	0.00	7860	-	7860	0.00	-
iv) Limited Liability Partnership	-	-	-	-	-	-	-	-	-
v) Foreign Portfolio Investor (Corporate)	-	-	-	-	-	-	-	-	-
vi) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-Total (B) (2)	403140997	6596	403147593	54.76	402094513	24749	402119262	54.52	(0.24)
Total Public Shareholding (B) = (B) (1) +(B)(2)	509746648	6596	509753244	69.24	517463489	24749	517488238	70.16	0.92
Non Promoter Non Public									
(1) Shares held by Custodian for GDRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	736199673	6596	736206269	100	737566514	24749	737591263	100	-

ii) Shareholding of Promoters

Sr. No.	Shareholders Name	Shareholding at the beginning of the year (April 1, 2017)			Shareholding at the end of the year (March 31, 2018)			% change in shareholding during the year #
		No of shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No of shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares*	
1.	Reliance Defence Systems Private Limited	226453025	30.76	30.76	220103025	29.84	29.84	-0.92
	Total	226453025	30.76	30.76	220103025	29.84	29.84	-0.92

(*) The term "encumbrance" has the same meaning as assigned to it in Regulation 28 (3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Shareholders listed above are promoters as per disclosure received under Regulation 30 (2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as on March 31, 2018.

(#) The decrease in % of Promoters shareholding from 30.76 to 29.84 is due to invocation of pledge by Vistra ITCL (India) Limited aggregating to 63,50,000 shares of the Company on March 17, 2018.

iii) Change in Promoter's Shareholding (Please specify, if there is no change)

Shareholding at the beginning of the year	Shareholding at the beginning of the year (April 1, 2017)			Cumulative Shareholding during the year	
	Date	No of Shares	% of total Shares of the Company	No of Shares	% of total shares of the Company
Reliance Defence Systems Private Limited	01.04.2017	226453025	30.76	0	0
Datewise increase/ decrease in Promoters Shareholding during the year specifying the reason for increase/ decrease (e.g allotment / transfer / bonus / sweat equity etc.)	19.03.2018	-6350000	0.92#	220103025	29.84
At the end of the year				220103025	29.84

Decrease in promoters holding due to invocation of pledge by the lenders.

Directors' Report

iv) Shareholding Pattern of the Top Ten shareholders (other than Directors, Promoters and Holders of GDRs)

SI. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (April 01, 2017)		Increase/Decrease No of Shares	Shareholding at the end of the year (March 31, 2018)	
		No of Shares	% of total shares of the Company		No of Shares	% of total shares of the Company
1	SKIL Infrastructure Ltd	167536936	22.76	(148997706)	18539230	2.51
2	Life Insurance Corporation Of India	58465899	7.94	0	58465899	7.93
3	IL&FS Maritime Infrastructure Company Limited	53110674	7.21	0	53110674	7.20
4	Morgan Stanley Mauritius Company Limited	24645726	3.35	(2177321)	22468405	3.05
5	Grevek Investment & Finance Pvt Ltd	22349494	3.04	(22349494)	0	0.00
6	IL&FS Financial Services Ltd	20526560	2.79	9316827	29843387	4.05
7	Sembcorp Marine Ltd	17500000	2.38	(1952914)	15547086	2.11
8	Valiant Mauritius Partners Fdi Limited	16400000	2.23	0	16400000	2.22
9	Export- Import Bank of India	13028000	1.77	(13028000)	0	0.00
10	IL&FS Financial Services Ltd	5075694	0.69	(1064562)	4011132	0.54
11	Vistra ITCL India Limited	0	0.00	145104995	145104995	19.67
12	Kotak Equity Savings Fund	0	0.00	6426000	6426000	0.87

v) Shareholding of Directors and Key Managerial Personnel (KMPs)

Shri Ajit Dhabolkar, Corporate Counsel and Company Secretary of the Company held 2 (0.0%) equity shares at the beginning of the year April 01, 2017 and at the end of the year March 31, 2018.

Shri Nikhil Jain, Chief Financial Officer (CFO) of the Company held 5 (0.0%) equity shares at the beginning of the year April 01, 2017 and at the end of the year March 31, 2018.

Shri Madan Pendse, CFO of the Company held 100 (0.0%) equity shares at the beginning of the year April 01, 2017 and he ceased to be CFO w.e.f. August 1, 2017.

Shri Bhavesh Gandhi, Non-Executive Director of the Company held 68,300 (0.03%) equity shares at the beginning of the year April 01, 2017 and he has ceased to be Director w.e.f. March 24, 2018.

None of the other Directors or KMP's holds any share in Company at the beginning and at the end of the financial year.

vi) Indebtness

Indebtedness of the Company including interest outstanding / accrued but not due for payment as at March 31, 2018.

	(₹ in Lakhs)			
	Secured Loans excluding deposits	Unsecured Loans	Preference Shares	Deposits
Indebtedness at the beginning of the financial year				Total Indebtedness
i) Principal Amount	7,23,618.90	1,51,700.48	-	-
ii) Interest due but not paid	11,060.24	-	-	-
iii) Interest accrued but not due	4,380.54	11,261.00	-	-
Total (i+ii+iii)	7,39,059.68	1,62,961.48	-	-
Change in Indebtedness during the financial year				
* Addition	1,18,646.15	1,13,244.23	956.33	-
* Reduction	-81,630.74	-	-	-
Net Change	37,015.41	1,13,244.23	956.33	-
Indebtedness at the end of the financial year				
i) Principal Amount	7,41,645.69	2,45,230.15	956.33	-
ii) Interest due but not paid	34,429.40	-	-	-
iii) Interest accrued but not due	-	30,975.56	-	-
Total (i+ii+iii)	7,76,075.09	2,76,205.71	956.33	-

Reliance Naval and Engineering Limited

Directors' Report

vii) Remuneration of Directors and Key Managerial Personnel

a. Remuneration to Managing Director, Whole-time Directors and / or Manager:

Sr. No.	Particulars of Remuneration	Amount in ₹	
		Name of Managing Director, Whole-time Director (WTD), Manager	
		Vice Admiral (Retd.) H S Malhi (WTD) (Till 11.04.2017)	Cmde (Retd.) Kartik Subramaniam (WTD & CEO) (w.e.f. 11.04.2017)
1	Gross Salary		
	(a) Salary as per provisions contained u/s 17(1) of the Income-tax Act, 1961	-	77,74,862
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission	-	-
	- as per cent of profit	-	-
	- others	-	-
5	Others, please specify	-	-
	Superannuation (Gratuity)	-	-
	Reimbursement of expenses	-	9,137
	Total (A)	-	77,83,999
	Ceiling as per the Act (Refer Note)		

Notes:

- During the year, the Company has not paid the remuneration to Vice Admiral (Retd.) H. S. Malhi.
- The remuneration payable to Cmde. (Retd.) Kartik Subramaniam is approved by the members in the AGM held on August 22, 2017. The same is subject to Central Government's approval as required under Section 197 of the Act.

b. Remuneration to other directors:

					(₹ in Lakhs)
Sr. No.	Name of Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board / Committee Meetings	Commission	Others, please specify	
I.	Independent Directors (IDs)				
1.	Shri Ajai Vikram Singh (till 29.09.2017)	1.60	-	-	1.60
2.	Ms. C R Gayathri	2.40	-	-	2.40
3.	Air Chief Marshal (Retd.) Fali Homi Major (till 30.01.2018)	1.60	-	-	1.60
4.	Shri K Ravikumar (w.e.f. 29.09.2017)	2.80	-	-	2.80
5.	Shri Rahul Sarin	1.60	-	-	1.60
6.	Shri Raj Narain Bhardwaj (w.e.f. 30.01.2018)	1.20	-	-	1.20
7.	Shri Rajendra P. Chitale (till 29.09.2017)	2.00	-	-	2.00
8.	Shri Rana Ranjit Rai (w.e.f. 29.09.2017)	2.80	-	-	2.80
9.	Ms. Ryna Karani	6.40	-	-	6.40
10.	Lt. Gen. Syed Ata Hasnain (Retd)	3.60	-	-	3.60
Total (A)		26.00	-	-	26.00

Directors' Report

					(₹ in Lakhs)
Sr. No.	Name of Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board / Committee Meetings	Commission	Others, please specify	
II. Other Non-Executive Directors (NEDs)					
1)	Shri Anil D Ambani	0.40	-	-	0.40
2)	Shri Sateesh Seth	2.40	-	-	2.40
3)	Shri Nikhil Gandhi (till 11.02.2018)	NIL	-	-	NIL
4)	Shri Bhavesh Gandhi (till 24.03.2018)	2.00	-	-	2.00
5)	Shri Rajesh Dhingra (w.e.f. 20.02.2018)	NIL	-	-	NIL
6)	Shri Rajeev Kumar (w.e.f. 08.09.2017)	1.20	-	-	1.20
7)	Shri Raj Kumar (w.e.f. 15.03.2018)	NIL	-	-	NIL
8)	Shri Ajoy Nath Jha (till 08.09.2017)	0.40	-	-	0.40
9)	Ms. Padmaja Bhaskaran (till 15.03.2018)	0.80	-	-	0.80
Total (B)		7.20	-	-	7.20
Total (A + B)		33.20			33.20

c. **Remuneration to Key Managerial Personnel other than Managing Director, Whole-time Director and Manager**

					(Amount in ₹)
Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CFO		Company Secretary	
		Shri Madan Pendse (till 01.08.2017)	Shri Nikhil Jain (w.e.f. 02.08.2017)	Shri Ajit Dabholkar	
1	Gross Salary				
	(a) Salary as per provisions contained u/s 17(1) of the Income Tax Act, 1961	7,45,510	31,58,338	92,16,065	
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	
	(c) Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-	-	-	
2	Stock Option	-	-	-	
3	Sweat Equity	-	-	-	
4	Commission	-	-	-	
5	Others, please specify -Reimbursement of expenses	-	-	12,035	
	Total	7,45,510	31,58,338	92,28,100	

viii) **Penalties/Punishment/Compounding of Offences:**

There were no penalties, punishment or compounding of offences of the Company, directors and other officers of the Company during the year ended March 31, 2018.

Disclosure under Section 134(3)(m) of Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 regarding conservation of Energy and Technology absorption.

A. Conservation of Energy

(i) The steps taken or impact on Conservation of Energy:

- In the chilling system, cooling water circulation pump has been replaced with energy efficient Eff1 pumps.
- Improved power factor to ensure optimized utilization of power with use of capacitor banks.
- Improved Coefficient of performance of cooling tower and efficiency of HVAC system.

(ii) The steps taken by the Company for utilizing alternate sources of Energy:

- Replacement of HPMV type lamps with LED lamps & Solar System etc.
- Apart from above, the Company has also other energy conservation measures like rain water harvesting systems, usage of treated/ recycled water, optimization of processes and equipment's etc. All these steps result in saving in energy, in water consumption, in fuel consumption.

(iii) The capital investment on energy conservation equipment:

No additional investment was made for the above purpose.

B. Technology absorption

- The efforts made towards technology consumption : None
- The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable
- In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not Applicable
- The expenditure incurred on Research and Development : Nil

C. Foreign Exchange Earnings and Outgo

(₹ In lakh)

Particulars	2017-18	2016-17
Foreign Exchange Earned	2580.54	12,135.89
Foreign Exchange Expenses	9544.88	13,506.64

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2017-18

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

The Company has a robust CSR Policy at group level. All our efforts are focused towards two goals: building a great enterprise for the stakeholders and a great future for our country.

Our approach is to interweave social responsibility into the Company's mainstream business functions through translating commitments into policies, which not only drive all employees but influence and mobilize stakeholders, especially partners and suppliers, to embrace responsible business practices in their respective spheres of action. The policy affirms business objectives and strategy along with our commitment to preserve natural resources and augment the growth and development of employees and families, the communities we operate in, suppliers/vendors, and our investors. Through the CSR policy, the Company seeks to engage with all the stakeholders, using it as a reference or guideline for all stakeholders and practitioners.

2. The Composition of the CSR Committee as on 31st March, 2018:

Shri Rahul Sarin, Chairman of the Committee (Independent Director)
 Cmde. (Retd.) Kartik Subramaniam (Whole-time Director and Chief Executive Officer)
 Ms. Comal Ramachandran Gayathri (Independent Director)
 Ms. Ryna Karani (Independent Director)

3. Average net profit of the Company for last three financial years:

Average net loss of (669,38.34) lakhs

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above):

Not Applicable

5. Details of CSR spent during the financial year:

- Total amount spent for the financial year : - NA
- Amount unspent, if any : - NA
- Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr.No.	CSR Projects or activity identified.	Sector in which the project is covered.	Projects or Programs (1) Local area or Other	Amount Outlay (budget) Project or Programs wise.	Amount spent on the projects or programs Sub heads :	Cumulative Expenditure upto the reporting period.	Amount spent: Direct or through implementing agency.
			(2) Specify the state and districts where projects or programs was undertaken.		(1) Direct expenditure on projects or programs. (2)Overheads		

Not applicable

6. In case the company failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

There are no average net profits for the Company during the previous three financial years, hence, no funds were set aside and spend by the Company towards CSR during the year under review.

7. A Responsibility Statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.

The implementation and monitoring of Corporate Social Responsibility (CSR) Policy is in compliance with CSR objectives and policy of the Company.

Shri Rahul Sarin

Chairman

Shri Debashis Bir

Whole-time Director and CEO

April 23, 2018

Reliance Naval and Engineering Limited

Dividend Distribution Policy

1. Introduction

In accordance with the Companies Act, 2013 (the 'Act') and Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations'), the Dividend Distribution Policy (the 'Policy') of the Company is as under:

2. Objective

The objective of this policy is to establish the parameters to be considered by the Board of Directors ('the Board') of the Company before declaring or recommending dividend.

3. Circumstances under which the shareholders of the listed entities may or may not expect dividend

The shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cashflow available for distribution.
- iv. In the event of inadequacy or absence of profits.
- v. In the event of any regulation or contractual restriction.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, after analysing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment.

In such event, the Board will provide rationale in the Annual Report.

4. Parameters to be considered before recommending dividend

Dividends will generally be recommended by the Board once a year, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders, as may be permitted by the Companies Act, 2013. The Board may also declare interim dividends as may be permitted by the Companies Act, 2013. The Company aims to appropriately reward shareholders through dividends and to support the future growth.

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The dividend pay-out decision of any company depends upon certain external and internal factors:

4.1 External Factors:

State of Economy: In case of uncertain or recessionary economic and business conditions, the Board will endeavor to retain larger part of profits to build up reserves to absorb future shocks.

4.2 Internal Factors:

Considering the fact that the Company's projects have been set up substantially through its wholly owned subsidiary companies, the Company's capacity to pay dividend on standalone basis is dependent in turn on the performance of the subsidiary companies, their cash flow position, their capacity to declare dividend to the parent company having regard to their need to seek approvals from the banks / financial institutions which have part funded the projects as per loan covenants.

In addition to above, the Board will take into account various internal factors while declaring dividend, which *inter-alia* will include:

- Income/Profits earned during the year;
- Present & future capital requirements of the existing businesses;
- Brand/Business Acquisitions;
- Expansion/Modernization of businesses; and
- Additional investments in subsidiaries/associates of the Company;
- Fresh investments into external businesses;
- Any other factor as deemed fit by the Board .

5. Utilisation of retained earnings

The Company shall endeavour to utilise the retained earnings in following manner:

- For expansion and growth of business;
- Additional investments in existing businesses;
- Declaration of dividend;
- General Corporate purpose; and
- Any other specific purpose as may be approved by the Board.

6. Parameters that shall be adopted with regard to various classes of shares

The Company has issued only one class of shares viz. equity shares. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of share.

7. Review

This policy will be reviewed periodically by the Board.

8. Limitation and amendment

In the event of any conflict between the Act or the Listing Regulations and the provisions of the policy, the Listing Regulations shall prevail over this policy. Any subsequent amendment/modification in the Listing Regulations in this regard shall automatically apply to this policy.

Management's Discussion and Analysis Report

Forward looking statements

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include determination of tariff and such other charges and levies by the regulatory authority, changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statement are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 2013 (the "Act") and comply with the Accounting Standards notified under Section 133 of the Act. The management of Reliance Naval and Engineering Limited ("Reliance Naval" or "RNEL" or "the Company") has used estimates and judgments relating to the financial statement on a prudent and reasonable basis, in order that the financial statement reflect in a true and fair manner, the state of affairs and profit for the year.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statement and the notes to these statements included in the Annual Report.

Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "Reliance", "RNEL" or "Reliance Naval" are to Reliance Naval and Engineering Limited and / or its subsidiaries and associates.

Macroeconomic Overview

Indian Economic Environment

The Indian economy recovered strongly from the transient impact of demonetization of high value currency notes in late 2016 and the impact of implementation of a country-wide Goods and Services Tax. As per the Central Statistics Organization (CSO) second advance estimates, the Indian economy grew by 6.6 per cent in 2017-18 and is expected to grow 7.3 per cent in 2018-19 and 7.5 per cent in 2019-20. As per NASSCOM, India is the third largest base to boost startup culture with over 4,750 technology start-ups. The foreign exchange reserves were approx. US\$ 424 billion in March 2018. The bank recapitalization plan by Government is expected to push credit growth to 15 per cent. In addition, Government continued with major reform particularly in the field of corporate insolvency resolution via National Company Law Tribunal (NCLT route). Over 100 cases have been referred to NCLT for faster resolution since its inception.

Inflation continued with its downtrend, with CPI averaging 3.6 per cent in 2017-18 versus 4.5 per cent in 2016-17. A favourable monsoon, efficient food supply management by Government and continued rationalization in Minimum Support Prices helped keep food inflation in check. The uptick in fuel

inflation and housing inflation caused due to higher crude oil prices and 7th Central Pay Commission HRA norms, respectively, has negated the moderation in food inflation.

Benign inflationary pressures meant that the RBI could deliver a 25bps reduction in repo rates, bringing the rates down to 6 per cent. However, reversal of excess liquidity post the demonetization episode led to hardening of interest rates in the latter half of the year, with bond yields rising by over 70 bps in 2018 – and signaling a period of increasing interest rates.

Central government fiscal deficit slipped marginally in 2017-18 to 3.5 per cent of the GDP. These, however, were the outcome of short-term adjustments to GST, and other structural reforms. However, the Government has reinstated a plan to return to the path of consolidation by projecting a reduction in fiscal deficit to 3.3 per cent of GDP in FY19. It also adopted key recommendations of the Fiscal Responsibility and Budget Management (FRBM) with a medium term fiscal policy aim of reducing the cumulative government (Center + State) debt to 60 per cent of GDP by FY25.

Reforms measures initiated by the Government have also resulted in a significant improvement in direct tax compliance in 2017-18. Central Government direct tax collection touched nearly ₹ 10 Lakh crore in 2017-18, a growth of 18 per cent. There has been an addition of 1 crore new taxpayers in 2017-18.

The country's reforms agenda has been showing external results as well. For the first time ever, India has jumped 30 positions to become one amongst the top 100 countries in the "Ease of doing Business" ranking. Similarly, the improvement in the country's business environment has stabilized India's ranking in the global competitiveness index, prepared by the World Economic Forum, in 2017. Moody's upgraded India's Sovereign rating, after 14 years, to Baa2 with a stable economic outlook.

GDP Growth

As per various estimates, India's GDP growth is likely to recover in 2018-19 to 7.3 – 7.5 per cent from 6.6 per cent in 2017-18. Post two major economic events in the form of demonetisation and GST, economic activity has begun to recover quite sharply. The recovery will continue to find support going forward due to a number of factors such as: a) higher government spending ahead of elections, b) strong global growth helping both goods and services exports, c) strong rural demand aiding by normal monsoon, d) continued buoyancy in urban indicators, e) pick in labour market conditions, f) pickup in spending in key infra sectors like roads, irrigation and power transmission and g) the recovery in various labour intensive sectors which were impacted by GST implementation.

Industrial Production

During 2017-18, the Index of Industrial Production (IIP) grew by 4.3 per cent compared with a growth of 4.6 per cent in 2016-17. The manufacturing sector which accounts for 77 per cent in the index grew at slow pace. The decline was led by contraction of capital goods output, while mining and electricity grew at modest rate. Besides, sectors like construction goods and consumer non durables have posted strong growth in fourth quarter of 2017-18. Credit growth is also picking up, and there are nascent signs that few segments within manufacturing related to consumer goods, metals, etc have started to expand their production capacities.

Reliance Naval and Engineering Limited

Management's Discussion and Analysis Report

Inflation and Interest Rate

Along with growth, we are also likely to witness firming up of inflation. However, while prices of oil and other commodities are hardening in recent months, the overall impact will likely remain within acceptable boundaries, aided by prudent Government spending and good monsoon should keep the inflation under control. While the RBI has maintained a neutral stance for nearly a year now, there is increasing likelihood of a return to a higher interest rate regime if inflation pressures continue.

While the surplus liquidity observed during the immediacy of demonetization drained out during the course of the year, overall liquidity remains fair, and is supported by proactive RBI actions through injection of durable liquidity into the system.

Current Account Deficit (CAD)

India's current account deficit (CAD) has reached nearly 2 per cent of GDP, as oil prices and electronics imports have surged. Oil prices have risen by over US\$ 10 a barrel between December 2016 and December 2017. India's current account in the balance of payments ended in a deficit of US\$ 13.5 billion in the quarter ended December 2017, up from US\$ 8.0 billion or 1.4 per cent of GDP in the previous corresponding quarter and US\$ 7.2 billion (1.1 per cent of GDP) in the preceding quarter ended September 2016. The CAD also constitutes services. Net services receipts increased by 17.8 per cent on year-on-year basis led by rise in net earnings from software services and travel receipts. RBI reported an increase of US\$ 9.4 billion to the foreign exchange reserves as against depletion of US\$ 1.2 billion in third quarter of 2016-17. Other than CAD, global financial conditions, particularly in the second half of 2018-19 will dictate the domestic currency. Some downward pressure may remain despite recent weakness.

About Reliance Naval

Reliance Naval and Engineering Limited (RNAVAL) (formerly Reliance Defence and Engineering Limited) has the largest engineering infrastructure in India and is one of the largest in the world. RNAVAL is the first private sector company in India to obtain the licence and contract to build warships.

RNAVAL operates India's largest integrated shipbuilding facility with 662 M x 65 M Dry dock. The facility houses the only modular shipbuilding facility with a capacity to build fully fabricated and outfitted blocks. The fabrication facility is spread over 2.1 million sq. ft. The shipyard has a pre-erection berth of 980 meters length and 40 meters width, and 2 Goliath cranes with combined lifting capacity of 1,200 tonnes, besides outfitting berth length of 780 meters.

Industry and Business Prospects

In-spite of the Government of India having opened the defence industry to the private sector for participation and provide impetus to the make India strategy of the government, the last year has not seen any acceleration in the shipbuilding industry which was expected from defence orders. This has primarily have the reasons of the lion's share of order in Naval shipbuilding being assigned on nomination to the public sector shipyards, which resulted in starvation of private sector including closure of some of the shipyards. This has led to rethinking of the product mix, encompassing more verticals in the shipbuilding & Ship repair sector for viability of the shipyards in the private sector, especially with large capacity such as incase of this company.

Defence Ship Building & Refits:

In the defence ship production sector following projects are envisaged for issue of RFP's (Request for proposals), which are likely to fructify as new building contracts in 2019-20:

Next Generation Missile Vessel (NGMV), Air Cushioned Vessel (ACV), Diving Support Craft (DSC), Survey Training Vessel (STV), Pollution Control Vessel (PCV), Fast Patrol Vessel (FPV), Survey Vessel (SV), Missile Cum Ammunition Barges (MCA), Ammunition cum Torpedo cum Missile Barges (ACTCMB), Polar Research Vessel (PRV) and 2019- 20 (Multi Purpose Support Vessel (MPV), Next Generation Corvette (NGC), High Speed Landing Craft (HSLC), Next Generation Offshore Patrol Vessel (NGOPV).

Besides the Company has also submitted application to MoD/ Service Headquarters for Fleet Tankers (FTs), Mine Counter Measure Vessels (MCMV) and Fleet Support Ships (FSS) under IDDM II category (with 60 % indigenous content) with design collaboration with foreign technology providers, which would result in issuance of RFP in 2019 -20.

The import content in India's defence ships continues to be very high. India imports over two-thirds of its defence equipment requirements, primarily due to the absence of a conducive local defence manufacturing ecosystem. This is an opportune time to embark on a new phase of self-reliance in the Indian defence sector by manufacturing technologically advanced equipment within India. In a nutshell, it is the velocity of the orders and not the quantum which will determine the growth of the sector.

In case of the refit of defence ships there is huge demand due to non availability of ship repair facility such as Dry docks shiplifts and floating docks in the country. The majority of the PSU shipyards have over utilised facilities with new building activities and as a result there is a huge backlog of ship refits in the Indian defence forces. There are nearly 370 vessels operating for defence and para defence in India which requires refits at a minimum cycle of 45 to 90 days. This entails a huge segmental upgradation requirement if the country has to sustain the health of its fleet. Ship repairs being applicable for maintenance of existing ships, require extensive ship repair facilities for multiple areas of engineering such as hull repairs, system repairs, electrical repairs, instrumentation, machinery repairs, joinery repairs domestic system repairs etc over and above the requirement of dry dock / shiplift/ floating dock for underwater hull and machinery maintenance. The existing shipyards of India will require to augment their facilities as well as logistics support system for carrying out effective ship refits for the defence fleet.

Growth potential

The growth of shipbuilding in general, are vital for Indian Economy and National Security because of a consistent growth in sea trade and the need to safeguard strategic sea lanes of communication. While Shipping provides global interconnectivity between the producers, manufacturers and markets all across the globe and Warships being essential assets, to safeguard the security of the sea lanes and coastlines from a national security perspective, there are emerging areas in the inland water navigation, coastal navigation (such as Sagarmala projects) and offshore Oil & Gas fields which would provide high employment opportunities and growth of GDP for the nation.

Management's Discussion and Analysis Report

The Shipbuilding industry is critical to India's strategic and economic interests and is characterized by high growth potential due to its multiplier effect on the economy. Shipbuilding has spin offs to other industries, including steel, engineering equipment, port infrastructure, trade and shipping services. Further, shipbuilding is a labour intensive industry with tremendous indirect potential in employment generation and contribution to GDP through high contribution from other industries. India has about 8,000 km long coastline, around 30 shipyards, 12 major ports and 200 ports under states' jurisdiction. For a country that is predominantly peninsular with a massive coastline and about 1200 islands, India's shipbuilding capabilities have not kept pace with its economic development, market demand and human resource potential. This presents a huge scope for development of shipbuilding sector considering that country's opportunities in the sector have not been utilized fully.

The development of the naval shipbuilding in particular and shipbuilding sector, as a whole, has the potential to positively impact the economy including service sectors. To realize its growth potential, the sector needs to establish and achieve a critical mass. The window of opportunity presented by the ongoing boom phase needs to be capitalized to firmly ground the industry along with its ancillaries. Indian shipbuilding has substantial plans for investment of around INR 200 billion over the next 5-10 years, in capacity expansion and up gradation of the existing yards. However, this investment and consequent benefits can materialize only if supportive measures are continued by the Government to address the systemic disadvantages affecting the competitiveness of Indian shipbuilding industry.

Commercial Shipbuilding and Repairs

Indian shipbuilding today comprises of about 30 shipyards of various sizes, which includes 5 public sector and rest private sector shipyards. The shipyards have about 20 dry docks and 40 shipways between them. Four shipyards operating under Ministry of Defence cater primarily to the needs of the Indian Navy. The other PSU shipyard is under Ministry of Shipping and is also engaged in defence ship construction primarily. In the private sector, our Company has the largest shipyard in India with shipbuilding capability of 400,000 Dead Weight size

Shipbuilding acts as a catalyst for overall industrial growth due to spin offs to other industries, including steel, engineering equipment, port infrastructure, trade and shipping services. The indirect potential of shipbuilding industry in employment generation and contribution to GDP is therefore tremendous. The dynamics of India's economic growth will continue to create demand for new ships, and ship-building capacity within the country needs to be augmented to cater to this demand. If the domestic ship-building capacity is augmented, the benefits to the economy would be manifold, with spillover effects on other associated/ ancillary sectors, and generation of employment.

Although India occupies a small percentage of the global shipbuilding market, the Indian shipbuilding industry is well positioned for growth. According to a study by the Indian Shipbuilders Association, the industry can grow at a rate of approx. 30%, and this rate of growth could be achieved through supportive measures by the Government, including incentives for shipyards. As growth in international trade results in increased global and domestic demand for new vessels, Indian shipyards have certain advantages over shipyards in developed nations. India possesses a large pool

of technical workers, and its cost of workforce is relatively low, compared to most other shipbuilding countries.

Government had made fresh attempts in 2015 at making shipbuilding industry competitive by granting financial assistance to shipbuilders—both state-owned and private—on each ship they build, irrespective of the size and type. The Government has also decided to provide further indirect tax incentives for domestic shipbuilding industry by providing exemption from customs and central excise duties on all raw material and parts for use in the manufacture of ships/vessels/tugs and pusher crafts etc.

India is a substantial importer of dry bulk, liquids and liquefied gases for its domestic requirements which are governed by PSU organizations, such as the sectors of coal, grain, minerals, crude, petroleum products and LPG/LNG. The Government is contemplating cabotage laws to be made applicable for import of Indian goods by only Indian built ships instead of spot or short term chartering of foreign built ships. This will encourage foreign investments in building ships in India for both commercial trade as well as service sector such as tugs, dredgers & offshore support vessels, acting as a booster for the Indian shipbuilding industry. It is estimated that India can secure 5 % of the world order book of USD 300 billion approximately at USD 15 billion share for Indian shipyards,

India has substantial fleet of ships and there are more than 2,000 Indian owned vessels operating in Indian waters. This generates a captive demand for ship repair activities locally in Indian waters. Ship repairing in India started long back. The first dry dock was built at Bombay port in 1750 and second at Calcutta port in 1781. For about two decades immediately after the Independence, the Indian ship repair industry made a booming business. The potential size of the ship repair industry in India is around ₹ 44 billion, which includes repairing required by Indian and foreign vessels calling at Indian ports. However, only a small percentage of this business is executed by the Indian ship repairing industry. The global ship repair market is estimated to be worth USD 10 to 12 billion, with Singapore hogging 20% share and India on the other hand, has only a share of about USD100 million. The ship repair market in India is huge and our Company is one of the few ship repair providers in India with world class infrastructure facilities for repairs and refits.

In India, major shipyards carry out both ship repair and ship building activities. The industry is controlled by 7 large and 20 to 30 medium and small sized shipyards apart from Naval Dock yards.

Our Company has created an infrastructure to suit repair of large ships. However, the Company will need to invest in additional ship repair related infrastructure to commence ship repair business in a full fledged manner. This include specialized workshops, deepening of harbor as well as additional infrastructure for ship's crew.

The global ship repair and maintenance services market is estimated to grow rapidly, owing to strong demand for repair and maintenance programs with the increasing lifespan of ships and to provide best possible quality and safety to the crew and goods during transportation. Furthermore, with the increasing trade in various countries, such as Russia, China, France, and India, the demand for ships is expected to increase leading to increasing ship repair and maintenance repair services for the new ships in the fleet.

Reliance Naval and Engineering Limited

Management's Discussion and Analysis Report

OPPORTUNITIES AND OUTLOOK

Naval Shipbuilding and Refit

Make in India was launched by the present government in end 2014 with an aim to cut down the import cost in general and to generate employment by creation of jobs in the manufacturing sector. The defence budget of India stands at a whopping four billion dollar, with a great portion of that being allocated for the capital expenditure.

In 2018-19, the Ministry of Defence has been allocated ₹ 4,04,365 crore (including pensions) for expenditure across the various services, production establishments and research and development organisations. This forms 16.6% of the central government's budget of 2018-19 and 2.2% of India's estimated GDP. The allocation to defence Ministry is the highest allocation among all central ministries.

Currently, the Indian Navy has around 130 ships and submarines and Coast guard has approximately 120 ships. With a large number of ships in the current inventory falling due for replacement, the Indian Navy vessels requirement is valued at over ₹ 8,00,000 crore in the next 15 years. Defence Public Sector Unit (DPSU) shipyards require complementary support from private sector shipyards to fulfill requirements of the Indian Navy. Indian Navy ('IN') is aspiring to become a 200 ship navy (by 2025) with more than 40 plus ships, worth rupees one lakh crore on order in various Indian shipyards and apart from requirements of the defence forces in India, the defence market in South-East Asia could provide growth opportunities in the coming years. It is an easy conclusion that naval ship building can contribute a lot to the Make in India campaign and at the same time it can gain a lot from it.

With growing obsolescence and a 10 per cent annual rise in the capital budget for equipment procurement, a conservative estimate indicates that India will spend nearly \$100 billion over the next eight years to modernise and equip its armed forces. While this makes India one of the largest defence markets in the world, the opportunity it offers should be fully exploited for the benefit of local industry.

Our strategy is to focus on boosting our technology, which is a key for shipbuilding industry especially for naval shipbuilding. The next generation of emerging shipbuilding technology, based on data-centric and rule-driven software solutions, fully supports and facilitates the revision of working processes. It streamlines shipbuilding design, preserves existing data and makes it re-usable for future projects vital for shipbuilders needing to improve their productivity and cost competitiveness within current constraints. The technology has the capability to support flexible ship design, production and life cycle management within a single integrated environment. It offers shipbuilders better decision support for global design and production ultimately making their yards more competitive.

Our strategy is to commit more resources in research and development activities in defence technology with the ultimate goal of becoming technologically self-reliant and ensure indigenous production of defence equipment. Further, our Company is actively pursuing various other opportunities with technology partners to advance our technological capabilities of building strategic shipbuilding platforms.

Our Company, due to our large infrastructure, developed and demonstrated capabilities and capacities is uniquely placed to tap these growth opportunities available in the Indian defence sector.

OVERALL REVIEW

Reliance Naval is India's leading private sector Naval shipbuilding Company, with aggregate revenues of about ₹ 41,384.25 Lakhs and gross fixed assets of ₹ 6,25,856.38 Lakhs. The highlights of the performance of the Company during Financial Year 2017-18 are furnished hereunder:

- Total income of ₹ 41,384.25 Lakhs
- Net loss of ₹ 95,607.74 Lakhs

During the financial year, the interest expenditure increased to ₹ 65,753.81 Lakhs as compared to ₹ 50,992.28 Lakh in the previous year. Cash loss for the year was ₹ 80,806.75 Lakhs as compared to ₹ 50,557.60 Lakhs in the the previous year. Net loss for the year was ₹ 95,579.50 Lakhs as compared to ₹ 52,412.89 Lakh in the previous year. The capital expenditure during the year was ₹ 47686.57 Lakhs. Total gross fixed assets increased during the year to ₹ 6,25,856.38 Lakhs, with a net worth of ₹ 22,290.45 Lakhs.

Resources and Liquidity

The Company strives to maintain a conservative financial profile. The Company's consolidated gross debt at the end of the financial year stood at ₹ 9,87,832.17 Lakhs.

The Company sources funds for its long-term and project related financing requirements from a combination of internal accruals and external sources. The working capital requirements are met through commercial rupee credit lines provided by a consortium of Indian banks.

Risks & Concerns:

Naval Shipbuilding and Repairs

The private shipyards in India have been severely impacted by downturn in the shipbuilding industry and adverse cycles in commercial shipbuilding, which in turn have adversely impacted the naval shipbuilding embarked upon by them. Almost all major private shipyards are currently undergoing acute financial stress with adverse cash flows and inability to service debts. With highly leveraged positions and falling incomes, the major private shipyards are currently undergoing Corporate Debt / Asset Restructuring.

The severely stretched finances and adverse cash flow situation of the Company has also affected the timelines of Naval vessel construction projects undertaken by the Company. Further, our Company has been afflicted with aggressive costing to win contracts, which manifested in unfavourable cash flows with cascading effects on project time lines.

Moreover, currently amidst an economic downturn and adverse shipbuilding cycle, most of the private shipyards are plagued with dwindling order books, excessive debt, non-existent credit, falling incomes and severe cash flow constraints. The financial stress of the Company has also affected the warship construction projects recently embarked upon by us.

Management's Discussion and Analysis Report

Commercial Shipbuilding & Repairs:

Compared to China, Japan and South Korea which are the global leaders in commercial shipbuilding with an individual share of more than 25 per cent each, Indian shipbuilding industry accounts for less than one per cent of the global share.

China's shipbuilding industry is poised to make the PLAN the second largest Navy in the world by 2020, and-if current trends continue-a combat fleet that in overall order of battle (i.e., hardware-specific terms) is quantitatively and even perhaps qualitatively on a par with that of the U.S. Navy by 2030. Chinese corporations are backed up by subsidy and strong domestic ancillary industry. One of the reasons for China being number one position is that it is mainly active in ship types that are relatively labour intensive in comparison to other shipbuilding regions.

However, India is probably the only country that will be able to match the Chinese prices with its relatively low labour costs, local technical talent and industrial base for manufacture of equipment. The Company has been seen as a shipyard which delivers quality products at a reasonable price; with the availability of technology and quality consciousness, the Company is placed advantageously to attract orders from across the globe.

Risk Management Framework

The Company has a defined risk policy and risk management framework for all units, functional departments and project sites. This helps in identifying, assessing and mitigating the risk that could impact the Company's performance and achievement of its business objectives. The risks are reviewed on an ongoing basis by respective Business Heads and Functional heads across the organization.

Adequacy of Internal Controls

The Company has an adequate system of management supervised internal financial controls which is aimed at achieving efficiency in operations, optimum utilization of resources, and compliance with all applicable laws and regulations. The internal financial control mechanism comprises a well-defined organization structure, pre-determined authority levels with segregation of duty, risk assessment and management framework. The Company's manufacturing, health and safety policies and standard operating procedures are well documented and have various ISO and OHSAS certifications. The procurement and operational maintenance activities are planned well in advance to avoid any possible risk of late delivery of equipment and materials, delay in attending to maintenance needs, etc. The Company stores and maintains on a regular basis, all the relevant data and information as a back up to avoid any possible risk of losing important business data.

Professional internal audit firms review the systems and processes of the Company in coordination with Management Team and this is helpful in providing independent and professional opinion on the internal control systems. A qualified and independent

audit committee of the Board reviews the internal audit reports, adequacy of internal controls and risk management framework every calendar quarter.

Human Resources

Human Resource (HR) at RNAVAL is a business partner and strategic enabler with complete focus on organizational development and employee engagement. This is largely due to the alignment of HR practices with business requirements and its quick response to challenges. HR is totally committed to the highest standards of corporate governance, business ethics, social responsibility, employee engagement, performance excellence, employee satisfaction with a work environment promoting transparency, meritocracy and ownership.

During the year, the Company has successfully met the manpower skill requirements emerging from our expanding businesses. The manpower as on March 31, 2018 was at 367 across all our businesses.

Talent Acquisition

Talent sourcing at RNAVAL is based on a highly reliable, standardized and benchmarked recruitment practice to assess the potential talent as per job description, role, expertise level, skills and experience. The recruitment process enables us to screen the talent for matching the role with the skills of the prospective candidates. The talent is sourced from various channels like industry, campus and employee referrals.

Performance Management

The cornerstone of a highly transparent and merit based performance management system at Reliance Naval is its practice of innovation and continual improvement of the processes that evaluates, acknowledges and appreciates the employee's performance. The successful implementation of 'Share, Outperform, Understand and Listen' (SOUL) initiative enhanced employee engagement and performance excellence. The Company's reward and recognition policy, compensation structure and employee engagement policy has been benchmarked to industry standards. Special retention plans are formulated to retain highly competitive talent. A comprehensive nonmonetary reward and recognition policy encourages and rewards outstanding contributions by individuals and teams.

Employee Relations and Welfare

The Company ensures health, safety and welfare of its employees with a robust foundation of policies and processes. The Company has provided extensive practical training on safety and undertaken a large number of safety measures like job safety assessment and adopted safe construction techniques at project sites. Throughout the year, the Company organized several medical camps, sports and cultural activities for the employees and their families. The Company has established proactive, harmonious industrial relations and inclusive practices with all employee bodies.

Reliance Naval and Engineering Limited

Business Responsibility Report

Section A: General Information about the Company

Corporate Identity Number	L35110GJ1997PLC033193
Name of the Company	Reliance Naval and Engineering Limited
Registered Address	Pipavav Port, Post Ucchaiya, Via-Rajula Dist. Amreli, Gujarat - 365 560
Website	http://www.rnaval.co.in
E-mail ID	rdel.investors@relianceada.com
Financial Year reported	2017-18
Sector(s) that the Company is engaged in (industrial activity code-wise)	Ship Building and Fabrication (Industrial Group 301 as per National Industrial Classification of the Ministry of Statistics and Programme Implementation)
List three key products / services that the Company manufactures / provides (as in balance sheet)	The Company is engaged in business of shipbuilding, repair and fabrication. Inter-alia considering nature of production process and infrastructure facilities used, there are no other reportable segment.
Total number of locations where business activity is undertaken by the Company	Two NIL
Number of international locations	
Number of national locations	Two
Markets served by the Company	International & Domestic

Section B: Financial Details of the Company

Paid up Capital	₹ 77,983.70 lakh
Total Turnover	₹ 33,517.10 lakh
Total Profit / (Loss) After Tax	₹ (95,607.74) lakh
Total spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%)	The Company's approach is to interweave social responsibility into the Company's mainstream business functions. The Company proactively engages with local community. Various programs in education, healthcare, women empowerment, skill, livelihood, local infrastructure development have been implemented/are under implementation with active participation of local community. During the last three financial years the Company has incurred losses. Hence the Company is not mandatorily required to incur expenses on CSR.
List of activities in which expenditure as above has been incurred	Not Applicable

Section C: Other Company's Details

Does the Company have any Subsidiary Company / Companies	The Company has six subsidiary companies as on March 31, 2018
Do the Subsidiary Company / Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Yes, 6 Subsidiaries participate in the BR initiatives of the Company.
Does any other entity / entities (suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities?	Yes. The Company encourages its associates, vendors, to participate in the Company's Business Responsibility initiatives. At present, less than 30% of such entities participates in the Company's BR initiatives

Business Responsibility Report

Section D: Business Responsibility Information

1. Details of Director / Directors responsible for BR

Details of the Director / Directors responsible for implementation of the business responsibility policy / policies

Details of the business responsibility Head

BR function is monitored by the Corporate Social Responsibility (CSR) Committee of the Board of Directors. The details of the Composition of the CSR Committee are provided in the Corporate Governance Report.

The Board has not assigned responsibilities specifically to any Director to function as the BR head. The CSR Committee of the Company is under the Chairmanship of Shri Rahul Sarin.

The details of Shri Rahul Sarin are as follows: Name : Shri Rahul Sarin

DIN : 02275722
Designation : Independent Director
Telephone No. : 02794 305 084
Email ID : sarinrahul@yahoo.com

The Key Managerial Persons of the Company who are responsible in general for BR Activities of the Company are as follows:

Name : Shri Debashis Bir
DIN : 01932925
Designation Officer : Whole-time Director and Chief Executive Officer
Telephone No. : 022-3303 8201
Email ID : Debashis.Bir@relianceada.com

Name : Shri Nikhil Jain
Designation : Chief Financial Officer
Telephone No. : 022-3303 8000
Email ID : nikhil.n.jain@relianceada.com

Name : Shri Paresh Rathod
Designation : Company Secretary and Compliance officer
Telephone No. : 022-3303 8349
Email ID : Paresh.Rathod@relianceada.com

2. Principle-wise BR policy - As per National Voluntary Guidelines on Social (NVGs), Environmental and Economic Responsibility of Business

- P1 Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- P2 Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- P3 Businesses should promote the wellbeing of all employees.
- P4 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- P5 Businesses should respect and promote human rights.
- P6 Business should respect, protect, and make efforts to restore the environment.
- P7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- P8 Businesses should support inclusive growth and equitable development.
- P9 Businesses should engage with and provide value to their customers and consumers in a responsible manner.

a. Details of Compliance (Reply in Y/N)

Sr No	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have a policy / policies for:	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes specify (50 words)	Y	Y	Y	Y	Y	Y	-	Y	Y

Reliance Naval and Engineering Limited

Business Responsibility Report

Sr No	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
4	Has the policy being approved by the Board? is yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	Code of Conduct is available on the Company's website: http://www.rnaval.co.in/web/rnaval/corporate-governance								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes. The policies have been communicated to the stakeholders by uploading on the Company's website								
8	Does the company have in-house structure to implement the policy/ policies?	Yes								
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	The Board has set up a Committee to address the grievances of the stake holders, debenture holders and other persons holding securities in the Company as required under the Companies Act, 2013 and under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. In addition, the Company has also set up a vigil mechanism to address the genuine concerns, of any of the directors and employees.								
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	The Policy relating to Environment, Health and Safety are evaluated by internal as well as external ISO audit agencies. The Vigil Mechanism is reviewed by the Audit Committee of the Board annually. The Board reviews all the policies annually.								

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The company has not understood the Principles									
2.	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3.	The company does not have financial or manpower resources available for the task									
4.	It is planned to be done within next 6 months									
5.	It is planned to be done within the next 1 year									
6.	Any other reason (please specify)									

3. Governance related to BR

a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

The senior management of the Company reviews BR performance on an on-going basis. The Board/Committees constituted by it review the same annually.

b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes, the hyperlink for viewing the report: <http://www.rnaval.co.in/web/rnaval/corporate-governance> and the same is published annually.

Section E: Principle-wise Performance

Principle 1

Business should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes / No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

Yes, matters of accountability, transparency and ethical conduct are an integral part of the Company's value system. The Company's corporate governance principles are anchored on these three elements of its value system. There is a defined set of inter-woven policies and guidelines which are put in place and applicable to both the employees and directors.

Business Responsibility Report

The policy takes into account the feedbacks and periodic reviews of the guidelines to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and other stakeholders. Apart from the Company, the scope includes its Subsidiaries.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

During the year ended March 31, 2018, the Company has received, both directly as also through the Regulating agencies such as SEBI, the Stock Exchanges, only two complaints which have been satisfactorily resolved and no complaint was pending / unresolved as on March 31, 2018.

Principle 2

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

The Company is engaged in the business of Shipbuilding, Repairs and Fabrication. As such the Company have only one product, which has been designed to incorporate social or environmental concerns as well as benefit from the available opportunities.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?

The Company is committed to sustainable economic development. We have embedded the need to address the environmental and social concerns at the design stage through selection of state-of-the-art technologies. Steps to conserve natural resources are an integral part of Company's growth strategy. As best-in-class technology is used for Shipbuilding, our operations are designed to reduce the consumption of natural resources such as fuel and water.

The Company recognizes the critical need for inclusive growth. Our Plants are in economically backward regions of India. Proactive engagement with local community is maintained. Various programmes in education, healthcare, women empowerment, skill, livelihood development and infrastructure have been implemented/are under implementation with active participation of local communities

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Yes, The Company has defined processes and procedures in place for sustainable sourcing. Ample care has been taken at the design stage to incorporate the desired processes to integrate and internalize the ethos of sustainable sourcing and optimum utilization of resources including the critical ones like power and water. Adoption of cleaner technologies further reduces the consumption of fuel and water requirement for operations.

4. Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Reliance Naval believes in inclusive development and has been promoting the same by encouraging small and local vendors and extending them preference over the others while awarding the contracts. Local vendors are encouraged for procurement of construction material, as civil contractors, for transportation related jobs apart from sourcing for support services like employee transportation, raw materials required for cafeteria etc.

For skill development and vocational training for local youth, the Company sponsors various courses in Industrial Training Institutes located in villages in the vicinity of its project sites.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Sr No	Product / Waste Recycling	% age of re-use / recycling	Details
1	Hazardous waste	100%	Through authority recycles
2	Effluent	100%	Treatment effluent is re-used

Principle 3 Businesses should promote the well being of all employees

1.	Total number of employees	367
2.	Total number of employees hired on temporary / contractual /casual basis	10
3.	The number of permanent women employees	13
4.	The number of permanent employees with disabilities	0
5.	Do you have an employee association that is recognized by management	NA
6.	What percentage of your permanent employees is members of this recognized employee association?	NA
7.	Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the year	

Sr. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child Labour / forced Labour / involuntary	The Company does not hire child labour, forced labour or involuntary labour. No Compliant.	Not Applicable
2	Sexual harassment	No Complaints received	Not Applicable
3	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety and skill upgradation training in the last year.

Permanent Employees	100 per cent
Permanent Women Employees	100 per cent
Casual/Temporary/Contractual Employees	100 per cent
Employees with Disabilities	-

Principle 4

Businesses should respect the interests of, and be responsive towards all stake holders, especially those who are disadvantaged, vulnerable and marginalized

- Has the company mapped its internal and external stakeholders?**
Yes, The Company has mapped its internal as well as external stakeholders.
- Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**
The Company has identified the vulnerable and marginalized stakeholder groups in a structured manner and has established multiple channels of communication both formally and informally to engage with them at a predetermined frequency.
- Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**
The Company engages with stakeholders through multiple channels of communication both formally and informally and developed internal systems and procedures to identify, prioritize and address needs and concerns of stakeholders at various levels. The focus is to touch lives and transform lives through concentrated efforts under the key thematic areas of Education, Healthcare, Rural Transformation, and two cross-cutting themes namely, the Environment and the Swaach Bharat Abhiyan. This includes focus on:
 - Women empowerment through promoting women based groups and focused initiatives including skilling and livelihood.
 - For Skill development and vocational training for local youth, the Company sponsors various courses in Industrial Training Institutes with a mandate to orient and equip them with the job requirements.
 - Creation of Cooperative Societies.
 - Focus on sanitation across community as well as private places including schools, community places like markets, community halls etc.
 - Promoting resource sufficiency for clean drinking water, clean air and green ecosphere.

Principle 5 Businesses should respect and promote human rights

- Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**
It is widely believed that governments have a duty to protect human rights. Policies of the Company cover the human rights of its employees and others associated with it for operation of its plants. No complaints have been received in the past financial year on human rights.
The company has a policy which covers human rights of employees of the subsidiary companies also. The Company is committed to uphold and maintain the dignity of women employees and it has in place a policy which provides for protection

Business Responsibility Report

against sexual harassment of women at work place and for prevention and redressal of such complaints. During the year under review, no such complaint was received.

The policy of the Company on human rights covers not only the Company, but also extends to the Subsidiaries, Suppliers and Contractors. The Company is committed to comply with all human rights, practices across all group companies, JVs and other stakeholders associated with the Company. During the year under review, no such complaints were received.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

No complaint relating to violation of Human Rights was received during the year under review.

Principle 6

Business should respect, protect and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group /Joint Ventures / Suppliers / Contractors / NGOs /others?

Yes, the policy of the Company on environment covers not only the Company, but also its subsidiaries and others. The Company is committed to achieving an excellence in environmental performance, preservation and promotion of clean environment and also actively encourages business partners like suppliers, contractors, etc. to preserve and promote environment.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? If yes, please give hyperlink for webpage etc.

At the Company, preservation and promotion of environment is of fundamental concern in all its business activities. The Company is committed to delivering reliable and quality products and services to its consumers at competitive costs and is conscious of its responsibility towards creating, conserving and ascertaining safe and clean environment for sustainable development.

3. Does the company identify and assess potential environmental risks?

Yes.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

No

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. If yes, please give hyperlink for web page etc.

The Company has taken several initiatives to address long term climate change challenges and environmental management. Some of the initiatives are as under:

Deploying best in class ship building technology. This aids in reducing the consumption of fuel and water required for operations, thereby conserving precious natural resources and contributing towards a greener and healthier environment.

The processes and systems of the Company relating to design, development, construction, repairs, maintenance and overhaul of ships & offshore structures are in conformity with Environmental Management System Standard: ISO 14001:2004.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by Central Pollution Control Board (CPCB) / State Pollution Control Board (SPCB) for the financial year being reported?

Yes

7. Number of show cause/ legal notices received from CPCB/SPCB which is pending (i.e. not resolved to satisfaction) as on end of Financial Year.

Nil

Principle 7

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

The Company is a member of various trade and industry associations.

- a. Bombay Chamber of Commerce and Industry
- b. Indian Shipbuilders Association

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others)

The Company does undertake constructive advocacy with Central as well as State level entities to positively contribute and influence the development of Naval and Defence sector. As an organization we do not engage in any form of lobbying.

Principle 8

Businesses should support inclusive growth and equitable development

1. **Does the Company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If yes, details thereof.**

In view of financial results of the Company during the three preceding financial years. The Company is mandatorily not required to spend on Corporate Social Responsibility.

The Company focus on three key Thematic areas – Education, Healthcare and Rural Transformation and two cross-cutting themes which cut across all our social endeavors that is Environment Protection and Swachh Bharat Abhiyan (Sanitation).

The organization focuses on its endeavor to bring about a tangible change in the lives of people living in rural areas in the vicinity of project sites of the Company.

2. **Are the programmes/projects undertaken through in-house team/own foundation / external NGO / government structures /any other organization?**

The Company's efforts, mentioned in the programmes specified under principle (8) above are implemented through delivery mechanisms comprising of employees, local bodies, not-for-profit entities and government Institutions to mention a few. The interventions are carried out in tandem with the Government bodies to meet the end objective. The execution of the programs under the thematic heads Education, Healthcare, Rural Transformation, Environment and Sanitation are carried out with the support from independent organizations, Institutions apart from implementation through respective functional teams. Employee volunteering also acts as a critical implementing arm. Employee volunteers and their contribution towards meeting our CSR mandate on a sustained basis, has enabled us not only to inculcate the tenets but also ensure sustainability and continuous support to our CSR objectives.

3. **Have you done any impact assessment of your initiative?**

The Company calls for continuous feedback on our program implementation from our stakeholders which feed into improving the quality of delivery of our programs within the earmarked communities. We have initiated an impact assessment for our endeavours for learning's from the assessment are being redeployed in order to bring out desired results.

4. **What is your company's direct contribution to community development projects?_Provide the Amount in INR and the details of the projects undertaken.**

In view of financial results of the Company during the three preceding financial years. The Company is mandatorily not required to spend on Corporate Social Responsibility.

The CSR projects of the Company are directly intended towards improving the quality of life of community with well designed strategies of replicability, scalability and sustainability.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so.**

Engagement of the community is paramount for sustaining any community development program on ground. We ensure engagement of the community at the very planning stage and thereafter inducting them at the implementation level. This not only ensures acceptance of the programme on ground but also its continuity and sustainability.

We believe our role as Enablers can promote dynamic development by creating synergies with our partners in growth and success. We are committed to augment the overall economic and social development around the local communities where we operate by discharging our social responsibilities in a sustainable manner. The interventions have been aligned with that of the government directives both at the local as well as the state level. We have been working in the direction of creating meaningful partnerships through series of engagements and transparency in our processes across board. This is undertaken by initiating meaningful grassroots participation with local bodies/institutions.

Principle 9

Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. **What percentage of customer complaints / consumer cases are pending as on the end of financial year?**

The Company's customers are large corporate houses, corporations or ministry of the Central Government. During the year under review the Company has not received any Complaints from its customers other than normal claims during the guarantee / warranty period.

2. **Does the company display product information on the product label, over and above what is mandated as per local laws?**

Not Applicable

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year.**

No cases have been filed by any stakeholders against the Company regarding unfair trade practices during the year under review.

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**

No. The Company however, ensures that complaints, if any, received from any stakeholders are promptly attended to.

Corporate Governance Report

Our Corporate Governance Philosophy

Reliance Naval follows the highest standards of corporate governance principles and best practices by adopting the "Reliance Group – Corporate Governance Policies and Code of Conduct" as is the norm for all constituent companies in the group. These policies prescribe a set of systems and processes guided by the core principles of transparency, disclosure, accountability, compliances, ethical conduct and the commitment to promote the interests of all stakeholders. The policies and the code are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of our stakeholders.

Governance policies and practices

The Company has formulated a number of policies and introduced several governance policies to comply with the applicable and statutory and regulatory requirements.

A. Values and commitments

We have set out and adopted a policy document on 'Values and Commitments' of Reliance Naval. We believe that any business conduct can be ethical only when it rests on the nine core values viz., honesty, integrity, respect, fairness, purposefulness, trust, responsibility, citizenship and caring.

B. Code of ethics

Our policy document on the 'Code of Ethics' demands that our employees conduct the business with impeccable integrity and by excluding any consideration of personal profit or advantage.

C. Business policies

Our 'Business Policies' cover a comprehensive range of issues such as fair market practices, insider information, financial records and accounting integrity, external communication, work ethics, personal conduct, policy on prevention of sexual harassment, health, safety, environment and quality.

D. Separation of the Board's supervisory role from the executive management

In line with the best global practices, we have adopted the policy of separating the Board's supervisory role from the executive management. Accordingly, there are separate posts of Chairman and Chief Executive Officer who is also designated as Whole-time Director.

E. Prohibition of insider trading policy

This document contains the policy on prohibiting trading in the equity shares of the Company, based on insider or privileged information.

F. Policy on prevention of sexual harassment

Our policy on prevention of sexual harassment aims at promoting a productive work environment and protects individual rights against sexual harassment.

G. Whistle Blower Policy (Vigil Mechanism)

Our Whistle Blower Policy (Vigil Mechanism) encourages disclosure in good faith of any wrongful conduct on a matter of general concern and protects the whistle blower from any adverse personnel action.

It is affirmed that no personnel has been denied access to the Audit Committee.

H. Environment policy

The Company is committed to achieving excellence in environmental performance, preservation and promotion of clean environment. These are the fundamental concerns in all our business activities.

I. Risk management

Our risk management procedures ensure that the management controls various business related risks through the means of a properly defined framework.

J. Board room practices

a. Chairman

In line with the highest global standards of corporate governance, the Board has separated the Chairman's role from that of an executive in managing day-to-day business affairs.

b. Board charter

The Company has a comprehensive charter, which sets out clear and transparent guidelines on matters relating to the composition of the Board, the scope and functions of the Board and its various committees, etc.

c. Board committees

Pursuant to the provisions of the Companies Act, 2013 ('the Act') and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Board has constituted Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee. The Board rotates the Chairman of these Committees.

d. Selection of Independent directors

Considering the requirement of skill sets on the Board eminent people having an independent standing in their respective field/profession, and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment as Independent Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and Memberships

held in various committees of other companies by such persons. The Board considers the Committee's recommendation and takes appropriate decision.

Every Independent Director, at the first meeting of the Board in which she / he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that she / he meets the criteria of independence as provided under law.

e. Tenure of independent directors

Tenure of independent directors on the Board of the Company shall not exceed the time period as per the provisions of the Act and Listing Regulations, as amended from time to time.

f. Independent directors' interaction with stakeholders

Members of the Stakeholders Relationship Committee guide the Committee on the suggestions and queries of the stakeholders, if any, which are forwarded to the Company Secretary.

g. Familiarisation of Board Members

The Board members are periodically given formal orientation and training with respect to the Company's vision, strategic direction and core values including ethics, corporate governance practices, financial matters and business operations. The Directors are facilitated to get familiar with the Company's functions at the operational levels. Periodic presentations are made at the Board and Committee meetings on business and performance updates of the Company, global business environment, business strategy and risks involved. The Board members are also provided with the necessary documents / brochures, reports and internal policies to enable them to familiarize themselves with the Company's procedures and practices.

Periodic updates and training programs for Board members are also conducted on relevant statutory changes and landmark judicial pronouncements encompassing important laws.

The details of programmes for familiarisation of independent directors is put on the website of the Company at the link: <http://www.rnaval.co.in/web/rnaval/corporate-governance>.

h. Meeting of independent directors with operating teams

The independent directors of the Company meet in executive sessions with the various operating teams as and when they deem necessary. These discussions may include topics such as operating policies and procedures, risk management strategies, measures to improve efficiencies,

performance and compensation, strategic issues for Board consideration, flow of information to directors, management progression and succession and others, as the independent directors may determine. During these executive sessions, the independent directors have access to members of management and other advisors, as the independent directors may determine and deem fit.

i. Subsidiaries

All the subsidiaries of the Company are managed by their respective boards. Their boards have the rights and obligations to manage their companies in the best interest of their stakeholders. The Company monitors performance of subsidiary companies.

j. Commitment of Directors

The meeting dates for the entire financial year are scheduled in the beginning of the year and an annual calendar of meetings of the Board and its Committees is circulated to the directors. This enables the directors to plan their commitments and facilitates attendance at the meetings of the Board and its Committees.

K. Role of the Company Secretary in Governance Process

The Company Secretary plays a key role in ensuring that the Board (including committees thereof) procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information, details and documents are made available to the directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to assist and advise the Board in the conduct of affairs of the Company and to ensure compliance with applicable statutory requirements and Secretarial Standards to provide guidance to directors and to facilitate to convening of meetings and is the interface between the management and the regulatory authorities for governance matters. All the directors of the Company have access to the advice and services of the Company Secretary.

L. Independent Statutory Auditors

The Company's accounts are audited by a leading independent audit firm M/s. Pathak H. D. & Associates, Chartered Accountants.

M. Compliance with the Listing Regulations

The Company is fully compliant with the mandatory requirements of Listing Regulations.

We present our report on compliance of governance conditions specified in the Listing Regulations:

I. Board of Directors

1. Board Composition – Board strength and representation

As on March 31, 2018, the Board comprised of thirteen members. The composition and category of directors on the Board of the Company were as under:

Corporate Governance Report

Sr. No.	Names of Directors	DIN	Category
1	Shri Anil D Ambani Chairman	00004878	Non-executive and Non-independent director
2	Cmde (Retd.) Kartik Subramaniam*	01957227	Whole-time Director and Chief Executive Officer
3	Shri Sateesh Seth	00004631	Non-executive and Non-independent directors
4	Shri Rajesh Dhingra	03612092	
5	Shri Raj Narain Bhardwaj	01571764	Independent Directors
6	Ms. C R Gayathri	02872723	
7	Lt. Gen. Syed Ata Hasnain (Retd.)	07257757	
8	Shri Rahul Sarin	02275722	
9	Shri K Ravikumar	00119753	
10	Shri Rana Ranjit Rai	01625853	
11	Ms Ryna Karani	00116930	Nominee Directors
12	Shri Rajeev Kumar	01879049	
13	Shri Raj Kumar	06627311	

Notes:

- None of the directors is related to any other director.
- None of the independent directors has any business relationship with the Company.
- None of the directors has received any loans and advances from the Company during the financial year.
- *Cmde (Retd.) Kartik Subramaniam has ceased to be Director due to superannuation with effect from the closure of business hours on March 31, 2018.

All the independent Directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent. All such declarations are placed before the Board.

2. Conduct of Board proceedings

The day-to-day business is conducted by the executives and the business heads of the Company under the direction of the Board. The Board holds minimum four meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

The Board performs the following key functions in addition to overseeing the business and the management:

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
- Monitoring the effectiveness of the Company's governance practices and making changes as needed.
- Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning.
- Aligning key executive and board remuneration with the longer term interests of the Company and its shareholders.
- Ensuring a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.
- Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
- Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- Overseeing the process of disclosure and communications.
- Monitoring and reviewing Board evaluation framework.

3. Board meetings

The Board held six meetings during the financial year 2017-18 on April 11, 2017, August 1, 2017, October 13, 2017, January 30, 2018, February 20, 2018, and March 15, 2018. The maximum time gap between any two meetings during the year under review was 111 days and the minimum gap was 20 days.

The Board periodically reviews compliance reports of all laws applicable to the Company.

4. Attendance of directors

Attendance of directors at the Board Meetings held during the financial year 2017-18 and the last Annual General Meeting (AGM) held on August 22, 2017 and the details of directorships (calculated as per the provisions of Section 165 of the Companies Act, 2013), Committee Chairmanships and Committee Memberships held by the directors as on March 31, 2018 were as under:

Reliance Naval and Engineering Limited

Corporate Governance Report

Name of Directors	Number of meetings attended out of six meetings held	Attendance at the last AGM held on August 22, 2017	Number of directorships (including RNAVAL)	Committee(s) Membership / Chairmanship (including RNAVAL)	
				Membership	Chairmanship
Shri Anil D Ambani	1	Absent	14	0	0
Shri Sateesh Seth	6	Absent	9	2	0
Cmde. (Retd.) Kartik Subramaniam (till 31.03.2018)	5	Present	1	2	0
Shri Rajesh Dhingra (w.e.f. 20.02.2018)	0	N.A.	5	0	0
Shri Raj Narain Bhardwaj (w.e.f. 30.01.2018)	2	N.A.	13	12	5
Lt. Gen. Syed Ata Hasnain (Retd.)	5	Absent	2	1	0
Shri Rahul Sarin	3	Absent	1	1	0
Ms. C R Gayathri	3	Absent	12	7	3
Shri K Ravikumar (w.e.f. 29.09.2017)	4	N.A.	4	5	4
Shri Rana Ranjit Rai (w.e.f. 29.09.2017)	3	N.A.	3	1	0
Ms. Ryna Karani	5	Absent	9	10	4
Shri Rajeev Kumar (w.e.f. 08.09.2017)	3	N.A.	2	0	0
Shri Raj Kumar (w.e.f. 15.03.2018)	0	N.A.	2	0	0
Vice Admiral H S Malhi (till 11.04.2017)	0	N.A.	N.A.	N.A.	N.A.
Shri Ajoy Nath Jha (till 08.09.2017)	1	Absent	N.A.	N.A.	N.A.
Shri Ajai Vikram Singh (till 29.09.2017)	1	Absent	N.A.	N.A.	N.A.
Shri Rajendra Chitale (till 29.09.2017)	2	Absent	N.A.	N.A.	N.A.
Air Chief Marshal (Retd.) Fali Homi Major (till 30.01.2018)	2	Present	N.A.	N.A.	N.A.
Shri Nikhil Gandhi (till 11.02.2018)	0	Absent	N.A.	N.A.	N.A.
Ms Padmaja Bhaskaran (till 15.03.2018)	2	Absent	N.A.	N.A.	N.A.
Shri Bhavesh Gandhi (till 30.01.2018)	5	Absent	N.A.	N.A.	N.A.

Notes:

- None of the Directors holds directorships in more than 20 companies of which directorship in public companies does not exceed 10 in line with the provisions of Section 165 of the Companies Act, 2013.
- None of the directors holds membership of more than 10 committees of the Board, nor, is a Chairman of more than 5 committees across the Board of all listed entities.
- None of the Independent Director holds the position of the Independent Director in more than seven listed companies as required under Listing Regulations.
- The information provided above pertains to the following committees in accordance with the provisions of Regulation 26(1) (b) of the Listing Regulation: (i) Audit Committee, and (ii) Stakeholders Relationship Committee.
- The committee membership and chairmanship above excludes membership and chairmanship in private Companies, foreign companies and Section 8 Companies.
- Membership of Committees includes Chairmanship, if any.

The Company's Independent Directors meet at least once in every financial year without the attendance of Non-Independent Directors and Management Personnel. One meeting of Independent Directors was held during the financial year.

5. Details of directors

The abbreviated resumes of all the directors are furnished hereunder:

Shri Sateesh Seth, 62 years, is a Fellow Chartered Accountant and a law graduate. He has vast experience in general management. Shri Sateesh Seth is also on the Board of Reliance Infrastructure Limited, Reliance Telecom Limited, Reliance Power Limited, Reliance Anil Dhirubhai Ambani Group Limited, Reliance Defence and Aerospace Private Limited, Reliance Defence Systems Private Limited, Reliance Defence Technologies Private Limited and Reliance Defence Limited.

As on March 31, 2018, Shri Sateesh Seth did not hold any share of the Company.

Corporate Governance Report

Shri Raj Narain Bhardwaj, 72 years, holds a master's degree in Economics from the Delhi School of Economics and a diploma in Industrial Relations and Personnel Management from the Punjabi University, Patiala. He has over 39 years of experience in various sectors such as economics, finance, investment and portfolio management. He was the Managing Director and Chairman of Life Insurance Corporation of India. Shri Bhardwaj has also served as a member of the Securities Appellate Tribunal.

Shri Bhardwaj is a director on the Board of Milestone Capital Advisors Limited, Reliance Communications Limited, Jaiprakash Associates Limited, Jaiprakash Power Ventures Limited, Arihant Superstructures Limited, Sastasunder Ventures Limited, SBI Life Insurance Company Limited, Invesco Trustee Private Limited, Landmark Capital Advisors Limited, IL&FS Milestone Realty Advisors Private Limited, Invent Asset Securitisation and Reconstruction Private Limited and IBOF Investment Management Private Limited.

As on March 31, 2018, Shri Bhardwaj did not hold any share of the Company.

Ms. Comal Ramachandran Gayathri, 69 years, has over 36 years of experience as a senior bureaucrat with Government of India and Government of Andhra Pradesh. Ms Gayathri has contributed to various sectors of Government including power and energy, environment, industry, chemicals and fertilizers and social Sectors. Ms. Gayathri currently chairs the Committee of National Bio-Diversity Authority, Government of India. She has made significant contribution to reforms and restructuring of Power Sector and formulating guidelines in the management of Power and Energy sectors. She is a director on the Board of Pitti Laminations Limited, SKIL Infrastructure Limited, JPT Securities Limited, KLG Capital Services Limited, Gujarat-Dwarka Portwest Limited, Sembcorp Gayatri Power Limited, Tooquick Technologies Private Limited, Chiplunftwz Private Limited, Karanja Logistics Private Limited, Navi Mumbai Smart City Infrastructure Limited and SKIL Himachal Infrastructure and Tourism Limited.

She is a member of the Security Allotment and Transfer Committee and Corporate Social Responsibility Committee of the Company.

As on March 31, 2018, Ms. C R Gayathri did not hold any share of the Company.

Shri K Ravikumar, 68 years, was the former Chairman and Managing Director (CMD) of Bharat Heavy Electricals Limited (BHEL), which ranks among the leading companies of the world engaged in the field of power plant equipment. As CMD, he was responsible for maximizing market-share and establishing BHEL as a total solution provider in the power sector. The Company was ranked 9th in terms of market capitalization in India during his tenure at BHEL.

He had handled a variety of assignments during his long career spanning over 36 years. His areas of expertise are design and engineering, construction and project management of thermal, hydro, nuclear, gas based power

plants and marketing of power projects. Shri Ravikumar had the unique distinction of having booked USD 25 billion order for BHEL. His vision was to transform BHEL into a world class engineering enterprise. Towards this, he pursued a growth strategy based on the twin plans of building both capacity and capability and this had resulted in an increase in BHEL's manufacturing capacity from 10,000 MW to 20,000 MW per annum.

He also introduced new technologies in the field of coal and gas based power plants for the first time in the country, such as supercritical thermal sets of 660 MW and above rating, advance class gas turbines large size CFBC boilers and large size nuclear sets. BHEL has the distinction of having installed over 1,00,000 MW of power plant equipment worldwide. Shri Ravikumar had also forged a number of strategic tie ups for BHEL with leading Indian utilities and corporates like NTPC Limited, Tamilnadu State Electricity Board, Nuclear Power Corporation of India Limited, Karnataka Power Corporation Limited, Heavy Engineering Corporation Limited to leverage equipment sales and develop alternative sources for equipment needed for the country. He had guided BHEL's technology strategy to maintain the technology edge in the market place with a judicious mix of internal development of technologies with selective external co-operation. He had focused on meeting the customer expectation and has strengthened BHEL's image as a total solution provider.

He possesses M.Tech Degree from the Indian Institute of Technology, Chennai besides Post-Graduate Diploma in Business Administration. He was conferred Alumni Awards from the Indian Institute of Technology, Chennai and the National Institute of Information Technology, Trichy and was the Ex-Chairman of BOG National Institute of Information Technology, Mizoram. He has published a number of research papers in the field of power and electronics.

He currently serves as a director on the Board of Reliance Power Limited, Reliance Infrastructure Limited and SPEL Semi Conductor Limited.

Shri K Ravikumar is the Chairman of the Audit Committee and Risk Management Committee of the Company.

As on March 31, 2018, Shri K Ravikumar did not hold any equity share of the Company.

Shri Rana Ranjit Rai, 67 years, is a graduate in science and law from the University of Delhi. He joined Life Insurance Corporation of India ('Corporation') as a direct recruit officer after a short stint in the Ministry of Works and Housing (now named as the Ministry of Urban Development), New Delhi. Shri Rai served the Corporation in various important positions including Principal, Zonal Training Centre at Gurgaon and Director, Management Development Centre at Mumbai, Executive Director (Corporate Communication & International Operations), Central Office. He retired from the services of the Corporation on August 31, 2010.

During his distinguished career, Shri Rai managed team ranging from 40 to 25,000 personnel comprising of both

marketing and administrative staff (excluding agents). In his professional capacity, he closely interacted with people in all walks of life in urban and rural India including elite inter and intra industry leadership. He endeavoured to contribute towards developing potential and shaping attitudes of personnel during his tenure at the training institutes and aimed at sustaining harmonious relationship development among all stakeholders of the Industry.

He participated in premier institute programmes at Indian School of Business, Hyderabad, Administrative Staff College of India, Hyderabad and Management Development Institute, Gurgaon. He also attended the Life Insurance Executive Seminar held in Tokyo and Taipei by Nippon Life Insurance and Cathay Life Insurance.

He is a Director on the Boards of BSES Yamuna Power Limited and BSES Rajdhani Power Limited.

Shri Rai is a member of the Audit Committee and Nomination and Remuneration Committee of the Company.

As on March 31, 2018, Shri Rana Ranjit Rai did not hold any equity share of the Company.

Ms Ryna Karani, 50 years, holds a LLB and a bachelors' degrees in sociology and psychology from the University of Mumbai. She has over 22 years of experience in the field of law and legal services. She is a partner of ALMT Legal, Advocates and Solicitors, as a part of the firm's corporate and commercial team. She has been practicing as a lawyer since 1994 and is enrolled as an advocate with the Bar Council of Maharashtra and Goa. Her practice includes advising on mergers and acquisitions, joint ventures, private equity and investment funds on a full range of corporate transactions including cross border transactions. Further, she advises clients on infrastructure projects including submission and preparation of Request of Proposal (RFPs), finalizing tenders, drafting and /or negotiating concession agreements and related documents.

She is a director on the Board of Reliance Infrastructure Limited, Reliance Communications Limited, Prime Urban Development India Limited, Addivant India Private Limited, Mumbai Metro One Private Limited, BSES Yamuna Power Limited, BSES Rajdhani Power Limited and INEOS Styrolution India Limited.

Ms. Karani is the Chairperson of Stakeholders Relationship Committee and a member of the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Share Allotment and Transfer Committee, Resolution Plan Committee and Corporate Social Responsibility Committee of the Company.

As on March 31, 2018, Ms. Ryna Karani did not hold any equity share of the Company.

Shri Rajeev Kumar, 55 years, is a Director nominated by IDBI Bank. Shri Kumar is associated with IDBI Bank for last 24 years. Shri Rajeev Kumar currently serves as the Chief General Manager and head of Centralised operations and support functions of IDBI Bank Limited. Prior to his present posting he served as IDBI Bank's Zonal Head – Delhi.

Shri Rajeev Kumar has varied experience in several departments including corporate banking, debt syndication, structuring and relationship across Industries. Prior to joining IDBI Bank he was associated with State Bank of India for 3 years.

As on March 31, 2018, Shri Rajeev Kumar did not hold any equity share of the Company.

Shri Raj Kumar, 56 years, is a Director nominated by Life Insurance Corporation ('LIC') of India. Shri Raj Kumar served as the Executive Director of LIC of India and presently deputed as Chief Executive Officer and Whole-time Director of LIC Mutual Fund and Asset Management Limited.

As on March 31, 2018, Shri Raj Kumar did not hold any equity share of the Company.

Shri Debashis Bir, 63 years, is a Science Graduate and has a bachelor degree in Science (Hons.) from Calcutta University and B.Tech. (Hons.) in Naval Architecture from IIT, Kharagpur. Shri Bir has over 40 years of experience in Ship Design and Construction, Ship Repairs, Design & Development of Shipyard infrastructure, Financial Planning, Bidding and Strategic pricing of Projects, Business Development and Customer Management at Global platform. The Board of Directors, at their meeting held on March 15, 2018, appointed Shri Debashis Bir as an Additional Director in the capacity of a Whole-time Director for a period of two years effective from April 1, 2018.

Shri Bir has joined the Company as President (Shipbuilding) w.e.f. August 16, 2007 and after developing the Yard's Infrastructure, Utilities and Services, implementation of policies and processes, he was elevated as the Chief Operating Officer. Thereafter, Shri Bir served as Head – Business Development for 2 years before being brought in again as COO to Reliance Shipyard in July 2015. Prior to that, Shri Debashis Bir has served in number of ship construction companies including, Alcock Ashdown Ltd., Alang Marine and Chowgule Group.

Shri Bir is a member of the Audit Committee, Stakeholders Relationship Committee, Risk Management Committee, Securities Allotment and Transfer Committee, Resolution Plan Committee and Corporate Social Responsibility Committee of the Board of the Company w.e.f. April 1, 2018.

As on March 31, 2018, Shri Debashis Bir did not hold any equity share of the Company.

6. Insurance coverage

The Company has obtained Director's and Officers' liability insurance coverage in respect of any legal action that might be initiated against the Directors / officers of the Company and its subsidiary companies.

II. Audit Committee

In terms of Section 177 of the Act and the Listing Regulations, the Company has an Audit Committee. The composition and terms of reference of Audit Committee are in Compliance with the applicable provisions of the

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Act, Listing Regulations and other applicable laws. The Committee was re-constituted by the Board of Directors of the Company on April 11, 2017, September 29, 2017 and March 15, 2018. As on 31st March, 2018, the Audit Committee comprised of three independent directors of the Company viz. Shri K Ravikumar as Chairman, Ms. Ryna Karani and Shri Rana Ranjit Rai and Cmde (Retd.) Kartik Subramaniam, WTD and CEO as members. All the members of the committee possess financial / accounting expertise / exposure.

Cmde (Retd.) Kartik Subramaniam, superannuated from the Company from the close of business hours on March 31, 2018 and hence ceased to be a member of the Committee. The Board has inducted Shri Debashis Bir as member of the Audit Committee with effect from April 1, 2018.

The Audit Committee, *inter alia*, advises the management on the areas where systems, processes, measures for controlling and monitoring revenue assurance, internal audit and risk management can be improved.

The terms of reference, *inter alia*, comprises the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial Information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for the appointment, remuneration and term of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to ;
 - a. Matters required to be included in the Director's Responsibility statement to be included in Boards Reporting terms of Clause (C) of Sub Section 3 of Section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Subject to and conditional upon the approval of the Board of Directors, approval of Related Party Transactions (RPTs) or subsequent modifications thereto. Such approval can be in the form of omnibus approval of RPT subject to conditions not inconsistent with the conditions specified in Regulation 23(2) and Regulation 23(3) of the Listing Regulations. Such approval shall not be required for transactions with a wholly owned subsidiary whose accounts are consolidated with the Company;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Review the Company's established system and processes of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;

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19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. To include the review of utilization made by the subsidiary company out of loans and/ or advances /investment made by the holding company. The threshold will be applied in cases where the aggregate amount exceeds ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower & will include existing loans / advances / investments existing as on the date of coming into force of this provision;
21. In case company has subsidiaries, it will be mandatory to publish quarterly consolidated financial statements with a condition that at least eighty percent of consolidated revenue, assets and profits should have been audited or reviewed;
22. Moreover, in the last quarter of the financial year, if material adjustments have been made which relate to earlier period will have to be disclosed. Cash flow statements are required to be made and disclosed as part of its standalone and consolidated financial results every six months; and
23. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" shall have the same meaning as provided in Regulation 23 of the Listing Regulations.

The Audit Committee is also authorized to:

- a. Investigate any activity within its terms of reference;
- b. Have full access to information contained in the records of the Company;
- c. Obtain outside legal and other professional advice;
- d. Secure attendance of outsiders with relevant expertise, if it considers necessary;
- e. Call for comments from the auditors about internal controls systems and the scope of audit, including the observations of the auditors;
- f. Review financial statements before submission to the Board; and
- g. Discuss any related issues with the internal and statutory auditors and the management of the Company.

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and

5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
6. Statement of deviations:
 - a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the listing regulations.
 - b. annual statement of funds utilized for purposes other than those stated in the offer document/ prospectus/notice in terms of Regulation 32(7) of the listing regulations.

Attendance at the meetings of the Audit Committee held during financial year 2017 - 2018

The Audit Committee held its meetings on April 10, 2017, June 19, 2017, July 31, 2017, October 13, 2017, January 29, 2018 and March 15, 2018. The maximum gap between any two meetings, during the year under review was 107 days and the minimum gap was 41 days, respectively.

Attendance at the meetings of the Audit Committee held during 2017-18, is as follows:

Members	Number of Meetings	
	Held during the tenure	Attended
Shri K Ravikumar (w.e.f. 29.09.2017)	3	3
Vice Admiral (Retd.) H S Malhi (till 11.04.2017)	1	0
Shri Ajai Vikram Singh (till 29.09.2017)	3	1
Shri Rajendra Chitale (till 29.09.2017)	3	3
Ms. Ryna Karani	6	4
Shri Rana Ranjit Rai (w.e.f. 29.09.2017)	3	2
Cmdr. (Retd.) Kartik Subramaniam (w.e.f. 11.04.2017)	5	4

Shri Rajendra Chitale, Chairman of the Audit Committee could not attend the last Annual General Meeting (AGM) of the Company due to his unavoidable travel plan. However, Cmdr. (Retd.) Kartik Subramaniam, member of Audit Committee has attended the last AGM of the Company as authorised by Shri Rajendra Chitale, Chairman of the Audit Committee.

The Committee considered all the points in terms of reference at periodic intervals.

The Company Secretary acts as the Secretary to the Audit Committee.

During the year, the Committee discussed with the Company's auditors the overall scope and plans for the independent audit.

The management has represented to the Committee that the Company's financial statements were prepared in accordance with the prevailing laws and regulations.

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The Committee discussed the Company's audited financial statement, the rationality of significant judgments and clarity of disclosures in the financial statement. Based on the review and discussions conducted with the management and the auditors, the Audit Committee believes that the Company's financial statements are presented in conformity with the prevailing laws and regulations in all material aspects.

The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with the prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company. The Committee also reviewed the financial policies of the Company and expressed its satisfaction with the same. The Committee, after review expressed its satisfaction on the independence of both the Internal as well as the Statutory Auditors.

III. Nomination and Remuneration Committee

In terms of Section 178 of the Act and the Listing Regulation, the Company has a Nomination and Remuneration Committee. The composition and terms of reference of Nomination and Remuneration Committee are in compliance with the applicable provisions of the Act, Listing Regulations and other applicable laws. The Committee was reconstituted by the Board of Directors of the Company on August 01, 2017 and September 29, 2017 and as on March 31, 2018 comprises of four directors, viz. Lt. Gen. Syed Ata Hasnain (Retd.) as Chairman, Shri Rahul Sarin, Shri Rana Ranjit Rai and Ms. Ryna Karani as members.

Lt. Gen. Syed Ata Hasnain (Retd.) and Shri Rahul Sarin ceased to be Directors of the Company w.e.f. August 10, 2018.

The Company Secretary acts as the Secretary to the Nomination and Remuneration Committee.

The terms of reference, *inter alia*, comprises the following:

- To follow the process for selection and appointment of new directors and succession plans.
- To recommend to the Board from time to time, a compensation structure for directors and the senior management personnel.
- To identify persons who are qualified to be appointed in Senior Management in accordance with the criteria laid down and to recommend their appointment and / or removal to the Board.
- To formulate the criteria for evaluation of Independent Directors and the Board and the committee(s) thereof.
- To access whether to extend or continue the term of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors;
- To carry out evaluation of every Director's performance.
- To devise a policy on Board diversity.

- To perform functions relating to all share based employees benefits;
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees; and
- To recommend to the Board, all remunerations, in whatever form, payable to senior Management of the Company.

Policy on appointment and remuneration for Directors, Key Managerial Personnel and Senior Management Employee has been provided as an Annexure to the Directors Report.

The Company has carried out evaluation of the Board during the year under review in terms of the criteria laid down by the Nomination and Remuneration Committee, details of which have been covered in Directors Report forming part of this Annual Report.

Lt. Gen. Syed Ata Hasnain (Retd.), the Chairman of the Nomination and Remuneration Committee could not attend the last Annual General Meeting due to his personal exigencies.

The Nomination and Remuneration Committee held its meetings on April 11, 2017, July 31, 2017, January 30, 2018 and February 20, 2018.

Attendance at the meetings of the Nomination and Remuneration Committee held during 2017-18, is as follows:

Members	Number of Meetings	
	held during the tenure	Attended
Lt. Gen. Syed Ata Hasnain (Retd.)	4	4
Shri Ajai Vikram Singh (till 29.09.2017)	2	1
Shri Rajendra Chitale (till 29.09.2017)	0	0
Shri Rahul Sarin (w.e.f. 29.09.2017)	2	1
Ms. Ryna Karani	4	2
Shri Rana Ranjit Rai (w.e.f. 29.09.2017)	2	2

Criteria for making payments to non-executive directors

The remuneration to non-executive directors is benchmarked with the relevant market and performance oriented, balance between financial and sectoral market, based on comparative scales, aligned to corporate goals, role assumed and number of meetings attended.

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Details of sitting fees and commission paid to the directors during the Financial Year ended March 31, 2018.

(₹ in Lakh)

Sr No	Name	Designation	Sitting Fees	Commission	Total
1.	Shri Anil D Ambani	Non Executive Chairman	0.40	-	0.40
2.	Shri Sateesh Seth	Non Executive Director	2.40	-	2.40
3.	Shri Rajesh Dhingra	Non Executive Director	NIL	-	NIL
4.	Shri Raj Narain Bhardwaj	Independent Director	1.20	-	1.20
5.	Lt. Gen. Syed Ata Hasnain (Retd.)	Independent Director	3.60	-	3.60
6.	Ms. C R Gayathri	Independent Director	2.40	-	2.40
7.	Shri Rahul Sarin	Independent Director	1.60	-	1.60
8.	Shri K Ravikumar	Independent Director	2.80	-	2.80
9.	Shri Rana Ranjit Rai	Independent Director	2.80	-	2.80
10.	Ms Ryna Karani	Independent Director	6.40	-	6.40
11.	Shri Rajeev Kumar	Nominee Director	1.20	-	1.20
12.	Shri Raj Kumar	Nominee Director	-	-	-
13.	Shri Ajai Vikram Singh	Independent Director	1.60	-	1.60
14.	Shri Rajendra Chitale	Independent Director	2.00	-	2.00
15.	Air Chief Marshal (Retd.) Fali Homi Major	Independent Director	1.60	-	1.60
16.	Shri Nikhil Gandhi	Non Executive Director	-	-	-
17.	Shri Bhavesh Gandhi	Non Executive Director	2.00	-	2.00
18.	Shri Ajoy Nath Jha	Nominee Director	0.40	-	0.40
19.	Ms Padamaja Bhaskaran	Nominee Director	0.80	-	0.80

Notes:

- | | |
|---|--|
| <p>a. There were no other pecuniary relationships or transactions of non-executive directors vis-à-vis the Company.</p> <p>b. The Company has so far not issued any stock options to its non-executive directors.</p> <p>c. Pursuant to the limits approved by the Board, all non-executive directors, were paid sitting fees of 40,000 (excluding taxes as applicable) for attending each meeting of the Board and its committees.</p> <p>d. The Company did not pay any amount to the Non-Executive Directors by the way of salary, perquisites and commission.</p> | <p>annual report, non-receipt of declared dividends, issue of new / duplicate certificates, general meetings etc.</p> <p>b. Review of measures taken for effective exercise of voting rights by shareholders.</p> <p>c. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar and Transfer Agent.</p> <p>d. Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholders of the Company.</p> |
|---|--|

IV. Stakeholders Relationship Committee

In terms of Section 178 of the Act and Listing Regulations, the Company has a Stakeholders Relationship Committee ('SRC'). The composition and terms of reference of SRC are in compliance with the applicable provisions of the Act, Listing Regulations and other applicable laws.

The terms of reference, *inter alia*, comprises the following:

- a. Resolving the grievances of the security holders of the Company including complaints related to transfer / transmission of shares, non-receipt of

The Committee was reconstituted by the Board of Directors of the Company on April 11, 2017, September 29, 2017 and March 15, 2018. As on March 31, 2018, the Committee comprises of Ms. Ryna Karani as Chairperson, Shri Rahul Sarin and Cmde. (Retd.) Kartik Subramaniam as members.

Cmde. (Retd.) Kartik Subramaniam superannuated from the Company from the close of business hours on March 31, 2018 and hence ceased to be a member of the Committee. The Board has inducted Shri Debashis Bir as a member of the SRC with effect from April 1, 2018.

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Shri Rahul Sarin ceased to be Director of the Company w.e.f. August 10, 2018.

Attendance at the meeting of the Stakeholders Relationship Committee held during the financial year 2017-18 is as follows:

The Stakeholders Relationship Committee held its meetings on April 11, 2017 and July 31, 2017 during the financial year 2017-18.

Members	Number of Meetings	
	held during the tenure	attended
Ms. Ryna Karani	2	1
Shri Ajai Vikram Singh (till 29.09.2017)	2	1
Shri Rahul Sarin (w.e.f. 29.09.2017)	0	0
Cmde (Retd.) Kartik Subramaniam	2	2

The Company Secretary acts as the Secretary to the Stakeholders Relationship Committee.

Ms. Ryna Karani, Chairperson of the SRC could not attend the last Annual General Meeting (AGM) of the Company due to her unavoidable travel plan. However, Cmde. (Retd.) Kartik Subramaniam, member of SRC has attended the last AGM of the Company as authorised by Ms. Ryna Karani, Chairperson of the SRC.

Information as called for by Schedule V under clause (c) (6) of the Listing Regulations, 2015 has been provided under the 'Investor Information' section forming part of this report.

V. Compliance Officer

Shri Paresh Rathod, Company Secretary is the Compliance Officer with effect from April 01, 2018 for complying with the requirements of various provisions of Laws, Rules, Regulations applicable to the Company including SEBI Regulations and the Uniform Listing Agreements executed with the Stock Exchanges in place of previous incumbent Shri Ajit Dabholkar.

VI. Corporate Social Responsibility (CSR) Committee

In terms of Section 135 of the Act, the Company has a Corporate Social Responsibility (CSR) Committee. The composition and terms of reference of CSR Committee are in compliance with the applicable provisions of the Act and other applicable laws. The Committee was reconstituted by the Board of Directors of the Company on April 11, 2017 and March 15, 2018. As on March 31, 2018, the CSR Committee comprises of Shri Rahul Sarin as Chairman, Ms. Ryna Karani, Ms. C. R. Gayathri and Cmde. (Retd.) Kartik Subramaniam as members.

Cmde (Retd.) Kartik Subramaniam superannuated from the Company from the close of business hours on March 31, 2018 and hence ceased to be a member of the Committee.

The Board has inducted Shri Debashis Bir as a member of the CSR Committee with effect from April 1, 2018.

Shri Rahul Sarin ceased to be Director of the Company w.e.f. August 10, 2018.

The CSR Committee has formulated a CSR policy indicating the activities to be undertaken by the Company.

The Committee's constitution and terms of reference meet with the requirements of the Act.

The CSR Committee held one meeting on April 11, 2017 during the financial year 2017-18, which was attended by Ms C R Gayathri and Ms. Ryna Karani.

The Company Secretary acts as the Secretary to the CSR Committee.

VII. Risk Management Committee

The Company has a Risk Management Committee (RMC). Pursuant to the Corporate Governance requirements prescribed by the Listing Regulations as on March 31, 2018 the RMC comprises of Shri K. Ravikumar as Chairman, Ms. Ryna Karani and Cmde. (Retd.) Kartik Subramaniam as members. However, the mandatory provisions of listing regulations are not applicable to the Company.

Cmde (Retd.) Kartik Subramaniam superannuated from the Company from the close of business hours on March 31, 2018 and hence ceased to be a member of the Committee. The Board has inducted Shri Debashis Bir as a member of the Committee with effect from April 1, 2018.

The Company Secretary acts as Secretary to the Committee.

The Committee is authorized to discharge its responsibilities as follows:

1. Oversee and approve the risk management, internal compliance and control policies and procedures of the Company.
2. Oversee the design and implementation of the risk management and internal control systems (including reporting and internal audit systems), in conjunction with existing business processes and systems, to manage the Company's material business risks.
3. Set reporting guidelines for management.
4. Establish policies for the monitoring and evaluation of risk management systems to assess the effectiveness of those systems in minimizing risks that may impact adversely on the business objectives of the Company.
5. Oversight of internal systems to evaluate compliance with corporate policies.
6. Provide guidance to the Board on making the Company's risk management policies.
7. Subsidiary companies monitoring framework.

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During the year, the Risk Management Committee did not hold any meeting.

The minutes of the meetings of all the Committees of the Board of Directors are placed before the Board.

VIII. General Body Meetings:

The Company held its last three Annual General Meetings as under:

Financial Year	Date and Time	Whether Special Resolution(s) passed or not (through electronic voting and physical ballot)
2016-17	August 22, 2017 at 2.00 P.M.	Yes (i) To Appoint of Cmde. (Retd.) Kartik Subramaniam as Whole-Time Director (ii) To Change the Name of the Company
2015-16	August 20, 2016 at 2.00 noon	No
2014-15	September 30, 2015 at 12.00 noon.	Yes i) To Increase Foreign Investment Limit in the Company ii) Issue of Equity Shares to CDR Lenders iii) Remuneration to Shri Bhavesh Gandhi (DIN: 00030623), Executive Vice-Chairman of the Company

All the above Annual General Meetings were held at the registered office of the Company at Pipavav Port, Post Uchhaiya, Via-Rajula, Dist. Amreli -365 560, Gujarat.

During the year, there was no EGM held by the Company.

IX. Postal Ballot

The Company had not conducted any business through Postal Ballot during the financial year 2017-18.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing of a special resolution through postal ballot.

X. Means of Communication

a. Quarterly Results:

Quarterly Results are published in the Financial Express (English) newspaper circulating substantially the whole of India and in Saurashtra Samachar (Gujarati) vernacular newspaper and are also posted on the Company's website: <http://www.rnaval.co.in/web/rnaval/financial-results>.

b. Media Releases and Presentations:

Official media releases are sent to the Stock Exchanges before their release to the media for

wider dissemination. Presentations made to media, analysts, institutional investors, etc. are posted on the Company's website.

c. Website:

The Company's website <http://www.rnaval.co.in>, contains a separate dedicated section on 'Investor Relations'. It contains comprehensive database of information of interest to our investors including the financial results and Annual Reports of the Company, any price sensitive information disclosed to the regulatory authorities from time to time, business activities and the services rendered / facilities extended by the Company to our investors, in a user friendly manner. The basic information about the Company as required in terms of Listing Regulations is provided on the Company's website and the same is updated regularly.

d. Annual Report:

The Annual Report containing, *inter alia*, Notice of Annual General Meeting, Audited Financial Statements, Consolidated Financial Statement, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Business Responsibility Report, Management Discussion and Analysis Report forms part of the Annual Report and is displayed on the Company's website.

The Companies Act, 2013 read with the Rules made thereunder and the Listing Regulations facilitate the service of documents to members through electronic means. The Company e-mails the soft copies of Annual report to all those members whose e-mail ID's are available with its Register and Transfer Agent.

e. NSE-National Electronic Application Processing System (NEAPS):

The NEAPS is a web based system designed by NSE for corporates. The shareholding pattern, corporate governance report, corporate announcements, media releases, financial results, etc. are also filed electronically on NEAPS.

f. BSE Corporate Compliance and Listing Centre ("Listing Centre"):

The Listing Centre is web based application designed by BSE for corporate. The Shareholding Pattern, Corporate Governance Report, Corporate Announcement, media releases, financial results, etc. are also filed electronically on the Listing Centre.

g. Unique Investor helpdesk:

Exclusively for investor servicing, the Company has set up unique investor Help Desk with multiple access modes as under:

Toll free No. (India) : 1800 4250 999
Telephone No. : +91 40 6716 1500
Fax No. : +91 40 6716 1791
Email : ris.rdel@karvy.com

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h. Designated email-id:

The Company has also designated email-id: rdel.investors@relianceada.com exclusively for investor servicing.

i. SEBI Complaint Redressal System (SCORES):

The investors' complaints are also being processed through the centralised web base complaint redressal system. The salient features of SCORES are availability of centralised data base of the complaints, uploading online action taken reports by the Company. Through SCORES the investors can view online, the actions taken and current status of the complaints.

XI. Management Discussion and Analysis

A Management Discussion and Analysis Report forms part of this annual report and includes discussions on various matters specified under Regulation 34(2) and Schedule V of the Listing Regulations.

XII. Subsidiaries

The Company does not have any material non-listed Indian subsidiary company.

The Company monitors performance of subsidiary companies, *inter alia*, by the following means:

- Financial statements, in particular the investments made by unlisted subsidiary companies are reviewed periodically by the Audit Committee of the Company.
- Minutes of the meetings of the Board of Directors of all subsidiary companies are placed before the Company's Board regularly.
- A statement containing all the significant transactions and arrangements entered into by the unlisted subsidiary companies are placed before the Company's Board / Audit Committee.
- Review of Risk Management process by the Risk Management Committee/Audit Committee/Board.

XIII. Disclosures

- There has been no non-compliance by the Company on any matter related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

b. Related Party Transactions

During the financial year 2017-18, no transactions of material nature have been entered into by the Company that may have a potential conflict with the interests of the Company. The details of related party transactions are disclosed in Notes to Accounts. The policy on dealing with related party transactions is placed on the Company's website.

c. Accounting Treatment

In preparation of the financial statement for the financial year 2017-18, the Company has

followed the Accounting Standards as prescribed under section 133 of the Act, as applicable. The Accounting Policies followed by the Company to the extent relevant, are set out elsewhere in this Annual Report.

d. Code of Conduct

The Company has adopted the code of conduct and ethics for directors and senior management. The Code has been circulated to all the members of the Board and senior management and the same has been posted on the Company's website at web link: <http://www.rnaval.co.in/web/rnaval/corporate-governance>. The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Whole-time Director and Chief Executive Officer of the Company is given below:

"It is hereby declared that the Company has obtained from all members of the Board and senior management personnel of the Company affirmation that they have complied with the Code of Conduct for directors and senior management of the Company for the year 2017-18."

Debashis Bir

Whole-time Director and Chief Executive Officer

e. CEO and CFO certification

Shri Debashis Bir, Whole-time Director and Chief Executive Officer and Shri Nikhil Jain, Chief Financial Officer of the Company have provided certification on financial reporting and internal controls to the Board as required under Regulation 17(8) of the Listing Regulations.

f. Review of Directors' Responsibility Statement

The Board in its report have confirmed that the annual accounts for the year ended March 31, 2018 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

XIV. Policy on prohibition of insider trading

The Company has formulated a Code of Conduct for Prevention of Insider Trading and code for fair disclosure of Unpublished Price Sensitive Information ('Code') in accordance with the guidelines specified under SEBI (Prohibition of Insider Trading) Regulations, 2015. The Board has appointed Company Secretary as the Compliance Officer under the Code responsible for complying with the procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct under the overall supervision of the Board. The Company's Code, *inter alia*, prohibits purchase and / or sale of securities of the Company by an insider, while in possession of unpublished price sensitive information in relation to the Company and also during certain prohibited periods. The Company's Code is available on the Company's website.

Reliance Naval and Engineering Limited

Corporate Governance Report

XV. Compliance of Regulation 34(3) and para F of Schedule V of the Listing Regulations

As per Regulation 34(3) read with Para F of Schedule V of Listing Regulations, the details in respect of equity shares lying in "Unclaimed Suspense Account - Reliance Naval and Engineering Limited" were as follows:

Sr. No.	Particulars	No. of shareholders	No. of shares
1	Aggregate number of shareholders and the outstanding shares lying in the suspense account as on April 1, 2017	14	3577
2	Number of undelivered folios and shares were transferred to Unclaimed suspense account during the year 2017-18.	Nil	Nil
3	Number of shareholders who approached issuer for transfer of shares from suspense account during the year.	Nil	Nil
4	Number of shareholders to whom shares were transferred from suspense account during the year.	Nil	Nil
5	Aggregate number of shareholders and the outstanding shares lying in the suspense account as on March 31, 2018.	14	3577

The Voting rights on the shares outstanding in the suspense account as on March 31, 2018, shall remain frozen till the rightful owners of such shares claim the shares.

Wherever the shareholders have claimed the shares, after proper verification, the share certificates were dispatched to them or the shares were credited to the respective beneficiary account.

XVI. Compliance with non-mandatory requirements

1. The Board

Our Chairman is a non-executive Chairman and is entitled to maintain Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.

2. Audit qualifications

There are no audit qualifications on the financial statement of the Company for the year 2017-18.

3. Separate posts of Chairman and CEO

The Company has appointed Shri Debashis Bir as CEO of the Company. Thus Company maintains separate posts of Chairman and CEO.

4. Reporting of Internal Auditor

The internal auditor directly reports to the Audit Committee of the Company.

XVII. General shareholder information

The mandatory and various additional information of interest to investors are voluntarily furnished in a separate section on investor information in this annual report.

Auditor's certificate on corporate governance

The Auditors' certificate on compliance of Regulation 34(3) of the Listing Regulations relating to corporate governance is published elsewhere in this report.

Review of governance practices

We have in this report attempted to present the governance practices and principles being followed at Reliance Naval and Engineering Limited, as evolved over a period, and as best suited to the needs of our business and stakeholders.

Our disclosures and governance practices are continually revisited, reviewed and revised to respond to the dynamic needs of our business and ensure that our standards are at par with the globally recognised practices of governance, so as to meet the expectations of all our stakeholders.

Corporate Governance Report

Compliance of Corporate Governance requirements specified in Regulation 17 to 27 Regulation 46(2)(b) to (i) of the Listing Regulations

Sr. No.	Particulars	Regulations	Compliance Status	Compliance Observed
1.	Board of Directors	17	Yes	<ul style="list-style-type: none"> Composition & Meetings Review of compliance reports & compliance certificate Plans for orderly succession for appointments Code of Conduct Fees / compensation to Non-Executive Directors Minimum information to be placed before the Board Risk assessment and management Performance evaluation
2.	Audit Committee	18	Yes	<ul style="list-style-type: none"> Composition & Meetings Power of the Committee Role of the Committee and review of information by the Committee
3.	Nomination and Remuneration Committee	19	Yes	<ul style="list-style-type: none"> Composition Role of the Committee
4.	Stakeholders Relationship Committee	20	Yes	<ul style="list-style-type: none"> Composition Role of the Committee
5.	Risk Management Committee	21	Not Applicable	<ul style="list-style-type: none"> Composition Role of the Committee
6.	Vigil Mechanism	22	Yes	<ul style="list-style-type: none"> Review of Vigil Mechanism for Directors and employees Direct access to Chairperson of Audit Committee
7.	Related Party Transactions	23	Yes	<ul style="list-style-type: none"> Policy of Materiality of Related Party Transactions and dealing with Related Party Transactions Approval including omnibus approval of Audit Committee Review of Related Party Transactions No material Related Party Transactions
8.	Subsidiaries of the Company	24	Yes	<ul style="list-style-type: none"> Appointment of Company's Independent Director on the Board of material subsidiary Review of financial statements of subsidiary by the Audit Committee Minutes of the Board of Directors of the subsidiaries are placed at the meeting of the Board of Directors Significant transactions and arrangements of subsidiary are placed at the meeting of the Board of Directors
9.	Obligations with respect to Independent Directors	25	Yes	<ul style="list-style-type: none"> Maximum directorships and tenure Meetings of Independent Directors Cessation and appointment of Independent Directors Familiarisation of Independent Directors
10.	Obligations with respect to employees including Senior Management, Key Managerial Personnel, Directors and Promoters	26	Yes	<ul style="list-style-type: none"> Memberships / Chairmanships in Committees Affirmation on compliance of Code of Conduct by Directors and Senior Management Disclosure of shareholding by Non-Executive Directors Disclosures by Senior Management about potential conflicts of interest No agreement with regard to compensation or profit sharing in connection with dealings in securities of the Company by Key Managerial Persons, Director and Promoter
11.	Other Corporate Governance requirements	27	Yes	<ul style="list-style-type: none"> Compliance with discretionary requirements Filing of quarterly compliance report on Corporate Governance
12.	Website	46(2)(b) to (i)	Yes	<ul style="list-style-type: none"> Terms and conditions for appointment of Independent Directors Composition of various Committees of the Board of Directors Code of Conduct of Board of Directors and Senior Management Personnel Details of establishment of Vigil Mechanism / Whistle-blower policy Policy on dealing with Related Party Transactions Policy for determining material subsidiaries Details of familiarization programmes imparted to Independent Directors

Reliance Naval and Engineering Limited

Corporate Governance Report

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
Reliance Naval and Engineering Limited
(Formerly known as Reliance Defence and Engineering Limited)

1. The Corporate Governance Report prepared by **Reliance Naval and Engineering Limited** ("the Company"), contains details as stipulated in Regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") with respect to Corporate Governance for the year ended 31st March, 2018. This certificate is required by the Company for annual submission to the Stock exchange and to be sent to the shareholders of the Company.

MANAGEMENT'S RESPONSIBILITY

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

AUDITOR'S RESPONSIBILITY

4. Our responsibility is to provide a reasonable assurance that the Company has complied with the conditions of Corporate Governance, as stipulated in the Listing Regulations.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditors' judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. The procedure includes, but not limited to, verification of secretarial records and financial information of the Company and obtained necessary representations and declarations from directors including independent directors of the Company.
8. The procedures also include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

OPINION

9. Based on the procedures performed by us as referred in paragraph 7 and 8 above and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended 31st March, 2018, referred to in paragraph 1 above except the Chairman of the Audit Committee could not attend the Annual General Meeting for the reasons explained in the Corporate Governance Report.

OTHER MATTERS AND RESTRICTION ON USE

10. This Certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
11. This Certificate is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this Certificate for events and circumstances occurring after the date of this Certificate.

For Pathak H.D. & Associates
Chartered Accountants
(Registration No. 107783W)

Gyandeo Chaturvedi
Partner
Membership No. – 46806

Place : Mumbai
Date : August 27, 2018

Investor Information

Important Points

Hold securities in dematerialised form as transfer of shares in physical form will no more be permissible.

As per notification issued by SEBI, with effect from December 5, 2018, the shares of the Company can be transferred only in dematerialised form. Members are advised to dematerialize shares in the Company to facilitate transfer of shares.

Form for updating PAN / Bank details is provided as a part of this Annual Report.

Members are requested to send duly filled form along with (a) self-attested copy of PAN card of all the holders; and (b) original cancelled cheque leaf with names of shareholders or bank passbook showing names of members, duly attested by an authorised bank official.

Holding securities in dematerialised form is beneficial to the investors due to following:

- A safe and convenient way to hold securities;
- Elimination of risks associated with physical certificates such as bad delivery, fake securities, delays, thefts etc;
- Immediate transfer of securities;
- No stamp duty on electronic transfer of securities;
- Reduction in transaction cost;
- Reduction in paperwork involved in transfer of securities;
- No odd lot problem, even one share can be traded;
- Availability of nomination facility;
- Ease in effecting change of address / bank account details as change with Depository Participants (DPs) gets registered with all companies in which investor holds securities electronically;
- Easier transmission of securities as the same is done by Depository Participants for all securities in demat account;
- Automatic credit into demat account of shares, arising out of bonus / split / consolidation / merger, etc.
- Convenient method of consolidation of folios / accounts;
- Holding investments in Equity, Debt Instruments, Government securities, Mutual Fund Units, etc. in a single account;
- Ease of pledging of securities; and
- Ease in monitoring of portfolio.

Hold securities in consolidated form

Investors holding shares in multiple folios are requested to consolidate their holdings in single folio. Holding of securities in one folio enables shareholders to monitor the same with ease.

Register for SMS alert facility

Investor should register with Depository Participants for the SMS alert facility. Both National Securities Depository Limited and Central Depository Services (India) Limited alert investors through SMS of the debits and credits in their demat account

Intimate mobile number

Shareholders are requested to intimate their mobile number and changes therein, if any, to Karvy, if shares are held in physical form or to their DP if the holding is in electronic form, to receive communications on corporate actions and other information of the Company.

Submit Nomination Form and avoid transmission hassle

Nomination helps nominees to get the shares transmitted in their favour without any hassles. Investors should get the nomination registered with the Company in case of physical holding and with their Depository Participants in case of shares held in dematerialised form.

Form may be downloaded from the Company's website, <http://www.naval.co.in> under the section "Investor Relations".

However, if shares are held in dematerialised form, nomination has to be registered with the concerned Depository Participants directly, as per the form prescribed by the Depository Participants.

Deal only with SEBI registered intermediaries

Investors should deal with SEBI registered intermediaries so that in case of deficiency of services, investor may take up the matter with SEBI.

Corporate benefits in electronic form

Investor holding shares in physical form should opt for corporate benefits like bonus / split / consolidation / merger / etc. in electronic form by providing their demat account details to the Company's RTA.

Register e-mail address

Investors should register their email address with the Company / Depository Participants. This will help them in receiving all communications from the Company electronically at their email address. This also avoids delay in receiving communications from the Company. Prescribed form for registration may please be downloaded from the Company's website <http://www.naval.co.in>.

Facility for a Basic Services Demat Account (BSDA)

SEBI has stated that all the depository participants shall make available a BSDA for the shareholders unless otherwise opted for regular demat account with (a) No Annual Maintenance charges if the value of holding is upto ₹ 50,000 and (b) Annual Maintenance charges not exceeding ₹ 100 for value of holding from ₹ 50,001 to ₹ 2,00,000. (Refer circular CIR/MRD/DP/22/2012 dated August 27, 2012 and circular CIR/MRD/DP/20/2015 dated December 11, 2015).

Annual General Meeting

The 21st Annual General Meeting (AGM) of the Company will be held on Saturday, September 29, 2018 at 10.30 A.M. at the Registered office of the Company at Pipavav Port, Post Uchhaiya, Via-Rajula, Dist. Amreli 365 560.

Book closure dates for the purpose of AGM

Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, September 26, 2018 to Saturday, September 29, 2018 (both days inclusive) for the purpose of AGM.

E-voting

The Members can cast their vote online from Tuesday, September 25, 2018 at 10.00 A.M. (IST) to Friday, September 28, 2018 at 05.00 P.M. (IST).

Financial year of the Company

The financial year of the Company is from April 1 to March 31 each year.

Reliance Naval and Engineering Limited

Investor Information

Website

The Company's website <http://www.rnaval.co.in> contains a separate dedicated section called "Investor Relations". It contains comprehensive data base of information of interest to our investors including the financial results, annual reports, any price sensitive information disclosed to the regulatory authorities from time to time, business activities and the services rendered / facilities extended to our investors.

Dedicated email id for investors

For the convenience of our investors, the Company has designated an email id i.e. rdel.investors@relianceada.com for investors.

Registrar and Transfer Agents (RTA)

Karvy Computershare Private Limited
(Unit: Reliance Naval and Engineering Limited)
Karvy Selenium Tower – B
Plot No. 31 & 32, Survey No. 116/22, 115/24, 115/25
Financial District, Nanakramguda
Hyderabad, Telangana – 500 032.
Tel : +91 40 6716 1500
Fax : +91 40 6716 1791
Toll Free No. (India): 1800 4250 999
Email: ris.rdel@karvy.com
Post your request: <http://kcpl.karvy.com/adag>

Dividend announcements

The Board of Directors of the Company do not recommend any dividend for the financial year 2017-18.

Share transfer system

Shareholders / investors are requested to send share certificate(s) along with share transfer deed in the prescribed Form SH-4 duly filled in, executed and affixed with share transfer stamps, to the Company's RTA. If the transfer documents are in order, the transfer of shares is registered within 7 days of receipt of transfer documents by Company's RTA. **However, SEBI vide its notification has stated that transfer of securities shall not be processed unless the securities are held in the dematerialised form with a depository with effect from December 5, 2018.**

Permanent Account Number (PAN) for transfer of shares in physical form mandatory

SEBI has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferor(s) and transferee(s) to furnish copy of PAN card to the Company's RTA for registration of such transfer of shares.

Shareholding Pattern

Category of Shareholders	As on 31.03.2018		As on 31.03.2017	
	Number of Shares	%	Number of Shares	%
(A) Shareholding of Promoter and Promoters Group				
(i) Indian	22,01,03,025	29.84	22,64,53,025	30.76
(ii) Foreign	0.00	0.00	0.00	0.00
Total Shareholding of Promoter and Promoters Group	22,01,03,025	29.84	22,64,53,025	30.76
(B) Public shareholding				
(i) Institutions:	11,53,68,976	15.64	10,66,05,651	14.48
(ii) Non-institutions	40,21,19,262	54.52	40,31,47,593	54.76
Total Public shareholding	51,74,88,238	70.16	50,97,53,244	69.24
(C) Shares held by Custodian and against which Depository Receipts have been issued –	0	0	0	0
(D) ESOS Trust	0.00	0.00	0.00	0.00
GRAND TOTAL (A) + (B) + (C) + (D)	73,75,91,263	100.00	73,62,06,269	100.00

Distribution of shareholding

Number of Shares	No. of Shareholders as on 31.03.2018		Total equity shares as on 31.03.2018		No. of Shareholders as on 31.03.2017		Total equity shares as on 31.03.2017	
	Number	%	Number	%	Number	%	Number	%
1 to 500	115604	78.41	1,96,58,762	2.66	106,221	81.31	1,75,19,869	2.38
501 to 5,000	29074	19.72	4,23,38,633	5.74	22,309	17.08	3,15,89,151	4.29
5,001 to 1,00,000	2637	1.79	39284681	5.33	1,997	1.53	3,13,91,160	4.26
Above 1,00,000	111	0.08	636309187	86.26	101	0.08	65,57,06,089	89.07
Total	147426	100.00	737591263	100.00	130,628	100.00	73,62,06,269	100.00

Investor Information

Dematerialization of Shares and Liquidity

The Company has admitted its shares to the depository system of National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for dematerialization of shares. The International Securities Identification Number (ISIN) allotted to the Company is INE542F01012. The equity shares of the Company are compulsorily traded in dematerialized form as mandated by the Securities and Exchange Board of India (SEBI).

Status of dematerialization of Shares

As on March 31, 2018, 99.99 per cent of the Company's equity shares are held in dematerialised form.

Investors' grievances attended

Received From	Received during April to March		Redressed during April to March		Pending as on	
	2017-18	2016-17	2017-18	2016-17	31.3.2018	31.3.2017
Securities and Exchange Board of India	0	0	0	0	0	0
Stock Exchanges	2	1	2	1	0	0
NSDL/CDSL	0	0	0	0	0	0
Direct from investors	0	0	0	0	0	0
Total	2	1	2	1	0	0

Analysis of grievances

Particulars	2017-18		2016-17	
	Number	Percentage	Number	Percentage
Non-receipt of dividend warrants	0	0	0	0
Non-receipt of Annual Report	2	100	1	100
Others	0	50	0	0
Total	2	100.00	1	100.00

There were no complaints pending as on March 31, 2018.

Notes:

- The Shareholder Base was 1,47,426 as of March 31, 2018 and 1,30,628 as of March 31, 2017.
- Investors' queries / grievances are normally attended within a period of 3 days from the date of receipt thereof, except in cases involving external agencies or compliance with longer procedural requirements specified by the authorities concerned.

Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

The Company does not have any material exposure to the commodity price risks. The Company has revenues in foreign currency which acts as a 'natural hedge' to a certain extent.

Equity History

Sr. No.	Date of Allotment	Mode/Reason of Allotment	Issue Price per Equity shares ₹	No of shares issued	Cumulative Number of Shares
1	October 17, 1997	Allotted upon Incorporation	10	700	700
2	October 26, 1999	Preferential allotment	10	30,155,500	30,156,200
3	August 30, 2000	Preferential allotment	10	7,393,800	37,550,000
4	July 31, 2003	Preferential allotment	10	30,200,000	67,750,000
5	September 5, 2003	Preferential allotment	10	10,000,000	77,750,000
6	March 15, 2005	Preferential allotment	10	122,250,000	200,000,000
7	September 14, 2006	Preferential allotment	10	17,210,000	217,210,000
8	March 8, 2007	Preferential allotment	10	45,900,000	263,110,000
9	March 29, 2007	Preferential allotment	10	26,610,000	289,720,000
10	May 28, 2007	Allotment pursuant to conversion of optionally convertible cumulative preference shares	10	4,520,000	294,240,000
11	June 25, 2007	Preferential allotment	10	25,000,000	319,240,000

Reliance Naval and Engineering Limited

Investor Information

Sr. No.	Date of Allotment	Mode/Reason of Allotment	Issue Price per Equity shares ₹	No of shares issued	Cumulative Number of Shares
12	September 17, 2007	Preferential allotment	10	129,361,538	448,601,538
13	September 27, 2007	Preferential allotment	10	23,000,000	471,601,538
14	October 15, 2007	Allotment pursuant to conversion of convertible bonds	10	40,000,000	511,601,538
15	November 7, 2007	Preferential allotment	10	46,500,000	558,101,538
16	November 30, 2007	Preferential allotment	10	4,700,000	562,801,538
17	December 6, 2007	Preferential allotment	10	300,000	563,101,538
18	December 24, 2007	Preferential allotment	10	4,150,000	567,251,538
19	January 10, 2008	Preferential allotment	10	11,696,850	578,948,388
20	January 31, 2008	Preferential allotment	10	500,000	579,448,388
21	March 24, 2008	Preferential allotment	10	245,000	579,693,388
22	April 17, 2008	Preferential allotment	10	253,400	579,946,788
23	May 19, 2008	Preferential allotment	10	60,375	580,007,163
24	August 5, 2008	Preferential allotment	10	341,000	580,348,163
25	October 1, 2009	Initial Public Offer	10	85,450,225	665,798,388
26	November 14, 2011	Conversion of CCD	10	25,400,000	691,198,388
27	August 27, 2012	Conversion of Convertible Warrants	10	10,000,000	701,198,388
28	May 13, 2013	Conversion of Warrants	10	10,500,000	711,698,388
29	May 27, 2013	Preferential allotment	10	24,507,881	736,206,269
30	May 04, 2017	Preferential Issue	10	13,84,994	73,75,91,263
Total Number of Shares as on March 31, 2018				73,75,91,263	73,75,91,263

Stock Price and Volume

Financial Year 2017-18	BSE Limited			National Stock Exchange of India Limited		
	High ₹	Low ₹	Volume Nos.	High ₹	Low ₹	Volume Nos.
April 2017	69.5	63.50	1,05,22,208	69.55	63.35	51820507
May 2017	70.65	54.20	1,50,49,766	70.70	54.35	58159902
June' 2017	62.85	54.65	1,00,36,127	62.85	54.65	46384215
July' 2017	64.75	59.00	1,20,35,422	65.00	58.95	42835704
August' 2017	62.75	48.70	88,99,554	62.70	48.50	39462357
September' 2017	60.95	51.65	77,24,840	61.00	51.65	35515763
October' 2017	55.15	50.45	41,84,981	55.20	50.30	24966951
November' 2017	55.30	37.20	1,01,99,284	55.80	37.15	50956206
December' 2017	50.85	33.70	1,77,04,186	50.80	33.65	106913265
January' 2018	72.60	45.40	7,00,45,601	72.65	45.30	488604536
February' 2018	47.00	34.50	2,12,35,180	47.00	34.50	117579459
March' 2018	41.20	27.30	1,55,03,246	41.20	27.05	94761239

[Source: This information is compiled from the data available on the websites of BSE and NSE]

Stock Exchange listings

The Company's equity shares are actively traded on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE), the Indian Stock Exchanges.

Listings on Stock Exchanges

Equity shares

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400001
Website : www.bseindia.com

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor,
Plot No C /1, G Block
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051
Website : www.nseindia.com

Stock Codes

BSE Limited : 533107
National Stock Exchange of India Limited : RNAVAL
ISIN for equity shares : INE542F01012

Investor Information

Payment of listing fees

Annual listing fee for the year 2018-19 has been paid by the Company to the stock exchanges.

Payment of depository fees

Annual custody / issuer fee for the year 2018-19 has been paid by the Company to CDSL and will be paid to NSDL on receipt of invoice.

Share Price Performance in comparison with broad based indices – BSE Sensex and NSE Nifty as on March 31, 2018

Period	RNAVAL (percent)	SensexBSE (percent)	NiftyNSE (percent)
2017-18	-59.23	11.30	10.25
2 years	-1.03	16.88	18.55
3 years	17.48	5.95	8.04

Key Financial Reporting Dates for the Financial Year 2018-19

Unaudited results for the first quarter ending June 30, 2018	: On or before August 14, 2018
the second quarter/half year ending September 30, 2018	: On or before November 14, 2018
the third quarter/nine months ending December 31, 2018	: On or before February 14, 2019
Audited results for the financial year 2018-19	: On or before May 30, 2019

Depository services

For guidance on depository services, shareholders may write to the Company's RTA or National Securities Depository Limited, Trade World, A Wing, 4th and 5th Floors, Kamala Mills Compound, Lower Parel, Mumbai 400 013, website: www.nsdl.co.in or Central Depository Services (India) Limited, Marathon Futrex, A-Wing, 25th floor, NM Joshi Marg, Lower Parel (E), Mumbai 400013, website: www.cdslindia.com.

Communication to members

The quarterly financial results of the Company were announced within 45 days of the end of the respective quarter except last quarter during the year under review. The last quarter financial results of the Company were announced within 60 days of the end of the year. The Company's media releases and details of significant developments are made available on the Company's website: <http://www.rnaval.co.in>. These are also published in leading newspapers.

Reconciliation of share capital audit

The Securities and Exchange Board of India has directed that all issuer companies shall submit a report reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued / paid up capital. The said certificate, duly certified by a qualified Company Secretary / Chartered Accountant is submitted to the stock exchanges where the securities of the Company are listed within 30 days of the end of each quarter and the certificate is also placed before the Board of Directors of the Company.

Investor correspondence may be addressed to the Registrar and Transfer Agent of the Company

Shareholders / Investors are requested to forward documents related to share transfer, dematerialisation requests (through their respective Depository Participant) and other related correspondences directly to Karvy Computershare Private Limited at the below mentioned address for speedy response:

Karvy Computershare Private Limited
(Unit: Reliance Naval and Engineering Limited)
Karvy Selenium Tower – B
Plot No. 31 & 32, Survey No. 116/22, 115/24, 115/25
Financial District, Nanakramguda
Hyderabad 500 032.
Email: ris.rdel@karvy.com
Website : www.karvy.com

Shareholders / Investors can also send the above correspondence to the Compliance Officer of the Company at the following address:

Queries relating to financial statement of the Company may be addressed to :

Chief Financial Officer
Reliance Naval and Engineering Limited
Reliance Centre,
8th Floor, South Wing,
Santa Cruz (East), Mumbai – 400 055
Tel : +91 22 3303 8000
Fax : +91 22 3303 8462
Email: rdel.investors@relianceada.com
Website: www.rnaval.co.in

Correspondence on investor services may be addressed to:

Company Secretary
Reliance Naval and Engineering Limited
Reliance Centre,
8th Floor, South Wing,
Santa Cruz (East), Mumbai – 400 055
Tel : +91 22 3303 8349
Fax : +91 22 3303 8462
Email: rdel.investors@relianceada.com
Website: www.rnaval.co.in

Site Locations:

- Pipavav Port, Post Ucchaiya, Via-Rajula, District Amreli – 365 560, Gujarat
- Village Rampara – II, Taluka Rajula, District Amreli – 365 560, Gujarat and Village Lunsapur, Taluka Jafrabad, District Amreli – 365 560, Gujarat

Financial Statement

Independent Auditor's Report

TO THE MEMBERS OF RELIANCE NAVAL AND ENGINEERING LIMITED

(FORMERLY KNOWN AS RELIANCE DEFENCE AND ENGINEERING LIMITED)

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **RELIANCE NAVAL AND ENGINEERING LIMITED** (FORMERLY KNOWN AS RELIANCE DEFENCE AND ENGINEERING LIMITED) ("the Company"), which comprise the Balance sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Accounting Principles Generally Accepted in India (Indian GAAPs), including Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Act.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs (financial position) of the Company as at March 31, 2018 and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the:

(i) Material Uncertainty Related to Going Concern

Note no. 36 to the standalone Ind AS financial statements regarding preparation of standalone financial statements of the Company on going concern basis and also recognition of Deferred Tax Assets (DTA) on tax losses notwithstanding the fact that the Company has been incurring cash losses, its net worth has been substantially eroded as on March 31, 2018, loans have been called back by secured lenders, current liabilities are substantially higher than current assets, applications have been made to National Company Law Tribunal (NCLT), Ahmedabad, under section 9 of the Insolvency Bankruptcy Code 2016 and winding up petitions been filed before Hon'ble Gujarat High Court for recovery of their dues by few operating creditors, for the reasons stated in the said note. The Company is also of the view that no impairment of its noncurrent assets is required. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern. The appropriateness of assumption of going concern, recognition of DTA and evaluation of recoverable value of its noncurrent assets is critically dependent upon the approval of Company's resolution plan by the secured lenders, the Company's ability to raise requisite finance / generate cash flows in future to meet its obligations and to earn profits in future.

(ii) Note no. 33.3 to the standalone Ind AS financial statements regarding applications under section 7 of the Insolvency and Bankruptcy Code, 2016 against the Company as a corporate guarantor for the loans taken by Reliance Marine and Offshore Limited (RMOL), a wholly owned subsidiary. The Management is of the view that the value of securities available in RMOL is sufficient to

Independent Auditor's Report

recover the outstanding dues of IFCI Limited. Accordingly, no provision against the claim under the invoked corporate guarantee is considered necessary.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss (Including other comprehensive income), the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Ind AS prescribed under Section 133 of the Act.
 - e. The going concern and the other matter described under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
 - f. On the basis of the written representations received from the directors as on March 31, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
 - g. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**".

- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements as referred to in Note No. 33.1 (c) to the standalone Ind AS financial statements;
- ii. The Company has made provisions, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long term contracts including derivative contracts;
- iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company;

2. As required by the Companies (Auditor's Report) Order, 2016 ("CARO 2016") issued by the Central Government in terms of Section 143(11) of the Act, we give in "**Annexure B**" a statement on the matters specified in paragraphs 3 and 4 of CARO 2016.

For **Pathak H. D. & Associates**

Chartered Accountants
Firm Reg. No. 107783W

Gyandeo Chaturvedi

Partner

Membership No.46806

Place: Mumbai

Dated: April 23, 2018

Annexure "A" to the Independent Auditor's Report

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (g) under 'Report on Other Legal and Regulatory Requirements' of our report of even date on standalone Ind AS financial statements of RELIANCE NAVAL AND ENGINEERING LIMITED for the year ended March 31, 2018)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **RELIANCE NAVAL AND ENGINEERING LIMITED** (FORMERLY KNOWN AS RELIANCE DEFENCE AND ENGINEERING LIMITED) ('the Company') as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards of Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For **Pathak H. D. & Associates**

Chartered Accountants
Firm Reg. No. 107783W

Gyandeo Chaturvedi

Partner
Membership No.46806

Place: Mumbai
Dated: April 23, 2018

Reliance Naval and Engineering Limited

Annexure "B" to the Independent Auditor's Report

ANNEXURE "B" TO INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date to the members of RELIANCE NAVAL AND ENGINEERING LIMITED on the standalone Ind AS financial statements for the year ended March 31, 2018)

- i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the Company has physically verified certain assets, in accordance with a phased program of verification, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification as compared with the available records.
 - c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company doesn't have any freehold immovable properties. As informed to us, in respect of leasehold immovable properties the original title deeds have been deposited with the lenders, we have been produced the photocopy of the title deeds of these leasehold immovable properties and based on such documents, the title deeds are held in the name of the Company.
- ii. As explained to us, inventories have been physically verified during the year by the management and in our opinion the frequency of verification is reasonable. Discrepancies noticed on physical verification of the inventories between the physical inventories and book records were not material, having regard to the size of the operations of the Company and the same have been properly dealt with.
- iii. In respect of loans, secured or unsecured, granted by the company to companies, firms, Limited liability partnerships or other parties covered in the register maintained under section 189 of the Act:
 - a. The company has granted unsecured loans to wholly owned subsidiary companies, and in our opinion, the rate of interest and other terms and conditions on which the loans had been granted are not, prima facie, prejudicial to the interest of the Company
 - b. As per the information and explanations given to us, the above loans are repayable on demand along with the interest accrued thereon. The repayment / receipts, if any, demanded have been received.
 - c. As the above loans are repayable on demand, the question of overdue amount does not arise.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of grant of loans, making investments and providing guarantees and securities.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of paragraph 3 (v) of the CARO 2016 are not applicable to the Company.

- vi. According to the information and explanations given to us, the Central Government has not prescribed the cost records to be maintained under sub-Section (1) of Section 148 of the Act in respect of activities carried on by the Company. Therefore the provisions of paragraph 3(vi) of the CARO 2016 are not applicable to the Company.
- vii. According to the information and explanations given to us in respect of statutory dues:
 - a. The company has been generally regular in depositing undisputed statutory dues, including provident fund, income tax, service tax, duty of customs, duty of excise, cess, sales tax, value added tax, Goods and Service Tax and any other statutory dues, as applicable, with the appropriate authorities during the year however delays have been noticed in respect of income tax. According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at March 31, 2018 for a period of more than six months from the date they became payable.
 - b. Details of dues of Income tax and dues to Excise Department aggregating to Rs. 2,110.28 Lacs that have not been deposited on account of disputed matters pending before appropriate authorities are as under.

Name of the Statutes	Nature of the Dues	Period to which it relates	Amounts (₹ in Lacs) (*)	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	2007-08 to 2017-18	104.27	Commissioner of Income Tax
CENVAT Credit Rules, 2004	Penalty under Central Excise Act, 1944	2010-11 to 2017-18	2,006.01	Commissioner of Central Excise
		Total	2,110.28	

(*) Net of amount deposited under protest

- viii. Based on our audit procedures and information and explanations given by the management, and considering the recall notices received by the company from lender banks, we are of the opinion that as on March 31, 2018 the Company has defaulted in repayment of loans (including payment of interest on loans and Non Convertible Debentures (NCD)) to banks and financial institutions aggregating to Rs. 699,465.44 Lacs. Lender wise details of such defaults are as under:

(₹ in Lacs)

Bank / Financial Institution	Amount of Default	Period of Default
HUDCO	15,839.21	More than 90 Days
IL & FS	666.97	More than 90 Days
Bank of India	26,661.18	Less than 90 Days
Bank of Maharashtra	8,309.65	Less than 90 Days
Central Bank	53,528.20	Less than 90 Days
Corporation Bank	24,285.38	Less than 90 Days

Annexure "B" to the Independent Auditor's Report

(₹ in Lacs)

Bank / Financial Institution	Amount of Default	Period of Default
Dena Bank	25,025.64	Less than 90 Days
EXIM Bank	45,689.48	Less than 90 Days
IDBI Bank	90,001.75	Less than 90 Days
IFCI Ltd	20,264.84	Less than 90 Days
IIFC UK	345.56	Less than 90 Days
Jammu & Kashmir	24,239.76	Less than 90 Days
Karnataka Bank	3,243.98	Less than 90 Days
Karur Vyasa Bank	3,364.85	Less than 90 Days
Life Insurance Corporation	8,535.17	Less than 90 Days
Oriental Bank of Commerce	24,079.15	Less than 90 Days
Punjab & Sind Bank	6,687.94	Less than 90 Days
Punjab National Bank	40,890.97	Less than 90 Days
State Bank of India	87,091.04	Less than 90 Days
UCO Bank	33,750.60	Less than 90 Days
Union Bank Of India	109,372.39	Less than 90 Days
United Bank of India	30,397.88	Less than 90 Days
Vijaya Bank	16,415.62	Less than 90 Days
Yes Bank	778.23	Less than 90 Days
TOTAL	699,465.44	

- ix. According to the information and explanations given to us, the term loans raised during the year were, prima facie, been applied for the purpose for which those are raised. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments).
- x. Based on our audit procedures performed for the purpose of reporting the true and fair view of the standalone Ind AS financial statements and on the basis of information and explanations given by the management, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

- xi. In our opinion and according to the information and explanations given to us the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Therefore, the provisions of paragraph 3 (xii) of the CARO 2016 are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- xiv. During the year the Company has made preferential allotment of equity shares and preference shares to one of its lender against the partial conversion of its outstanding debts. The provisions of section 42 of the Act, to the extent applicable, have been complied with.
- xv. According to the information and explanations given to us, the Company has not entered into non-cash transactions with directors or persons connected with him. Therefore, the provisions of paragraph 3 (xv) of the CARO 2016 are not applicable to the Company.
- xvi. In our opinion and according to information and explanations provided to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **Pathak H. D. & Associates**

Chartered Accountants

Firm Reg. No. 107783W

Gyandeo Chaturvedi

Partner

Membership No.46806

Place: Mumbai

Dated: April 23, 2018

Reliance Naval and Engineering Limited

Balance Sheet as at March 31, 2018

				₹ in Lacs
Particulars	Note	As at March 31, 2018	As at March 31, 2017	
I ASSETS				
(1) Non Current Assets				
Property, Plant and Equipment	2	4,86,777.12	5,06,179.77	
Capital Work in Progress	2	4,48,618.26	4,01,457.08	
Intangible Assets	2	9,813.15	187.32	
Intangible Assets under Development	2	-	9,505.83	
		<u>9,45,208.53</u>	<u>9,17,330.00</u>	
Financial Assets				
Investments	3	2,087.00	2,087.00	
Other Financial Assets	4	1,098.77	1,259.84	
		<u>3,185.77</u>	<u>3,346.84</u>	
Deferred Tax Assets (net)	5	34,492.93	13,260.09	
Other Non Current Assets	6	11,379.05	31,997.69	
		<u>45,871.98</u>	<u>45,257.78</u>	
		9,94,266.28		9,65,934.62
(2) Current Assets				
Inventories	7	69,841.70	77,538.48	
		<u>69,841.70</u>	<u>77,538.48</u>	
Financial Assets				
Investments	8	-	1,020.07	
Trade Receivables	9	1,465.46	345.02	
Cash and Cash Equivalents	10	7,678.00	3,556.08	
Other Bank Balances	11	9,906.26	8,171.15	
Current Loans	12	292.66	3,655.04	
Other Current Financials Assets	13	11,052.41	1,912.04	
		<u>30,394.79</u>	<u>18,659.40</u>	
Current Tax (net)		1,349.65	2,182.92	
Other Current Assets	14	81,821.61	66,878.02	
		<u>83,171.26</u>	<u>69,060.94</u>	
		1,83,407.75		1,65,258.82
TOTAL ASSETS		<u>11,77,674.03</u>		<u>11,31,193.44</u>
II EQUITY AND LIABILITIES				
(1) Equity				
Share Capital	15	73,759.13	73,620.63	
Other Equity	16	(51,468.68)	43,427.32	
				1,17,047.95
(2) Liabilities				
Non Current Liabilities				
Financial Liabilities				
Borrowings	17	96,753.19	5,73,746.35	
		<u>96,753.19</u>	<u>5,73,746.35</u>	
Provisions	18	241.24	326.20	
Other Non Current Liabilities	19	5,624.21	5.50	
		<u>5,865.45</u>	<u>331.70</u>	
		1,02,618.64		5,74,078.05
Current Liabilities				
Financial Liabilities				
Borrowings	20	3,68,489.53	2,59,986.91	
Trade Payables	21			
(i) Due to Micro and Small Enterprise		265.52	284.79	
(ii) Due to others		28,514.92	26,510.16	
Other Current Financial Liabilities	22	5,99,948.79	77,987.78	
		<u>9,97,218.76</u>	<u>3,64,769.64</u>	
Other Current Liabilities	23	8,591.54	7,849.50	
Provisions	24	46,954.64	67,448.30	
		<u>55,546.18</u>	<u>75,297.80</u>	
		10,52,764.94		4,40,067.44
TOTAL EQUITY AND LIABILITIES		<u>11,77,674.03</u>		<u>11,31,193.44</u>

Significant Accounting Policies
Notes on Financial Statements

1
2 to 46

for and on behalf of the Board of Directors

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Paresh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018

Reliance Naval and Engineering Limited

Statement of Profit and Loss for the year ended March 31, 2018

		₹ in Lacs	
Particulars	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Income			
Revenue from Operations	25	33,517.10	51,946.46
Other Income	26	7,867.15	4,467.98
Total Income		41,384.25	56,414.44
Expenses			
Cost of Materials Consumed	27	34,628.09	23,153.38
Changes in Inventories of Work in Progress & Scrap	28	(159.82)	3,706.66
Employee Benefits Expenses	29	3,376.66	3,801.16
Other Expenses	31	14,606.88	19,047.04
Total Expenses		52,451.81	49,708.24
Total Profit/(Loss) from Operation before Depreciation/Amortisation and Finance Cost		(11,067.56)	6,706.20
Finance Costs	30	69,739.19	57,263.75
Depreciation and Amortisation Expenses	2	19,806.81	20,065.17
Loss before Exceptional Items and Tax		(1,00,613.56)	(70,622.72)
Exceptional Items	17.2	(16,239.65)	-
Loss Before Tax		(1,16,853.21)	(70,622.72)
Tax Expense		-	-
- Current Tax		-	-
- Deferred Tax	5	21,245.47	18,280.15
Loss for the year		(95,607.74)	(52,342.57)
Other Comprehensive Income			
Items that will not to be reclassified to profit and loss in subsequent year			
Actuarial gains/(losses) on defined benefit plans		40.87	(101.77)
Income Tax effect		(12.63)	31.45
Total Other Comprehensive Income for the year		28.24	(70.32)
Total Comprehensive Income for the year		(95,579.50)	(52,412.89)
Earnings per Equity Share of ₹ 10 each	32		
- Basic (In Rupees)		(12.96)	(7.11)
- Diluted (In Rupees)		(12.96)	(7.11)
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 46		

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

for and on behalf of the Board of Directors

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Pareesh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018

Reliance Naval and Engineering Limited

Statement of Changes in Equity for the year ended March 31, 2018

A	Equity Share Capital	₹ in Lacs			
Particulars	As at March 31, 2018		As at March 31, 2017		
	No of Shares	Amount	No of Shares	Amount	
Equity Shares at the beginning of the year	73,62,06,269	73,620.63	73,62,06,269	73,620.63	
Add: Shares Issued during the year	13,84,994	138.50	-	-	
Equity Shares at the end of the year	73,75,91,263	73,759.13	73,62,06,269	73,620.63	

B	Other Equity	₹ in Lacs				
Particulars	Reserve and Surplus				Other Comprehensive Income	Total
	Capital Reserve	Securities Premium	Other Reserve	Retained Earning	Other Items relating to other comprehensive income	
As at April 1, 2016	6,254.96	1,49,327.83	22,791.35	(82,670.61)	136.68	95,840.21
Add/(Less):						
Loss for the year				(52,342.57)	-	(52,342.57)
Other Comprehensive Income					(70.32)	(70.32)
As at March 31, 2017	6,254.96	1,49,327.83	22,791.35	(1,35,013.18)	66.36	43,427.32
As at April 01, 2017	6,254.96	1,49,327.83	22,791.35	(1,35,013.18)	66.36	43,427.32
Add/(Less):						
Loss for the year	-	-	-	(95,607.74)	-	(95,607.74)
Other Comprehensive Income	-	-	-	-	28.24	28.24
Securities Premium on issue of Share	-	683.50	-	-	-	683.50
	-	683.50	-	(95,607.74)	28.24	(94,896.00)
As at March 31, 2018	6,254.96	1,50,011.33	22,791.35	(2,30,620.92)	94.60	(51,468.68)

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

Place : Mumbai
Date : April 23, 2018

for and on behalf of the Board of Directors

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Paresh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Cash Flow Statement for the year ended March 31, 2018

		₹ in Lacs	
Sr. No.	Particulars	2017 - 2018	2016 - 2017
A	Cash Flow from Operating Activities		
	Net Loss before Tax	(1,16,853.21)	(70,622.72)
	Adjustments for :-		
	Depreciation and Amortisation Expenses	19,806.81	20,065.17
	Exceptional Items	16,239.65	
	Interest Income	(940.43)	(1,438.60)
	Dividend on Current Investments	(6.50)	(30.01)
	Fair Valuation Impact	(6,312.19)	-
	Loss on Sale of Plant, property and equipments (net)	1.05	0.01
	Finance Costs	69,739.19	57,263.75
	Provision for Liquidated Damages	8,494.21	-
	Provision for estimated cost over contract revenue	(4,206.72)	825.34
	Provision for Impairment of Current Assets	10,289.30	-
	Actuarial gains/(losses) on defined benefit plans	40.87	(101.77)
	Cost Estimated for Revenue Recognised	(24,853.12)	(3,486.85)
	Balances Written off/back (net)	(587.30)	250.42
	Foreign Exchange Loss/(Gain) (net)	676.58	(533.06)
	Operating profit/(loss) before working capital changes	(28,471.81)	2,191.68
	Adjusted for		
	Inventories	7,696.78	(16,490.45)
	Trade and Other Receivables	(16,021.85)	(16,212.72)
	Trade and Other Payables	11,441.97	(4,169.20)
	Cash Used in Operations	(25,354.91)	(34,680.69)
	Direct Taxes (Paid) / Refund	833.27	1,169.73
	Net Cash Used in Operating Activities	(24,521.64)	(33,510.96)
B	Cash Flow from Investing Activities		
	Purchase of Property, plant and equipment and Capital Work in Progress	(1,498.50)	(10,747.29)
	Sale of Property, plant and equipment	0.18	8.79
	Advance to Subsidiaries (Net)	3,362.38	1,692.56
	Purchase of Investments	-	(18,500.00)
	Sale of Investments	1,000.00	17,500.00
	Dividend Received on Current Investments	26.57	19.48
	Net Cash (used in)/Generated from Investing Activities	2,890.63	(10,026.46)

Reliance Naval and Engineering Limited

Cash Flow Statement for the year ended March 31, 2018

		₹ in Lacs	
Sr. No.	Particulars	2017 - 2018	2016 - 2017
C	Cash Flow from Financing Activities		
	Proceeds from Long Term Borrowings	-	1,468.70
	Repayment of Long Term Borrowings	(11,883.60)	(6,350.65)
	Short Term Borrowings (Net)	1,06,699.86	80,119.37
	Interest Paid	(69,441.67)	(37,230.22)
	Margin Money (Net)	(1,574.04)	4,381.23
	Interest Received	2,089.36	928.81
	Realised (loss)/gain on currency swap transactions	(136.98)	(622.12)
	Net Cash Flow Generated from Financing Activities	25,752.93	42,695.12
	Net (decrease) / increase in cash and cash equivalents (A+B+C)	4,121.92	(842.30)
	Cash and Cash Equivalents – Opening balance (Refer note no 10)	3,556.08	4,398.38
	Cash and Cash Equivalents – Closing balance (Refer note no 10)	7,678.00	3,556.08

Change in Liability arising from financing activities

		₹ in Lacs			
S. No	Particulars	As at March 31, 2018		As at March 31, 2017	
		Long Term Borrowings	Short Term Borrowings	Long Term Borrowings	Short Term Borrowings
1	Opening Balance	6,15,332.47	2,59,986.91	6,01,641.31	1,64,104.70
2	Net Cash Flow as above	(11,883.60)	1,06,699.86	(4,881.95)	80,119.37
3	Non Cash Changes				
a.	Inter Group Transfer	(1,739.90)	1,739.90	(16,030.42)	16,030.42
b.	Foreign Exchange Movement	233.65	62.86	(594.37)	(267.58)
c.	Convert in Equity	(822.00)	-	-	-
d.	NCD Issued without consideration	24,228.74	-	-	-
e.	Fair Value Changes	(6,006.72)	-	-	-
f.	Interest converted into loan			35,197.90	-
4	Closing Balance	6,19,342.64	3,68,489.53	6,15,332.47	2,59,986.91

Notes:

(1) The above cash flow statement has been prepared under the "Indirect method" as set out in Ind-AS7 – Cash flow Statement.

(2) Figures in brackets indicate outflow.

(3) Previous Year Figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

for and on behalf of the Board of Directors

Sateesh Seth
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Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Pareesh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018

Significant Accounting Policies to the Financial Statements

Note – 1

General Information

Reliance Naval and Engineering Limited ("RNEL" or "the Company") is a company limited by shares, incorporated and domiciled in India. The registered office of the company is located at Pipavav Port, Post Ucchaya, Via- Rajula, District Amreli (Gujarat) and the Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

The name of the Company got changed from Reliance Defence and Engineering Limited during the current year and fresh Certificate of Incorporation was issued by the Ministry of Corporate Affairs (MCA), Government of India on September 6, 2017. The Company is mainly engaged in the construction of vessels, repairs and refits of ships and rigs and heavy engineering. RNEL has a large shipbuilding/repair infrastructure in India including the largest Dry Dock in the world. The Company is the first private sector company in India to obtain the licence and contract to build Naval Offshore Patrol Vessels(NOPVs) for Indian Navy. The Shipyard has only modular shipbuilding facility in India with capacity to build fully fabricated and outfitted blocks. The fabrication facility spread over 2.1 million sq ft has annual capacity of 144,000 tons/year. The shipyard has pre-erection berth of 980 meter length and 40 meters width and two Goliath cranes with combined lifting capacity of 1200 tonnes, besides outfitting berth length of 780 meters.

Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a Basis of Preparation of Financial Statements:

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] on accrual basis and other relevant provisions of the Act. Financial Statements have been prepared in accordance with the requirements of the information and disclosures mandated by Schedule III, applicable Ind AS, other applicable pronouncements and regulations.

b Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for the following:

- i Plant & Equipments and Freehold Land which were accounted at fair value at the date of transition to Ind AS
- ii Certain financial assets and liabilities (including derivative instruments) that are measured at fair value;
- iii Defined benefit plans – plan assets measured at fair value; and
- iv Assets held for sale – measured at fair value less cost to sell;

c Functional and Presentation Currency:

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Indian Rupee (INR), which is the functional currency for the Company.

d Use of Estimates:

The preparation of Financial Statements in accordance with Ind – AS requires use of estimates and assumptions for some items, which might have an effect on their recognition and measurement in the Balance Sheet and Statement of Profit and Loss. The actual amounts realised may differ from these estimates. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the management becomes aware of changes in circumstances surrounding the estimates. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised and if material, their effects are disclosed in the notes to the Financial Statements.

Estimates and assumptions are required in particular for:

- i. Determination of the estimated useful life of tangible assets and the assessment as to which components of the cost may be capitalized. Useful life of tangible assets is based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful life is different from that prescribed in Schedule II, it is based on technical advice, taking into account the nature of the asset, estimated usage and operating conditions of the asset, past history of replacement and maintenance support. Assumptions also need to be made, when the Company assesses, whether an asset may be capitalised and which components of the cost of the asset may be capitalised.
- ii. **Recognition and measurement of defined benefit obligations**

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

Notes to Financial Statements

iii. Recognition of deferred tax assets

Deferred tax asset is recognised for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management assumes that taxable profits will be available while recognising deferred tax assets.

iv. Recognition and measurement of other provisions

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may, therefore, vary from the figure included in other provisions.

v. Discounting of long-term financial liabilities

All financial liabilities are required to be measured at fair value on initial recognition. In case of financial liabilities, which are required to be subsequently measured at amortised cost, interest is accrued using the effective interest method.

vi. Determining whether an arrangement contains a lease

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At the inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate. In case of operating lease, the Company treats all payments under the arrangement as lease payments.

vii. Fair value of financial instruments

Derivatives are carried at fair value. Derivatives include Foreign Currency Forward Contracts and Interest Rate Swaps. Fair value of Foreign Currency Forward Contracts is determined using the rates published by Reserve Bank of India (RBI). Fair value of Interest Rate Swaps is determined with respect to current market rate of interest.

viii. Revenue recognition

Determination of estimated cost to complete the contract is required for computing revenue as per Ind - AS 11 on 'Construction Contracts'. The estimates are revised periodically.

e Standards Issued But Not Yet Effective:

On March 28, 2018, the Ministry of Corporate Affairs (MCA) has notified Ind AS 115 - Revenue from Contract with Customers and certain amendment to existing Ind AS. These amendments shall be applicable to the Company from April 01, 2018.

i Issue of Ind AS 115 - Revenue from Contracts with customers

Ind AS 115 will supersede the current revenue recognition guidance including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and the related interpretations. The core principles of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

ii Amendment to Existing issued Ind AS

The MCA has also notified certain amendments to the following Accounting Standards:

- 1 Ind AS 21 - The Effects of Changes in Foreign Exchange Rates
- 2 Ind AS 12 - Income Taxes

Applications of the above standards are not expected to have any significant impact on the Company's financial statements.

f Current Versus Non Current Classification:

i. The assets and liabilities in the Balance Sheet are based on current/ non - current classification. An asset is current when it is:

- 1 Expected to be realised or intended to be sold or consumed in normal operating cycle
- 2 Held primarily for the purpose of trading
- 3 Expected to be realised within twelve months after the reporting period, or
- 4 Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

Notes to Financial Statements

ii A liability is current when it is:

- 1 Expected to be settled in normal operating cycle
- 2 Held primarily for the purpose of trading
- 3 Due to be settled within twelve months after the reporting period, or
- 4 There is no unconditional right to defer the settlement of the liability for atleast twelve months after the reporting period

All other liabilities are treated as non – current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

g Other Significant Accounting Policies:

I Property, Plant and Equipments:

- i. The Company has measured all of its Plant and Equipments and freehold land at fair value at the date of transition to Ind – AS. The Company has elected these value as deemed cost at the transition date. All other property, plant and equipment have been carried at historical cost
- ii. Property, Plant and Equipments are stated at cost net of cenvat / value added tax less accumulated depreciation and impairment loss, if any. All costs, including finance costs incurred up to the date the asset is ready for its intended use are capitalised as part of total cost of assets.
- iii. Expenses incurred relating to project, net of income earned during the project development stage prior to its intended use, are considered as pre – operative expenses and disclosed under Capital Work – in – Progress.

II Depreciation:

- i. Depreciation is provided, under the Straight Line Method, pro rata to the period of use, based on useful life specified in Schedule II to the Companies Act, 2013 except the following items, where useful life estimated on technical assessment, past trends and expected useful life differ from those provided in Schedule II to the Companies Act, 2013:

Description of Assets	Useful Life Considered (Years)
Dry Dock (including berths)	50
Offshore Yard	50
Roads, Culverts & Bridge	25
Mobile Phones	2
Leasehold Land and Development	Amortised over lease period

The Management believes that the useful life as given above represents the period over which management expects to use these assets.

- ii. In respect of additions/extensions forming an integral part of existing assets, depreciation has been provided over residual life of the respective assets. Significant additions which are required to be replaced/performed at regular interval are depreciated over the useful life of their specific life.
- iii. Depreciation methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

III Borrowing Costs:

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset (net of income earned on temporary deployment of funds) are capitalised as a part of the cost of such assets. Borrowing cost consists of interest, other cost incurred in connection with borrowings of fund and exchange differences to the extent regarded as an adjustment to the borrowing cost. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

IV Intangible Assets:

Intangible Assets having finite life are stated at cost of acquisition less accumulated amortization and accumulated impairment, if any. Amortization is done over their estimated useful life on straight line basis from the date that they are available for intended use, subjected to impairment test. Software, which is not an integral part of the related hardware is classified as an intangible asset and is amortized over the useful life of 3 – 10 years.

Notes to Financial Statements

V Fair Value Measurement:

Fair value is the price that would be received to sell an assets or settle a liability in an ordinary transaction between market participants at the measurement date. The fair value of an assets or liability is measured using the assumptions that market participants would use when pricing the assets or liability, acting in their best economic interest. The fair value of plant and equipments as at transition date to Ind- AS have been taken based on valuation performed by an independent technical expert. The Company used valuation techniques which were appropriate in circumstances and for which sufficient data were available considering the expected loss/profit in case of financial assets or liabilities.

VI Inventories:

- i. The inventories, Raw Materials, Stores and Spares, Work – in – Progress and Finished Goods etc. have been valued at lower of cost or net realisable value. Cost of Inventories comprises of all costs of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of steel plates, profiles, equipments and other raw materials and stores and spares at Weighted Average Method. Cost of Work-in-Progress and Finished Goods is determined on Absorption Costing Method. Scrap is valued at Net Realisable Value.
- ii. If payment terms for inventory are on deferred basis i.e. beyond normal credit terms, then cost is determined by discounting the future cash flows at an interest rate determined with reference to the market rates. The difference between total cost and deemed cost is recognised as interest expense over the period of financing under the effective interest method.

VII Revenue Recognition:

- i Revenue from operation include income from sale of goods, services and service tax/Goods and Service Tax and is net of value added tax and sales tax recovered. Revenue from sale of goods and services is recognised considering the following steps:
 - 1 identify the Contract with Customer
 - 2 identify the performance obligations in the contract
 - 3 determining the transaction price
 - 4 allocate the transaction price to the performance obligations in the contract
 - 5 recognise revenue when the entity satisfies a performance obligation
- ii In case of contract for shipbuilding, repair and fabrication, performance obligations are satisfied over a period of time. Revenue from contracts, where performance obligation is satisfied over a period of time, is recognised over a period of time by measuring the progress towards complete satisfaction of that performance obligation. Progress of performance obligation is measured as follows:
 - 1 In respect of commercial vessels, including bulk carriers, tankers, container vessels, etc. and floating platforms, progress of performance obligation is measured using input method on the basis of actual cost incurred as against the total estimated cost of the contract under execution.
 - 2 In respect of other vessels, including offshore support vessels, progress of performance obligation is measured using output method, where the stage of completion is measured by reference to the percentage of proportion of the contract work completed as determined by the technical experts performing survey of the work. As soon as the outcome of the construction contract can be estimated reliably, contract revenue and expenses are recognized in the Statement of Profit and Loss in proportion to the degree of completion of the contract.
 - 3 In respect of contract of repair and fabrication, revenue is recognised based on the performance obligation measured by the actual cost incurred to the total estimated cost of the contract
 - 4 The Management believes that the method of measuring performance obligation as above is the best represent considering the nature of the contract.

The estimates of cost and progress of performance obligations are measured at each reporting date by the management. The effect of such changes to estimates is recognized in the period in which such changes are determined. The estimated cost of each contract is determined based on the management's estimate of the cost to be incurred till the final completion of the vessel and includes cost of materials, services, finance cost and other related overheads. Any projected losses on contracts under execution are recognized in full when identified. Recognition of revenue relating to agreements entered in to with the buyers, which are subject to fulfilment of obligations/conditions imposed by statutory authorities is postponed till such obligations are discharged.

- iii. Interest income is recognised on a time proportion basis. Dividend is considered when the right to receive is established. Insurance and other claims are recognised as revenue on certainty of receipt on prudent basis.

Notes to Financial Statements

VIII Government Subsidy:

- i Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.
- ii Government subsidy related to shipbuilding contracts are recognized when there is reasonable assurance that the subsidy will be received, on the basis of percentage completion of the respective ships, on compliance with the relevant conditions and such subsidies are recognized in the Statement of Profit and Loss and presented under the head revenue from operations.
- iii Government grants in the nature of compensating certain costs are recognised as other income in Statement of Profit and Loss.

IX Foreign Currency Transactions:

- i. Revenue Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.
- ii. Monetary items denominated in foreign currencies at the year end are re-measured at the exchange rate prevailing on the balance sheet date.
- iii. Non monetary foreign currency items are carried at cost.
- iv. Any income or expense on account of exchange difference either on settlement or on restatement is recognised in the Statement of Profit and Loss.

X Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

i Classification

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

ii Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

iii Financial Assets measured at amortised cost:

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The losses arising from impairment are recognised in the Statement of Profit or Loss. This category generally applies to trade and other receivables.

iv Financial Assets measured at fair value through other comprehensive income (FVTOCI):

Financial assets under this category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income.

v Financial Assets measured at fair value through profit or loss (FVTPL):

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

vi Investment in Subsidiary and Associates:

Investment in equity instruments of Subsidiaries and Associates are measured at cost. Provision for Impairment loss on such investment is made only when there is a diminution in value of the investment which is other than temporary.

vii Investment in Equity Instruments:

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding dividends, are recognized in the Other Comprehensive Income. There is no recycling of the amounts from other comprehensive income to profit or loss

Notes to Financial Statements

viii Investment in Debt Instruments:

A debt instrument is measured at amortised cost or at FVTPL. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVTPL. Debt instruments included with in the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

ix Derecognition of Financial Assets

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

x Impairment of Financial Assets

In accordance with Ind-AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the financial assets which are not valued through Profit and Loss.

Financial Liabilities

i Classification

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

ii Initial recognition and measurement

All financial liabilities are recognised initially at fair value, in the case of loans, borrowings and payables, net of directly attributable transaction costs. Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

iii Subsequent measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind-AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

iv Loans and Borrowings

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

v Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

vi Derivative Financial Instrument and Hedge Accounting

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

XI Leases:

i Lease payments

Payments made under operating leases are recognised in Statement of Profit and Loss. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to Financial Statements

ii **Lease assets**

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

XII Employee Benefits:

i **Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. **Defined benefit plans**

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. Net interest expense (income) on the net defined liability (asset) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in Statement of Profit and Loss.

iii. **Other long-term employee benefits**

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurement is recognised in Statement of Profit and Loss in the period in which they arise.

XIII Provision for Current and Deferred Tax:

Income tax expense comprises current and deferred tax. It is recognised in statement of profit and loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i. **Current tax**

Current tax comprises of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of the previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- 1 has a legally enforceable right to set off the recognised amounts; and
- 2 intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ii. **Deferred Tax**

Deferred tax is recognized for the future tax consequences of deductible temporary differences between the carrying values of assets and liabilities and their respective tax bases at the reporting date, using the tax rate and laws that are enacted or substantively enacted as on reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and credits can be utilised. Deferred tax relating to items recognised in other comprehensive income and directly in equity is recognised in correlation to the underlying transaction.

Notes to Financial Statements

Deferred tax assets and liabilities are offset only if:

- 1 entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- 2 deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

XIV Impairment of Assets:

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment and intangible assets with finite lives may be impaired. If any such impairment exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

XV Warranty Provision:

Provision for warranty related costs are recognised after the product is sold or services are rendered to the customer in terms of the contract. Initial recognition is based on the historical experience. The estimates of warranty related costs are revised periodically.

XVI Provision, Contingent Liabilities and Contingent Assets:

A provision is recognized if as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are not recognised but disclosed in the Financial Statements when economic inflow is probable.

XVII Earnings per share

- i Basic earnings per share: Basic earnings per share is calculated by dividing:
 - 1 the profit attributable to owners of the group
 - 2 by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.
- ii Diluted earnings per share: Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
 - 1 the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
 - 2 the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

Notes to Financial Statements

Note - 2

Depreciation of Assets										₹ in Lac
	Owned Assets							Leased Assets	Intangible Assets	Total
	Buildings	Plant and Equipments	Furniture and Fixtures	Office Equipments	Vehicles	Total Owned Assets	Leasehold Land and Development	Computer Softwares*		
A Property, Plant and Equipments										
I Gross Carrying Amount										
As at April 01, 2017	50,209.58	5,14,381.33	883.95	277.98	638.19	5,66,391.03	48,448.78		987.49	6,15,827.30
Additions during the year	-	263.07	6.82	18.51	-	288.40	-		9,742.82	10,031.22
Deductions	-	-	-	2.14	-	2.14	-		-	2.14
As at March 31, 2018	50,209.58	5,14,644.40	890.77	294.35	638.19	5,66,677.29	48,448.78		10,730.31	6,25,856.38
II Accumulated Depreciation and Impairment										
As at April 01, 2017	11,621.76	82,387.43	573.27	236.23	354.03	95,172.72	13,487.32		800.17	1,09,460.21
Additions during the year	1,574.60	16,181.69	101.78	15.63	53.57	17,927.27	1,762.55		116.99	19,806.81
Deductions	-	-	-	0.91	-	0.91	-		-	0.91
As at March 31, 2018	13,196.36	98,569.12	675.05	250.95	407.60	1,13,099.08	15,249.87		917.16	1,29,266.11
III Net Carrying Amount as at 31.03.2018										
	37,013.22	4,16,075.28	215.72	43.40	230.59	4,53,578.21	33,198.91		9,813.15	4,96,590.27
I Gross Carrying Amount										
As at April 01, 2016	50,209.58	5,14,309.11	879.25	261.72	628.92	5,66,288.58	48,448.78		983.29	6,15,720.65
Additions during the year	-	81.54	4.70	17.38	9.27	112.89			4.20	117.09
Deductions	-	9.32	-	1.12	-	10.44				10.44
As at March 31, 2017	50,209.58	5,14,381.33	883.95	277.98	638.19	5,66,391.03	48,448.78		987.49	6,15,827.30
II Accumulated Depreciation and Impairment										
As at April 01, 2016	10,047.16	65,951.83	506.02	209.48	286.35	77,000.84	11,724.80		671.04	89,396.68
Additions during the year	1,574.60	16,436.58	67.25	27.41	67.68	18,173.52	1,762.52		129.13	20,065.17
Deductions	-	0.98	-	0.66	-	1.64	-		-	1.64
As at March 31, 2017	11,621.76	82,387.43	573.27	236.23	354.03	95,172.72	13,487.32		800.17	1,09,460.21
III Net Carrying Amount as at 31.03.2017										
	38,587.82	4,31,993.90	310.68	41.75	284.16	4,71,218.31	34,961.46		187.32	5,06,367.09

* Other than Internally Generated.

B Capital Work in Progress

C Intangible Assets under development

2.1 The Leasehold Land and Development represents the cost incurred for reclaiming, development and strengthening of the Land. Buildings and Plant & equipments are constructed / installed on leasehold land.

2.2 All the fixed assets of the Company are either mortgaged or hypothecated against the secured borrowings of the Company as detailed in note no. 17 and 20 to the financial statements.

2017-2018	2016-2017
4,48,618.26	4,01,457.08
-	9,505.83

Reliance Naval and Engineering Limited

Notes to Financial Statements

2.3 Capital Work in Progress includes:

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
- Assets under construction and installation *	2,45,784.01	2,45,500.08
- Preoperative expenses	2,02,834.25	1,55,957.00

* net of impairment provision of ₹ 20,555.26 lacs (Previous Year: ₹ 20,555.26 lacs)

2.4 Intangible Assets under development includes:

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
- Software development and Licence Fees	-	8,188.25
- Preoperative expenses	-	1,317.58

2.5 Details of Preoperative expenses are as under:

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Opening Balance	1,57,274.58	1,23,445.80
Add:		
Salaries,Wages and Allowances	10.00	130.44
Insurance	105.45	79.55
Right to Recompense	7,989.09	-
Finance Costs		
Interest Expenses	38,711.13	33,618.79
Exchange Differences regarded as an adjustment to borrowing costs	67.07	-
Other Borrowing Costs	4.50	-
	2,04,161.82	1,57,274.58
Less :		
Allocated to Fixed Assets	1,327.57	-
Closing Balance	2,02,834.25	1,57,274.58

2.6 During the year, the Company has capitalised borrowing cost aggregating to ₹ 38,782.70 lacs (Previous year: ₹ 33,618.79 lacs). The average rate used to determine the amount of borrowing cost is 10.95%. Additions during the year in the Computer Software include interest and financial charges of ₹ 719.61 lacs (Previous Year: ₹ NIL).

2.7 In accordance with the Ind-AS 36 on "Impairment of Assets", the Management has during the year carried out an exercise of identifying the assets that would have been impaired in respect of each cash generating unit. On the basis of this review carried out by the Management, there was no impairment loss on Fixed Assets during the year.

Notes to Financial Statements
Note - 3
Investments

Particulars	% of holding	Face Value	Numbers		As at March 31, 2018	As at March 31, 2017
			March 31, 2018	March 31, 2017		
₹ in Lacs						
Long Term Trade Investments (Unquoted and fully paid up)- Financial Assets measured at cost						
In Equity Instruments of Subsidiary Companies						
E Complex Private Limited	100.00%	₹ 10	2,17,09,327	2,17,09,327	1,896.73	1,896.73
Reliance Marine and Offshore Limited	100.00%	₹ 10	50,000	50,000	5.00	5.00
Reliance Lighter than Air Systems Private Limited	100.00%	₹ 10	1,40,000	1,40,000	14.00	14.00
Reliance Engineering and Defence Services Limited	100.00%	₹ 10	50,000	50,000	5.00	5.00
Reliance Technologies and Systems Private Limited	100.00%	₹ 10	10,000	10,000	1.00	1.00
PDOC Pte. Limited (Incorporated and place of business at Singapore)	100.00%	SGD 1	25,000	25,000	11.74	11.74
					1,933.47	1,933.47
In Equity Shares of Associate Company						
Conceptia Software Technologies Private Limited	25.50%	₹ 10	1,12,200	1,12,200	153.48	153.48
					153.48	153.48
In Government and Other Securities						
6 years National Savings Certificate	-	-	-	-	0.05	0.05
(Deposited with Sales Tax Department)					0.05	0.05
Total					2,087.00	2,087.00

3.1 Refer note no. 1(g)(X) for basis of valuation.

3.2 Aggregate amount of Non Current Investments.

Particulars	As at		As at	
	March 31, 2018		March 31, 2017	
	Book Value	Market Value	Book Value	Market Value
Quoted Investments	-	-	-	-
Unquoted Investments	2,087.00	-	2,087.00	-
Total	2,087.00	-	2,087.00	-

3.3 Equity Shares of E Complex Private Limited are pledged with Lenders for loan facilities availed by the Company

Reliance Naval and Engineering Limited

Notes to Financial Statements

Note - 4

Other Financial Assets

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Fixed Deposits with Banks held as Margin Money	1,098.77	1,259.84
Total	1,098.77	1,259.84

Note - 5

Deferred Tax Liabilities/(Assets) (Net)

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Opening Balance	(13,260.09)	5,051.51
Tax Expenses (Income) recognised in: Statement of Profit and Loss		
Difference in Tax Base of Property, plant and equipment	54.55	3,759.09
Disallowance in income tax	1,469.91	(7,341.98)
Depreciation losses	(6,071.84)	(5,886.47)
Business losses	(18,628.00)	(8,810.79)
Fair Valuation of Financials Liability	1,929.91	-
	(21,245.47)	(18,280.15)
Other Comprehensive Income		
Related to Employee benefits	12.63	(31.45)
Closing Balance	(34,492.93)	(13,260.09)

5.1 Reconciliation of tax expenses and the accounting profit multiplied by domestic tax rate:

Since the Company has incurred loss during the year ended March 31, 2018 and previous year, hence no tax is payable for these years as per provisions of Income Tax Act, 1961, the calculation of effective tax rate is not relevant and hence not given.

- 5.2 The Company has recognised deferred tax assets on carry forward business losses as sufficient future taxable income will be available against which deferred tax assets can be realised considering its present order book and anticipated orders and opportunities in the defence sector as convincing evidences.

Note - 6

Other Non Current Assets

(Unsecured and considered good)

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Capital Advances	-	20,578.59
Security Deposits with		
Related Parties (refer note no. 39)	7,370.00	7,370.00
Others	670.87	710.92
MAT credit entitlement	3,338.18	3,338.18
Total	11,379.05	31,997.69

- 6.1 The amount paid as MAT is allowed to be carried forward for being set off against the future tax liabilities computed in accordance with the provisions of the Income Tax Act, 1961 ("the Act"), other than section 115JB, in next fifteen years. Based on the future projection of the performances, the Company is expected to pay the Income Tax as per the applicable provisions, other than under section 115JB, of the Act. Accordingly, as advised in Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India (the ICAI), the excess of tax payable under section 115JB of the Act over tax payable as per the provisions other than section 115JB of the Act has been considered as MAT credit entitlement.

Notes to Financial Statements

Note - 7

Inventories

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Raw Materials	68,608.95	75,317.33
Raw Materials in Transit	-	512.44
Work in Progress	747.84	588.02
Stores and Spares	438.45	1,074.23
Scrap	46.46	46.46
Total	69,841.70	77,538.48

7.1 Refer Note No. 1(g)(VI) for basis of valuation.

7.2 All the Inventories of the Company are either mortgaged or hyphothecated against the secured borrowings of the Company as detailed in note no. 17 and 20 to the financial statements.

Note - 8

Investments (Unquoted)

Particulars	₹ in Lacs			
	As at March 31, 2018		As at March 31, 2017	
	Numbers	Amount	Numbers	Amount
Financial Assets carried at fair value through profit & loss				
In Units of Mutual Funds				
SBI - Magnum Insta Cash Fund - Daily Dividend Option (Face Value NIL; Previous Year ₹ 1,675.02)	-	-	60,899.00	1,020.07
Total		-		1,020.07

8.1 Refer Note No. 1(g)(X) for basis of valuation.

8.2 Aggregate amount of Investments.

Particulars	₹ in Lacs			
	As at March 31, 2018		As at March 31, 2017	
	Book Value	Market Value	Book Value	Market Value
Quoted Investments	-	-	-	-
Unquoted Investments	-	-	1,020.07	-
Total	-	-	1,020.07	-

Note - 9

Trade Receivables (Unsecured)

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Considered Good	1,465.46	345.02
Considered Doubtful	78,813.67	78,813.67
	80,279.13	79,158.69
Less: Provision for Impairment	78,813.67	78,813.67
	1,465.46	345.02
Total	1,465.46	345.02

9.1 Trade receivables are non - interest bearing and receivable in normal operating cycle

Reliance Naval and Engineering Limited

Notes to Financial Statements

Note - 10

Cash and Cash Equivalents

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Balances with Banks in Current Accounts	7,676.35	3,555.12
Cash on hand	1.65	0.96
Total	7,678.00	3,556.08

Note - 11

Other Bank Balances

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Fixed Deposits with Banks held as Margin Money	9,906.26	8,171.15
Total	9,906.26	8,171.15

Note - 12

Current Loans

(Unsecured & considered good)

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Loans to Related Parties	292.66	3,655.04
Total	292.66	3,655.04

12.1 Details of Loans to Subsidiary Companies pursuant to regulation 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

			₹ in Lacs
a)	Company Name	As at March 31, 2018	As at March 31, 2017
	E Complex Private Limited	-	3,082.74
	Reliance Marine and Offshore Limited	258.19	256.84
	Reliance Lighter than Air System Private Limited	3.78	63.18
	Reliance Engineering and Defence Services Limited	4.22	227.59
	Reliance Technologies System Private Limited	0.07	0.05
	Pdoc Pte Ltd	26.40	24.64

All the above Loans are given for meeting working capital requirements of the Subsidiary Companies

- b) Loans to employee and reimbursement of expenses are not considered for this clause.
- c) None of the subsidiary Companies has invested in shares of the Company.

Notes to Financial Statements
Note - 13
**Other Current Financial Assets
(Unsecured & considered good)**

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Interest Receivable	763.11	1,912.04
Other Advances	10,289.30	-
Total	11,052.41	1,912.04

- 13.1 Interest receivable include amount receivables from related parties of ₹ 80.78 lacs (Previous Year ₹ 1,506.83 lacs). Refer note no 39 for details.
- 13.2 Other advances represent amount recoverable from suppliers against cancellation of orders and is net of impairment provision of ₹ 10,289.30 lacs

Note - 14
**Other Current Assets
(Unsecured & considered good)**

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Security Deposits	1,353.97	56.40
Prepaid Expenses	322.73	496.38
Goods and Service Tax / Cenvat / VAT recoverable	6,448.93	2,059.75
Advance against purchase of material / services	12,114.62	21,310.37
Shipbuilding Contracts Receivables	59,159.19	35,586.69
Subsidy / Grants Receivable	2,418.51	3,551.14
Other Advances	3.66	3,817.29
Total	81,821.61	66,878.02

Note - 15
Share Capital

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Authorised		
11,000,000,000 (Previous Year: 11,000,000,000)	11,00,000.00	11,00,000.00
Equity Shares of ₹ 10/- each		
4,000,000,000 (Previous Year: 4,000,000,000)	4,00,000.00	4,00,000.00
Preference Shares of ₹ 10/- each		
	15,00,000.00	15,00,000.00
Issued, Subscribed and fully paid up		
737,591,263 (Previous Year: 736,206,269)	73,759.13	73,620.63
Equity Shares of ₹ 10/- each fully paid up		
Total	73,759.13	73,620.63

Reliance Naval and Engineering Limited

Notes to Financial Statements

15.1 Reconciliation of Equity Shares outstanding at the beginning and at the end of the year:

₹ in Lacs

Particulars	As at March 31, 2018		As at March 31, 2017	
	No of Shares	Amount	No of Shares	Amount
Equity Shares at the beginning of the year	73,62,06,269	73,620.63	73,62,06,269	73,620.63
Add: Issued during the year (refer note 17.1)	13,84,994	138.50	-	-
Equity Shares at the end of the year	73,75,91,263	73,759.13	73,62,06,269	73,620.63

15.2 Shareholders holding more than 5% Shares in the Company:

Shares held by	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	% Holding	No. of Shares	% Holding
Reliance Defence Systems Private Limited	22,01,03,025	29.84%	22,64,53,025	30.76%
Vistra ITCL India Limited	14,51,04,994	19.67%	-	-
Life Insurance Corporation of India	5,84,65,899	7.93%	5,84,65,899	7.94%
IL & FS Marine Infrastructure Company Limited	5,31,10,674	7.20%	5,31,10,674	7.21%
SKIL Infrastructure Limited*	-	-	16,75,36,936	22.76%

* Reduced to less than 5% as at March 31, 2018

15.3 Terms and Rights attached to Equity Shares

The Company has only one class of Equity Share having par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the Company, the equity share holders will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amount. The distribution will be in proportionate to the number of equity shares held by the shareholders.

Note - 16

OTHER EQUITY

₹ in Lacs

Particulars	As at March 31, 2018		As at March 31, 2017	
Capital Reserve				
Opening Balance	6,254.96		6,254.96	
Additions during the year	-		-	
		6,254.96		6,254.96
Securities Premium Account				
Opening Balance	1,49,327.83		1,49,327.83	
Add :- On Issue of Shares	683.50		-	
		1,50,011.33		1,49,327.83
Other Reserve				
Opening Balance	22,791.35		22,791.35	
Additions during the year	-		-	
		22,791.35		22,791.35
Retained Earnings				
Opening Balance	(1,35,013.18)		(82,670.61)	
Add:- Profit(loss) for the year as per profit or loss statement	(95,607.74)		(52,342.57)	
		(2,30,620.92)		(1,35,013.18)
Other Comprehensive Income				
Opening Balance	66.36		136.68	
Add: Movement During the year (net)	28.24		(70.32)	
		94.60		66.36
		(51,468.68)		43,427.32

Notes to Financial Statements

Capital Reserve: This Reserve was created at the time of forfeiture of amounts received against convertible share warrants in the financial year 2011 – 12. It shall be utilised in accordance with the provisions of the Companies Act, 2013 (the Act), however, not available for distribution of dividend.

Securities Premium Account: This Reserve was created when shares were issued at premium. It shall be utilised in accordance with the provisions of the Act.

Other Reserves: Other Reserve was created pursuant to first time adoption of Ind-AS as at April 01, 2015. It shall be utilised in accordance with the provisions of the Act, however, not available for distribution of dividend.

Note - 17

Borrowings

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Preference Shares		
42,245,764 (Previous Year: NIL) 0.10% Compulsorily Redeemable Preference Shares of ₹ 10/- each fully paid up	956.33	-
Secured Loans		
24,231,000 (Previous Year: NIL) Non Convertible Debentures of ₹ 100 each	21,461.82	-
Rupee Term Loans from:		
Banks	41,855.75	4,71,527.03
Financial Institutions	-	65,860.17
Body Corporates	11,239.38	15,101.39
	53,095.13	5,52,488.59
Foreign Currency Term Loans from:		
Financial Institution	21,187.05	21,163.32
Vehicle Loans	52.86	94.44
	95,796.86	5,73,746.35
Total	96,753.19	5,73,746.35

17.1 Compulsorily Redeemable Preference Shares

- The Company has allotted 1,384,994 Equity Shares having face value of ₹ 10 each per share at a premium of ₹ 49.35 per share and 42,245,764 Compulsorily Redeemable Preference Shares (CRPS) having face value of ₹ 10 each per share to one of its lenders against partial conversion of its outstanding debt. The CRPS are redeemable in 65 quarterly structured instalments commencing from March 2019 to March 2035. Annual dividend of 0.10% p.a. will be payable per CRPS on a cumulative basis.
- As at March 31, 2018 all the preference shares are held by HDFC Limited (March 31, 2017: NIL)
- Reconciliation of Preference Shares outstanding at the beginning and at the end of the year

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
	No of Shares	No of Shares
Shares at the beginning of the year	-	-
Add: Shares Issued during the year *	4,22,45,764	-
Shares at the end of the year	4,22,45,764	-

* Accounted on Fair Value.

Notes to Financial Statements

17.2 Non Convertible Debentures (NCD)

In terms of MRA entered with certain lenders of the Company for Debt Restructuring, each of those lenders has a right of recompense as per extent guideline of CDR for reliefs and sacrifice extended by them. During the year the Company has paid one time cost towards right of recompense payable through issuance of Non Convertible Debentures. Accordingly ₹ 16,239.65 lacs was charged to Statement of Profit or Loss and shown as "Exceptional Items" for the year and ₹ 7,989.09 lacs has been capitalised as borrowing cost. Other terms and conditions are given below:

- i) These NCDs having coupon rate of 9.50% and Face value of ₹ 100 each are repayable in 49 quarterly structured instalments commencing from March 2019 and ending on March 2031.
- ii) The NCDs are to be secured by way of first pari passu charge and mortgage on all the immovable properties; hypothecation of all movable properties of the Company and on all the intangible assets of the Company; both present and future, second pari-passu charge on all current assets and first pari passu charge by way of mortgage over leasehold rights on 124.1199 hectares of land belonging to E Complex Private Limited.
- iii) The Company was required to provide Debenture Redemption Reserve (DRR) of ₹ 363.85 lacs upto March 31, 2018 (Previous Year: NIL) in terms of the Trust Deed executed and the provisions of the Companies Act 2013. In the absence of profits available, no provision for DRR is made in the books of account as at March 31, 2018. The requisite provisions will be made out of the profits available in the future years.

17.3 The Company had availed various secured financial facilities from the banks and financial institutions ("The Lenders"). The Lenders led by IDBI Bank had, through Joint Lenders' Forum (JLF), referred the Debt Restructuring Scheme ('Restructuring Scheme') of the Company to Corporate Debt Restructuring Cell ("CDR Cell"). The Company and the Lenders who are members of the CDR forum ('CDR Lenders') have executed Master Restructuring Agreement ('MRA') dated March 30, 2015, by virtue of which the credit facilities extended by the CDR Lenders stand restructured and these restructured facilities are governed by the provisions stipulated in the MRA.

17.4 Secured Term loans as referred to above and ₹ 522,518.30 lacs being part of current maturities of long term debt in note no. 22 are secured as under:

- i) first pari passu charge and mortgage on all the immovable properties; hypothecation of all movable properties of the Company and on all the intangible assets of the Company; both present and future.
- ii) Corporate Guarantee of SKIL Infrastructure Limited and personal guarantee of some of the erstwhile directors of the Company.

17.5 During the year 11,64,05,500 equity shares of the Company held by SKIL Infrastructure Limited (SKIL); 2,23,49,494 equity shares of the Company held by Grevek Investments and Finance Pvt Ltd (Grevek) and 1 equity share of the Company held by SKIL Shipyard Holdings Private Limited (SSHPL), which were pledged as security to the CDR lenders have been invoked by the lenders. Pending adjustment of value of above shares by the lenders against the amount borrowed by the Company, no accounting effect has been given in the Financial Statements as at March 31, 2018.

17.6 Secured Term loans of ₹ 587,867.28 lacs are further secured as:

- i) first pari passu charge by way of mortgage over leasehold rights on 124.1199 hectares of land belonging to E Complex Private Limited and on sub-leasehold rights on 10.5 hectares of land belonging to Gujarat Maritime Board and second pari passu charge by way of hypothecation of all the current assets (including all receivables and inventories), both present and future.
- ii) right to convert entire part of defaulted principal and interest into Equity Shares upon occurrence of events of default in the manner provided in the MRA.
- iii) by way of Pledge of entire shareholding i.e. 2,17,09,327 Equity Shares of E Complex Private Limited held by the Company.

17.7 Repayment Terms

- (i) Secured Rupee Term Loan of ₹ 510,937.89 lacs are repayable in 28 quarterly structured instalments starting from September 30, 2017 to June 30, 2024, ₹ 26,685.75 lacs are repayable in 24 quarterly structured instalments starting from June 30, 2019 to March 31, 2025, ₹ 17,760.00 lacs in 28 quarterly structured instalments starting from September 30, 2017 to June 30, 2024, ₹ 8,403 lacs in 40 quarterly structured instalments starting from August 31, 2005 to February 28, 2017, ₹ 11,253.24 lacs in 61 quarterly structured instalments starting from March 31, 2019 to March 31, 2034 and ₹ 530.19 lacs on May 25, 2017 by way of bullet repayment.
- (ii) Secured Foreign Currency Term Loan as referred above carry an interest rate of 2.78% and repayable in 41 quarterly structured instalments starting from March 31, 2019 to March 31, 2029.

17.8 Vehicle Loans referred to above including ₹ 42.70 lacs being part of current maturities of long term debts in note no. 22 are secured by the Hypothecation of the specific vehicles financed. The loans are repayable in monthly equated instalments (including interest) as per repayment schedule starting from July 01, 2012 to March 15, 2021.

Notes to Financial Statements

17.9 During the year the lenders have recalled all the loans and have invoked 14.51 Crores equity shares of the Company pledged with lenders and guarantees available with them. As at March 31, 2018, the Company has overdue of ₹ 5,21,971.68 lacs included in current maturities of long term debts in note no 22 (Previous Year: ₹ 8,403.00 lacs) and ₹ 34,429.40 lacs included in interest accrued and due in note no 22(Previous Year: ₹ 11,060.24 lacs) towards the principal and interest respectively as detailed below:

₹ in Lacs

S. no	Name of Lender	Amount of Default	Period of Default
01	Bank of India	13,578.24	Less than 90 Days
02	Bank of Maharashtra	8,306.22	Less than 90 Days
03	Central Bank	50,210.05	Less than 90 Days
04	Corporation Bank	24,271.95	Less than 90 Days
05	Dena Bank	5,923.29	Less than 90 Days
06	EXIM	42,658.63	Less than 90 Days
07	HUDCO	15,839.21	More than 90 Days
08	IDBI Bank	80,181.20	Less than 90 Days
09	IFCI Ltd	20,253.30	Less than 90 Days
10	IIFC UK	345.56	Less than 90 Days
11	IL & FS	666.97	More than 90 Days
12	Jammu & Kashmir Bank	24,225.76	Less than 90 Days
13	Karnataka Bank	3,241.98	Less than 90 Days
14	Karur Vyasa Bank	3,363.01	Less than 90 Days
15	Life Insurance Corporation	8,531.44	Less than 90 Days
16	Oriental Bank of Commerce	12,400.25	Less than 90 Days
17	Punjab & Sind Bank	2,206.99	Less than 90 Days
18	Punjab National Bank	33,546.32	Less than 90 Days
19	State Bank of India	66,653.77	Less than 90 Days
20	UCO Bank	18,589.07	Less than 90 Days
21	Union Bank Of India	97,719.52	Less than 90 Days
22	United Bank of India	15,061.33	Less than 90 Days
23	Vijaya Bank	7,513.91	Less than 90 Days
24	Yes Bank	778.23	Less than 90 Days
25	Non Convertible Debentures (NCD)	334.89	Less than 90 Days

Note - 18
Provisions

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits (refer note no 29.1)	241.24	326.20
Total	241.24	326.20

Note - 19
Other Non Current Liabilities

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Deposits	-	5.50
Advances from Customers	5,624.21	-
Total	5,624.21	5.50

Reliance Naval and Engineering Limited

Notes to Financial Statements

Note - 20

Short Term Borrowings

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Secured Loans		
Working Capital Loan		
Cash Credit Facilities from Banks	1,23,259.38	1,08,286.43
Unsecured Loans from:		
Banks	19,804.97	31,560.29
Related Parties (refer note no 39)	1,75,294.76	94,263.79
Body Corporates	50,130.42	25,876.40
	2,45,230.15	1,51,700.48
Total	3,68,489.53	2,59,986.91

20.1 The above working capital loans from banks are secured by way of:

- First pari passu charge by way of hypothecation of all the current assets (including all receivables and inventories); both present and future.
- Second pari passu charge by way of mortgage over leasehold rights on 124.1199 hectares of land belonging to E Complex Private Limited and on sub-leasehold rights on 10.5 hectares of land belonging to Gujarat Maritime Board.
- Second pari passu charge and mortgage on all the immovable properties and hypothecation of all movable properties of the Company; both present and future.

20.2 The above working capital loans from banks are further secured by :

- Corporate Guarantee of SKIL Infrastructure Limited and personal guarantee of some of the erstwhile directors of the Company.
- Pledge of entire shareholding i.e. 2,17,09,327 equity shares of E Complex Private Limited held by the Company.

20.3 During the year the lenders bank have recalled all the loans and have invoked 14.51 Crores equity shares of the Company pledged with lenders and guarantees available with them. As at March 31, 2018, the Company has overdue of ₹ 143,064.35 lacs (Previous Year: ₹ NIL) as detailed below:

Sr. no	Name of Lender	Amount of Default	Period of Default
01	Bank of India	13,071.84	Less than 90 Days
02	Central Bank	3,293.56	Less than 90 Days
03	Dena Bank	19,097.94	Less than 90 Days
04	EXIM	3,005.70	Less than 90 Days
05	IDBI Bank	9,782.20	Less than 90 Days
06	Oriental Bank of Commerce	11,669.39	Less than 90 Days
07	Punjab & Sind Bank	4,478.77	Less than 90 Days
08	Punjab National Bank	7,323.71	Less than 90 Days
09	State Bank of India	20,381.45	Less than 90 Days
10	UCO Bank	15,144.36	Less than 90 Days
11	Union Bank Of India	11,593.30	Less than 90 Days
12	United Bank of India	15,325.71	Less than 90 Days
13	Vijaya Bank	8,896.42	Less than 90 Days

Notes to Financial Statements

Note - 21

Trade Payables

	₹ in Lacs	
Particulars	As at March 31, 2018	As at March 31, 2017
Micro and Small Enterprises	265.52	284.79
Others	28,514.92	26,510.16
Total	28,780.44	26,794.95

21.1 Micro and Small Enterprises under the Micro and Small Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

	₹ in Lacs	
Particulars	As at March 31, 2018	As at March 31, 2017
Principal amount remaining unpaid	265.52	284.79
Interest due thereon	475.18	340.71
Interest paid by the Company in terms of Section 16	-	-
Interest due and payable for the period of delay in payment	-	-
Interest accrued and remaining unpaid	475.18	340.71
Interest remaining due and payable even in succeeding years	475.18	340.71

21.2 All trade payables are non interest bearing and payable or settled with in normal operating cycle of the Company.

Note - 22

Other Current Financial Liabilities

	₹ in Lacs	
Particulars	As at March 31, 2018	As at March 31, 2017
Current Maturities of Long Term Debts	5,22,589.45	41,586.12
Creditors for Capital Goods	3,909.28	4,354.36
Statutory Dues	3,062.47	2,077.23
Interest accrued and due on borrowings	34,429.40	11,060.24
Interest accrued but not due on borrowings	30,975.56	15,641.54
Other Payables *	4,982.63	3,268.29
Total	5,99,948.79	77,987.78

* Includes mainly amount payables to employees and provision for expenses.

Note - 23

Other Current Liabilities

	₹ in Lacs	
Particulars	As at March 31, 2018	As at March 31, 2017
Advances from Customers	8,591.54	7,849.50
Total	8,591.54	7,849.50

Note - 24

Current Provisions

	₹ in Lacs	
Particulars	As at March 31, 2018	As at March 31, 2017
For Employee Benefits (refer note no 29.1)	105.85	131.38
Other Provisions (refer note no 24.1)	46,848.79	67,316.92
Total	46,954.64	67,448.30

Reliance Naval and Engineering Limited

Notes to Financial Statements

24.1 The Company has recognised liabilities based on substantial degree of estimation for provision for liquidated damages, warranty claims, estimated cost over contract revenue on shipbuilding contracts and costs estimated for revenue recognised as detailed below. Actual outflow is expected in the subsequent financial years.

₹ in Lacs				
Particulars	Provision for Liquidated Damages	Provision for Warranty claims	Provision for estimated cost over contract revenue	Provision for cost estimated for revenue recognised
Balance as at March 31, 2017	-	71.00	4,570.26	62,675.66
Add: Provision made for the year ended March 31, 2018.	8,494.20	168.42	363.63	25,754.32
Less: Amount Incurred and charged against the opening balance	-	71.00	4,570.26	50,607.44
Balance as at March 31, 2018	8,494.20	168.42	363.63	37,822.54

Notes - 25

Revenue from Operations

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Ship Building	27,162.72	36,788.85
Repairs and Fabrication	5,725.31	14,658.94
Export Benefits	309.24	-
Other Operating Revenue		
Sale of Scraps	319.83	498.67
	33,517.10	51,946.46
Total	33,517.10	51,946.46

Notes - 26

Other Income

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest Income	940.43	1,438.60
Government Grants	-	1,398.31
Dividend on Current Investments	6.50	30.01
Foreign Exchange Differences (net)	-	1,425.56
Sundry Balances Written Back (net)	587.30	-
Miscellaneous Income	20.73	175.50
Fair Value Impact on Financial Liability	6,312.19	-
Total	7,867.15	4,467.98

Notes - 27

Cost of Materials Consumed

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Steel Plates and Profiles	1,883.43	1,568.18
Equipment and Components	32,744.66	21,585.20
Total	34,628.09	23,153.38

Notes to Financial Statements

Notes - 28

Changes in Inventories of Work - in - Progress and Scrap

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
At the end of the year		
Scrap	46.46	46.46
Work in progress	747.84	588.02
	794.30	634.48
Less :- At the beginning of the year		
Scrap	46.46	36.83
Work in progress	588.02	4,304.31
	634.48	4,341.14
Changes in Inventories	(159.82)	3,706.66

Notes - 29

Employee Benefits Expenses

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, Wages and Allowances	3,193.02	3,545.11
Contribution to Provident and Other Funds	137.59	162.34
Staff Welfare Expenses	46.05	93.71
	3,376.66	3,801.16

29.1 Employee Benefits

As per Ind AS-19 "Employee Benefits", the disclosure of employee benefits as defined in the accounting standards are given below:

Defined Contribution Plan

₹ in Lacs		
Particulars	2017 - 2018	2016 - 2017
Employers Contribution to Provident Fund	91.77	107.87
Employers Contribution to Pension Fund	45.82	54.47
Total	137.59	162.34

Defined Benefit Plan

The Employees Gratuity Fund Scheme, which is a defined benefit plan, is managed by a trust maintained with Life Insurance Corporation of India (LIC). The Company has made contribution to the above mentioned trust upto the financial year ended March 31, 2009 and thereafter no contributions have been made. The Employees Leave Encashment Scheme which is a defined benefit plan is unfunded.

The present value of the obligation is determined based on actuarial valuation using Projected Units Credit Method, which recognizes each period of service as giving rise to additional units of employees benefit entitlement and measures each unit separately to buildup the final obligation.

Reliance Naval and Engineering Limited

Notes to Financial Statements

a) Gratuity (Funded)

i) Reconciliation of opening and closing balances of the present value of the defined gratuity benefit obligation.

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Defined Benefit Obligation at beginning of the year	278.49	247.13
Current Service Cost	46.37	61.13
Past Service Cost	12.04	-
Current Interest Cost	18.17	13.26
Actuarial (Gain) / Loss	(37.24)	56.19
Benefits paid	(81.98)	(99.22)
Defined Benefit Obligation at end of the year	235.85	278.49

ii) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets.

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Fair Value of Plan Assets at the beginning of the year	80.50	63.70
Expected Return on Plan Assets	5.83	5.05
Actuarial Gain / (Loss)	(0.20)	11.75
Fair Value of the Assets at the end of the year	86.13	80.50

iii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Fair Value of Plan Assets at the end of the year	86.13	80.50
Present Value of Defined Benefit Obligation at end of the year	235.85	278.49
Liabilities / (Assets) recognised in the Balance Sheet	149.72	197.99

iv) Expenses recognised during the year

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Current Service Cost	46.37	61.13
Past Service Cost	12.04	-
Interest Cost	18.17	13.26
Expected Return on Plan Assets	(5.83)	(5.05)
Net Cost Recognised in profit or loss	70.75	69.34
Actuarial (Gain) / Loss recognised in other comprehensive income	(37.05)	44.44

v) Assumptions used to determine the defined benefit obligations

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Mortality Table (LIC)	(2006 - 08 ultimate)	
Discount Rate (p.a.)	7.65%	6.71%
Estimated Rate of Return on Plan Asset	7.00%	7.00%
Expected Rate of increase in Salary (p.a.)	7.00%	7.00%

The estimates of rate of increase in salary are considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage and amount for each category of the fair value of plan assets has not been disclosed.

Notes to Financial Statements

vi) **Sensitivity Analysis:**

Particulars	Changes in assumptions		Effect on Gratuity Obligation Increase/(Decrease)	
	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017
Discount Rate	0.50%	0.50%	15.42	20.75
Salary Growth Rate	0.50%	0.50%	16.85	19.89
Estimated Rate of Return on Plan Asset	0.50%	0.50%	16.85	19.89

The above sensitivity analysis is based on an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined obligation has been calculated using the projected unit credit method at the end of reporting period, which is the same as that applied in calculating the defined obligation liability recognized in the Balance Sheet.

vii) **Risk Exposure :**

- Investment Risk: The Present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of reporting period on government bonds
- Interest Risk: A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan debt investment.
- Liquidity Risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability
- Salary Risk: The present value of the defined plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

viii) **Details of Asset-Liability Matching Strategy :-** Gratuity benefits liabilities of the company are funded. There are no minimum funding requirements for a Gratuity benefits plan in India and there is no compulsion on the part of the Company to fully or partially pre-fund the liabilities under the Plan. The trustees of the plan have outsourced the investment management of the fund to an insurance company. The insurance company in turn manages these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations. Due to the restrictions in the type of investments that can be held by the fund, it may not be possible to explicitly follow an asset-liability matching strategy to manage risk actively in a conventional fund.

ix) **The expected payments towards to the gratuity in future years :**

Particulars	₹ in Lacs	
	2017-18	2016-17
0 to 1 Year	45.54	40.67
2 - 5 Years	96.96	106.06
More than 5 Years	83.23	91.92

The average duration of the defined benefit plan obligation at the end of reporting period is 8 years (Previous Year: 9 years).

b) **Leave Encashment (Unfunded)**

i) **Reconciliation of opening and closing balances of the present value of the defined leave encashment benefit obligation.**

Particulars	₹ in Lacs	
	2017 - 2018	2016 - 2017
Defined Benefit Obligation at beginning of the year	259.60	272.02
Current & Past Service Cost	22.97	30.20
Current Interest Cost	16.13	14.42
Actuarial (Gain) / Loss	(3.83)	57.34
Benefits paid	(97.53)	(114.38)
Defined Benefit Obligation at end of the year	197.34	259.60

Reliance Naval and Engineering Limited

Notes to Financial Statements

ii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

₹ in Lacs

Particulars	2017 - 2018	2016 - 2017
Fair Value of Plan Assets at the end of the year	-	-
Present Value of Defined Benefit Obligation at end of the year	197.34	259.60
Liabilities / (Assets) recognised in the Balance Sheet	197.34	259.60

iii) Expenses recognised during the year

₹ in Lacs

Particulars	2017 - 2018	2016 - 2017
Current & Past Service Cost	22.97	30.20
Interest Cost	16.13	14.42
Net Cost Recognised in statement of profit or loss	39.10	44.62
Actuarial (Gain) / Loss recognised in other comprehensive income	(3.83)	57.34

iv) Assumptions used to determine the defined benefit obligations

Particulars	2017 - 2018	2016 - 2017
Mortality Table	(2006 - 08 ultimate)	
Discount Rate (p.a.)	7.65%	6.71%
Estimated Rate of Return on Plan Asset	N/A	N/A
Expected Rate of increase in Salary (p.a.)	7.00%	7.00%

The estimates of rate of increase in salary are considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

Notes - 30

Finance Costs

₹ in Lacs

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest Expenses	65,753.81	50,992.28
Other Borrowing Costs (Bill Discounting Charges, Guarantee Commission, etc.)	3,985.38	6,271.47
Total	69,739.19	57,263.75

Notes to Financial Statements
Notes – 31
Other Expenses

₹ in Lacs

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Consumables, Stores and Spares	2,820.08	1,296.41
Power, Fuel and Water	1,410.28	1,630.17
Repairs and Maintenance	1,136.83	819.00
Labour/Fabrication and Subcontractor Charges	10,016.70	7,540.15
Equipment Hire Charges	1,090.49	1,444.87
Rent	803.93	966.04
Testing and Inspection Charges	383.89	631.64
Infrastructure Facility Charges	1,738.92	1,709.56
Excise Duty Expenses	7.91	71.14
Design, Drawing and Construction Support Fees	471.92	1,194.84
Insurance	1,353.18	1,267.40
Cost Estimated for Revenue Recognised	(24,853.12)	(3,486.85)
Provision for Estimated Cost Over Contract Revenue	(4,206.72)	825.34
Rates and Taxes	216.92	111.24
Communication Expenses	48.89	95.94
Travelling, Conveyance and Vehicle Hire Charges	744.09	736.79
Legal and Professional Charges	1,126.51	953.96
Foreign Exchange Difference (net)	478.91	-
Payment to Auditors	76.10	58.50
Advertising, Publicity and Selling Expenses	68.54	57.85
Business Promotion Expenses	33.31	134.21
Balances Written off/back (net)	-	250.42
Provision for Liquidated Damages	8,494.21	-
Brokerage and Commission	206.31	227.61
Provision for impairment of current assets	10,289.30	-
Loss on Sale of Plant, property and equipments (net)	1.05	0.01
Warranty Claims	221.35	-
Miscellaneous Expenses	427.10	510.80
Total	14,606.88	19,047.04

31.1 Payment to Auditors includes:

₹ in Lacs

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Audit Fees	50.00	55.00
Certification Charges	1.10	3.50
Other Matters	25.00	-
Total	76.10	58.50

Reliance Naval and Engineering Limited

Notes to Financial Statements

Notes - 32

Earnings Per Share (Basic and Diluted)

Particulars	2017 - 2018	2016 - 2017
Loss attributable to the Equity Shareholders	(95,607.74)	(52,342.57)
Amount available for calculation of Basic and Diluted EPS (a)	(95,607.74)	(52,342.57)
Weighted Average No. of Equity Shares outstanding for Basic and Diluted EPS (b)	73,74,50,866	73,62,06,269
Basic and Diluted Earnings per share of ₹ 10/- each (in ₹) (a) / (b)	(12.96)	(7.11)

Note - 33

Contingent Liabilities and Commitments

33.1 Contingent Liabilities

(No Cash Outflow is expected except as stated otherwise and not likely to have any material impact on financial position of the Company)

		₹ in Lacs	
Sr. No.	Particulars	2017 - 2018	2016 - 2017
a)	Guarantees given by Company's Bankers		
i)	Refund Bank Guarantees given to customers (net of liabilities accounted for)	1,50,382.72	1,55,495.05
ii)	Other Bank Guarantees (Bank Guarantees are provided under contractual/ legal obligations.)	38,763.63	46,330.79
b)	Corporate Guarantee (Given to Banks, Financial Institutions and Body Corporates for credit facilities taken by subsidiary companies to the extent such facilities outstanding)	38,487.19	32,230.42
c)	Demands not acknowledged as Debts (net)		
i)	Income Tax Majorly the tax demand due to disallowances by the Income tax department and Interest	104.27	3,398.01
ii)	Service Tax, Excise Duty and Sales Tax Includes the demand notices received for wrong availment of Cenvat credit mainly on input goods and services in connection to construction of dry dock. The Company has obtained the favourable order of CESTAT in some cases but the department has gone in to the appeal. Further certain amount has been disallowed by the department against the Company's refund claim for service tax paid and Company has challenged the same into appeal for claiming the refund. Such cases also have been considered as part of contingent liability. The amount considered for contingent liability is aggregate of the amount payable as per the demand notices received less the amount already provided for in the books.	3,863.84	548.57
iii)	Third Party Claims The suppliers in certain cases have claimed the amount from the Company, which is under dispute. These includes the cases pending at various forums including international/domestic arbitration. Each of the cases have been reviewed and wherever required suitable provisions are made in the books of account and difference between amount demanded and amount provided in the books have been disclosed as contingent liability.	11,137.43	19,079.34
d)	Letters of Credit opened in favour of suppliers (Cash Outflow is expected on receipt of materials from suppliers)	7,333.62	6,923.82

Notes to Financial Statements

33.2 Commitments

		₹ in Lacs	
Sr. No.	Particulars	2017 - 2018	2016 - 2017
a)	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net of Advances). (Cash flow is expected on execution of such Capital Contracts on progressive basis)	-	62,245.06
b)	Other Commitments (for investment in the Associates and Joint Venture)	802.24	802.24

33.3 The Company had issued a corporate guarantee for loan availed by Reliance Marine and Offshore Limited ("RMOL"), a wholly owned subsidiary from IFCI Limited ("IFCI"). During the year, IFCI has issued a loan recall notice and subsequently applied for the insolvency petition under the Insolvency and Bankruptcy Code 2016 due to continued default in repayment of principal and interest against RMOL and the Company. In response to the recall notice, the company and RMOL has requested to the lender to liquidate the securities available with them and has offered to settle the balance amount through promoters' support. The petition filed by the lender is not yet admitted by the NCLT. Accordingly, no provision against the above corporate guarantee is considered necessary at this stage.

Note - 34

The Company has issued a Bond cum legal undertaking for Rs. 64,400 lacs (Previous Year: Rs. 64,400 lacs) in favour of President of India acting through Development Commissioner of Kandla Special Economic Zone for setting up a SEZ unit for availing exemption from payment of duties, taxes or cess or drawback and concession etc, a General Bond in favour of the President of India for a sum of Rs. 15,300 lacs (Previous Year : Rs. 15,300 lacs) as Security for compliance of applicable provisions of the Customs Act, 1962 and the Excise Act, 1944 for EOU unit, a bond cum legal undertaking for Rs. 1,350.00 lacs (Previous Year: 1,350.00 lacs) in favour of President of India acting through D.R.I. Ahmedabad, Zonal Unit as security of compliance under Central Excise Act, 1944.

Note - 35

The Company has received Twenty Three show cause notices in its 100% EOU unit from the Office of the Commissioner of Central Excise, Bhavnagar and Directorate of Revenue Intelligence which mainly relates alleged wrong availment of Cenvat/Customs Duty/Service Tax Credit on inputs/services used for Construction of Dry Dock and Goliath Cranes and non-submission of original evidences/documents and some procedural non-compliances. The Company does not foresee any losses on this account.

Note - 36

Going Concern

The Company primarily is in the business of Ship Building and Ship Construction having state of the art infrastructure facilities including Dry Dock complex, Goliath Cranes, Fabrication facilities, Blasting and Painting Cell, etc, and is capable of undertaking complex and large size/volume of fabrication for varied industries.

The overall infrastructure facility required currently available with the company are nearly new and have long useful life. For last few years there is a downtrend in the shipbuilding industry globally. In defence sector also the process of awarding contract has been deferred in respect of many large orders for variety of reasons.

All these have resulted in temporary financial constraints on the Company, losses in the operations, erosion of net worth and calling back of loans by the secured lenders. Therefore Company has approached its lenders for an appropriate Resolution Plan with the objective to make the operations of the Company viable and sustainable. The Company is engaged with the Lenders for Resolution Plan.

Considering the strength of the Company's world class infrastructure, business plans and future outlook as assessed, the management is quite confident to reach at some workable solution to resolve financial position of the Company and to continue as a going concern. The company is participating in several business opportunities both in & outside India, and hopeful to get business in the coming years. Further, the promoters of the Company have supported the Company since management take over by them in January 2016 and will continue to do so in future in their capacity as promoters.

Pending such resolution and on considering the facts given in above paras:

- Accounts have been prepared on going concern basis;
- The company continued to account for deferred tax assets on losses, which will be available for set off against future profits in view of the anticipated orders and opportunities in the defence and non-defence sector and expected resolution with the secured Lenders and improved availability of working capital; and
- No provision for impairment of Non-current assets have been considered necessary.

Notes to Financial Statements

Note – 37

Fair Value Measurements

The fair value of the financial assets and liabilities are included at the amount that would be received on sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribable under the accounting standard. An explanation of each level follows underneath the table.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price and financial instruments like Mutual Funds for which NAV is published by the Mutual Fund Operator. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period and Mutual Fund are valued using the Closing NAV.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value and instruments are observable, the instrument is included in level 2. Instruments in the level 2 category for the company include forward exchange contract derivatives

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in this level. Instruments in level 3 category for the Company include unquoted equity shares and FCCDs, unquoted units of mutual funds and unquoted units of venture capital funds.

Financial Assets

Financial Assets which have been measured at fair value

Particulars	As at March 31, 2018			As at March 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments in Units of Mutual Funds	-		-	1,020.07	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,020.07</u>	<u>-</u>	<u>-</u>

The carrying amount of all other Financial Assets is reasonably approximate to its fair value.

Financial Liabilities

The Preference shares are classified as a financial Liability. The Liability in case of Preference Shares and Non Convertible Debentures are initially recognised on fair value and the difference between fair value and transaction price is considered as Other Income. Subsequently the liability is measured at amortised cost using the effective interest rate. The impact on this account has been recognised as other income on the transaction date and subsequent impact are recognised as finance cost in the Statement of Profit and Loss.

The carrying amount of all other Financial Liabilities is reasonably approximate to its fair value. The fair values disclosed above are based on discounted cash flows using current borrowing rate. These are classified at level 2 fair values in the fair value hierarchy due to the use of observable inputs.

During the years mentioned above, there have been no transfers amongst the levels of the hierarchy.

Valuation process

The Company evaluates the fair value of the financial assets and financial liabilities on periodic basis using the best and most relevant data available. Also the Company internally evaluates the valuation process periodically.

Notes to Financial Statements

Note - 38

Segment Reporting

Segment information as per Ind AS - 108 on Operating Segment :

Information provided in respect of revenue items for the year ended March 31, 2018 and in respect of assets/liabilities as at March 31, 2018.

- I The risk - return profile of the Company's business is determined predominantly by the nature of its products. The Company is engaged in the business of Shipbuilding, Repair and Fabrication. Further based on the organisational structure, internal management reporting system, nature of production process and infrastructure facilities used, there are no separate reportable segments.

II Information about Secondary Segment :

Geographical Segment :

		₹ in Lacs
Particulars	2017 - 2018	2016 - 2017
Revenue by Geographical Segment		
Within India	32,990.05	50,220.51
Outside India	527.05	1,725.95
Total Revenue	33,517.10	51,946.46
Carrying Amount of Segment Assets		
Within India	11,60,926.12	10,91,300.11
Outside India	16,747.91	39,893.33
Total Assets	11,77,674.03	11,31,193.44
Capital Expenditure		
Within India	47,686.57	36,104.40
Outside India	-	-

III Revenue from Major Customers :

Revenue from operations include ₹ 27,441.79 lacs (Previous Year: ₹ 49,545.55 lacs) from one customer (Previous Year: three customers) having more than 10% of the total revenue

Note - 39

Related Party Disclosures

a) List of Related parties

1 Subsidiary Companies

E Complex Private Limited
Reliance Marine and Offshore Limited
Reliance Lighter Than Air Systems Private Limited
Reliance Technologies and Systems Private Limited
Reliance Engineering and Defence Services Limited
PDOC Pte. Ltd.

2 Associates

Reliance Defence Systems Private Limited
Reliance Defence Limited
Reliance Infrastructure Limited
SKIL Infrastructure Limited (up to March 16, 2018)
Conceptia Software Technologies Private Limited

3 Key Managerial Personnel

Cmde. K. Subramaniam, NM (Retd.) (upto 31.03.2018)
Mr. Madan Pendse (upto 01.08.2017)
Mr. Nikhil Jain (w.e.f.: 02.08.2017)
Mr. Ajit Dabholakar (upto 31.03.2018)

Reliance Naval and Engineering Limited

Notes to Financial Statements

b) Terms and Conditions of transactions with related parties

The Transactions with related parties are at arm's length price and in the ordinary course of business. Outstanding balances at the year-end are unsecured and interest have been accounted on market rate except the advances, which is merely reimbursement of expenses. This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related party operates.

c) 1 Transactions with related parties for the year ended March 31, 2018 (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Subsidiary Company						Total
	Reliance Lighter than Air Systems Private Ltd	Reliance Engineering and Defence Services Ltd	PDOC Pte. Ltd.	E-Complex Pvt. Ltd.	Reliance Technologies & Systems Pvt Ltd	Reliance Marine and Offshore Ltd	
Lease Rent	-	-	-	362.32	-	-	362.32
	(-)	(-)	(-)	(360.50)	(-)	(-)	(360.50)
Infrastructure Facility Charges	-	-	-	1,090.00	-	-	1,090.00
	(-)	(-)	(-)	(1,090.00)	(-)	(-)	(1,090.00)
Construction Support Service	-	-	-	-	-	-	-
	(-)	(-)	(-)	(417.39)	(-)	(-)	(417.39)
Interest Expenses	-	-	-	177.08	-	-	177.08
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Interest Income	4.57	15.94	3.01	-	0.01	30.87	54.40
	(5.96)	(26.93)	(0.75)	(547.08)	(0.01)	(20.99)	(601.72)
Expenses reimbursed to	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(0.05)	(-)	(0.05)
Security Deposits - Non Current	-	-	-	7,370.00	-	-	7,370.00
	(-)	(-)	(-)	(7,370.00)	(-)	(-)	(7,370.00)
Loans and Advances							
Balance as at April 1, 2017	63.18	227.59	24.64	3,082.74	0.05	256.84	3,655.04
	(70.08)	(131.33)	(5.69)	(5,055.76)	(-)	(84.03)	(5,346.89)
Given During the year	-	-	1.76	-	0.02	1.35	3.13
	-	(96.26)	(18.95)	(-)	(0.05)	(172.81)	(288.07)
Received During the year	59.40	223.37	-	3,082.74	-	-	3,365.51
	(6.90)	(-)	(-)	(1,973.02)	(-)	(-)	(1,979.92)
Balance as at March 31, 2018	3.78	4.22	26.40	-	0.07	258.19	292.66
	(63.18)	(227.59)	(24.64)	(3,082.74)	(0.05)	(256.84)	(3,655.04)
Interest Receivable							
Balance as at March 31, 2018	17.60	0.27	3.76	-	0.02	59.13	80.78
	(13.02)	(24.33)	(0.75)	(1,440.45)	(0.01)	(28.27)	(1,506.83)
Borrowings							
Balance as at April 1, 2017	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Received During the year	-	-	-	2,716.08	-	-	2,716.08
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Repaid During the year	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Balance as at March 31, 2018	-	-	-	2,716.08	-	-	2,716.08
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Interest Payable							
Balance as at March 31, 2018	-	-	-	159.37	-	-	159.37
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Corporate Guarantee							
Balance as at March 31, 2018	-	10,322.90	-	11,989.70	-	16,174.59	38,487.19
	(-)	(8,428.13)	(-)	(9,885.31)	(-)	(13,916.98)	(32,230.42)
Non Current Investment							
Balance as at March 31, 2018	14.00	5.00	11.74	1,896.73	1.00	5.00	1,933.47
	(14.00)	(5.00)	(11.74)	(1,896.73)	(1.00)	(5.00)	(1,933.47)

Figures in brackets represents previous year's amounts.

Notes to Financial Statements

2 Transactions with related parties for the year ended March 31, 2018 (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Associates			Total
	Conceptia Software Technologies Pvt Ltd	Reliance Infrastructure Limited	Reliance Defence Systems Private Limited	
Engineering and Design Fees	47.16 (45.39)	- (-)	- (-)	47.16 (45.39)
Rent	- (-)	213.95 (301.84)	- (-)	213.95 (301.84)
Hiring Charges	- (-)	- (139.07)	- (-)	- (139.07)
Expenses reimbursed to	- (-)	- (3.88)	- (-)	- (3.88)
Interest Expenses on ICD	- (-)	15,069.67 (8,033.51)	143.60 (54.23)	15,213.27 (8,087.74)
Trade Payables	77.04 (36.02)	363.57 (136.54)	- (-)	440.61 (172.56)
Interest Accrued but not due	- (-)	20,892.00 (6,525.93)	178.05 (48.81)	21,070.05 (6,574.74)
Borrowings				
Balance as at April 1, 2017	- (-)	93,314.77 (32,240.00)	695.00 (-)	94,009.77 (32,240.00)
Received during the year	- (-)	76,329.00 (61,074.77)	2,239.91 (695.00)	78,568.91 (61,769.77)
Repaid during the year	- (-)	- (-)	- (-)	- (-)
Balance as at March 31, 2018	- (-)	1,69,643.77 (93,314.77)	2,934.91 (695.00)	1,72,578.68 (94,009.77)
Non Current Investment				
Balance as at March 31, 2018	153.48 (153.48)	- (-)	- (-)	153.48 (153.48)

Figures in brackets represents previous year's amounts.

3 During the year SKIL Infrastructure Limited ceased to be a related party of the Company. The Loan outstanding on April 1, 2017 was ₹ 254.02 Lacs. Interest expenses of ₹ 29.22 lacs (Previous Year: ₹ 30.48 lacs) has been provided on Loan taken for the period of relationship exist.

4 Transactions with related parties for the year ended March 31, 2018. (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Key Managerial Persons				Total
	Cmde. K. CSubramaniam, NM (Retd.)	Mr. Madan Pendse	Mr. Nikhil Jain	Mr. Ajit Dabholakar	
Short Term Employee Benefits	77.84 (-)	7.45 (9.73)	31.58 (-)	92.28 (89.11)	209.15 (98.84)
Post Employment Benefits	3.07 (-)	- (-)	1.44 (-)	3.37 (3.37)	7.88 (3.37)

Figures in brackets represents previous year's amounts.

d) Details of Loans given, investment made and Guarantee given, covered u/s 186(4) of the Companies Act, 2013

- Loan given and investment made are given under the respective head
- Corporate Guarantee have been issued on behalf of subsidiary Companies, details of which are given in related party transactions above

Reliance Naval and Engineering Limited

Notes to Financial Statements

Note - 40

Operating Lease

The Company has entered in to a non cancellable leasing agreements for Land and Infrastructure Facilities for a period between 30 to 60 years which are renewable by mutual consent on mutually agreeable terms. There is an escalation clause in the lease agreement during the lease period in line with expected general inflation. There are no restrictions imposed by lease arrangements and there are no sub leases. There are no contingent rents. Disclosures as required under Ind-AS 17 on "Lease" are given below:

Future minimum Lease payments under non-cancellable operating lease:

Sr No.	Particulars	₹ in Lacs			
		Land		Infrastructure Facilities	
		2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017
1	Rent debited to statement of profit and loss during the year	529.07	500.90	1,090.00	1,090.00
2	Future Minimum Lease payments payable in:				
i	Less than one year	561.22	529.08	1,090.00	1,090.00
ii	One to five years	2,345.32	2,310.33	4,960.00	4,810.00
iii	More than five years	13,469.66	14,065.88	6,452.50	7,692.50

Note - 41

Financial Risk Management Objective and Policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables and advances from Customers. The main purpose of these financial liabilities is to finance the Company's operations, projects under implementation and to provide guarantees to support its operations. The Company's principal financial assets include Investment, loans and advances, trade and other receivables and cash and bank balances that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors, reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial assets will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial Assets affected by market risk include loans and borrowings, deposits and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

I Interest rate exposure profile appended in the table below

Borrowings	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Floating Rate Loans	7,38,908.49	7,55,039.70
Fixed Rate Loans	2,47,967.35	1,20,279.68
Total	9,86,875.84	8,75,319.38

II Interest Risk Sensitivity

With all other variable held constant the following table reflects the impact of borrowing cost on floating rate portion of total Debt

Risk Exposure	As at March 31, 2018		As at March 31, 2017	
	20 basis Points Increase	20 basis Points Decrease	20 basis Points Increase	20 basis Points Decrease
Effect on profit/ (loss) before tax due to following change in interest rates				
On Floating Rate Loans	1,477.82	1,477.82	1,510.08	1,510.08

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

Notes to Financial Statements

Foreign currency exposures

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Payables (A)	31,248.25	32,461.55
Trade and Other Receivables (B)	13,308.14	16,060.49
Derivatives		
Currency Swap (C)	-	136.98
Net Exposure (A-B+C)	17,940.11	16,538.04

The advances to the vendors in foreign currency is not considered above.

Foreign Risk Sensitivity

The following table demonstrates the sensitivity in USD to Indian Rupees with all other Variable held constant. The effect on loss before tax due to foreign exchange rate fluctuation:

Risk Exposure	As at March 31, 2018		As at March 31, 2017	
	5 % Increase	5 % Decrease	5 % Increase	5 % Decrease
Effect on profit/ (loss) before tax due to foreign exchange rate fluctuation	897.01	897.01	826.90	826.90

Commodity price risk

The Company is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase or continuous supply of steel plates. Therefore the Company monitors its purchases closely to optimise the price.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and advances to suppliers) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major clients.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved authorities. Credit limits of all authorities are reviewed by the Management on regular basis.

Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligation associated with its financial liabilities. The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of Bank Overdrafts, Letter of Credit and Working Capital Limits.

The below table summarizes the maturity profile of the company's financial liability based on contractual undiscounted cash flows:

Liquidity Profile	₹ in lacs				
	Less than 1 year	1-3 Year	3-5 Year	More than 5 Year	Total
As at March 31, 2018					
Non Current Borrowings	5,22,589.45	23,106.27	24,502.20	49,144.72	6,19,342.64
Current Borrowings	3,68,489.53	-	-	-	3,68,489.53
Other financial liabilities	77,359.34	-	-	-	77,359.34
Trade Payables	28,780.44	-	-	-	28,780.44
Total	9,97,218.76	23,106.27	24,502.20	49,144.72	10,93,971.95
As at March 31, 2017					
Non Current Borrowings	41,586.12	2,04,069.97	1,68,947.07	2,00,729.31	6,15,332.47
Current Borrowings	2,59,986.91	-	-	-	2,59,986.91
Other financial liabilities	36,401.66	-	-	-	36,401.66
Trade Payables	26,794.95	-	-	-	26,794.95
Total	3,64,769.64	2,04,069.97	1,68,947.07	2,00,729.31	9,38,515.99

Reliance Naval and Engineering Limited

Notes to Financial Statements

Note – 42

Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The funding requirement is met through a mixture of equity, internal accruals, long term borrowings and short term borrowings.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

Capital Gearing Ratio

		₹ in lacs	
Particulars	March 31, 2018	March 31, 2017	
Equity	73,759.13	73,620.63	
Retained Earnings	(51,468.68)	43,427.32	
Total (A)	22,290.45	1,17,047.95	
Borrowing			
Non-Current	6,19,342.64	6,15,332.47	
Current	3,68,489.53	2,59,986.91	
Total (B)	9,87,832.17	8,75,319.38	
Capital Gearing Ratio (B/A)	44.32	7.48	

Note – 43

Disclosure in respect of long term contracts under progress:

		₹ in lacs	
Sr No.	Particulars	2017 - 2018	2016 - 2017
a	The contract revenue recognised in the year	32,888.03	50,145.77
b	The aggregate amount of cost incurred and recognised in profits (less recognised losses) upto the end of year for all contracts in progress.	2,02,279.83	1,38,754.92
c	Amount of advance received from the customers for contracts in progress.	1,87,979.73	1,97,442.50
d	The retention amount due from customers for contracts in progress as at the end of financial year.	-	-

Note – 44

Post Reporting Events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation

Note – 45

Authorisation of Financial Statements

The financial statements for the year ended March 31, 2018 were approved by the Board of Directors on April 23, 2018. The Management and authorities have the power to amend the Financial Statements in accordance with section 130 and 131 of The Companies Act, 2013.

Note – 46

Previous year figures have been regrouped and rearranged, wherever necessary to make them comparable with those of the current year.

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

Place : Mumbai
Date : April 23, 2018

for and on behalf of the Board of Directors

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

} Directors

Debashis Bir
Nikhil Jain
Paresh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Independent Auditor's Report

TO THE MEMBERS OF RELIANCE NAVAL AND ENGINEERING LIMITED

(FORMERLY KNOWN AS RELIANCE DEFENCE AND ENGINEERING LIMITED)

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **RELIANCE NAVAL AND ENGINEERING LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate comprising of the Consolidated Balance Sheet as at March 31, 2018, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group including its Associate in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, as applicable.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and of its associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of other auditors, on the financial statements of subsidiaries and associate noted below in other matters, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (financial position) of the Group and its associate as at March 31, 2018, and their consolidated loss (financial performance including other comprehensive income), their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Emphasis of Matters

1. We draw your attention to the:
- a) Material Uncertainty Related to Going Concern

Note no. 34 to the consolidated Ind AS financial statements regarding preparation of consolidated Ind AS financial statements of the Holding Company on going concern basis and also recognition of Deferred Tax Assets (DTA) on tax losses notwithstanding the fact that the Holding Company has been incurring cash losses, its net worth has been substantially eroded as on March 31, 2018, loans have been called back by secured lenders, current liabilities are substantially higher than current assets, applications have been made to the National Company Law Tribunal (NCLT), Ahmedabad, under section 9 of the Insolvency Bankruptcy Code 2016 and winding up petitions been filed before Hon'ble Gujarat High Court for recovery of their dues by few operating creditors, for the reasons stated in the said note. The Holding Company is also of the view that no impairment of its non-current

Reliance Naval and Engineering Limited

Independent Auditor's Report

assets is required. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Holding Company's ability to continue as going concern. The appropriateness of assumption of going concern, recognition of DTA and evaluation of recoverable value of its noncurrent assets is critically dependent upon the approval of Holding Company's resolution plan by the secured lenders, the Holding Company's ability to raise requisite finance / generate cash flows in future to meet its obligations and to earn profits in future.

- b) Note no. 16.12 to the consolidated Ind AS financial statements regarding applications under section 7 of the Insolvency and Bankruptcy Code, 2016 against the Holding Company and Reliance Marine and Offshore Limited (RMOL), a wholly owned subsidiary for the loans taken by RMOL, by IFCI Limited ("IFCI") and applications yet to be admitted by the NCLT, Mumbai.

Our opinion is not modified in respect of these matters.

Other Matters

We did not audit the financial statements of Subsidiaries, whose financial statements reflect total assets of Rs. 172,660 Lacs as at March 31 2018 and total revenue of Rs. 9,810 Lacs and net cash outflows amounting to Rs. 3.45 Lacs for the year then ended on that date and financial statement of an Associate in which the share of profit of the group is Rs. 0.08 Lac. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion on the statement to the extent they have derived from such financial statements is based solely on the reports of such other auditors.

Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on the comments in the auditor's report of subsidiary companies and associate company incorporated in India, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- c) The Consolidated Balance Sheet, the Consolidated Profit and Loss Statement, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

- d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Ind AS prescribed under Section 133 of the Companies Act, 2013.
- e) The going concern and the other matter described under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the group.
- f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 and taken on record by the Board of Directors of the Holding Company and as per the reports of the statutory auditors of its subsidiary companies and its associate, none of the directors of the Group companies, and its associate company incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- g) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls; refer to our Report in "Annexure A", which is based on the auditors' reports of the Holding Company, subsidiary companies and associate company.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associate, as noted in the 'Other Matters' paragraph:
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate, as referred to in note 33 to the consolidated Ind AS financial statements.
- ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Group and its associate company.

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

Gyandeo Chaturvedi
Partner

Place: Mumbai
Dated: April 23, 2018

Membership No.46806

Annexure "A" to the Independent Auditor's Report

(Referred to in paragraph 1 (g) under 'Report on Other Legal and Regulatory Requirements' of our report of even date on consolidated Ind AS financial statements of RELIANCE NAVAL AND ENGINEERING LIMITED for the year ended March 31, 2018)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of Reliance Naval and Engineering Limited as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of **RELIANCE NAVAL AND ENGINEERING LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiaries, and its associate, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company, its subsidiaries and its associate, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting Criteria issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Group's and its associate, incorporated in India, internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors, as referred to in the Other Matters paragraph, the Holding Company, its subsidiaries and an associate which are incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by these entities considering the essential components of internal control stated in the Guidance Note.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company, in so far as it relates to separate financial statements of 5 subsidiaries and 1 associate, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries and associate incorporated in India.

For Pathak H. D. & Associates

Chartered Accountants

Firm Reg. No. 107783W

Gyandeo Chaturvedi

Partner

Place: Mumbai

Dated: April 23, 2018

Membership No.46806

Reliance Naval and Engineering Limited

Consolidated Balance Sheet as at March 31, 2018

				₹ in Lacs	
Particulars	Notes	As at March 31, 2018		As at March 31, 2017	
I ASSETS					
(1) Non Current Assets					
Property, Plant and Equipment	2	5,43,870.28		5,64,239.35	
Capital Work in Progress	2	4,69,208.45		4,17,314.98	
Intangible Assets	2	9,813.15		187.32	
Intangible Assets under Development	2	-		9,505.83	
		<u>10,22,891.88</u>		<u>9,91,247.48</u>	
Goodwill on Consolidation		1,018.96		1,018.96	
Financial Assets					
Investments	3	30,212.19		30,212.11	
Other Financial Assets	4	<u>9,545.84</u>		<u>7,208.18</u>	
		<u>39,758.03</u>		<u>37,420.29</u>	
Deferred Tax Assets (net)	5	34,492.93		13,260.09	
Other Non Current Assets	6	<u>17,127.09</u>		<u>37,745.73</u>	
		<u>51,620.02</u>		<u>51,005.82</u>	
		11,15,288.89			10,80,692.55
(2) Current Assets					
Inventories	7	<u>69,849.05</u>		<u>77,545.78</u>	
		<u>69,849.05</u>		<u>77,545.78</u>	
Financial Assets					
Investments	8	74.03		1,321.90	
Trade Receivables	9	1,465.46		345.02	
Cash and Cash Equivalents	10	7,754.37		3,635.90	
Other Bank Balances	11	9,906.26		8,233.15	
Other Current Financials Assets	12	<u>10,971.65</u>		<u>413.57</u>	
		<u>30,171.77</u>		<u>13,949.54</u>	
Current Tax (net)		2,301.70		2,956.40	
Other Current Assets	13	<u>81,836.73</u>		<u>67,028.20</u>	
		<u>84,138.43</u>		<u>69,984.60</u>	
		1,84,159.25			1,61,479.92
TOTAL ASSETS		12,99,448.14		12,42,172.47	
II EQUITY AND LIABILITIES					
(1) Equity					
Share Capital	14	73,759.13		73,620.63	
Other Equity	15	<u>(29,414.93)</u>		<u>71,071.16</u>	
		44,344.20			1,44,691.79
(2) Liabilities					
Non Current Liabilities					
Financial Liabilities					
Borrowings	16	<u>1,12,691.48</u>		<u>5,95,826.06</u>	
		<u>1,12,691.48</u>		<u>5,95,826.06</u>	
Provisions	17	241.24		326.20	
Other Non Current Liabilities	18	<u>5,624.21</u>		<u>5.50</u>	
		<u>5,865.45</u>		<u>331.70</u>	
		1,18,556.93			5,96,157.76
Current Liabilities					
Financial Liabilities					
Borrowings	19	4,22,225.82		2,99,308.07	
Trade Payables	20				
(i) Due to Micro and Small Enterprise		265.52		284.79	
(ii) Due to others		28,929.60		26,879.30	
Other Current Financial Liabilities	21	<u>6,29,575.14</u>		<u>99,552.96</u>	
		<u>10,80,996.08</u>		<u>4,26,025.12</u>	
Other Current Liabilities	22	8,591.54		7,849.50	
Provisions	23	<u>46,959.39</u>		<u>67,448.30</u>	
		<u>55,550.93</u>		<u>75,297.80</u>	
		11,36,547.01			5,01,322.92
TOTAL EQUITY AND LIABILITIES		12,99,448.14		12,42,172.47	

Significant Accounting Policies
Notes on Financial Statements

1
2 to 46

for and on behalf of the Board of Directors

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Paresh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018

Reliance Naval and Engineering Limited

Consolidated Statement of Profit and Loss for the year ended March 31, 2018

		₹ in Lacs	
Particulars	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Income			
Revenue from Operations	24	37,855.65	56,405.15
Other Income	25	7,857.51	3,906.67
Total Income		45,713.16	60,311.82
Expenses			
Cost of Materials Consumed	26	34,628.09	23,153.38
Purchase of Stock-in-trade	27	4,353.68	4,473.30
Changes in Inventories of Work in Progress & Scrap	28	(159.82)	4,094.92
Employee Benefits Expenses	29	3,391.66	3,812.03
Other Expenses	31	13,520.75	17,451.95
Total Expenses		55,734.36	52,985.58
Total Profit/(Loss) from Operation before Depreciation/Amortisation and Finance Cost		(10,021.20)	7,326.24
Finance Costs	30	75,407.96	62,550.13
Depreciation and Amortisation Expenses	2	20,773.23	20,788.99
Loss before Exceptional Items and Tax		(1,06,202.39)	(76,012.88)
Exceptional Items	16.2	(16,239.65)	-
Loss Before Tax		(1,22,442.04)	(76,012.88)
Tax Expense - Current Tax		-	-
- Deferred Tax	5	21,245.47	18,280.15
Add:- Consolidated share in the profits of associate		0.08	10.28
Loss for the year		(1,01,196.49)	(57,722.45)
Other Comprehensive Income			
Other Comprehensive Income to be reclassified to profit and loss in subsequent year			
Exchange differences on translation of Foreign Operations		(1.34)	0.17
Items that will not be reclassified to profit and loss in subsequent year			
Actuarial gains/(losses) on defined benefit plans		40.87	(101.77)
Income Tax effect		(12.63)	31.45
Total Other Comprehensive Income for the year		26.90	(70.15)
Total Comprehensive Income for the year		(1,01,169.59)	(57,792.60)
Earnings per Equity Share of ₹ 10 each	32		
- Basic (In Rupees)		(13.72)	(7.84)
- Diluted (In Rupees)		(13.72)	(7.84)

Significant Accounting Policies
Notes on Financial Statements

1
2 to 46

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

for and on behalf of the Board of Directors

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Pareesh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018

Reliance Naval and Engineering Limited

Consolidated Statement of Changes in Equity for the year ended March 31, 2018

A Equity Share Capital

₹ in Lacs

Particulars	As at March 31, 2018		As at March 31, 2017	
	No of Shares	Amount	No of Shares	Amount
Equity Shares at the beginning of the year	73,62,06,269	73,620.63	73,62,06,269	73,620.63
Add: Shares Issued during the year	13,84,994	138.50	-	-
Equity Shares at the end of the year	73,75,91,263	73,759.13	73,62,06,269	73,620.63

B Other Equity

₹ in Lacs

Particulars	Reserve and Surplus				Other Comprehensive Income	Total
	Capital Reserve	Securities Premium	Other Reserve	Retained Earning	Other Items relating to other comprehensive income	
As at April 1, 2016	6,254.96	1,49,327.83	64,527.97	(91,383.51)	136.51	1,28,863.76
Add/(Less):						
Loss for the year				(57,722.45)		(57,722.45)
Other Comprehensive Income					(70.32)	(70.32)
Effect of Foreign Exchange rate fluctuation during the year					0.17	0.17
As at March 31, 2017	6,254.96	1,49,327.83	64,527.97	(1,49,105.96)	66.36	71,071.16
As at April 01, 2017	6,254.96	1,49,327.83	64,527.97	(1,49,105.96)	66.36	71,071.16
Add/(Less):						
Loss for the year	-	-		(1,01,196.49)	-	(1,01,196.49)
Other Comprehensive Income	-	-	-	-	28.24	28.24
Effect of Foreign Exchange rate fluctuation during the year			-	-	(1.34)	(1.34)
Securities Premium on issue of Share	-	683.50	-		-	683.50
	-	683.50	-	(1,01,196.49)	26.90	(1,00,486.09)
As at March 31, 2018	6,254.96	1,50,011.33	64,527.97	(2,50,302.45)	93.26	(29,414.93)

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

Place : Mumbai
Date : April 23, 2018

for and on behalf of the Board of Directors

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Paresh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Consolidated Cash Flow Statement for the year ended March 31, 2018

₹ in Lacs

Sr. No.	Particulars	2017 - 2018	2016 - 2017
A	Cash Flow from Operating Activities		
	Net Loss before Tax	(1,22,442.04)	(76,012.88)
	Adjustments for :-		
	Depreciation and Amortisation Expenses	20,773.23	20,788.99
	Exceptional Items	16,239.65	-
	Interest Income	(919.83)	(861.23)
	Dividend on Current Investments	(17.46)	(31.84)
	Fair Valuation Impact	(6,312.19)	-
	Loss on Sale of Plant, property and equipments (net)	1.05	0.01
	Finance Costs	75,407.96	62,550.13
	Provision for Liquidated Damages	8,494.21	-
	Provision for estimated cost over contract revenue	(4,206.72)	825.34
	Provision for Impairment of Current Assets	10,289.30	-
	Actuarial gains/(losses) on defined benefit plans	40.87	(101.77)
	Cost Estimated for Revenue Recognised	(24,853.12)	(3,486.85)
	Balances Written off/back (net)	(587.30)	250.42
	Foreign Exchange Loss/(Gain) (net)	675.24	(532.60)
	Operating profit/(loss) before working capital changes	(27,417.15)	3,387.72
	Adjusted for		
	Inventories	7,696.73	(16,109.48)
	Trade and Other Receivables	(15,886.79)	(16,200.81)
	Trade and Other Payables	12,559.40	(4,113.67)
	Cash Used in Operations	(23,047.81)	(33,036.24)
	Direct Taxes (Paid) / Refund	654.70	1,258.04
	Net Cash Used in Operating Activities	(22,393.11)	(31,778.20)
B	Cash Flow from Investing Activities		
	Purchase of Property, plant and equipment and Capital Work in Progress	(1,938.10)	(10,889.16)
	Sale of Property, plant and equipment	0.18	8.76
	Purchase of Investments	(2,784.99)	(19,100.00)
	Sale of Investments	4,023.75	17,800.00
	Dividend Received on Current Investments	26.57	19.48
	Net Cash used in Investing Activities	(672.59)	(12,160.92)

Reliance Naval and Engineering Limited

Consolidated Cash Flow Statement for the year ended March 31, 2018

₹ in Lacs

Sr. No.	Particulars	2017 - 2018	2016 - 2017
C	Cash Flow from Financing Activities		
	Proceeds from Issue of debentures	6,993.43	-
	Redemption of Debentures	(5,000.00)	-
	Proceeds from Long Term Borrowings	-	1,468.70
	Repayment of Long Term Borrowings	(16,479.05)	(10,114.54)
	Short Term Borrowings (Net)	1,20,130.56	89,338.57
	Interest Paid	(77,462.80)	(42,430.77)
	Margin Money (Net)	(1,512.04)	4,381.23
	Interest Received	651.05	884.71
	Realised (loss)/gain on currency swap transactions	(136.98)	(622.12)
	Net Cash Flow Generated from Financing Activities	27,184.17	42,905.78
	Net (decrease) / increase in cash and cash equivalents (A+B+C)	4,118.47	(1,033.34)
	Cash and Cash Equivalents - Opening balance (Refer note no 10)	3,635.90	4,669.24
	Cash and Cash Equivalents - Closing balance (Refer note no 10)	7,754.37	3,635.90

Change in Liability arising from financing activities

Sr. no	Particulars	As at March 31, 2018		As at March 31, 2017	
		Long Term Borrowings	Short Term Borrowings	Long Term Borrowings	Short Term Borrowings
1	Opening Balance	6,46,300.62	2,99,308.07	6,42,768.75	1,87,811.26
2	Net Cash Flow as above	(14,485.62)	1,20,130.56	(8,645.84)	89,338.57
3	Non Cash Changes				
a	Inter Group Transfer	(2,724.33)	2,724.33	(22,425.82)	22,425.82
b	Foreign Exchange Movement	233.65	62.86	(594.37)	(267.58)
c	Convert in Equity	(822.00)	-	-	-
d	NCD Issued without consideration	24,228.74	-	-	-
e	Fair Value Changes	(6,006.72)	-	-	-
f	Interest converted in to loan	-	-	35,197.90	-
4	Closing Balance	6,46,724.34	4,22,225.82	6,46,300.62	2,99,308.07

Notes:

(1) The above cash flow statement has been prepared under the "Indirect method" as set out in Ind-AS7 - Cash flow Statement.

(2) Figures in brackets indicate outflow.

(3) Previous Year Figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

for and on behalf of the Board of Directors

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Paresh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018

Significant Accounting Policies to the Financial Statements

Note – 1

Statement of Significant Accounting Policies

General information:

The consolidated financial statements comprise financial statements of Reliance Naval and Engineering Limited ('RNEL' or the 'Company') and its subsidiaries (collectively, the Group) for the year ended March 31, 2018. The Company is limited by shares, incorporated and domiciled in India. The registered office of the company is located at Pipavav Port, Post Uchchaya, Via- Rajula, District Amreli (Gujarat) and the Company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

The name of the Company got changed from Reliance Defence and Engineering Limited during the current year and fresh Certificate of Incorporation was issued by the Ministry of Corporate Affairs (MCA), Government of India on September 6, 2017. The Company is mainly engaged in the construction of vessels, repairs and refits of ships and rigs and heavy engineering. RNEL has a large shipbuilding/repair infrastructure in India including the largest Dry Dock in the world. The Company is the first private sector company in India to obtain the licence and contract to build Naval Offshore Patrol Vessels(NOPVs) for Indian Navy. The Shipyard has only modular shipbuilding facility in India with capacity to build fully fabricated and outfitted blocks. The fabrication facility spread over 2.1 million sq ft has annual capacity of 144,000 tons/year. The shipyard has pre-erection berth of 980 meter length and 40 meters width and two Goliath cranes with combined lifting capacity of 1200 tonnes, besides outfitting berth length of 780 meters.

Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a Basis of Preparation of Consolidated Financial Statements:

The Consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] on accrual basis and other relevant provisions of the Act. The Consolidated Financial Statements have been prepared in accordance with the requirements of the information and disclosures mandated by Schedule III, applicable Ind AS, other applicable pronouncements and regulations.

b Historical Cost Convention

The Consolidated financial statements have been prepared on a historical cost basis, except for the following:

- i Plant & Equipments and Freehold Land which were accounted at fair value at the date of transition to Ind AS
- ii Certain financial assets and liabilities (including derivative instruments) that are measured at fair value;
- iii Defined benefit plans – plan assets measured at fair value; and
- iv Assets held for sale – measured at fair value less cost to sell;

c Principles of Consolidation:

The consolidated financial statements relate to the Reliance Naval and Engineering Limited ('the Company') and its subsidiary companies & associate company. The consolidated financial statements have been prepared on the following basis:

- i. The consolidated financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after fully eliminating intra – group balances and intra – group transactions in accordance with Ind – AS 110 "Consolidated Financial Statements".
- ii. Subsidiaries are the entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.
- iii. In case of a foreign subsidiary, being non integral operations, revenue items are consolidated at the average rate prevailing during the year. All the assets and liabilities are converted at the rates prevailing at the end of the year. The resultant translation exchange differences have been transferred to foreign currency translation reserves through other comprehensive income.

iv. Non-controlling interests (NCI):

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

v. Transactions eliminated on consolidation:

Intra – group balances and transactions and any unrealised income and expenses arising from intra-group transactions, net of deferred taxes, are eliminated.

Significant Accounting Policies to the Financial Statements

- vi. As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- vii. The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries are recognized in the Consolidated Financial Statements as Goodwill, which is not being amortised but tested for impairment periodically.
- viii. Investments in Associate Company have been accounted under the equity method as per Ind - AS 28 "Investments in Associates and Joint Ventures".
- ix. The differences between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in associate are identified in the Consolidated Financial Statements as Goodwill or Capital Reserve as the case may be.

d Functional and Presentation Currency:

Items included in the Consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Consolidated financial statements are presented in Indian Rupee (INR), which is the functional currency for the Company.

e Use of Estimates:

The preparation of Consolidated Financial Statements in accordance with Ind - AS requires use of estimates and assumptions for some items, which might have an effect on their recognition and measurement in the Balance Sheet and Statement of Profit and Loss. The actual amounts realised may differ from these estimates. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the management becomes aware of changes in circumstances surrounding the estimates. Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised and if material, their effects are disclosed in the notes to the Financial Statements.

Estimates and assumptions are required in particular for:

- i. Determination of the estimated useful life of tangible assets and the assessment as to which components of the cost may be capitalized. Useful life of tangible assets is based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful life is different from that prescribed in Schedule II, it is based on technical advice, taking into account the nature of the asset, estimated usage and operating conditions of the asset, past history of replacement and maintenance support. Assumptions also need to be made, when the Company assesses, whether an asset may be capitalised and which components of the cost of the asset may be capitalised.
- ii. **Recognition and measurement of defined benefit obligations:**

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.
- iii. **Recognition of deferred tax assets:**

Deferred tax asset is recognised for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management assumes that taxable profits will be available while recognising deferred tax assets.
- iv. **Recognition and measurement of other provisions:**

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may, therefore, vary from the figure included in other provisions.
- v. **Discounting of long-term financial liabilities:**

All financial liabilities are required to be measured at fair value on initial recognition. In case of financial liabilities, which are required to be subsequently measured at amortised cost, interest is accrued using the effective interest method.
- vi. **Determining whether an arrangement contains a lease:**

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At the inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset;

Significant Accounting Policies to the Financial Statements

subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate. In case of operating lease, the Company treats all payments under the arrangement as lease payments.

vii. Fair value of financial instruments:

Derivatives are carried at fair value. Derivatives include Foreign Currency Forward Contracts and Interest Rate Swaps. Fair value of Foreign Currency Forward Contracts is determined using the rates published by Reserve Bank of India (RBI). Fair value of Interest Rate Swaps is determined with respect to current market rate of interest.

viii. Revenue recognition:

Determination of estimated cost to complete the contract is required for computing revenue as per Ind - AS 11 on 'Construction Contracts'. The estimates are revised periodically.

f Standards Issued But Not Yet Effective

On March 28, 2018, the Ministry of Corporate Affairs (MCA) has notified Ind AS 115 - Revenue from Contract with Customers and certain amendment to existing Ind AS. These amendments shall be applicable to the Company from April 01, 2018.

i Issue of Ind AS 115 - Revenue from Contracts with customers

Ind AS 115 will supersede the current revenue recognition guidance including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and the related interpretations. The core principles of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

ii Amendment to Existing issued Ind AS

The MCA has also notified certain amendments to the following Accounting Standards:

- 1 Ind AS 21 - The Effects of Changes in Foreign Exchange Rates
- 2 Ind AS 12 - Income Taxes

Applications of the above standards are not expected to have any significant impact on the Company's financial statements.

g Current Versus Non Current Classification

i. The assets and liabilities in the Balance Sheet are based on current/ non - current classification. An asset as current when it is:

- 1 Expected to be realised or intended to be sold or consumed in normal operating cycle
- 2 Held primarily for the purpose of trading
- 3 Expected to be realised within twelve months after the reporting period, or
- 4 Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non - current.

ii A liability is current when it is:

- 1 Expected to be settled in normal operating cycle
- 2 Held primarily for the purpose of trading
- 3 Due to be settled within twelve months after the reporting period, or
- 4 There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are treated as non - current.

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

h Other Significant Accounting Policies

I Property, Plant and Equipments

- i. The Company has measured all of its Plant and Equipments and freehold land at fair value at the date of transition to Ind - AS. The Company has elected these value as deemed cost at the transition date. All other property, plant and equipment have been carried at historical cost

Reliance Naval and Engineering Limited

Significant Accounting Policies to the Financial Statements

- ii. Property, Plant and Equipments are stated at cost net of cenvat / value added tax less accumulated depreciation and impairment loss, if any. All costs, including finance costs incurred up to the date the asset is ready for its intended use are capitalised as part of total cost of assets.
- iii. Expenses incurred relating to project, net of income earned during the project development stage prior to its intended use, are considered as pre - operative expenses and disclosed under Capital Work - in - Progress.

II Depreciation

- i. Depreciation is provided, under the Straight Line Method, pro rata to the period of use, based on useful life specified in Schedule II to the Companies Act, 2013 except the following items, where useful life estimated on technical assessment, past trends and expected useful life differ from those provided in Schedule II of the Companies Act, 2013: \

Description of Assets	Useful Life Considered (Years)
Dry Dock (including berths)	50
Offshore Yard	50
Roads, Culverts & Bridge	25
Mobile Phones	2
Leasehold Land and Development	Amortised over lease period

The Management believes that the useful life as given above represents the period over which management expects to use these assets.

- ii. In respect of additions/extensions forming an integral part of the existing assets, depreciation has been provided over residual life of the respective assets. Significant additions which are required to be replaced/ performed at regular interval are depreciated over the useful life of their specific life.
- iii. Depreciation methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

III Borrowing Costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset (net of income earned on temporary deployment of funds) are capitalised as a part of the cost of such assets. Borrowing cost consists of interest, other cost incurred in connection with borrowings of fund and exchange differences to the extent regarded as an adjustment to the borrowing cost. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

IV Intangible Assets

Intangible Assets having finite life are stated at cost of acquisition less accumulated amortization and accumulated impairment, if any. Amortization is done over their estimated useful life on straight line basis from the date that they are available for intended use, subjected to impairment test. Software, which is not an integral part of the related hardware is classified as an intangible asset and is amortized over the useful life of 3 - 10 years.

V Fair Value Measurement

Fair value is the price that would be received to sell an assets or settle a liability in an ordinary transaction between market participants at the measurement date. The fair value of an assets or liability is measured using the assumptions that market participants would use when pricing the assets or liability, acting in their best economic interest. The fair value of plant and equipments as at transition date to Ind- AS have been taken based on valuation performed by an independent technical expert. The Company used valuation techniques which were appropriate in circumstances and for which sufficient data were available considering the expected loss/profit in case of financial assets or liabilities.

VI Inventories

- i. The inventories, Raw Materials, Stores and Spares, Work - in - Progress and Finished Goods etc. have been valued at lower of cost or net realisable value. Cost of Inventories comprises of all costs of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of steel plates, profiles, equipments and other raw materials and stores and spares at Weighted Average Method. Cost of Work-in-Progress and Finished Goods is determined on Absorption Costing Method. Scrap is valued at Net Realisable Value.

Significant Accounting Policies to the Financial Statements

- ii. if payment terms for inventory are on deferred basis i.e. beyond normal credit terms, then cost is determined by discounting the future cash flows at an interest rate determined with reference to the market rates. The difference between total cost and deemed cost is recognised as interest expense over the period of financing under the effective interest method.

VII Revenue Recognition

- i Revenue from operation include income from sale of goods, services and service tax and Goods and Service Tax and is net of value added tax and sales tax recovered. Revenue from sale of goods and services is recognised considering the following steps:
 - 1 identify the Contract with Customer
 - 2 identify the performance obligations in the contract
 - 3 determining the transaction price
 - 4 allocate the transaction price to the performance obligations in the contract
 - 5 recognise revenue when the entity satisfies a performance obligation
- ii In case of contract for shipbuilding, repair and fabrication, performance obligations are satisfied over a period of time. Revenue from contracts, where performance obligation is satisfied over a period of time, is recognised over a period of time by measuring the progress towards complete satisfaction of that performance obligation. Progress of performance obligation is measured as follows:
 - 1 In respect of commercial vessels, including bulk carriers, tankers, container vessels, etc. and floating platforms, progress of performance obligation is measured using input method on the basis of actual cost incurred as against the total estimated cost of the contract under execution.
 - 2 In respect of other vessels, including offshore support vessels, progress of performance obligation is measured using output method, where the stage of completion is measured by reference to the percentage of proportion of the contract work completed as determined by the technical experts performing survey of the work. As soon as the outcome of the construction contract can be estimated reliably, contract revenue and expenses are recognized in the Statement of Profit and Loss in proportion to the degree of completion of the contract.
 - 3 In respect of contract of repair and fabrication, revenue is recognised based on the performance obligation measured by the actual cost incurred to the total estimated cost of the contract
 - 4 The Management believes that the method of measuring performance obligation as above is the best represent considering the nature of the contract.

The estimates of cost and progress of performance obligations are measured at each reporting date by the management. The effect of such changes to estimates is recognized in the period in which such changes are determined. The estimated cost of each contract is determined based on the management's estimate of the cost to be incurred till the final completion of the vessel and includes cost of materials, services, finance cost and other related overheads. Any projected losses on contracts under execution are recognized in full when identified. Recognition of revenue relating to agreements entered in to with the buyers, which are subject to fulfilment of obligations/conditions imposed by statutory authorities is postponed till such obligations are discharged.

- iii. Interest income is recognised on a time proportion basis. Dividend is considered when the right to receive is established. Insurance and other claims are recognised as revenue on certainty of receipt on prudent basis.

VIII Government Subsidy:

- i Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.
- ii Government subsidy related to shipbuilding contracts are recognized when there is reasonable assurance that the subsidy will be received, on the basis of percentage completion of the respective ships, on compliance with the relevant conditions and such subsidies are recognized in the Statement of Profit and Loss and presented under the head revenue from operations.
- iii Government grants in the nature of compensating certain costs are recognised as other income in Statement of Profit and Loss.

IX Foreign Currency Transactions

- i. Revenue Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.

Significant Accounting Policies to the Financial Statements

- ii. Monetary items denominated in foreign currencies at the year end are re measured at the exchange rate prevailing on the balance sheet date.
- iii. Non monetary foreign currency items are carried at cost.
- iv. Any income or expense on account of exchange difference either on settlement or on restatement is recognised in the Statement of Profit and Loss.

X Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

i Classification

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

ii Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

iii Financial Assets measured at amortised cost:

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The losses arising from impairment are recognised in the Statement of Profit or Loss. This category generally applies to trade and other receivables.

iv Financial Assets measured at fair value through other comprehensive income (FVTOCI):

Financial assets under this category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income.

v Financial Assets measured at fair value through profit or loss (FVTPL):

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

vi Investment in Subsidiary and Associates:

Investment in equity instruments of Subsidiaries and Associates are measured at cost. Provision for Impairment loss on such investment is made only when there is a diminution in value of the investment which is other than temporary.

vii Investment in Equity Instruments:

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding dividends, are recognized in the Other Comprehensive Income. There is no recycling of the amounts from other comprehensive income to profit or loss

viii Investment in Debt Instruments:

A debt instrument is measured at amortised cost or at FVTPL. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVTPL. Debt instruments included with in the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

ix Derecognition of Financial Assets

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

x Impairment of Financial Assets

In accordance with Ind – AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and trade receivables.

Significant Accounting Policies to the Financial Statements

Financial Liabilities

i Classification

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

ii Initial recognition and measurement

All financial liabilities are recognised initially at fair value, in the case of loans, borrowings and payables, net of directly attributable transaction costs. Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

iii Subsequent measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading, if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind - AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

iv Loans and Borrowings

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

v Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

vi Derivative Financial Instrument and Hedge Accounting

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

XI Leases

i Lease payments

Payments made under operating leases are recognised in Statement of Profit and Loss. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

ii Lease assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Significant Accounting Policies to the Financial Statements

XII Employee Benefits

i Short term employee benefits

Short – term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company and its subsidiaries, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in Statement of Profit and Loss

iii. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurement is recognised in Statement of Profit and Loss in the period in which they arise.

XIII Provision for Current and Deferred Tax:

Income tax expense comprises current and deferred tax. It is recognised in statement of profit and loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of the previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- > has a legally enforceable right to set off the recognised amounts; and
- > intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ii. Deferred Tax

Deferred tax is recognized for the future tax consequences of deductible temporary differences between the carrying values of assets and liabilities and their respective tax bases at the reporting date, using the tax rates and laws that are enacted or substantively enacted as on reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and credits can be utilised. Deferred tax relating to items recognised in other comprehensive income and directly in equity is recognised in correlation to the underlying transaction.

Deferred tax assets and liabilities are offset only if:

- > entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- > deferred tax assets and the deferred tax liabilities relate to the income taxes levied by the same taxation authority.

XIV Impairment of Assets:

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment and intangible assets with finite lives may be impaired. If any such impairment exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the

Significant Accounting Policies to the Financial Statements

recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

XV Warranty Provision:

Provision for warranty related costs are recognised after the product is sold or services are rendered to the customer in terms of the contract. Initial recognition is based on the historical experience. The estimates of warranty related costs are revised periodically.

XVI Provision, Contingent Liabilities and Contingent Assets:

A provision is recognized if as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are not recognised but disclosed in the Financial Statements when economic inflow is probable.

XVII Earnings per share

- i Basic earnings per share: Basic earnings per share is calculated by dividing:
 - 1 the profit attributable to owners of the group
 - 2 by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.
- ii Diluted earnings per share: Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
 - 1 the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
 - 2 the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

i Subsidiary and Associate Companies considered in the Consolidated Financial Statements:

a Subsidiary Companies

Name of the Subsidiary	Nature of Business	Country of Incorporation	Proportion of Ownership Interest
E Complex Private Limited (ECPL)	SEZ Developer	India	100%
Reliance Marine and Offshore Limited (RMOL) (formerly Pipavav Marine and Offshore Limited)	Yet to Commence business	India	100%
Reliance Lighter Than Air Systems Private Limited (formerly Pipavav Lighter Than Air Systems Private Limited)	Manufacturing of Airships and aerostate	India	100%
PDOC Pte. Ltd.	Yet to Commence business	Singapore	100%
Reliance Engineering and Defence Services Limited (formerly Pipavav Engineering and Defence Services Limited)	Engineering Services	India	100%
Reliance Technologies and Systems Private Limited (formerly Pipavav Technologies and Systems Private Limited)	Yet to Commence business	India	100%

b Associate Company

Name of the Associate	Country of Incorporation and place of business	Proportion of Ownership Interest
Conceptia Software Technologies Private Limited (The Company is engaged in the business of Software Design)	India	25.50%

c The carrying amount of investment in associate includes Goodwill of ₹ 110.21 lacs.

[illegible]

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	₹ in Lacs	
	Intangible Assets	Total
	Computer Softwares*	
	987.49	6,77,931.92
	9,742.82	10,031.22
	-	2.14
	10,730.31	6,87,961.00
	800.17	1,13,505.25
	116.99	20,773.25
	-	0.91
	917.16	1,34,277.57
	9,813.15	5,53,683.43
	983.29	6,77,824.59
	4.20	117.74
	-	10.41
	987.49	6,77,931.92
	671.04	92,717.89
	129.13	20,789.00
	-	1.64
	800.17	1,13,505.25
	187.32	5,64,426.67
	2017 - 2018	2016 - 2017
	4,69,208.45	4,17,314.98
	-	9,505.83

Notes to Consolidated Financial Statements

2.1 The Leasehold Land and Development represents the cost incurred for reclaiming, development and strengthening of the Land. Buildings and Plant & equipments are constructed / installed on leasehold land.

2.2 All the fixed assets of the Company are either mortgaged or hyphothecated against the secured borrowings of the Company as detailed in note no. 16 and 19 to the financial statements.

2.3 Capital Work in Progress includes:

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
- Assets under construction and installation *	2,46,368.68	2,45,660.81
- Preoperative expenses	2,22,839.77	1,71,654.17

* net of impairment provision of ₹ 20,555.26 lacs (Previous Year: ₹ 20,555.26 lacs)

2.4 Intangible Assets under development includes:

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
- Software development and Licence Fees	-	8,188.25
- Preoperative expenses	-	1,317.58

2.5 Details of Preoperative expenses are as under:

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Opening Balance	1,72,971.75	1,36,846.53
Add:		
Salaries, Wages and Allowances	10.00	130.44
Insurance	105.45	79.55
Right to Recompense	7,989.09	-
Finance Costs		
Interest Expenses	45,518.21	38,245.32
Exchange Differences regarded as an adjustment to borrowing costs	67.07	-
	4.50	-
Less:		
Redemption Premium	2,498.73	2,330.09
	2,24,167.34	1,72,971.75
Less :		
Allocated to Fixed Assets	1,327.57	-
Closing Balance	2,22,839.77	1,72,971.75

2.6 During the year the Company has capitalised borrowing cost aggregating to ₹ 43,091.05 lacs (Previous year: ₹ 35,915.23 lacs). The Average rate used to determine the amount of borrowing Cost is 10.94%, Additions during the year in the Computer Software include interest and financial charges of ₹ 719.61 lacs (Previous Year ₹ NIL).

2.7 In accordance with the Ind-AS 36 on "Impairment of Assets", the Management has during the year carried out an exercise of identifying the assets that would have been impaired in respect of each cash generating unit. On the basis of this review carried out by the Management, there was no impairment loss on Fixed Assets during the year.

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Note - 3

Investments

						₹ in Lacs
Particulars	% of holding	Face Value	Numbers		As at March 31, 2018	As at March 31, 2017
			March 31, 2018	March 31, 2017		
Long Term Trade Investments (Unquoted and fully paid up)- Financial Assets measured at cost						
In Equity Shares of Associate Company						
Conceptia Software Technologies Private Limited	25.50%	₹ 10.00	1,12,200	1,12,200	244.14	244.06
					244.14	244.06
Long Term Trade Investment in 0% Non Convertible Non Secured Bonds of the Corporates						
Avocado Reality Private Limited		₹ 1,00,000	6,173.00	6,173.00	6,173.00	6,173.00
Budding Merchantile Company Private Limited		₹ 1,00,000	6,545.00	6,545.00	6,545.00	6,545.00
Replinish Reality Private Limited		₹ 1,00,000	4,500.00	4,500.00	4,500.00	4,500.00
Slimline Reality Private Limited		₹ 1,00,000	5,300.00	5,300.00	5,300.00	5,300.00
Winsome Reality Private Limited		₹ 1,00,000	7,450.00	7,450.00	7,450.00	7,450.00
			29,968.00	29,968.00	29,968.00	29,968.00
In Government and Other Securities						
6 years National Savings Certificate (Deposited with Sales Tax Department)		-	-	-	0.05	0.05
					0.05	0.05
Total					30,212.19	30,212.11

3.1 Refer note no. 1(h)(X) for basis of valuation.

3.2 Aggregate amount of Non Current Investments.

Particulars	As at March 31, 2018		As at March 31, 2017	
	Book Value	Market Value	Book Value	Market Value
Quoted Investments	-	-	-	-
Unquoted Investments	30,212.19	-	30,212.11	-
Total	30,212.19	-	30,212.11	-

3.3 The above bonds carries redemption premium of 40%, payable at the time of redemption i.e. 5 years from the date of allotment July 26, 2014. redemption premium has been accounted considering effective rate of return i.e. 6.96% P.A. RMOL has invested in bonds of above companies, who are in control of about 214 acres of land at Jhansi, Uttar Pradesh. The Company intends to use this land for manufacture and repairs in course of its business activities.

Note - 4

Other Financial Assets

Particulars	As at March 31, 2018		As at March 31, 2017	
Fixed Deposits with Banks held as Margin Money		1,098.77		1,259.84
Redemption Premium Receivable		8,447.07		5,948.34
Total		9,545.84		7,208.18

Notes to Consolidated Financial Statements

Note - 5

Deferred Tax Liabilities/(Assets) (Net)

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Opening Balance	(13,260.09)	5,051.51
Tax Expenses (Income) recognised in:		
Statement of Profit and Loss		
Difference in Tax Base of Property, plant and equipment/ intangible assets	54.55	3,759.09
Disallowance in income tax	1,469.91	(7,341.98)
Depreciation losses	(6,071.84)	(5,886.47)
Business losses	(18,628.00)	(8,810.79)
Fair Valuation of Financials Liability	1,929.91	-
	(21,245.47)	(18,280.15)
Other Comprehensive Income		
Related to Employee benefits	12.63	(31.45)
Closing Balance	(34,492.93)	(13,260.09)

5.1 Reconciliation of tax expenses and the accounting profit multiplied by domestic tax rate:

Since the Company has incurred loss during the year ended March 31, 2018 and previous year, hence no tax is payable for these years as per provisions of Income Tax Act, 1961, the calculation of effective tax rate is not relevant and hence not given.

- 5.2 The Company has recognised deferred tax assets on carry forward business losses as sufficient future taxable income will be available against which deferred tax assets can be realised considering its present order book and anticipated orders and opportunities in the defence sector as convincing evidences. Further the Company has net deferred tax assets of ₹ 2,001.53 lacs in one of its subsidiary company. In the absence of convincing evidences that sufficient future taxable income will be available against which deferred tax assets can be realised, the same has not been recognised in the books of account in line with Ind - AS 12 on Income Taxes.

Note - 6

Other Non Current Assets

(Unsecured and considered good)

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Capital Advances	12,985.00	33,563.59
Security Deposits with Others	673.18	713.23
MAT credit entitlement	3,468.91	3,468.91
Total	17,127.09	37,745.73

- 6.1 The amount paid as MAT is allowed to be carried forward for being set off against the future tax liabilities computed in accordance with the provisions of the Income Tax Act, 1961 ("the Act"), other than section 115JB, in next fifteen years. Based on the future projection of the performances, the Company is expected to pay the Income Tax as per the applicable provisions, other than under section 115JB, of the Act. Accordingly, as advised in Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India (the ICAI), the excess of tax payable under section 115JB of the Act over tax payable as per the provisions other than section 115JB of the Act has been considered as MAT credit entitlement.

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Note - 7

Inventories

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Raw Materials	68,608.95	75,317.33
Raw Materials in Transit	-	512.44
Work in Progress	747.84	588.02
Stores and Spares	445.80	1,081.53
Scrap	46.46	46.46
Total	69,849.05	77,545.78

7.1 Refer Note No. 1(h)(VI) for basis of valuation.

7.2 All the Inventories of the Company are either mortgaged or hyphothecated against the secured borrowings of the Company as detailed in note no. 16 and 19 to the financial statements.

Note - 8

Investments (Unquoted)

₹ in Lacs

Particulars	Face Value		As at March 31, 2018		As at March 31, 2017	
	March 31, 2018	March 31, 2017	Numbers	Amount	Numbers	Amount
In Units of Mutual Funds						
SBI - Magnum Insta Cash Fund - Daily Dividend Option	-	1,675.02	-	-	60,899	1,020.07
Reliance Liquid Fund-Treasury Plan	1,529.30	1,528.72	4,840.80	74.03	19,744	301.83
Total				74.03		1,321.90

8.1 Refer Note No. 1(h)(X) for basis of valuation.

8.2 Aggregate amount of Investments.

₹ in Lacs

Particulars	As at March 31, 2018		As at March 31, 2017	
	Book Value	Market Value	Book Value	Market Value
Quoted Investments	-	-	-	-
Unquoted Investments	74.03	-	1,321.90	-
Total	74.03	-	1,321.90	-

Notes to Consolidated Financial Statements
Note - 9
Trade Receivables (Unsecured)

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Considered Good	1,465.46	345.02
Considered Doubtful	87,234.55	87,234.55
	88,700.01	87,579.57
Less: Provision for Impairment	87,234.55	87,234.55
	1,465.46	345.02
Total	1,465.46	345.02

9.1 Trade receivables are non - interest bearing and receivable in normal operating cycle.

Note - 10
Cash and Cash Equivalents

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Balances with Banks in Current Accounts	7,752.71	3,634.92
Cash on hand	1.66	0.98
Total	7,754.37	3,635.90

Note - 11
Other Bank Balances

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Fixed Deposits with Banks held as Margin Money	9,906.26	8,233.15
Total	9,906.26	8,233.15

Note - 12
**Other Current Financial Assets
(Unsecured & considered good)**

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Interest Receivable	682.35	413.57
Other Advances	10,289.30	-
Total	10,971.65	413.57

12.1 Interest receivable include amount receivables from related parties of ₹ 80.78 lacs (Previous Year ₹ 1,506.83 lacs). Refer note no 37 for details.

12.2 Other advances represent amount recoverable from suppliers against cancellation of orders and is net of impairment provision of ₹ 10,289.30 lacs

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Note - 13

Other Current Assets (Unsecured & considered good)

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Security Deposits	1,354.42	56.85
Prepaid Expenses	322.73	496.38
Goods and Service Tax / Cenvat / VAT recoverable	6,449.06	2,059.75
Advance against purchase of material / services	12,129.16	21,460.10
Shipbuilding Contracts Receivables	59,159.19	35,586.69
Subsidy / Grants Receivable	2,418.51	3,551.14
Other Advances	3.66	3,817.29
Total	81,836.73	67,028.20

Note - 14

Share Capital

₹ in Lacs		
Particulars	As at March 31, 2018	As at March 31, 2017
Authorised		
11,000,000,000 (Previous Year: 11,000,000,000)		
Equity Shares of ₹ 10/- each	11,00,000.00	11,00,000.00
4,000,000,000 (Previous Year: 4,000,000,000)	4,00,000.00	4,00,000.00
Preference Shares of ₹ 10/- each		
	15,00,000.00	15,00,000.00
Issued, Subscribed and fully paid up		
737,591,263 (Previous Year: 736,206,269) Equity	73,759.13	73,620.63
Shares of ₹ 10/- each fully paid up		
Total	73,759.13	73,620.63

14.1 Reconciliation of Equity Shares outstanding at the beginning and at the end of the year: ₹ in Lacs

Particulars	As at March 31, 2018		As at March 31, 2017	
	No of Shares	Amount	No of Shares	Amount
Equity Shares at the beginning of the year	73,62,06,269	73,620.63	73,62,06,269	73,620.63
Add: Issued during the year (refer note 16.1)	13,84,994	138.50	-	-
Equity Shares at the end of the year	73,75,91,263	73,759.13	73,62,06,269	73,620.63

14.2 Shareholders holding more than 5% Shares in the Company:

Shares held by	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	% Holding	No. of Shares	% Holding
Reliance Defence Systems Private Limited	22,01,03,025	29.84%	22,64,53,025	30.76%
Vistra ITCL India Limited	14,51,04,994	19.67%	-	-
Life Insurance Corporation of India	5,84,65,899	7.93%	5,84,65,899	7.94%
IL & FS Marine Infrastructure Company Limited	5,31,10,674	7.20%	5,31,10,674	7.21%
SKIL Infrastructure Limited*	-	-	16,75,36,936	22.76%

* Reduced to less than 5% as at March 31, 2018

14.3 Terms and Rights attached to Equity Shares

The Company has only one class of Equity Share having par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the Company, the equity share holders will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amount. The distribution will be in proportionate to the number of equity shares held by the shareholders.

Notes to Consolidated Financial Statements

Note - 15

OTHER EQUITY

Particulars	As at March 31, 2018	As at March 31, 2017
Capital Reserve		
Opening Balance	6,254.96	6,254.96
Additions during the year	-	-
	6,254.96	6,254.96
Securities Premium Account		
Opening Balance	1,49,327.83	1,49,327.83
Add :- On Issue of Shares	683.50	-
	1,50,011.33	1,49,327.83
Other Reserve		
Opening Balance	64,527.97	64,527.97
Additions during the year	-	-
	64,527.97	64,527.97
Retained Earnings		
Opening Balance	(1,49,105.96)	(91,383.51)
Add:- Loss for the year as per profit or loss statement	(1,01,196.49)	(57,722.45)
	(2,50,302.45)	(1,49,105.96)
Other Comprehensive Income		
Opening Balance	66.36	136.51
Add: Movement During the year (net)	26.90	(70.15)
	93.26	66.36
	(29,414.93)	71,071.16

Capital Reserve: This Reserve was created at the time of forfeiture of amounts received against convertible share warrants in the financial year 2011 – 12. It shall be utilised in accordance with the provisions of the Companies Act, 2013 (the Act), however, not available for distribution of dividend.

Securities Premium Account: This Reserve was created when shares were issued at premium. It shall be utilised in accordance with the provisions of the Act.

Other Reserves: Other Reserve was created pursuant to first time adoption of Ind-AS as at April 01, 2015. It shall be utilised in accordance with the provisions of the Act, however, not available for distribution of dividend.

Note - 16

Borrowings

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Preference Shares		
42,245,764 (Previous Year: NIL) 0.10% Compulsorily Redeemable Preference Shares of ₹ 10/- each fully paid up	956.33	-
Secured Loans		
50 (Previous Year: NIL) 13.75% Secured Non Convertible Debentures of ₹ 13,986,860 each	6,993.43	-
NIL (Previous Year: 50) 14% Secured Non Convertible Debentures of ₹ 1 Crore each	-	5,000.00
24,231,000 (Previous Year: NIL) Non Convertible Debentures of ₹ 100 each	21,461.82	-
Rupee Term Loans from:		
Banks	41,896.52	4,71,643.88
Financial Institutions	-	65,860.17
Body Corporates	11,239.38	15,101.39
	53,135.90	5,52,605.44

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Foreign Currency Term Loans from:		
Financial Institution	21,187.05	21,163.32
Vehicle Loans	52.86	94.44
Total Secured Loans	1,02,831.06	5,78,863.20
Unsecured Loans		
Rupee Term Loans from:		
Financial Institutions	-	2,527.76
Body Corporates	8,904.09	-
	8,904.09	2,527.76
Inter Corporate Deposits from:		
Body Corporates	-	14,435.10
	-	14,435.10
Total Unsecured Loans	8,904.09	16,962.86
Total	1,12,691.48	5,95,826.06

16.1 Compulsorily Redeemable Preference Shares

- The Company has allotted 1,384,994 Equity Shares having face value of ₹ 10 each per share at a premium of ₹ 49.35 per share and 42,245,764 Compulsorily Redeemable Preference Shares (CRPS) having face value of ₹ 10 each per share to one of its lenders against partial conversion of its outstanding debt. The CRPS are redeemable in 65 quarterly structured instalments commencing from March 2019 to March 2035. Annual dividend of 0.10% p.a. will be payable per CRPS on a cumulative basis.
- As at March 31, 2018 all the preference shares are held by HDFC Limited (March 31, 2017: NIL)
- Reconciliation of Preference Shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2018		As at March 31, 2017	
	No of Shares	Amount	No of Shares	Amount
Shares at the beginning of the year	-	-	-	-
Add: Shares Issued during the year*	4,22,45,764	4,224.58	-	-
Shares at the end of the year	4,22,45,764	4,224.58	-	-

*Accounted on Fair Value

16.2 13.75% Secured Non-Convertible Debentures

- 13.75% Secured Non Convertible Debentures (NCDs) carry Coupon rate of 13.75% payable quarterly.
- The obligation under these NCDs are repayable in four equal instalments at the end of 30 months, 36 months, 42 months and 48 months from the date of issue i.e October 6, 2017
- The NCDs are secured by first charge and mortgage
 - On the parcel of land covering survey no. 735 P-2 situated at Village Rampara - II, Taluka- Rajula, District - Amreli in the State of Gujarat together with all buildings, structures, furnitures and fittings or anything permanently erected/attached/installed or to be erected/installed.
 - On the parcel of land admeasuring 27.48 hectare situated at Vilage Chhanje, Taluka Uran and District Raigarh in the state of Maharashtra belonging to Other Corporates
- ECPL was required to provide Debenture Redemption Reserve (DRR) of ₹ 218.84 lacs upto March 31, 2018 in terms of the Trust Deed executed and the provisions of the Companies Act 2013. In the absence of profits available, no provision for DRR is made in the books of account as at March 31, 2018. The requisite provisions will be made out of the profits available in the future years.

Notes to Consolidated Financial Statements

16.3 Non Convertible Debentures (NCD)

In terms of MRA entered with certain lenders of the Company for Debt Restructuring, each of those lenders has a right of recompense as per extent guideline of CDR for reliefs and sacrifice extended by them. During the year the Company has paid one time cost towards right of recompense payable through issuance of Non Convertible Debentures. Accordingly ₹ 16,239.65 lacs was charged to Statement of Profit or Loss and shown as "Exceptional Items" for the year and ₹ 7,989.09 lacs has been capitalised as borrowing cost. Other terms and conditions are given below:

- i These NCDs having coupon rate of 9.50% and Face value of ₹ 100 each are repayable in 49 quarterly structured instalments commencing from March 2019 and ending on March 2031.
- ii The NCDs are to be secured by way of first pari passu charge and mortgage on all the immovable properties; hypothecation of all movable properties of the Company and on all the intangible assets of the Company; both present and future, second pari-passu charge on all current assets and first pari passu charge by way of mortgage over leasehold rights on 124.1199 hectares of land belonging to E Complex Private Limited.
- iii The Company was required to provide Debenture Redemption Reserve (DRR) of ₹ 363.85 lacs upto March 31, 2018 (Previous Year: NIL) in terms of the Trust Deed executed and the provisions of the Companies Act 2013. In the absence of profits available, no provision for DRR is made in the books of account as at March 31, 2018. The requisite provisions will be made out of the profits available in the future years.

16.4 The Company had availed various secured financial facilities from the banks and financial institutions ("The Lenders"). The Lenders led by IDBI Bank had, through Joint Lenders' Forum (JLF), referred the Debt Restructuring Scheme ('Restructuring Scheme') of the Company to Corporate Debt Restructuring Cell ("CDR Cell"). The Company and the Lenders who are members of the CDR forum ('CDR Lenders') have executed Master Restructuring Agreement ('MRA') dated March 30, 2015, by virtue of which the credit facilities extended by the CDR Lenders stand restructured and these restructured facilities are governed by the provisions stipulated in the MRA.

16.5 Secured Term loans as referred to above and ₹ 522,586.93 lacs being part of current maturities of long term debt in note no. 21 are secured as under:

- i) ₹ 596,800.48 lacs by first pari passu charge and mortgage on all the immovable properties; hypothecation of all movable properties of the Company and on all the intangible assets of the Company; both present and future and Corporate Guarantee of SKIL Infrastructure Limited.
- ii) Personal guarantee by some of the erstwhile directors of the Company.
- iii) ₹ 109.30 lacs secured by exclusive charge on land situated at 675-P2, Rampura Village II border, Registration district – Amreli, Taluka Rajula, Gujarat.

16.6 Secured Term loans of ₹ 587,867.28 lacs are further secured as:

- i) first pari passu charge by way of mortgage over leasehold rights on 124.1199 hectares of land belonging to E Complex Private Limited and on sub-leasehold rights on 10.5 hectares of land belonging to Gujarat Maritime Board and second pari passu charge by way of hypothecation of all the current assets (including all receivables and inventories), both present and future.
- ii) right to convert entire part of defaulted principal and interest into Equity Shares upon occurrence of events of default in the manner provided in the MRA.
- iii) by way of Pledge of entire shareholding i.e. 2,17,09,327 Equity Shares of E Complex Private Limited held by the Company.

16.7 During the year 11,64,05,500 equity shares of the Company held by SKIL Infrastructure Limited (SKIL); 2,23,49,494 equity shares of the Company held by Grevek Investments and Finance Pvt Ltd (Grevek) and 1 equity share of the Company held by SKIL Shipyard Holdings Private Limited (SSHPL), which were pledged as security to the CDR lenders have been invoked by the lenders. Pending adjustment of value of above shares by the lenders against the amount borrowed by the Company, no accounting effect has been given in the Financial Statements as at March 31, 2018.

16.8 Vehicle Loans referred to above including ₹ 42.70 lacs being part of current maturities of long term debts in note no. 21 are secured by the Hypothecation of the specific vehicles financed. The loans are repayable in monthly equated instalments (including interest) as per repayment schedule starting from July 01, 2012 to March 15, 2021.

16.9 Repayment Terms

- (i) Secured Rupee Term Loan of ₹ 510,937.89 lacs are repayable in 28 quarterly structured instalments starting from September 30, 2017 to June 30, 2024, ₹ 26,685.75 lacs are repayable in 24 quarterly structured instalments starting from June 30, 2019 to March 31, 2025, ₹ 17,760.00 lacs in 28 quarterly structured instalments starting from September 30, 2017 to June 30, 2024, ₹ 8,403 lacs in 40 quarterly structured instalments starting from August 31, 2005 to February 28, 2017, ₹ 11,253.24 lacs in 61 quarterly structured instalments starting from March 31, 2019

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

to March 31, 2034, ₹ 530.19 lacs on May 25, 2017 by way of bullet repayment and ₹ 109.30 lacs in 60 monthly equated instalments (including interest) starting from January 30, 2015 to November 28, 2019.

- (ii) Secured Foreign Currency Term Loan as referred above carry an interest rate of 2.78% and repayable in 41 quarterly structured instalments starting from March 31, 2019 to March 31, 2029.

16.10 Unsecured Rupee Term Loan from Financial Institution and Body Corporates including ₹ 11.374.87 lacs included in current maturities of long term debts in note no. 21 are secured as under:

- i) ₹ 11,374.87 lacs by way of pledge of 8,537,000 shares of SKIL Infrastructure Limited and Non Disposable Agreement along with irrevocable power of attorney for creating of charge on 50,00,000 shares of SKIL Infrastructure Limited 70,00,000 shares of Reliance Defence and Engineering Limited and 8,00,000 shares of Everon Limited. The loan is further secured by land owned by Other Corporates in Navi Mumbai admeasuring about 4.02 acres mortgaged and Land parcel owned by other corporates in Jhansi, Uttar Pradesh admeasuring about 35.79 acres and Personal Guarantee of erstwhile Directors of the Company
- ii) ₹ 4,278.06 lacs by way of first charge of mortgage on property situated at Plot No. 95/1, Oomer Park, Bhulabhai Desai Road, Mumbai 400026, admeasuring 7758 Sq feet, property bearing survey numbers 96, 102, 105 and 113 total admeasuring 5-50-00 hectares, situated at Village Belawade (B), Taluka Pen, District Raigad, Maharashtra belongings to other corporates, pledge of 2,326,087 fully paid up equity shares of the Company, 1,17,77,880 fully paid up equity shares of SKIL Infrastructure Limited, 3,85,628 shares of Montana Infrastructure Limited and 1,950 units of Urban Infrastructure Opportunities Fund.

16.11 Repayment Terms of Unsecured Loans

- (i) Unsecured Rupee Term loan of ₹ 11,374.87 lacs from financial institutions is repayable in 16 equal quarterly instalments with a moratorium of 1 year from the first disbursement i.e October 2013.
- (ii) Unsecured Rupee Term loan from body corporates of ₹ 4,278.06 Lacs is repayable in four equal instalments at the end of 30 months, 36 months, 42 months and 48 months from the date of sanction i.e October 6, 2017
- (iii) The unsecured loan from body corporated of ₹ 4,626.03 lacs is repayable in four equal instalments at the end of 30 months, 36 months, 42 months and 48 months from the date of sanction i.e October 6, 2017

16.12 During the year the CDR lenders have recalled all the loans and have invoked 14.51 Crores equity shares of the Company pledged with lenders and guarantees available with them. Further one lender of the RMOL, a subsidiary company, has issued a loan recall notice and subsequently applied for the insolvency petition under the Insolvency and Bankruptcy Code 2016 due to continued default in repayment of principal and interest against RMOL and the Company. In response to the recall notice, the company and RMOL has requested to the lender to liquidate the securities available with them and has offered to settle the balance amount through promoters' support. The petition filed by the lender is not yet admitted by the NCLT. As at March 31, 2018, the Company has overdue of ₹ 5,33,346.55 lacs included in current maturities of long term debts in note no 21 (Previous Year: ₹ 18,829.72 lacs) and ₹ 39,752.18 lacs included in interest accrued and due in note no 21 (Previous Year: ₹ 15,492.01 lacs) towards the principal and interest respectively as detailed below:

₹ in Lacs

Sr. no	Name of Lender	Amount of Default	Period of Default
01	Bank of India	13,578.24	Less than 90 Days
02	Bank of Maharashtra	8,306.22	Less than 90 Days
03	Central Bank	50,210.05	Less than 90 Days
04	Corporation Bank	24,271.95	Less than 90 Days
05	Dena Bank	5,923.29	Less than 90 Days
06	EXIM	42,658.63	Less than 90 Days
07	HUDCO	15,839.21	More than 90 Days
08	IDBI Bank	80,181.20	Less than 90 Days
09	IFCI Ltd	20,253.30	Less than 90 Days
10	IIFC UK	345.56	Less than 90 Days
11	IL & FS	666.97	More than 90 Days
12	Jammu & Kashmir Bank	24,225.76	Less than 90 Days
13	Karnataka Bank	3,241.98	Less than 90 Days
14	Karur Vyasa Bank	3,363.01	Less than 90 Days
15	Life Insurance Corporation	8,531.44	Less than 90 Days

Notes to Consolidated Financial Statements

₹ in Lacs

Sr. no	Name of Lender	Amount of Default	Period of Default
16	Oriental Bank of Commerce	12,400.25	Less than 90 Days
17	Punjab & Sind Bank	2,206.99	Less than 90 Days
18	Punjab National Bank	33,546.32	Less than 90 Days
19	State Bank of India	66,653.77	Less than 90 Days
20	UCO Bank	18,589.07	Less than 90 Days
21	Union Bank Of India	97,719.52	Less than 90 Days
22	United Bank of India	15,061.33	Less than 90 Days
23	Vijaya Bank	7,513.91	Less than 90 Days
24	Yes Bank	778.23	Less than 90 Days
25	Non Convertible Debentures (NCD)	548.28	Less than 90 Days
26	IFCI	16,174.60	More than 90 days
27	ECL Finance Limited	309.67	Less than 90 days

Note - 17

Provisions

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits (refer note no 29.1)	241.24	326.20
Total	241.24	326.20

Note - 18

Other Non Current Liabilities

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Deposits	-	5.50
Advances from Customers	5,624.21	-
Total	5,624.21	5.50

Note - 19

Short Term Borrowings

₹ in Lacs

Particulars	As at March 31, 2018	As at March 31, 2017
Secured Loans		
Working Capital Loan		
Cash Credit Facilities from Banks	1,23,853.37	1,08,865.17
Unsecured Loans from:		
Banks	19,804.97	31,560.29
Related Party (refer note no 37)	1,90,384.50	1,15,222.34
Body Corporates	88,182.98	43,660.27
	2,98,372.45	1,90,442.90
Total	4,22,225.82	2,99,308.07

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

- 19.1 The above working capital loans from banks include ₹ 123,259.38 lacs secured by way of:
- First pari passu charge by way of hypothecation of all the current assets (including all receivables and inventories); both present and future.
 - Second pari passu charge by way of mortgage over leasehold rights on 124.1199 hectares of land belonging to E Complex Private Limited and on sub-leasehold rights on 10.5 hectares of land belonging to Gujarat Maritime Board.
 - Second pari passu charge and mortgage on all the immovable properties and hypothecation of all movable properties of the Company; both present and future.
- 19.2 Working capital loans from banks of ₹ 123,259.38 lacs are further secured by :
- Corporate Guarantee of SKIL Infrastructure Limited and personal guarantee of some of the erstwhile directors of the Company.
 - Pledge of entire shareholding i.e. 2,17,09,327 equity shares of E Complex Private Limited held by the Company.
- 19.3 The Working Capital Loan from Bank of ₹ 593.99 lacs is secured by registered mortgage of the land situated at Survey no 589/P2, 668/P2/ and 515 Village Lunsapur, Taluka Jafrabad, Dist. Amreli, PIN-36560, Gujarat, India and further guaranteed by one of the erstwhile director of the Company.
- 19.4 Unsecured Loan from Body Corporates include ₹ 4,813.80 lacs secured by:
- First charge of mortgage of approximately 66 acres of land belonging to other corporates
 - Pledge of 6,254,178 fully paid up equity share of Holding Company held by SKIL Infrastructure Limited
 - Corporate guarantee of SKIL Infrastructure Limited and one of the erstwhile director of the Company.
- 19.5 During the year the lenders have recalled all the loans and have invoked 14.51 Crores equity shares of the Company pledged with lenders and guarantees available with them. As at March 31, 2018, the Company has overdue of ₹ 147,878.15 lacs (Previous Year: ₹ 3,665.97 lacs) and ₹ 1,085.99 lacs (Previous Year: ₹ 241.70 lacs towards the interest and principal respectively as detailed below:

₹ in Lacs

S. no	Name of Lender	Amount of Default	Period of Default
01	Bank of India	13,071.84	Less than 90 Days
02	Central Bank	3,293.56	Less than 90 Days
03	Dena Bank	19,097.94	Less than 90 Days
04	EXIM	3,005.70	Less than 90 Days
05	IDBI Bank	9,782.20	Less than 90 Days
06	Oriental Bank of Commerce	11,669.39	Less than 90 Days
07	Punjab & Sind Bank	4,478.77	Less than 90 Days
08	Punjab National Bank	7,323.71	Less than 90 Days
09	State Bank of India	20,381.45	Less than 90 Days
10	UCO Bank	15,144.36	Less than 90 Days
11	Union Bank Of India	11,593.30	Less than 90 Days
12	United Bank of India	15,325.71	Less than 90 Days
13	Vijaya Bank	8,896.42	Less than 90 Days
14	Religare Finvest Limited	5,899.79	More than 90 Days

Notes to Consolidated Financial Statements

Note - 20

Trade Payables

		₹ in Lacs
Particulars	As at March 31, 2018	As at March 31, 2017
Micro and Small Enterprises	265.52	284.79
Others	28,929.60	26,879.30
Total	29,195.12	27,164.09

20.1 Micro and Small Enterprises under the Micro and Small Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

		₹ in Lacs
Particulars	As at March 31, 2018	As at March 31, 2017
Principal amount remaining unpaid	265.52	284.79
Interest due thereon	475.18	340.71
Interest paid by the Company in terms of Section 16	-	-
Interest due and payable for the period of delay in payment	-	-
Interest accrued and remaining unpaid	475.18	340.71
Interest remaining due and payable even in succeeding years	475.18	340.71

20.2 All trade payables are non interest bearing and payable or settled with in normal operating cycle of the Company.

Note - 21

Other Current Financial Liabilities

		₹ in Lacs
Particulars	As at March 31, 2018	As at March 31, 2017
Current Maturities of Long Term Debts	5,34,032.86	50,474.56
Creditors for Capital Goods	4,208.60	4,673.84
Statutory Dues	5,012.70	2,947.67
Interest accrued and due on borrowings	40,838.17	15,733.71
Interest accrued but not due on borrowings	40,489.86	22,431.92
Other Payables *	4,992.95	3,291.26
Total	6,29,575.14	99,552.96

* Includes mainly amount payables to employees and provision for expenses.

Note - 22

Other Current Liabilities

		₹ in Lacs
Particulars	As at March 31, 2018	As at March 31, 2017
Advances from Customers	8,591.54	7,849.50
Total	8,591.54	7,849.50

Note - 23

Current Provisions

		₹ in Lacs
Particulars	As at March 31, 2018	As at March 31, 2017
for Employee Benefits (refer note no 29.1)	105.85	131.38
for expenses	4.75	-
Other Provisions (refer note no 23.1)	46,848.79	67,316.92
Total	46,959.39	67,448.30

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

- 23.1 The Company has recognised liabilities based on substantial degree of estimation for provision for liquidated damages, warranty claims, estimated cost over contract revenue on shipbuilding contracts and costs estimated for revenue recognised as detailed below. Actual outflow is expected in the subsequent financial years.

₹ in Lacs

Particulars	Provision for Liquidated Damages	Provision for Warranty claims	Provision for estimated cost over contract revenue	Provision for cost estimated for revenue recognised
Balance as at March 31, 2017	-	71.00	4,570.26	62,675.66
Add: provision made for the year ended March 31, 2018.	8,494.20	168.42	363.63	25,754.32
Less: Amount Incurred and charged against the opening balance	-	71.00	4,570.26	50,607.44
Balance as at March 31, 2018	8,494.20	168.42	363.63	37,822.54

Note - 24

Revenue from Operations

₹ in Lacs

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Ship Building	27,162.72	36,788.85
Repairs and Fabrication	5,725.31	14,658.94
Export Benefits	309.24	-
Sale of Traded Goods (Gold)	4,338.55	4,458.69
Other Operating Revenue		
Sale of Scraps	319.83	498.67
	37,855.65	56,405.15
Total	37,855.65	56,405.15

Note - 25

Other Income

₹ in Lacs

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest Income	919.83	861.23
Government Grants	-	1,398.31
Dividend on Current Investments	17.46	31.84
Foreign Exchange Differences (net)	-	1,425.56
Sundry Balances Written Back (net)	587.30	-
Miscellaneous Income	20.73	189.73
Fair Value Impact on Issue of Preference Share	6,312.19	-
Total	7,857.51	3,906.67

Notes to Consolidated Financial Statements

Note - 26

Cost of Materials Consumed

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Steel Plates and Profiles	1,883.43	1,568.18
Equipment and Components	32,744.66	21,585.20
Total	34,628.09	23,153.38

Note - 27

Purchase of Stock - in - Trade

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Gold Items	4,353.68	4,473.30
Total	4,353.68	4,473.30

Note - 28

Changes in Inventories of Work - in - Progress and Scrap

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
At the end of the year		
Scrap	46.46	46.46
Work in progress	747.84	588.02
	a	634.48
Less :- At the beginning of the year		
Scrap	46.46	36.83
Work in progress	588.02	4,692.57
	b	4,729.40
Changes in Inventories	(b-a)	4,094.92

Note - 29

Employee Benefits Expenses

₹ in Lacs		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, Wages and Allowances	3,208.02	3,555.98
Contribution to Provident and Other Funds	137.59	162.34
Staff Welfare Expenses	46.05	93.71
Total	3,391.66	3,812.03

29.1 Employee Benefits

As per Ind AS-19 "Employee Benefits", the disclosure of employee benefits as defined in the accounting standards are given below:

Defined Contribution Plan

₹ in Lacs		
Particulars	2017 - 2018	2016 - 2017
Employers Contribution to Provident Fund	91.77	107.87
Employers Contribution to Pension Fund	45.82	54.47
	137.59	162.34

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Defined Benefit Plan

The Employees Gratuity Fund Scheme, which is a defined benefit plan, is managed by a trust maintained with Life Insurance Corporation of India (LIC). The Company has made contribution to the above mentioned trust upto the financial year ended March 31, 2009 and thereafter no contributions have been made. The Employees Leave Encashment Scheme which is a defined benefit plan is unfunded.

The present value of the obligation is determined based on actuarial valuation using Projected Units Credit Method, which recognizes each period of service as giving rise to additional units of employees benefit entitlement and measures each unit separately to buildup the final obligation.

a) Gratuity (Funded)

i) Reconciliation of opening and closing balances of the present value of the defined gratuity benefit obligation.

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Defined Benefit Obligation at beginning of the year	278.49	247.13
Current Service Cost	46.37	61.13
Past Service Cost	12.04	-
Current Interest Cost	18.17	13.26
Actuarial (Gain) / Loss	(37.24)	56.19
Benefits paid/Reversed	(81.98)	(99.22)
Defined Benefit Obligation at end of the year	235.85	278.49

ii) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets.

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Fair Value of Plan Assets at the beginning of the year	80.50	63.70
Expected Return on Plan Assets	5.83	5.05
Actuarial Gain / (Loss)	(0.20)	11.75
Fair Value of the Assets at the end of the year	86.13	80.50

iii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Fair Value of Plan Assets at the end of the year	86.13	80.50
Present Value of Defined Benefit Obligation at end of the year	235.85	278.49
Liabilities / (Assets) recognised in the Balance Sheet	149.72	197.99

iv) Expenses recognised during the year

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Current Service Cost	46.37	61.13
Past Service Cost	12.04	-
Interest Cost	18.17	13.26
Expected Return on Plan Assets	(5.83)	(5.05)
Net Cost Recognised in profit or loss	70.75	69.34
Actuarial (Gain) / Loss recognised in other comprehensive income	(37.05)	44.44

v) Assumptions used to determine the defined benefit obligations

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Mortality Table (LIC)	(2006 - 08 ultimate)	
Discount Rate (p.a.)	7.65%	6.71%
Estimated Rate of Return on Plan Asset	7.00%	7.00%
Expected Rate of increase in Salary (p.a.)	7.00%	7.00%

Notes to Consolidated Financial Statements

The estimates of rate of increase in salary are considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage and amount for each category of the fair value of plan assets has not been disclosed.

vi) Sensitivity Analysis:

Particulars	Changes in assumptions		Effect on Gratuity Obligation Increase/ (Decrease)	
	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017
Discount Rate	0.50%	0.50%	15.42	20.75
Salary Growth Rate	0.50%	0.50%	16.85	19.89
Estimated Rate of Return on Plan Asset	0.50%	0.50%	16.85	19.89

The above sensitivity analysis is based on an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined obligation has been calculated using the projected unit credit method at the end of reporting period, which is the same as that applied in calculating the defined obligation liability recognized in the Balance Sheet.

vii) Risk Exposure :

1. Investment Risk: The Present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of reporting period on government bonds
2. Interest Risk: A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan debt investment.
3. Liquidity Risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability
4. Salary Risk: The present value of the defined plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

viii) Details of Asset-Liability Matching Strategy :- Gratuity benefits liabilities of the company are funded. There are no minimum funding requirements for a Gratuity benefits plan in India and there is no compulsion on the part of the Company to fully or partially pre-fund the liabilities under the Plan. The trustees of the plan have outsourced the investment management of the fund to an insurance company. The insurance company in turn manages these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations. Due to the restrictions in the type of investments that can be held by the fund, it may not be possible to explicitly follow an asset-liability matching strategy to manage risk actively in a conventional fund.

ix) The expected payments towards to the gratuity in future years :

Particulars	₹ in Lacs	
	2017-2018	2016-2017
0 to 1 Year	45.54	40.67
2 - 5 Years	96.96	106.06
More than 5 Years	83.23	91.92

The average duration of the defined benefit plan obligation at the end of reporting period is 8 years (Previous Year: 9 years).

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

b) Leave Encashment (Unfunded)

i) Reconciliation of opening and closing balances of the present value of the defined leave encashment benefit obligation.

	₹ in Lacs	
Particulars	2017-2018	2016-2017
Defined Benefit Obligation at beginning of the year	259.60	272.02
Current & Past Service Cost	22.97	30.20
Current Interest Cost	16.13	14.42
Actuarial (Gain) / Loss	(3.83)	57.34
Benefits paid/Reversed	(97.53)	(114.38)
Defined Benefit Obligation at end of the year	197.34	259.60

ii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

	₹ in Lacs	
Particulars	2017-2018	2016-2017
Fair Value of Plan Assets at the end of the year	-	-
Present Value of Defined Benefit Obligation at end of the year	197.34	259.60
Liabilities / (Assets) recognised in the Balance Sheet	197.34	259.60

iii) Expenses recognised during the year

	₹ in Lacs	
Particulars	2017-2018	2016-2017
Current & Past Service Cost	22.97	30.20
Interest Cost	16.13	14.42
Net Cost Recognised in statement of profit or loss	39.10	44.62
Actuarial (Gain) / Loss recognised in other comprehensive income	(3.83)	57.34

iv) Assumptions used to determine the defined benefit obligations

	₹ in Lacs	
Particulars	2017-2018	2016-2017
Mortality Table	(2006 - 08 ultimate)	
Discount Rate (p.a.)	7.65%	6.71%
Estimated Rate of Return on Plan Asset	N/A	N/A
Expected Rate of increase in Salary (p.a.)	7.00%	7.00%

The estimates of rate of increase in salary are considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

Note - 30

Finance Costs

	₹ in Lacs	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest Expenses	71,422.58	56,277.51
Other Borrowing Costs (Bill Discounting Charges, Guarantee Commission, etc.)	3,985.38	6,272.62
Total	75,407.96	62,550.13

Notes to Consolidated Financial Statements

Note - 31

Other Expenses

	₹ in Lacs	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Consumables, Stores and Spares	2,820.08	1,296.41
Power, Fuel and Water	1,419.03	1,645.51
Repairs and Maintenance	1,153.24	841.03
Labour/Fabrication and Subcontractor Charges	10,016.70	7,540.15
Equipment Hire Charges	1,090.49	1,458.35
Rent	484.85	635.37
Testing and Inspection Charges	383.89	631.64
Infrastructure Facility Charges	648.92	619.56
Excise Duty Expenses	7.91	71.14
Design, Drawing and Construction Support Fees	471.92	777.45
Insurance	1,353.18	1,267.40
Cost Estimated for Revenue Recognised	(24,853.12)	(3,486.85)
Provision for Estimated Cost Over Contract Revenue	(4,206.72)	825.34
Rates and Taxes	216.92	111.24
Communication Expenses	48.89	95.94
Travelling, Conveyance and Vehicle Hire Charges	747.87	742.73
Legal and Professional Charges	1,169.62	1,046.55
Foreign Exchange Difference (net)	478.53	0.21
Payment to Auditors	76.10	58.50
Advertising, Publicity and Selling Expenses	68.54	57.85
Business Promotion Expenses	33.31	134.21
Balances Written off/back (net)	-	250.42
Provision for Liquidated Damages	8,494.21	-
Brokerage and Commission	206.31	227.61
Provision for impairment of current assets	10,289.30	-
Loss on Sale of Plant, property and equipments (net)	1.05	0.01
Warranty Claims	221.35	-
Miscellaneous Expenses	678.38	604.18
Total	13,520.75	17,451.95

30.1 Payment to Auditors includes:

	₹ in Lacs	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Audit Fees	50.00	55.00
Certification Charges	1.10	3.50
Other Matters	25.00	-
Total	76.10	58.50

Note - 32

Earnings Per Share (Basic and Diluted)

	₹ in Lacs	
Particulars	2017 - 2018	2016 - 2017
Loss attributable to the Equity Shareholders	(1,01,196.49)	(57,722.45)
Amount available for calculation of Basic and Diluted EPS (a)	(1,01,196.49)	(57,722.45)
Weighted Average No. of Equity Shares outstanding for Basic and Diluted EPS (b)	73,74,50,866	73,62,06,269
Basic and Diluted Earnings per share of ₹ 10/- each (in ₹) (a) / (b)	(13.72)	(7.84)

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Note – 33

Contingent Liabilities and Commitments

33.1 Contingent Liabilities

(No Cash Outflow is expected except as stated otherwise and not likely to have any material impact on financial position of the Company)

		₹ in Lacs	
Sr. No.	Particulars	2017 - 2018	2016 - 2017
a)	Guarantees given by Company's Bankers		
i)	Refund Bank Guarantees given to customers (net of liabilities accounted for)	1,50,382.72	1,55,557.05
ii)	Other Bank Guarantees (Bank Guarantees are provided under contractual/ legal obligations.)	38,763.63	46,330.79
b)	Corporate Guarantee (Given to Banks, Financial Institutions and Body Corporates for credit facilities taken by subsidiary companies to the extent such facilities outstanding)		
c)	Demands not acknowledged as Debts (net)		
i)	Income Tax Majorly the tax demand due to disallowances by the Income tax department and Interest	131.14	3,404.16
ii)	Service Tax, Excise Duty and Sales Tax Includes the demand notices received for wrong availment of Cenvat credit mainly on input goods and services in connection to construction of dry dock. The Company has obtained the favourable order of CESTAT in some cases but the department has gone in to the appeal. Further certain amount has been disallowed by the department against the Company's refund claim for service tax paid and Company has challenged the same into appeal for claiming the refund. Such cases also have been considered as part of contingent liability. The amount considered for contingent liability is aggregate of the amount payable as per the demand notices received less the amount already provided for in the books.	3,863.84	548.57
iii)	Third Party Claims The suppliers in certain cases have claimed the amount from the Company, which is under dispute. These includes the cases pending at various forums including international/domestic arbitration. Each of the cases have been reviewed and wherever required suitable provisions are made in the books of account and difference between amount demanded and amount provided in the books have been disclosed as contingent liability.	11,272.11	19,202.54
d)	Letters of Credit opened in favour of suppliers (Cash Outflow is expected on receipt of materials from suppliers)	7,333.62	6,923.82

33.2 Commitments

Sr. No.	Particulars	2017 - 2018	2016 - 2017
a)	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net of Advances). (Cash flow is expected on execution of such Capital Contracts on progressive basis)	1,279.00	63,524.06
b)	Other Commitments (for investment in the Associates and Joint Venture)	802.24	802.24

33.3 On September 20, 2012, the Revenue Department ordered the Collector, Dist Amreli to send a proposal to the Government of Gujarat ('GOG') for raising a demand for payment of 100% premium on the land admeasuring approximately 451 acres granted to the E Complex Private Limited (ECPL), (formerly known as Metdist Industries Private Limited) for industrial purpose alleging that there is transfer of land / change of ownership of land on account change in shareholding pattern, directorships and change of name of ECPL, change of user and for failure to complete the project within the specified period of three years. ECPL has filed the Writ Petition asserting that the legal entity to which the land of allotted is the same

Notes to Consolidated Financial Statements

and as such there is no transfer of land. Further, the land was allotted for Industrial purpose and being used for industrial purpose, as such there is no change of user. As per principle of proportionality, for minor irregularities harsh action like demand for 100% premium cannot be initiated. The matter is pending before Gujarat High Court. The Company has also filed representation to Government of Gujarat in regard to payment of premium and the same is pending.

- 33.4 The Company has issued a Bond cum legal undertaking for ₹ 73,400.00 lacs (Previous Year: ₹ 73,400.00 lacs) in favor of President of India acting through Development Commissioner of Kandla Special Economic Zone for setting up a SEZ unit for availing exemption from payment of duties, taxes or cess or drawback and concession etc, a General Bond in favor of the President of India for a sum of ₹ 15,300 lacs (Previous Year : ₹ 15,300 lacs) as Security for compliance of applicable provisions of the Customs Act, 1962 and the Excise Act, 1944 for EOU unit, a bond cum legal undertaking for ₹ 1,350.00 lacs (Previous Year: 1,350.00 lacs) in favor of President of India acting through D.R.I. Ahmedabad, Zonal Unit as security of compliance under Central Excise Act 1944.
- 33.5 The Company has received Twenty Three show cause notices in its 100% EOU unit from the Office of the Commissioner of Central Excise, Bhavnagar and Directorate of Revenue Intelligence which mainly relates alleged wrong availment of Cenvat/Customs Duty/Service Tax Credit on inputs/services used for Construction of Dry Dock and Goliath Cranes and non-submission of original evidences/documents and some procedural non-compliances. The Company does not foresee any losses on this account.

Note - 34

Going Concern

The Company primarily is in the business of Ship Building and Ship Construction having state of the art infrastructure facilities including Dry Dock complex, Goliath Cranes, Fabrication facilities, Blasting and Painting Cell, etc, and is capable of undertaking complex and large size/volume of fabrication for varied industries.

The overall infrastructure facility required currently available with the company are nearly new and have long useful life. For last few years there is a downtrend in the shipbuilding industry globally. In defence sector also the process of awarding contract has been deferred in respect of many large orders for variety of reasons.

All these have resulted in temporary financial constraints on the Company, losses in the operations, erosion of net worth and calling back of loans by the secured lenders. Therefore Company has approached its lenders for an appropriate Resolution Plan with the objective to make the operations of the Company viable and sustainable. The Company is engaged with the Lenders for Resolution Plan.

Considering the strength of the Company's world class infrastructure, business plans and future outlook as assessed, the management is quite confident to reach at some workable solution to resolve financial position of the Company and to continue as a going concern. The company is participating in several business opportunities both in & outside India, and hopeful to get business in the coming years. Further, the promoters of the Company have supported the Company since management take over by them in January 2016 and will continue to do so in future in their capacity as promoters.

Pending such resolution and on considering the facts given in above paras:

- Accounts have been prepared on going concern basis;
- The company continued to account for deferred tax assets on losses, which will be available for set off against future profits in view of the anticipated orders and opportunities in the defence and non-defence sector and expected resolution with the secured Lenders and improved availability of working capital; and
- No provision for impairment of Non-current assets have been considered necessary.

Note - 35

Fair Value Measurements

The fair value of the financial assets and liabilities are included at the amount that would be received on sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribable under the accounting standard. An explanation of each level follows underneath the table.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price and financial instruments like Mutual Funds for which NAV is published by the Mutual Fund Operator. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period and Mutual Fund are valued using the Closing NAV.

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value and instruments are observable, the instrument is included in level 2. Instruments in the level 2 category for the company include forward exchange contract derivatives

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in this level. Instruments in level 3 category for the Company include unquoted equity shares and FCCDs, unquoted units of mutual funds and unquoted units of venture capital funds.

Financial Assets

Financial Assets which have been measured at fair value

Particulars	As at March 31, 2018			As at March 31, 2017		
	Level	Level	Level	Level	Level	Level
	1	2	3	1	2	3
Investments in Units of Mutual Funds	74.03	-	-	1,321.90	-	-
Total	74.03	-	-	1,321.90	-	-

The carrying amount of all other Financial Assets is reasonably approximate to its fair value.

Financial Liabilities

The Preference shares are classified as a financial Liability. The Liability in case of Preference Shares and Non Convertible Debentures are initially recognised on fair value and the difference between fair value and transaction price is considered as Other Income. Subsequently the liability is measured at amortised cost using the effective interest rate. The impact on this account has been recognised as other income on the transaction date and subsequent impact are recognised as finance cost in the Statement of Profit and Loss.

The carrying amount of all other Financial Liabilities is reasonably approximate to its fair value. The fair values disclosed above are based on discounted cash flows using current borrowing rate. These are classified at level 2 fair values in the fair value hierarchy due to the use of observable inputs.

During the years mentioned above, there have been no transfers amongst the levels of the hierarchy.

Valuation process

The Company evaluates the fair value of the financial assets and financial liabilities on periodic basis using the best and most relevant data available. Also the Company internally evaluates the valuation process periodically

Note - 36

Segment Reporting

Segment information as per Ind AS - 108 on Operating Segment :

Information provided in respect of revenue items for the year ended March 31, 2018 and in respect of assets/liabilities as at March 31, 2018.

I Information about Primary (Product wise) segments :

					₹ in Lacs
Sr No	Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
1.	Revenue	-	-	-	-
	External Sales	33,516.65 (51,946.15)	4,339.00 (4,459.00)	- (-)	37,855.65 (56,405.15)
2.	Results				
	Segment Results	(36,597.43) (-14807.75)	(15.00) (-15.00)	- (-)	(36,612.43) (-14822.75)
	Unallocated Corporate Expenses	- (-)	- (-)	2,039.51 (2,546.67)	2,039.51 (2,546.67)

Notes to Consolidated Financial Statements

₹ in Lacs

Sr No	Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
	Operating Profit / (Loss)	(36,597.43)	(15.00)	(2,039.51)	(38,651.94)
		(-14807.75)	(-15.00)	(-2546.67)	(-17369.42)
	Finance Cost	-	-	75,407.96	75,407.96
		(-)	(-)	(62,550.13)	(62,550.13)
	Unallocated Corporate Income	-	-	7,857.51	7,857.51
		(-)	(-)	(3,906.67)	(3,906.67)
	Loss from Ordinary Activities before tax	(36,597.43)	(15.00)	(69,589.96)	(1,06,202.39)
		(-14807.75)	(-15.00)	(-61190.13)	(-76012.88)
	Exceptional Items			(16,239.65)	(16,239.65)
				(-)	(-)
	Provision for Income-tax - Net	-	-	(21,245.47)	(21,245.47)
		(-)	(-)	(-18280.15)	(-18280.15)
	Net Loss	(36,597.43)	(15.00)	(64,584.14)	(1,01,196.57)
		(-14807.75)	(-15.00)	(-42909.98)	(-57732.73)
3. Other Information					
	Segment Assets	10,86,847.14	-	-	10,86,847.14
		(10,28,699.47)	(-)	(-)	(10,28,699.47)
	Unallocated Corporate Assets	-	-	2,12,601.00	2,12,601.00
		(-)	(-)	(2,13,473.00)	(2,13,473.00)
	Total Assets	10,86,847.14	-	2,12,601.00	12,99,448.14
		(10,28,699.47)	(-)	(2,13,473.00)	(12,42,172.47)
	Segment Liabilities	89,196.00	-	-	89,196.00
		(1,07,467.00)	(-)		(1,07,467.00)
	Unallocated Corporate Liabilities	-	-	11,65,907.94	11,65,907.94
		-	(-)	(9,90,013.68)	(9,90,013.68)
	Total Liabilities	89,196.00	-	11,65,907.94	12,55,103.94
		(1,07,467.00)	(-)	(9,90,013.68)	(10,97,480.68)

Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
Capital Expenditure	52,418.86	-	-	52,418.86
	(-)	(-)	(-)	(-)
Depreciation and Amortisation	20,773.23	-	-	20,773.23
	(-)	(-)	(-)	(-)
Non-cash Expenses other than Depreciation	-	-	-	-
	(-)	(-)	(-)	(-)

Figures in brackets represents previous year's amounts.

II Information about Secondary Segment :

Geographical Segment :

₹ in Lacs

Particulars	2017 - 2018	2016 - 2017
Revenue by Geographical Segment		
Within India	37,328.60	54,679.20
Outside India	527.05	1,725.95
Total Revenue	37,855.65	56,405.15

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

₹ in Lacs

Particulars	2017 - 2018	2016 - 2017
Carrying Amount of Segment Assets		
Within India	12,82,738.37	12,02,315.53
Outside India	16,709.77	39,856.94
Total Assets	12,99,448.14	12,42,172.47
Capital Expenditure		
Within India	52,418.86	38,555.50
Outside India	-	-

III Revenue from Major Customers :

Revenue from operations include ₹ 27,441.79 lacs (Previous Year: ₹ 49,545.55 lacs) from one customer (Previous Year: three customers) having more than 10% of the total revenue

B Segment Identification, Reportable Segments and definition of each segment:

- i Primary / Secondary Segment Reporting Format:
The risk - return profile of the Company's business is determined predominantly by the nature of its products. Accordingly, the business segment constitute the Primary Segments for disclosure of segment information.
- ii Reportable Segments:
Segments have been identified based on the organisational structure, internal management reporting system, nature of production process and infrastructure facilities used.
- iii Segment Composition:
Ship building and Fabrication includes shipbuilding, block manufacturing, ship and rig repairs, fabrication etc. at its SEZ and EOU units situated at Pipavav, Gujarat.
Trading includes steel trading activities.
- iv Finance cost, Interest Income, Exchange Gain/Loss, current tax, deferred tax and expenditure incurred at corporate offices are not allocated to individual segment as the same are managed Company as a whole.

Note - 37

Related Party Disclosures

a) List of Related parties

1 Associates

Reliance Defence Systems Private Limited
Reliance Defence Limited
Reliance Infrastructure Limited
SKIL Infrastructure Limited (up to March 16, 2018)
Conceptia Software Technologies Private Limited

2 Key Managerial Personnel

Cmdr. K. Subramaniam, NM (Retd.) (upto 31.03.2018)
Mr. Madan Pendse (upto 01.08.2017)
Mr. Nikhil Jain (w.e.f.: 02.08.2017)
Mr. Ajit Dabholakar (upto 31.03.2018)

Notes to Consolidated Financial Statements
b) Terms and Conditions of transactions with related parties

The Transactions with related parties are at arm's length price and in the ordinary course of business. Outstanding balances at the year-end are unsecured and interest have been accounted on market rate except the advances, which is merely reimbursement of expenses. This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related party operates.

1 Transactions with related parties for the year ended March 31, 2018 (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Associates			Total
	Conceptia Software Technologies Pvt Ltd	Reliance Infrastructure Limited	Reliance Defence Systems Private Limited	
Engineering and Design Fees	47.16 (45.39)	- (-)	- (-)	47.16 (45.39)
Rent	- (-)	213.95 (301.84)	- (-)	213.95 (301.84)
Hiring Charges	- (-)	- (139.07)	- (-)	- (139.07)
Expenses reimbursed to	- (-)	- (3.88)	- (-)	- (3.88)
Interest Expenses on ICD	- (-)	16,938.34 (9,114.75)	143.60 (54.23)	17,081.94 (9,168.98)
Trade Payables	77.04 (36.02)	363.57 (136.54)	- (-)	440.61 (172.56)
Interest Accrued but not due	- (-)	23,675.48 (7,530.75)	178.05 (48.81)	23,853.53 (7,579.56)
Borrowings				
Balance as at April 1, 2017	- (-)	1,05,654.77 (35,205.00)	695.00 (-)	1,06,349.77 (35,205.00)
Received during the year	- (-)	81,795.58 (70,449.77)	2,239.91 (695.00)	84,035.49 (71,144.77)
Balance as at March 31, 2018	- (-)	1,87,450.35 (1,05,654.77)	2,934.91 (695.00)	1,90,385.26 (1,06,349.77)
Non Current Investment				
Balance as at March 31, 2018	244.14 (244.06)	- (-)	- (-)	244.14 (244.06)

2 Transactions with related parties for the year ended March 31, 2018. (for the period of relationship exist)

Nature of transactions	Key Managerial Persons				Total
	Cmde. K. Subramaniam, NM (Retd.)	Mr. Madan Pendse	Mr. Nikhil Jain	Mr. Ajit Dabholakar	
Short Term Employee Benefits	77.84 (-)	7.45 (9.73)	31.58 (-)	92.28 (89.11)	209.15 (98.84)
Post Employment Benefits	3.07 (-)	- (-)	1.44 (-)	3.37 (3.37)	7.88 (3.37)

Figures in brackets represents previous year's amounts.

- 3 During the year SKIL Infrastructure Limited ceased to be a related party of the Company. The Loan outstanding on April 1, 2017 was ₹ 8,872.60 Lacs. Interest expenses of ₹ 1,522.67 lacs (Previous Year: ₹ 779.25 lacs) has been provided on Loan taken for the period of relationship exist.

- c) Loan given and investment made covered u/s 186(4) of the Companies Act, 2013 are given under the respective head.

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Note - 38

Operating Lease

The Company has entered in to non cancellable leasing agreements for Land for a period of 60 years which are renewable by mutual consent on mutually agreeable terms. There is an escalation clause in the lease agreement during the lease period in line with expected general inflation. There are no restrictions imposed by lease arrangements and there are no sub leases. There are no contingent rents. Disclosures as required under Ind-AS 17 on "Leases" are given below:

Future minimum Lease payments under non-cancellable operating lease:			₹ in Lacs
Sr No	Particulars	2017 - 2018	2016 - 2017
1	Rent debited to statement of profit and loss during the year	166.76	140.39
2	Future Minimum Lease payments payable in:		
i	Less than one year	167.73	166.76
ii	One to five years	769.25	736.08
iii	More than five years	11,379.38	11,580.28

Note - 39

Financial Risk Management Objective and Policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables and advances from Customers. The main purpose of these financial liabilities is to finance the Company's operations, projects under implementation and to provide guarantees to support its operations. The Company's principal financial assets include Investment, loans and advances, trade and other receivables and cash and bank balances that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors, reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial assets will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial Assets affected by market risk include loans and borrowings, deposits and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

I Interest rate exposure profile appended in the table below

Borrowings	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Floating Rate Loans	7,50,986.66	7,55,618.45
Fixed Rate Loans	3,17,007.17	1,89,990.24
Total	10,67,993.83	9,45,608.69

II Interest Risk Sensitivity

With all other variable held constant the following table reflects the impact of borrowing cost on floating rate portion of total Debt

Risk Exposure	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Effect on profit/ (loss) before tax due to following change in interest rates	20 basis Points Increase	20 basis Points Decrease
On Floating Rate Loans	1,501.97	1,511.24

Notes to Consolidated Financial Statements

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

Foreign currency exposures

Particulars	₹ in Lacs	
	As at March 31, 2018	As at March 31, 2017
Payables (A)	31,248.25	32,461.55
Trade and Other Receivables (B)	13,308.14	16,060.49
Derivatives		
Currency Swap (C)	-	136.98
Net Exposure (A-B+C)	17,940.11	16,538.04

The advances to the vendors in foreign currency is not considered above.

Foreign Risk Sensitivity

The following table demonstrates the sensitivity in USD to Indian Rupees with all other Variable held constant. The effect on loss before tax due to foreign exchange rate fluctuation:

Risk Exposure	As at March 31, 2018		As at March 31, 2017	
	5 % Increase	5 % Decrease	5 % Increase	5 % Decrease
Effect on profit/ (loss) before tax due to foreign exchange rate fluctuation	897.01	897.01	826.90	826.90

Commodity price risk

The Company is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase or continuous supply of steel plates. Therefore the Company monitors its purchases closely to optimise the price.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and advances to suppliers) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major clients.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved authorities. Credit limits of all authorities are reviewed by the Management on regular basis.

Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligation associated with its financial liabilities. The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of Bank Overdrafts, Letter of Credit and Working Capital Limits.

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

The below table summarizes the maturity profile of the company's financial liability based on contractual undiscounted cash flows:

	₹ in Lacs				
Liquidity Profile	Less than 1 year	1-3 Year	3-5 Year	More than 5 Year	Total
As at March 31, 2018					
Non Current Borrowings	5,34,032.86	35,029.41	28,476.58	49,185.49	6,46,724.34
Current Borrowings	4,22,225.82	-	-	-	4,22,225.82
Other financial liabilities	95,542.28	-	-	-	95,542.28
Trade Payables	29,195.12	-	-	-	29,195.12
Total	10,80,996.08	35,029.41	28,476.58	49,185.49	11,93,687.56
As at March 31, 2017					
Non Current Borrowings	50,474.56	2,21,149.67	1,68,947.07	2,05,729.32	6,46,300.62
Current Borrowings	2,99,308.07	-	-	-	2,99,308.07
Other financial liabilities	49,078.40	-	-	-	49,078.40
Trade Payables	27,164.09	-	-	-	27,164.09
Total	4,26,025.12	2,21,149.67	1,68,947.07	2,05,729.32	10,21,851.18

Note - 40

Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The funding requirement is met through a mixture of equity, internal accruals, long term borrowings and short term borrowings.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

Capital Gearing Ratio

	₹ in Lacs	
Particulars	March 31, 2018	March 31, 2017
Equity	73,759.13	73,620.63
Retained Earnings	(29,414.93)	71,071.16
Total (A)	44,344.20	1,44,691.79
Borrowing		
Non-Current	6,46,724.34	6,46,300.62
Current	4,22,225.82	2,99,308.07
Total (B)	10,68,950.16	9,45,608.69
Capital Gearing Ratio (B/A)	24.11	6.54

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Note - 41

Additional Information, as required under Schedule III to the Companies Act, 2013 of the enterprises consolidate as subsidiary and associate

₹ in Lacs

Name of the enterprise	Net Assets i.e Total Assets minus Total Liabilities		Share in Loss		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	Amount	As % of Consolidated Net Assets	Amount	As % of Consolidated loss	Amount	As % of Consolidated other comprehensive income	Amount	As % of Consolidated total comprehensive income
Parent								
Reliance Naval and Engineering Limited	22,290.45	50.27%	(95,607.74)	94.48%	28.24	104.98%	(95,579.50)	94.48%
Indian Subsidiaries								
E Complex Private Limited	29,834.05	67.28%	(3,816.17)	3.77%	-	-	(3,816.17)	3.77%
Reliance Marine and Offshore Limited	(32.04)	-0.07%	(10.15)	0.01%	-	-	(10.15)	0.01%
Reliance Lighter Than Air Systems Private Limited	(7.26)	-0.02%	(2.29)	0.00%	-	-	(2.29)	0.00%
Reliance Technologies and Systems Private Limited	(0.56)	0.00%	(0.36)	0.00%	-	-	(0.36)	0.00%
Reliance Engineering and Defence Services Limited	(679.27)	-1.53%	(396.73)	0.39%	-	-	(396.73)	0.39%
Foreign Subsidiary								
PDOC Pte. Ltd.	(22.45)	-0.05%	(4.16)	0.00%	(1.34)	-4.98%	(5.50)	0.01%
Indian Associate (Investment as per the equity Method)								
Conceptia Software Technologies Private Limited	244.14	0.54%	0.08	0.00%	-	-	0.08	0.00%
Total Eliminations	(7,282.86)	-16.42%	(1,358.97)	1.35%	-	-	(1,358.97)	1.34%
Total	44,344.20	100.00%	(1,01,196.49)	100.00%	26.90	100.00%	(1,01,169.59)	100.00%

Note - 42

Disclosure in respect of long term contracts under progress:

₹ in Lacs

Sr No.	Particulars	2017 - 2018	2016 - 2017
a	The contract revenue recognised in the year	32,888.03	50,145.77
b	The aggregate amount of cost incurred and recognised in profits (less recognised losses) upto the end of year for all contracts in progress.	2,02,279.83	1,38,754.92
c	Amount of advance received from the customers for contracts in progress.	1,87,979.73	1,97,442.50
d	The retention amount due from customers for contracts in progress as at the end of financial year.	-	-

Reliance Naval and Engineering Limited

Notes to Consolidated Financial Statements

Note – 43

Post Reporting Events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation

Note – 44

Authorisation of Financial Statements

The financial statements for the year ended March 31, 2018 were approved by the Board of Directors on April 23, 2018. The Management and authorities have the power to amend the Financial Statements in accordance with section 130 and 131 of The Companies Act, 2013.

Note – 45

The Company has entered in to a Joint Venture agreement with Mazagon Dock Limited to form a joint venture in which Company participating interest will be 50%. Since the Company has not made any investment so far in the joint venture, the joint venture Company has not been considered for the purpose of Consolidation

Note – 46

Previous year figures have been regrouped and rearranged, wherever necessary to make them comparable with those of the current year.

For Pathak H. D. & Associates

Chartered Accountants
Firm Registration No. 107783W

Gyandeo Chaturvedi

Partner
Membership No. 46806

for and on behalf of the Board of Directors

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

} Directors

Debashis Bir
Nikhil Jain
Paresh Rathod

Whole-time Director & CEO
Chief Financial Officer
Company Secretary

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018

Form AOC – 1

[Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014]

Statement containing salient features of financial statement of subsidiaries/associates companies/joint ventures

PART "A" – Summary of Financial Information of Subsidiary Companies

1. Subsidiaries of the Company in India:

Sr. No.	Name of the Company	Reporting Period for the subsidiary concerned, if different from the Holding Company's reporting period	Date of acquisition	Reporting Currency	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Total Investment	Turnover	Profit / (Loss) Before Taxation	Provision for Taxation	Profit / (Loss) after taxation	Proposed Dividend	% of Shareholding
1	E Complex Private Limited	NA	21-Oct-06	INR	2,170.93	27,663.12	98,866.38	69,032.33	-	2,993.10	(3,816.17)	-	(3,816.17)	-	100.00
2	Reliance Marine and Offshore Limited*	NA	18-Feb-13	INR	5.00	(37.04)	54,571.58	54,603.62	29,968.00	-	(10.15)	-	(10.15)	-	100.00
3	Reliance Lighter Than Air Systems Private Limited	NA	18-Mar-14	INR	14.00	(21.26)	14.81	22.07	-	2.42	(2.29)	-	(2.29)	-	100.00
4	Reliance Technologies and Systems Private Limited*	NA	10-Feb-15	INR	1.00	(1.56)	0.01	0.57	-	-	(0.36)	-	(0.36)	-	100.00
5	Reliance Engineering and Defence Services Limited	NA	01-Oct-14	INR	5.00	(684.27)	19,199.32	19,878.59	74.03	6,814.32	(396.73)	-	(396.73)	-	100.00

2. Subsidiaries of Company Outside India:

Sr. No.	Name of the Company	Reporting Period for the subsidiary concerned, if different from the Holding Company's reporting period	Date of acquisition	Reporting Currency	Share Capital (In SGD)	Reserves & Surplus (In SGD)	Total Assets (In SGD)	Total Liabilities (In SGD)	Total Investment (In SGD)	Turnover (In SGD)	Profit / (Loss) Before Taxation (In SGD)	Provision for Taxation (In SGD)	Profit / (Loss) after taxation (In SGD)	Proposed Dividend (In SGD)	% of Shareholding
6	PDOC Pte. Ltd.	NA	05-Sep-12	INR	25,000.00	(70,198.82)	15,543.72	60,743.25	-	-	(8,659.05)	-	(8,659.05)	-	100.00
	Exchange Rate as on March 31, 2018: 1 SGD = INR 49.68														

* Not Yet Commenced Operation

PART "B" – Associates and Joint Ventures		
Statement pursuant to Section 129(3) of the Companies Act, 2013 related to the Associate Companies & Joint Ventures		
Sr. No.	Particulars	Name of the Associate Company
1	Latest Audited Balance Sheet Date	Conceptia Software Technologies Private Limited
2	Shares of Associate held by the Company on year end	December 31, 2017
	• No. of Equity Shares	1,12,200
	• Amount of Investment in Associates (` in Lacs)	153.48
	• Extent of Holding (%)	25.50%
3	Date of acquisition	August 11, 2011
4	Description of how there is significant influence	There is significant influence due to shareholding in the Associate Company
5	Reason why the Associate is not consolidated	N.A
6	Net-worth attributable to Shareholding as per latest audited Balance Sheet (` in Lacs)	199.71
7	Profit / (Loss) for the nine month ended December 31, 2017	
	1. Considered in Consolidation (` in Lacs)	0.08
	2. Not Considered in Consolidation	-

for and on behalf of the Board of Directors

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

Gyandeo Chaturvedi
Partner
Membership No. 46806

Sateesh Seth
Raj Narain Bhardwaj
Lt. Gen. Syed Ata Hasnain (Retd.)
Comal R. Gayathri
Rahul Sarin
K Ravikumar
Rana Ranjit Rai

Directors

Debashis Bir
Nikhil Jain
Pareesh Rathod

Place : Mumbai
Date : April 23, 2018

Place : Mumbai
Date : April 23, 2018



FORM FOR UPDATION OF RECORDS

Reliance Naval and Engineering Limited
Pipavav Port,
Post Uchhaiya, Via-Rajula,
District Amreli 365 560, Gujarat

Dear Sir(s),

Sub.: Updation of Permanent Account Number (PAN) and bank account details

This has reference to circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 issued by the Securities and Exchange Board of India (**SEBI**), regarding mandatory updation of Permanent Account Number (PAN) and bank account details.

I/ we furnish the following information for your reference and record:

Folio Number

[illegible]

A. Bank	account	details
---------	---------	---------

[illegible]

E-mail ID.

[illegible]

Name of bank

[illegible]

Branch name

Branch address
with PIN code

Account Number

(as appearing in
the cheque leaf)

[illegible]

Account type

Saving		Current	
--------	--	---------	--

Please place a tick mark (✓) in the appropriate box

9 Digit Code No.
of Bank/ Branch
as appearing on
MICR cheque

--	--	--	--	--	--	--	--	--

(9 Digit Code Number appearing on the MICR Bank of the Cheque supplied by the bank)

issued by the bank

Please attach original cancelled cheque leaf with names of shareholders/ bank passbook showing names of shareholders, duly attested by an authorised bank official.

11 Digit Indian
Financial System
Code (IFSC)

[illegible]

B. Permanent Account Number (PAN) details

--	--	--	--	--	--	--	--	--	--

(Sole/ First Holder)

--	--	--	--	--	--	--	--	--	--

(Second Holder)

--	--	--	--	--	--	--	--	--	--

(Third Holder)

I/ We confirm that whatever stated hereinabove is true and correct and that the documents being furnished by me/ us are valid and in force and may be used by Karvy Computershare Private Limited to update records of all companies as mentioned in this letter and for all communication and disbursement of any dividend in future.

(Sole/ First Holder)
Signature

(Second Holder)
Signature

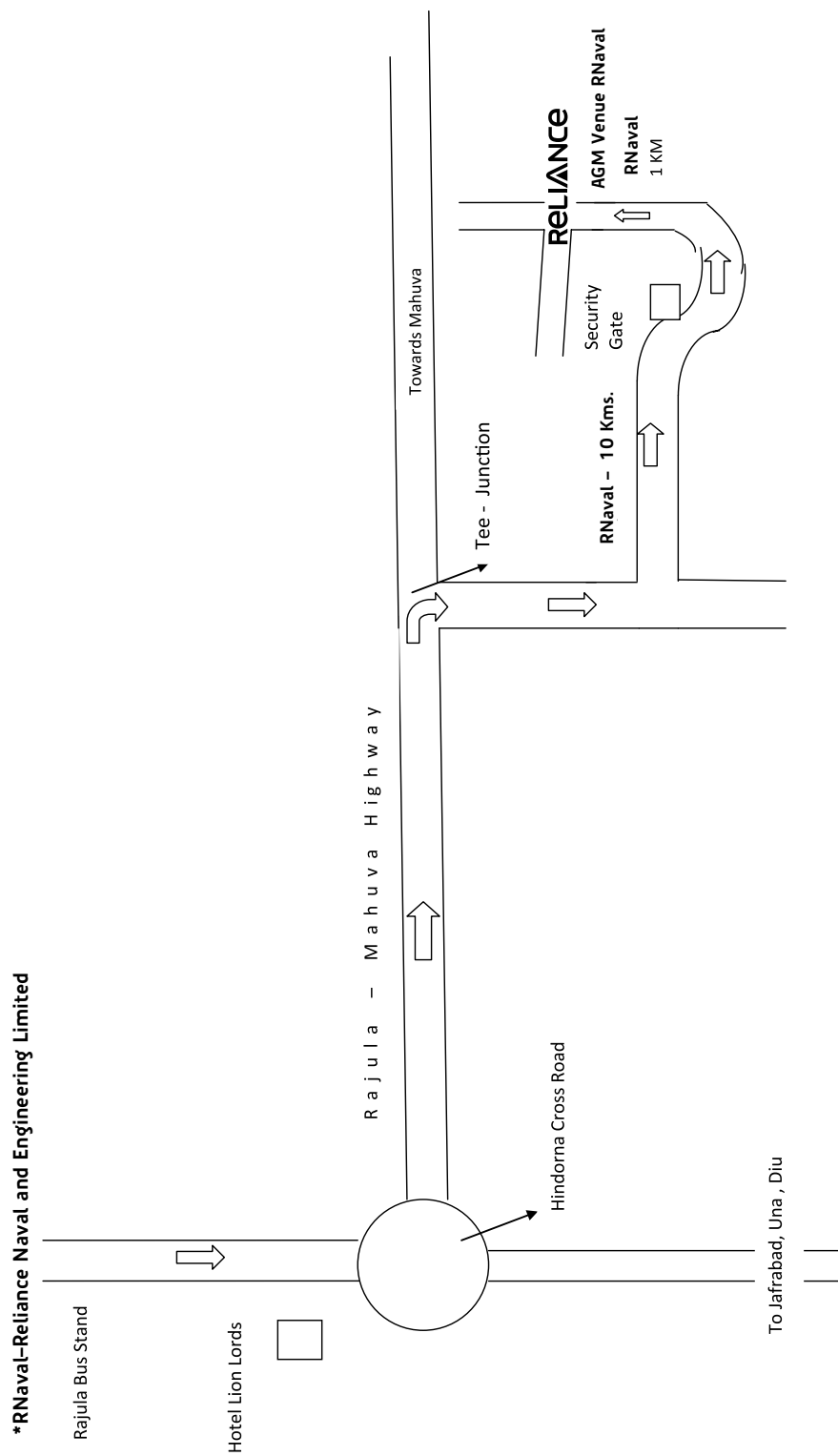
(Third Holder)
Signature

Encl. : as above

Date :

Place :

Notes



RELIANCE**Naval and Engineering****Reliance Naval and Engineering Limited****(Formerly known as Reliance Defence and Engineering Limited)****Registered Office:** Pipavav Port, Post Ucchahiya, Via-Rajula, Dist. Amreli 365 560, Gujarat, India**Tel:** +91 2794 305000, **Fax:** +91 2794 305100**CIN:** L35110GJ1997PLC033193, **Website:** www.rnaval.co.in, **E-mail:** rdel.investors@relianceada.com

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

ATTENDANCE SLIP

*DP Id.		Name & Address of the registered Shareholder
Regd. Folio No./ *Client Id.		
No. of Share(s) held		

(*Applicable for Members holding shares in electronic form)

I hereby record my presence at the **21st ANNUAL GENERAL MEETING** of the Members of Reliance Naval and Engineering Limited held on Saturday, September 29, 2018 at 10.30 A.M. at the Registered Office of the Company at Pipavav Port, Post Ucchahiya, Via-Rajula, District Amreli – 365 560, Gujarat,

Member's/Proxy's Signature

TEAR HERE

PROXY FORM**RELIANCE****Naval and Engineering****Reliance Naval and Engineering Limited****(Formerly known as Reliance Defence and Engineering Limited)****Registered Office:** Pipavav Port, Post Ucchahiya, Via-Rajula, Dist. Amreli 365 560, Gujarat, India**Tel:** +91 2794 305000, **Fax:** +91 2794 305100**CIN:** L35110GJ1997PLC033193, **Website:** www.rnaval.co.in, **E-mail:** rdel.investors@relianceada.com**FORM NO. MGT-11**

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s):	
Registered Address:	
E-mail Id:	
Regd. Folio No / *Client Id.	
*DP ID.	

(*Applicable for Members holding Shares in electronic form)

I/We, being the member(s) of _____ shares of the above named company, hereby appoint:

- (1) Name: _____ Address: _____
E-mail id: _____ Signature _____ or failing him;
- (2) Name: _____ Address: _____
E-mail id: _____ Signature _____ or failing him;
- (3) Name: _____ Address: _____
E-mail id: _____ Signature _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 21st Annual General Meeting of the Members of Reliance Naval and Engineering Limited to be held on Saturday, September 29, 2018 at 10.30 a.m. at the Registered Office of the Company at Pipavav Port, Post Ucchahiya, Via-Rajula, District Amreli – 365 560, Gujarat, and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Matter of Resolution	For	Against
1.	To consider and adopt: a. the audited financial statement of the Company for the financial year ended March 31, 2018 and the reports of the Board of Directors and Auditors' thereon, and; b. the audited consolidated financial statement of the Company for the financial year ended March 31, 2018 and the reports of the Auditors thereon.		
2.	To appoint a Director in place of Shri Sateesh Seth (DIN: 00004631), who retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers himself for re-appointment.		
3.	To confirm holding of office by Auditor for remaining term.		
4.	To consider appointment and approval for remuneration payable to Shri Debashis Bir as Whole-time Director.		
5.	To consider appointment of Shri K. Ravikumar as an Independent Director.		
6.	To consider appointment of Shri Rana Ranjit Rai as an Independent Director.		
7.	To consider appointment of Shri R. N. Bhardwaj as an Independent Director.		

Signed this _____ day of _____ 2018.

Signature of Shareholder(s) : _____

Signature of Proxy holder(s) : _____

Affix
Revenue
Stamp**Note:**

This form of proxy in order to be effective should be duly completed and deposited at the Registered office of the Company, not less than 48 hours before the commencement of the Meeting.

If undelivered please return to :

Karvy Computershare Private Limited
(Unit: Reliance Naval and Engineering Limited)

Karvy Selenium Tower – B, Plot No. 31 & 32

Survey No. 116/22, 115/24, 115/25

Financial District, Nanakramguda

Hyderabad 500 032

Tel. no. : +91 40 6716 1500

Fax no. : +91 40 6716 1791

E-mail : ris.rdel@karvy.com