

## Directors' Report

### Dear Shareowners,

Your Directors present the 23<sup>rd</sup> Annual Report and the audited financial statement for the Financial Year ended March 31, 2020.

Pursuant to the Order dated January 15, 2020 of the Hon'ble National Company Law Tribunal, Ahmedabad ("NCLT Order"), Corporate Insolvency Resolution Process ("CIR Process") has been initiated for the Company in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016, ("Code") and related rules and regulations issued thereunder with effect from January 15, 2020 (Corporate Insolvency Resolution Process Commencement Date). Shri. Rajeev Sawangikar was appointed as Interim Resolution Professional ("IRP") in terms of the NCLT Order.

Thereafter, the Committee of Creditors (CoC) of the Company resolved with the requisite voting share, to replace the IRP with Shri Sudip Bhattacharya as the Resolution Professional ("RP" or "Resolution Professional"). Subsequently, the Hon'ble NCLT has approved the appointment of Shri Sudip Bhattacharya as the RP for the Company vide its Order dated May 05, 2020.

The powers of Board of Directors of the Company stand suspended effective from the CIR Process commencement date and such powers along with the management of affairs of the Company are vested with the IRP/RP in accordance with the provisions of Section 17 and 23 of the Insolvency Code.

### Financial Results

The financial performance of the Company, on standalone basis, for the financial year ended March 31, 2020 is summarised below:

Particulars	(₹ in Lakh)	
	Financial year ended March 31, 2020	Financial year ended March 31, 2019
Total Income	9920.39	18,463.04
Profit / (Loss) before taxation	(1,62,132.70)	(10,10,098.29)
Tax expenses (Net) (including deferred tax and tax for earlier years)	-	(38,006.43)
Profit / (Loss) after taxation	(1,62,132.70)	(10,48,104.72)
Other Comprehensive Income	6.59	(11.96)
Total Comprehensive Income for the year	(1,62,126.11)	(10,48,116.68)
Add: Balance of profit/(loss) brought forward	(10,99,585.36)	(51,468.68)
Securities Premium on issue of shares	-	-
Balance carried to Balance Sheet	(12,61,711.47)	(10,99,585.36)

### Financial Performance

During the financial year under review, your Company earned an income of ₹ 9,920.39 lakhs against ₹18,463.04 Lakhs in previous year. The Company incurred a loss after tax of ₹1,62,132.70 lakhs for the year as compared to ₹ 10,48,104.72 lakhs 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.

### Dividend

In view of the inadequacy of profit during the year under review, the Board of Director has not recommended dividend on the equity shares of the Company.

### 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. The Company's shipyard at Pipavav, Gujarat, has integrated state-of-the-art production facilities.

The Company's Shipyard at Pipavav, Gujarat, was certified by the US Navy for servicing of warships from the US Navy's Seventh fleet. This is the only Indian Shipyard to achieve this landmark.

During the year under review, the Company provided dry docking and other services for ONGC's Jack up Rig "Sagar Ratna" and undocked the same in April 2020 despite unprecedented circumstances prevailing due to the pandemic.

### 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.

### Deposits

During the year under review, 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 relevant Rules made there under. 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, 2020.

### Particulars of Loans, Guarantees or Investments

Pursuant to Section 186 of the Act, details of the Investment made by the Company are provided in standalone financial statement under Note no.-3.

**Reliance Naval and Engineering Limited****Directors' Report****Subsidiary Companies, Associate and Joint venture**

As on March 31, 2020 the Company is having 5 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 under review the Company has received strike off order from ROC for its joint venture company 'Mazagon Dock Pipavav Defence Private Limited' as per application made to ROC.

During the year under review 'Reliance Underwater Systems Private Limited', a non-material subsidiary, has ceased to be subsidiary of the Company w.e.f August 16, 2019.

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

**Standalone and Consolidated Financial Statement**

The audited financial statement of the Company drawn up, both on standalone and consolidated basis, for the financial year ended March 31, 2020, are in the accordance with the requirements of the Companies (Indian Accounting Standards) Rules, 2015 "Ind AS Rules" notified under Section 133 of the Act, read with relevant rules and other accounting principles. The Audited Consolidated Financial Statement have been prepared in accordance with Ind AS and relevant provisions of the Act based on the financial statement received from subsidiaries and associate companies, as approved by their respective Board of Directors.

**Directors**

During the year, Shri K Ravikumar has resigned as Director of the Company w.e.f. September 04, 2019. Shri Ranjit Lahiry was appointed as Additional Director in the capacity of Independent Director of the Company w.e.f. from October 24, 2019.

The Board of Directors of the Company at its meeting held on October 24, 2019, appointed Shri Gyan Prakash as Additional Director and also designated him as Executive Director of the Company for a period of three years with effect from October 24, 2019. Shri Gyan Prakash has resigned as Director of the Company w.e.f. December 06, 2019. The appointment and the remuneration paid to Shri Gyan Prakash during the tenure of appointment are subject to the approval of the members at the ensuing AGM.

Ms. Ankita Tallur has resigned as Director of the Company w.e.f. November 01, 2019.

Shri Ranjit Lahiry and Shri Pankaj Pandya have resigned as Independent Directors of the Company w.e.f. February 20, 2020 and February 27, 2020, respectively due to commencement of CIR process and non-receipt of sitting fees. The IRP has approved their resignations effective from April 09, 2020. Both the Independent Directors have confirmed that there was no other material reason for their resignation other than those mentioned above.

Due to superannuation, Shri Debashis Bir has ceased to be Whole-time Director and Chief Executive Officer of the Company w.e.f. April 09, 2020. However, Shri Debashis Bir will continue as Non-Executive Director of the Company.

The Board places on record its appreciation for valuable contribution made by Shri K Ravikumar, Ms Ankita Tallur, Shri Gyan Prakash, Shri Ranjit Lahiry and Shri Pankaj Pandya during their tenure as Directors of the Company.

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 term of the provisions of the Act, Shri Venkata Rachakonda, 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 Venkata Rachakonda 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 (KMP)**

During the year, Shri Madan Pendse has been appointed as Chief Financial Officer and termed as Key Managerial Personnel ('KMP') in place of Shri Nikhil Jain and Shri Avinash Godse has been appointed as Company Secretary and Compliance Officer and termed as KMP in place of Shri Paresch Rathod with effect from August 10, 2019.

Due to superannuation, Shri Debashis Bir ceased to be Whole-Time Director and Chief Executive Officer of the Company with effect from April 9, 2020. However, he will continue as a Non-Executive Director on the Board of the Company.

**Evaluation of Directors, Board and Committees**

The Nomination and Remuneration Committee (NRC) of 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, Regulation 17(10) of the Listing Regulations and based on the policy devised by NRC, the Board has to 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. A separate meeting of the Independent Directors was 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. However, the Board being suspended due to commencement of CIR Process, no annual performance evaluation was carried out for the year under review.

**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' Responsibility Statement**

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

**Directors' Report**

- i. In the preparation of the annual financial statement for the financial year ended March 31, 2020, 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, 2020 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 statement for the financial year ended March 31, 2020, 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 which could 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 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. 37 to the Standalone Financial Statements which sets out Related Party Disclosures pursuant to Ind-AS and Schedule V of the Listing Regulations.

**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 this report.

**Meetings of the Board**

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

Consequent to the Commencement of CIR Process, the powers of the Board of Directors stands suspended and as per Regulation 15(2A) and (2B) of the Listing Regulations, the provisions specified in Regulations 17 of the Listing Regulations relating to Board of Directors are not applicable to the Company. The roles and responsibilities of the Board of Directors are being fulfilled by the RP in accordance with the provisions of Section 17 and 23 of the Insolvency Code w.e.f. January 15, 2020. RP held meetings with the management of the Company for consideration and approval of quarterly/yearly financial results in terms of Section 134 of the Act and Regulation 33 of the Listing Regulations.

**Audit Committee**

During the financial year, Audit Committee has been re-constituted by the Board of Directors on October 24, 2019. As on March 31, 2020, the committee consists of majority of Independent Directors namely Shri Pankaj Pandya, as Chairman, Shri Ranjit Lahiry and Shri Debashis Bir, as members. During the year, all the recommendations made by the Audit Committee were accepted by the Board.

Consequent to the Commencement of CIR Process, the powers of the Board of Directors and its Committees stands suspended and as per Regulation 15(2A) and (2B) of the Listing Regulations, the provisions specified in Regulations 18 of the Listing Regulations relating to Audit Committee are not applicable to the Company. The roles and responsibilities of the Audit Committee are being fulfilled by the IRP/RP in accordance with the provisions of Section 17 and 23 of the Insolvency Code w.e.f. January 15, 2020.

**Auditors and Auditor's Report**

M/s. Pathak H.D. & Associates LLP, Chartered Accountants who were appointed as Auditors of the Company to hold office for a term of 5 (five) consecutive years, at the Annual General Meeting of the Company held on September 30, 2015, would be completing their first term of appointment upon conclusion of ensuing Annual General Meeting of the Company and does not offer themselves for re-appointment.

The RP has proposed the appointment of M/s. Pipara and CO, LLP, Chartered Accountants as the Statutory Auditors of the Company for a term of 5 consecutive years until the conclusion of 28<sup>th</sup> Annual General Meeting of the Company, subject to approval of Members in ensuing Annual General Meeting.

The Company has received a consent letter from M/s. Pipara and Co, LLP, to the effect that their appointment, if made, would be within the limits prescribed under Section 141(3)(g) of the Act, and that they are not disqualified from appointment as statutory auditors in terms of Section 141 of the Act read with Section 139 of the Act and the Rules made there under.

The Auditors in their report to the Members have given a Qualified Opinion for the reasons set out in the para titled Qualified Opinion. The relevant facts and the factual position have been explained below:

**Reliance Naval and Engineering Limited****Directors' Report**

- (a) During the year ended March 31, 2020, as a part of CIRP, financial and operational creditors were called upon to submit their claims to the IRP as on January 15, 2020. The NCLT order also provided for moratorium with effect from January 15, 2020 till the completion of CIRP or until it approved the resolution plan under section 31(1) of Insolvency Code or passes an order for liquidation under section 33 of the Insolvency Code, whichever is earlier. Accordingly, Bank and financial institutions have not provided the balance confirmation as on March 31, 2020. However, the claims from financial and operational creditors are under verification and RP is in the process of receiving, collating, verifying, seeking clarification, sending communication for un-reconciled balances on such claims. Hence, no provision has been made in the books of accounts for the year ended on March 31, 2020.
- (b) The Company is under CIR Process and RP is required to submission of resolution plan from potential resolution applicants, which shall be put up for necessary approvals before the Committee of Creditors (CoC) and the NCLT. The CIR Process not yet concluded, and the final outcome is yet to be ascertained. The Company has not taken into consideration of any impact on the value of tangible, financial and other assets, if any, in preparation of financial results and has not made full assessment of impairment as required by the applicable Ind AS, if any, as on March 31, 2020 in the carrying value of above assets.
- (c) The RP is obliged not to share certain information which are integral part of the CIR Process, in order to maintain the confidentiality of the process and in line with direction of CoC.
- (b) The Company had not given prior intimation of Board/RP meeting as required under Regulation 29 of the Listing Regulations for approval of quarterly financial results for quarter ended on December 31, 2019.
- (c) The lenders have till date did not provide their consent for payment of remuneration to Executive Directors as required under Schedule- V of the Act.
- (d) The Board of Directors of the Company is not duly constituted with proper balance of Non-Executive Directors and Independent Directors. However, the Company being under CIR Process, provisions of Regulation 17 of the Listing Regulations are not applicable.

Management's explanations/ Comments: All Secretarial Auditors remarks are self-explanatory and do not require any further comments.

The Audit Report of the Secretarial Auditors for the financial year ended March 31, 2020 is attached as **Annexure - B**.

Pursuant to circular No.CIR/ CFD/ CMD1/ 27/ 2019 dated February 08, 2019, issued by the Securities and Exchange Board of India (SEBI), the Company has obtained Secretarial Compliance Report from a Practicing Company Secretary (PCS) on compliance of all applicable SEBI Regulations and circulars/ guidelines issued there under and the copy of the same has submitted with the Stock Exchanges within the prescribed due date.

**Annual Return**

As required under Section 134(3)(a) of the Act, the Annual Return of the financial year 2018-19 and 2019-20 is put up on the Company's website and can be accessed at the link: <http://www.rnaval.co.in/web/rnaval>.

**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 forming 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. 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 - C** forming part of this Report.

The other 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.

As per the provisions of Clause (ca) of Sub-section (3) of Section 134 of the Act, the auditors of the Company have not reported any fraud under sub-section (12) of Section 143 of the Act.

**Secretarial Standards**

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

**Secretarial Audit and Secretarial Compliance Report**

Pursuant to the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Resolution Professional has appointed M/s. Mamta Phalak & 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, except:-

Auditors Qualifications/ Adverse Remarks:

- a) The Company had submitted quarterly financial results along with limited review report as required under Regulation 33 (3) of the Listing Regulations beyond 45 days from the close of the quarter for quarter ended on December 31, 2019.

**Directors' 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 M/s Mamta Phalak and Associates, Practicing Company Secretary 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.

**Whistle Blower Policy (Vigil Mechanism)**

In accordance with Section 177 of the Act and Listing Regulations, the Company has formulated a Vigil Mechanism Policy 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 majority of Board of 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.

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 and 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. The Company is currently under corporate insolvency resolution process pursuant to the provisions of the Insolvency Code.

**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, 2020, the CSR Committee of the Board consist of Shri Pankaj Pandya, as Chairman, Shri Debashis Bir, Shri Venkata Rachakonda, as members. Consequent to the Commencement of CIR Process, the powers of the Board of Directors and its Committees stands suspended and are exercised by the Resolution Professional, in accordance with the provisions of Section 17 and 23 of the Insolvency Code. Accordingly, the roles and responsibilities of the CSR Committee are being fulfilled by the RP w.e.f. January 15, 2020.

The disclosure with respect to CSR activities is given as **Annexure - D**.

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

Except as disclosed in this report no orders have been passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its 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.

**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**

**Debshis Bir  
Director**

**Venkata Rachakonda  
Director**

Place : Mumbai  
Date : August 03, 2020