

# RELIANCE

**Reliance Defence and Engineering Limited**  
(Formerly Pipavav Defence and Offshore Engineering  
Company Limited)

Devidas Lane, Off SVP Road  
Near Devidas Telephone Exchange  
Borivali (West), Mumbai - 400 103.  
Tel : +91 22 3009 9999, Fax : +91 22 3009 8852  
www.reliancedefence.co  
CIN : L35110GJ1997PLC033193

August 31, 2016

**BSE Limited**

Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001  
**BSE Scrip Code: 533107**

**National Stock Exchange of India Limited**

Exchange Plaza, 5<sup>th</sup> Floor,  
Plot No. C/1, G Block,  
Bandra Kurla Complex,  
Bandra (East), Mumbai 400 051  
**NSE Scrip Symbol: RDEL**

Sir/ Madam,

**Sub: Submission of Annual Report for F.Y 2015-16**

Pursuant to Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the Annual Report of the Company for the Financial Year 2015-16, which has been approved at the 19<sup>th</sup> Annual General Meeting of the Company, held on 20<sup>th</sup> August, 2016.

Kindly take the same on record.

Thanking you.

Yours faithfully,

For Reliance Defence and Engineering Limited



Ajit Dabholkar

Corporate Counsel & Company Secretary

Encl: As above

**RELIANCE**

**Defence and Engineering**

**Annual Report  
2015-16**



**Padma Vibhushan**  
**Shri Dhirubhai H. Ambani**  
(28th December, 1932 - 6th July, 2002)  
Reliance Group - Founder and Visionary

# Profile

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

RDEL 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 1200 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 pursuing 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 Defence and Engineering Limited

<b>Board of Directors</b>	<b>Contents</b>	<b>Page No.</b>
Shri Anil Dhirubhai Ambani            Chairman	Letter to Shareowners .....	05
Shri Amitabh Jhunjhunwala	Notice of Annual General Meeting.....	07
Vice Admiral (Retd.) H S Malhi	Directors' Report .....	09
Shri Nikhil Gandhi	Management Discussion and Analysis.....	25
Shri Bhavesh Gandhi	Corporate Governance Report.....	29
Shri Ajai Vikram Singh	Auditors' Certificate on Corporate Governance .....	44
Ms Comal Ramachandran Gayathri	Investor Information .....	45
Shri Ajay Sharma	Independent Auditors' Report on the Financial Statement.....	51
Ms Padmaja Bhaskaran	Balance Sheet .....	56
Air Chief Marshal (Retd.) Fali Homi Major	Statement of Profit and Loss.....	57
Lt. Gen. (Retd.) Syed Ata Hasnain	Statement of Changes in Equity .....	58
Shri Rahul Sarin	Cash Flow Statement .....	59
Shri Rajendra Chitale	Notes to Financial Statement.....	60
Ms Ryna Karani	Independent Auditors' Report on the Consolidated Financial Statement.....	97
	Consolidated Balance Sheet .....	100
	Consolidated Statement of Profit and Loss .....	101
	Consolidated Statement of Changes in Equity .....	102
	Consolidated Cash Flow Statement.....	103
	Notes to Consolidated Financial Statement .....	104
	Statement containing salient features of the financial statement of Subsidiaries/ Associates/Joint Ventures .....	142
	Attendance Slip and Proxy Form .....	145
<b>Corporate Counsel and Company Secretary</b>		
Shri Ajit Dabholkar		
<b>Auditors</b>		
M/s. Pathak H D & Associates		
<b>Registered Office &amp; EOU</b>		
Pipavav Port, Post Ucchaiya, Via-Rajula District Amreli 365 560, Gujarat Tel No. +91 2794 305000 Fax no. +91 2794 305100 E-mail: rdel.investors@relianceada.com Website: www.reliancedefence.co		
<b>Registrar and Transfer Agent</b>		
Karvy Computershare Private Limited Karvy Selenium Tower – B, Plot No. 31 & 32 Survey No. 116/22, 115/24, 115/25 Financial District, Nanakramguda Hyderabad 500 032		
<b>Investor Helpdesk</b>		
Toll free no (India)    : 1800 4250 999		
Tel. no.                    : + 91 40 6716 1500		
Fax no.                    : + 91 40 6716 1791		
Email                      : einward.ris@karvy.com		

**19<sup>th</sup> Annual General Meeting on Saturday, August 20, 2016 at 2.00 P.M.  
at Pipavav Port, Post Ucchaiya, Via-Rajula, District Amreli 365 560 Gujarat**

*This Annual Report can be accessed at [www.reliancedefence.co](http://www.reliancedefence.co).*

## Letter to Shareowners



My dear fellow Shareowners,

It gives me great pleasure to welcome each one of you to over 7.5 million strong family of Reliance Group shareholders.

The acquisition of Pipavav Defence and Offshore Engineering Company Limited ('PDOC') was successfully completed in January 2016. It is indeed my privilege to communicate with you and share the Reliance Vision so that we, with our strengths synergised, can take this company to new horizons of growth and success.

The change of name of PDOC to Reliance Defence and Engineering Limited is to signify that this company is an integral part of the Reliance Group, embodying its values and commitments and is able to leverage the brand equity and other resources of the Reliance Group. We are committed to the future growth of the Company as an important member of the Reliance family.

We shall strive to make Reliance Defence and Engineering Limited 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, in line with the inspiring vision of the legendary founder Chairman of the Reliance Group, our beloved Padma Vibhushan Shri Dhirubai H Ambani.

### Performance Review

The Company is India's leading private sector defence company with gross fixed assets of ₹ 6,157 crore. During the year under review, the Company reported aggregate revenue of about ₹ 346 crore and incurred a loss of ₹ 529 crore.

The Company's Corporate Debt Restructuring (CDR) package was approved by the CDR lenders. The Company is making all efforts to exit the CDR at the earliest, subject to all requisite approvals.

### Industry and Business Opportunities

Under the "Make in India" mission, the strategic 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. Besides helping build domestic capabilities, this will bolster exports in the long term. Our Company is uniquely placed to tap these growth opportunities.

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 is also likely to provide growth opportunities in the coming years. Considering Indian Navy's budgetary allocation for new vessels acquisition and export opportunities, total anticipated opportunity available from the defence industry over the next ten years, is over ₹ 200,000 crore.

In the non-defence sector, new commercial 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 a 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 a welcome news for Indian shipyards.

Having recognized that high technology, indigenous platforms and equipment are vital to sustain the capability of our Armed Forces, crucial to the Nation's security interests, the Government has adopted necessary policy changes to involve the private sector in all aspects of defence production. This is a substantive step towards making the "Make in India" mission meaningful. Defence Procurement Procedure - 2016 ('DPP-2016') has been tailored to provide level playing field to private sector domestic defence equipment manufacturers and DPSUs to inter alia ensure better utilisation of available modern warship building infrastructure in the country.

Currently, DPSU shipyards have orders worth ₹ 1,80,000 crore as compared to their annual production capacity of approximately ₹ 7,500 crore. This is affecting preparedness of the Armed forces. The government, having taken note of this mismatch has decided to optimally utilize the private sector capacity to augment and complement the DPSU capacity. The government has also cleared ₹ 50,000 crore plan for construction of six new conventional submarines under the project P75-I. It is reported that to enhance the Indian Navy's underwater capabilities, the government is also reviewing another project of six nuclear-powered submarines with an estimated capital outlay of ₹ 60,000 crore. It is expected that project P75-I will be awarded to the Indian private sector ship building companies capable of undertaking such high technology work.

## Letter to Shareowners

Our Company is also expecting to sign contracts of approximate value of ₹ 920 crore for 14 Fast Patrol Vessels for the Indian Coast Guard, for which our Company has already been declared as the lowest bidder.

Our company has also submitted bids for other two marquee projects, viz. two Landing Platform Docks (LPDs) and eight Anti-submarine warfare shallow water crafts for the Indian Navy. The value of these two projects is approximately ₹ 18,000 crore.

Our Company is the only private sector company capable of dry-docking of INS Vikramaditya, the largest aircraft carrier of the Indian Navy.

The Indian Navy has planned to acquire a new generation aircraft carrier of 65,000 tons ('IAC-2 Vishal') which will be 1.5 times larger than INS Vikramaditya. The Indian Navy is planning to have the most advanced technology for the proposed new generation aircraft carrier. With the largest dry dock in the country, our Company is uniquely positioned to build this new-generation aircraft carrier IAC-2 Vishal.

The Government of India and the Government of Russia are in dialogue to build four upgraded Talwar class frigates in India.

This 'Make in India' naval frigate order is likely to exceed ₹ 20,000 crore. The shipyards controlled by the Government of Russia have already short listed and qualified our Company's shipyard for this programme.

In addition to these big tickets strategic naval platforms, new projects of the Indian Navy including Survey Training Vessels, New Generation Missile Vessels, Multi Purpose Vessels are also expected during next few years.

The ageing Indian Naval / Coast Guard fleet offers many opportunities in the defence ship repairing segment, including an opportunity worth ₹ 1,900 crore of Medium Refit of SSK Submarines.

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 DPSUs through joint ventures / partnerships to speed up delivery of vessels to the Indian Navy / Coast Guard in order to synergise 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 objective. We are also pursuing mega-work share with DPSUs' shipyards so as to add capacity for timely delivery of vessels to Indian Navy / Coast Guard.

Our Company's shipyard at Pipavav, Gujarat, has integrated state-of-the-art production facilities. After acquisition of the Company, it has delivered on March 23, 2016 one Offshore Supply Vessel to Oil and Natural Gas Corporation Limited ('ONGC'), after successful completion of sea trials in a record time of two days. In addition, there has been a substantial increase in pace towards delivery of Naval Offshore Patrol Vessels (NOPVs) for the Indian Navy. The vessels are being constructed in two batches of two to three vessels each to enable simultaneous deliveries. An incentive scheme for production teams has been implemented to meet the accelerated delivery schedules.

Our Company has won on competitive basis the refit work of two Indian Naval Ships INS Deepak and INS Savitri and the work on these vessels will commence from July 2016.

Reliance Naval Systems (RNS), a business vertical of Reliance Defence and Engineering Limited is poised to become a leading partner in India's key defence technologies by investing requisite resources in Research and Development (R&D) with the ultimate aim of becoming completely self reliant. RNS is a qualified vendor with Indian Navy for development of Combat Management Systems (CMS) in partnership with SAAB, Sweden. We are also targeting underwater systems through a proposed joint venture with Thales, France particularly for mine counter measure vessels ordered on Goa shipyard, a DPSU. The approximate value of this opportunity will be ₹ 18,000 crore. Development of Integrated Platform Management Systems (IPMS), Integrated Bridge Systems (IBS) and Simulators is being undertaken with Kongsberg Defence and Aerospace AS, Norway as a partner. We are in the process of tying up with Safran Engineering Services, France for electro-optical systems for Indian Coast Guard ships.

### Rights Issue

In order to augment long term resources to enable the Company to participate in the exciting path of future growth, the Board of Directors has approved a Rights Issue of Equity Shares for an amount up to ₹ 1,200 crore.

### Corporate Governance

We have adopted the "Reliance Group – Corporate Governance Policies and Code of Conduct" which has prescribed 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.

### Our 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.

The interests of shareholders have always been our prime focus and in line with this, we have taken concrete steps for rapid transformation in operational and financial performance of the Company which will create value for our shareholders.

Our founder, the legendary Padma Vibhushan Shri Dhirubhai H Ambani, gave us a simple mantra: to aspire to the highest global standards of quality, efficiency, operational performance and customer care. We remain committed to upholding that vision.

Thank you, shareowners, for your continued support in our pursuit of achieving positive transformation for our Company.



**Anil Dhirubhai Ambani**  
Chairman

## Notice

Notice is hereby given that the 19th Annual General Meeting of the members of **Reliance Defence and Engineering Limited** will be held on Saturday, August 20, 2016 at 2.00 P.M. at Pipavav Port, Post Uchchaya, Via-Rajula, Dist. Amreli 365 560 to transact the following business:

### Ordinary Business:

1. To consider and adopt:
  - a) the audited standalone financial statement of the Company for the financial year ended March 31, 2016 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, 2016 and the reports of the Auditor's thereon.
2. To appoint Director in place of Shri Nikhil Gandhi (DIN: 00030560), who retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers himself for re-appointment.
3. To appoint Director in place of Shri Bhavesh Gandhi (DIN: 00030623), who retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers himself for re-appointment.
4. To ratify appointment of Auditors and to fix their remuneration 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 Section 139 and other applicable provisions of the Companies Act, 2013 (the "Act") read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Company hereby ratifies the appointment of M/s. Pathak H D & Associates, Chartered Accountants (Firm Registration No 107783W), as the Statutory Auditors of the Company to hold office until the conclusion of the 23rd Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

By Order of the Board of Directors

Ajit Dabholkar  
Corporate Counsel and Company Secretary

### Notes:

1. **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 himself / herself 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 less than 48 hours before commencement of the Meeting. A Proxy form is sent herewith.**
2. 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 per cent 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 proxy for any other person or shareholder.

3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified true copy of their board resolution authorising their representative(s) to attend and vote on their behalf at the meeting.
4. Members/Proxies are requested to bring their duly filled in attendance slip sent herewith along with their copy of the annual report to the Meeting.
5. 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.
6. Members who hold shares in electronic form are requested to write their DP ID and Client ID numbers and those who hold shares 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.
7. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered and Corporate 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.
8. The Company's Register of Members and Transfer Books will remain closed from Saturday August 13, 2016 to Saturday August 20, 2016 (both days inclusive) for the purpose of Annual General Meeting.
9. For security reasons, no gadgets, mobile phones, cameras, article / baggage shall be allowed at the venue of the AGM. 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.
10. Members desiring any information relating to financial statements of the Company are requested to write to the Company Secretary of the Company at least seven working days before the date of the AGM to enable the Company to keep the information ready at the Meeting.
11. AGM notice is being sent to all members, whose name appear on the Register of Members/ List of beneficial owner as received from depositories as on July 15, 2016.
12. Members are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. The Company or its Registrar and Transfer Agent cannot change bank particulars or bank mandates for shares held in electronic form.
13. Members holding shares in physical form are requested to advise any change of address or bank mandates immediately to the Company/ Registrar and Transfer Agent, Karvy Computershare Private Limited.

## Notice

14. Non-Resident Indian members are requested to inform Karvy Computershare Private Limited 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, if not furnished earlier.
  15. Re-appointment of Directors:

At the ensuing Annual General Meeting, Shri Nikhil Gandhi and Shri Bhavesh Gandhi, Directors of the Company retires by rotation under the provision of the Companies Act, 2013 and being eligible, offer themselves for reappointment. The details pertaining to Shri Nikhil Gandhi and Shri Bhavesh Gandhi pursuant to the requirements of Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) are furnished in the statements on Corporate Governance forming part of this Annual Report.
  16. Members are advised to refer to the section titled "Investor Information" provided in this Annual Report.
  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.reliancedefence.co](http://www.reliancedefence.co) to aid the Company in its constant endeavour to enhance the standards of service to investors.
  18. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Transfer Agent.
  19. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail this facility may send their nomination in the prescribed Form SH13 duly filled in to Karvy Computershare Private Limited (Unit: Reliance Defence 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. : +91 40 6716 1500, Fax : +91 40 6716 1791, Toll Free no. (India): 1800 4250 999, Email: [evoting@karvy.com](mailto:evoting@karvy.com). The prescribed form in this regard may also be obtained from Karvy Computershare Private Limited at the address mentioned above. Members holding shares in electronic form are requested to contact their Depository Participant directly for recording their nomination.
  20. 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.
  21. Members who have not registered their e-mail addresses so far are requested to register their e-mail address so that they can receive the Annual Report and other communication from the Company electronically.
  22. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rules made thereunder and Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is offering e-voting facility to all Members of the Company through Notice dated May 14, 2016 (remote e-voting). A person, whose name is recorded in the register of members or in the register of beneficial owner (in case of electronic shareholding) maintained by the depositories as on the cutoff date i.e. August 13, 2016 only shall be entitled to avail the facility of remote e-voting/voting. Karvy Computershare Private Limited, our Registrar and Transfer Agent will be facilitating remote e-voting to enable the Members to cast their votes electronically. The Members can cast their vote online from 10.00 A.M. on August 17, 2016 to 5.00 P.M. on August 19, 2016. 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 Ms. Amrita D.C. Nautiyal, Practicing Company Secretary as Scrutinizer to scrutinize the remote e-voting process in a fair and transparent manner. The Scrutinizer will submit her report to the Chairman 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.reliancedefence.co](http://www.reliancedefence.co) and posted on the website of Karvy Computershare Private Limited.

By Order of the Board of Directors

Ajit Dabholkar  
Corporate Counsel and Company Secretary

Registered Office:  
Pipavav Port  
Post Uccaia, Via-Rajula  
Dist. Amreli 365 560  
CIN: L35110GJ1997PLC033193  
Website: [www.reliancedefence.co](http://www.reliancedefence.co)

May 14, 2016

## Directors' Report

Dear Shareowners,

Your Directors present the 19th Annual Report and the audited financial statements for the financial year ended March 31, 2016.

### Financial Results

The financial performance of the Company, on standalone basis, for the year ended March 31, 2016 is summarised below:

Particulars	Financial year ended March 31, 2016 ₹ in Lakh	Financial year ended March 31, 2015 ₹ in Lakh
Total Income	<b>34,595.49</b>	86,207.91
(Loss) before depreciation	<b>(58,931.78)</b>	(35,071.74)
Depreciation	<b>21,426.41</b>	19,744.67
(Loss) before taxation	<b>(80,358.19)</b>	(54,816.41)
Tax expenses (Net) (including deferred tax and tax for earlier years)	<b>(27,493.47)</b>	(20,702.85)
Profit / (Loss) after taxation	<b>(52,864.72)</b>	(34,192.33)
Other Comprehensive Income	<b>136.08</b>	(78.77)
Add: Balance of profit / (loss) brought forward from previous year	<b>(30,053.08)</b>	4,139.25
Balance carried to Balance Sheet	<b>(82,781.12)</b>	(30,053.08)

### Financial Performance

During the year under review, your Company earned an income of ₹ 34,595.49 lakh against ₹ 86,207.91 lakh in the previous year. The Company incurred a loss after tax of ₹ 52,864.72 Lakh for the year as compared to ₹ 34,192.33 lakh in the previous year.

The performance and financial position of the subsidiary companies and associate companies are included in the consolidated financial statement of the Company.

### Dividend

The Board of Directors has not recommended any dividend on the equity shares of the Company for the year under review.

### Business Operations

The Company has the largest engineering infrastructure in India and is one of the largest in the world. Reliance Defence and Engineering Limited ("RDEL") is the first private sector company in India to obtain the license and contract to build warships. The Company 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 in India.

### Substantial Acquisition of Shares and Takeover of the Company

As reported earlier, Reliance Defence Systems Private Limited ("RDSPL") and Reliance Infrastructure Limited ("RInfra") entered into a Purchase Agreement dated March 4, 2015 (the "Purchase Agreement") with Founder Promoters of the Company and the Company for substantial acquisition of shares and takeover ('Takeover') of the Company.

The Takeover of the Company by Reliance Group was approved by the Competition Commission of India and the Gujarat Maritime Board. Consequently, Reliance Group had made and completed an open offer in terms of provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Under the said Open Offer, Reliance Group acquired 13,87,12,427 equity shares representing 18.84% equity share capital of the Company. Pursuant to the Purchase agreement, Reliance Group has to acquire 13,00,00,000 equity shares in the Company from the Founder Promoters. Out of which, Reliance Group had already acquired 8,13,90,598 equity shares from the Founder Promoters.

Consequently, on completion of the Takeover, Reliance Group acquired the control and management of the Company and became its sole promoter, in place of the Founder Promoters and the name of the Company was changed to Reliance Defence and Engineering Limited with effect from March 3, 2016.

### Rights Issue

In order to augment long term resources, the Board of Directors of the Company subject to requisite permissions, sanctions and approvals, has approved Rights Issue of Equity Shares upto an amount of ₹ 1,200 crore.

### Corporate Debt Restructuring

The Corporate Debt Restructuring ('CDR') package was approved for the Company by the CDR Lenders. Consequently, in March 2015, the Company had entered into a Master Restructuring Agreement with the CDR Lenders. Post Takeover of the Company by Reliance Group, the Company proposed to exit the CDR, subject to requisite permissions, sanctions and approvals. The Company is working closely with CDR Lenders to achieve this objective.

## Directors' Report

### Management Discussion and Analysis

The Management Discussion and Analysis 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 Regulation") is presented in a separate section forming part of this Annual Report.

### Fixed Deposits

The Company has not accepted 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.

### Particulars of Investments

Pursuant to Section 186 of the Act, details of the Investments made by the Company are provided in the standalone financial statements (Please refer to Note No. 7 to the standalone financial statements).

### Subsidiary and Associate Companies

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

The Policy for determining material subsidiary company, as approved, may be accessed on the Company's website at the link: [http://www.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html).

### Consolidated Financial Statement

The Audited Consolidated Financial Statement for the financial year ended March 31, 2016, based on the financial statements received from subsidiaries as approved by their respective Board of Directors, have been prepared in accordance with Accounting Standard (AS) - 21 on 'Consolidated Financial Statements' read with AS-23 on 'Accounting for Investments in Associates' and AS-27 on 'Financial Reporting of Interests in Joint Ventures', notified under the Act, read with the Accounting Standards Rules as applicable.

### Directors

Pursuant to the Takeover of the Company by Reliance Group, Shri Anil D. Ambani was appointed as Director not liable to retire by rotation and Chairman of the Company with effect from January 18, 2016. Shri Amitabh Jhunjhunwala was appointed as Non-executive Director and Vice Admiral (Retd.) H S Malhi was appointed as Whole-time Director and Chief Executive Officer of the Company for a period of three years with effect from January 18, 2016.

During the year under review, Shri Rahul Sarin, Air Chief Marshal (Retd.) Fali Homi Major, Lt. Gen. (Retd.) Syed Ata Hasnain, Ms. Ryna Karani and Shri Rajendra Chitale, were appointed as Independent Directors for a term of Five years with effect from January 18, 2016 pursuant to the approval of Members of the Company through postal ballot.

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.

Shri Nikhil Gandhi resigned as Chairman of the Board and Shri Bhavesh Gandhi resigned as Vice Chairman and Whole-time Director with effect from January 18, 2016. However, Shri Nikhil Gandhi and Shri Bhavesh Gandhi continue to be Non-executive Directors of the Company. Shri R. M. Premkumar, Shri Samar Mohapatra, Shri Alexander John Joseph, Independent Directors resigned from the office with effect from January 18, 2016.

In terms of the provisions of the Act, Shri Nikhil Gandhi and Shri Bhavesh Gandhi, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting. A brief resume of Shri Nikhil Gandhi and Shri Bhavesh Gandhi, nature of expertise in specific functional areas and names of the listed companies in which they holds directorship and/or membership/chairmanships of Committees of the respective Boards, shareholding and relationship between directors inter se as stipulated under Regulation 36 (3) of the Listing Regulation is given in Corporate Governance Report forming part of this Annual Report.

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 put up on the website of the Company at the link [http://www.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html)

### Key Managerial Personnel

During the year under review, Shri Bhavesh Gandhi, Vice-Chairman and Whole-time Director, Shri Rajiv Shukla, Chief Executive Officer and Shri Praveen Mohnot, Chief Financial Officer, Key Managerial Personnel ("KMP") of the Company as per the provisions of Section 203 of the Act resigned from their respective offices as KMP. During the year under review, Shri Madan Pendse was appointed and resigned as KMP.

During the year under review, Vice Admiral (Retd.) H S Malhi, Whole-time Director and Chief Executive Officer, Shri Sridhar Krishnamurthy, Chief Financial Officer have been appointed as Key Managerial Personnel of the Company.

### Evaluation of Directors, Board and Committees

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

Pursuant to the applicable provisions of the Act and Regulation 17(10) and 25 of the Listing Regulations, the Board shall do 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 performance of the Board shall be evaluated based on inputs received from all the Directors after considering criteria such as Board composition and structure, effectiveness of processes and information provided to the Board, etc. A separate meeting of the Independent Directors was also held during the year for the evaluation of the performance of non-independent Directors, performance of the Board as a whole and that of the Chairman.

## Directors' Report

### Policy on appointment and remuneration of 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 and senior management. The Committee has formulated the criteria for determining qualifications, positive attributes and independence of Directors, which has been put up on the Company's website. The policy on the above is attached hereto 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:

- i. in the preparation of the annual financial statements for the financial year ended March 31, 2016, 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 judgements 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, 2016 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, 2016, 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 were 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 by the Company during the financial year under review with related parties were on 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 potential conflict with the interest of the Company at large.

All Related Party Transactions were placed before the Audit Committee for approval. Omnibus approval of the Audit Committee was obtained for the transactions which were of a foreseen and 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 for its approval 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.reliance defence.co/corporate\\_governance.html](http://www.reliance defence.co/corporate_governance.html). None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

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

There was no material change and commitments which materially affect the financial position of the Company occurred between the financial year ended on March 31, 2016 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 year, five Board Meetings were held, details of which are given in the Corporate Governance Report.

### Audit Committee

The Audit Committee of the Board of Directors of your Company was reconstituted during the year with Shri Rajendra Chitale, Independent Director as Chairman and Vice Admiral (Retd.) H S Malhi, Whole-time Director and Chief Executive Officer, Shri Ajai Vikram Singh and Ms. Ryna Karani, Independent Directors as Members of the Committee.

### Auditors and Auditor's Report

The Members of the Company had appointed M/s. Pathak H. D. & Associates, Chartered Accountants, Mumbai (Firm Registration No. 107783W) as Statutory auditors of the Company for a term of five years commencing from the conclusion of the 18th Annual General Meeting held on September 30, 2015 till the conclusion of the 23rd Annual General Meeting of the Company and their appointment shall be placed for ratification by Members at every Annual General Meeting during the said term.

The Board recommends ratification of M/s. Pathak H. D. & Associates, as statutory auditors at the ensuing AGM. The observations and comments given by the Auditors in their report read together with notes on financial statement are self explanatory and hence do not call for any further comments under Section 134 of the Act.

### Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed Ms. Amrita D C Nautiyal, Practicing Company Secretary in Practice 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 Auditor is attached hereto as Annexure B.

### Extract of Annual Return

Extract of the Annual Return of the Company in form MGT-9 is attached hereto as Annexure C.

### Particulars of Employees and related disclosures

In terms of the provisions of Section 197 of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing

## Directors' Report

remuneration in excess of the limits set out in the said rules are provided in the Annexure to the Directors' Report. However, having regard to the provisions of Section 136 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 and any member interested in obtaining the same may write to the Company Secretary. Upon such request, the information shall be furnished.

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 are provided in Annexure D.

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

Information in accordance with the provisions of Section 134(3) (m) of the Act, read with Rule 8 of the Companies (Accounts) Rules, 2014 regarding conservation of energy and technology absorption are given in Annexure E and forms part of this Report.

### Corporate Governance

The Company has adopted the "Reliance Group-Corporate Governance Policies and Code of Conduct" which has set out the systems, processes and policies conforming to international standards. The report on Corporate Governance as stipulated under Regulation 34(3) of the Listing Regulations is presented in separate section which forms part of this Annual Report.

A certificate from the Auditors of the Company, M/s. Pathak H. D. & Associates, Chartered Accountants, confirming compliance to the conditions of Corporate Governance as stipulated under Regulation 34(3) of the Listing Regulations, is attached to this Report.

### Vigil Mechanism / Whistle Blower Policy

In accordance with Section 177 of the Act and Regulation 22 of the Listing Regulations, the Company has formulated a Vigil Mechanism to address the genuine concern, 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.

### Risk Management

The Company has constituted a Risk Management Committee consisting of majority of independent Directors, Whole-time Director and senior managerial personnel. The details of the Committee are set out in the Corporate Governance Report forming part of this Report.

The Company has a robust Business Risk Management framework to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the 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 risks trend,

exposure and potential impact analysis at the Company level as also separately for business segments.

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

The Company is committed to upholding and maintaining 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, no such complaints were received.

### Corporate Social Responsibility

The Company has constituted a Corporate Social Responsibility Committee (CSR) in compliance with the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR 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.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html)

The Corporate Social Responsibility Committee consists of Shri Rahul Sarin as Chairman, Vice Admiral (Retd.) H S Malhi, Ms Comal Ramachandran Gayathri and Ms Ryna Karani as members.

The disclosures with respect to Corporate Social Responsibility activity are given in Annexure F.

### Order, if any, passed by the regulator 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 across the organization. The same is subject to review periodically by the internal audit cell for its effectiveness. During the year, such controls were tested and no reportable material weakness in the design or operation were observed.

### Acknowledgements

Your Directors would like to express on record their sincere appreciation for the consistent support and co-operation received from the shareholders, bankers, financial institutions, government authorities, 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 hard work and commitment of each and every employee of the Company.

**For and on behalf of the Board of Directors**

**Whole-time Director and CEO**

Mumbai  
May 14, 2016

**Director**

### Policy On Directors, Key Managerial Personnel And Senior Management Appointment And Remuneration

#### 1.0 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.

#### 2.0 Scope and Coverage

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

#### 3.0 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) consists 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 Business-wise 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; and
- Business Performance evaluation with higher emphasis on achievement against key financial and project completion parameters.

#### 4.0 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.

#### 5.0 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, 2016

### [Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
**Reliance Defence and Engineering Limited**  
(Formerly known as Pipavav Defence and  
Offshore Engineering Company Limited)  
Pipavav Port, Post Ucchahiya,  
Via Rajula, District Amreli,  
Gujarat 365 560

I have conducted the Secretarial Audit of the compliances of statutory provisions applicable to the Company and the adherence to good corporate practices by **Reliance Defence and Engineering Limited** (hereinafter called as 'the Company') having Registered Office at Pipavav Port, Post Ucchahiya, Via Rajula, District Amreli, Gujarat 365 560. The secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and various returns filed by the Company and 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, I hereby express my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016, has complied with the statutory provisions mentioned below and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner reported hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

1. The Companies Act, 2013 ('the Act') and the Rules made there under notified by the Ministry of Corporate Affairs, as may be and to the extent applicable;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under, as may be and to the extent applicable;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under, as may be and to the extent applicable;
4. The Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under, as may be and to the extent of Foreign Direct Investments, Overseas Direct Investments and External Commercial Borrowings;

5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (ii) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and 2015;
  - (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company for the year under review);
  - (iv) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company for the year under review)
  - (v) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (vi) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company for the year under review);
  - (vii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company for the year under review); and
  - (viii) The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Applicable to the Company from 1st December, 2015 onwards).

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

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

## Directors' Report

(Applicable from 1<sup>st</sup> April, 2015 till 30<sup>th</sup> November, 2015)

During the year under review the Company has, in my opinion, complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc mentioned above.

I further report that, the Board of Directors of the Company was duly constituted with proper balance of Executive director, 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.

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

All the decisions at the Board Meetings and the Committee Meetings were carried out unanimously as recorded in the minutes of the Board of Directors and minutes of the Committee Meetings as the case may be.

I further report that, based on the information received and records maintained, there are adequate systems and processes in the Company commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**(Amrita D.C. Nautiyal)**  
**FCS 5079**  
**C.P. No.: 7989**

**Place : Mumbai**  
**Date : May 12, 2016**

**FORM NO. MGT.9**  
**EXTRACT OF ANNUAL RETURN**  
**as at the financial year ended on March 31, 2016**

**[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

CIN	L35110GJ1997PLC033193
Registration Date	October 17, 1997
Name of the Company	Reliance Defence and Engineering Limited (formerly Pipavav Defence and Offshore Engineering Company Limited)
Category/Sub-Category of the Company	Public Company/Limited by Shares
Address of the Registered Office and contact details	Pipavav Port, Post Uchchaiya, Via Rajula, Dist. Amreli, Gujarat 365 560 Tel : +91 2794 305000 Fax : +91 2794 305100 Email : rdel.investors@relianceada.com Website : www.reliancedefence.co
Whether listed company	Yes
Name, address and contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited (Unit: Reliance Defence 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. : +91 40 6716 1500 Fax : +91 40 6716 1791 Toll Free No. : 1800 4250 999 E-mail : einward.ris@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 Products/Services	NIC Code of the Product/Service	Per cent to total turnover of the Company
Ship Building and Fabrication	30-301	100.00

### 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, Gujarat - 365 560	U63000GJ1995PTC026113	Subsidiary	100	2(87)
2	Reliance Marine and Offshore Limited (formerly Pipavav Marine and Offshore Limited) Survey No. 658, Village Rampara- II, Taluka Rajula and Village Lunsapur, Taluka Jafrabad, Amreli, Gujarat - 365 560	U35100GJ2012PLC070568	Subsidiary	100	2(87)
3	Reliance Lighter than Air Systems Private Limited (formerly Pipavav Lighter than Air Systems Private Limited) Survey No. 658, Village Rampara- II, Taluka Rajula, District Amreli, Gujarat - 365 560	U29241GJ2013PTC077604	Subsidiary	100	2(87)
4	Reliance Engineering and Defence Services Limited (formerly Pipavav Engineering and Defence Services Limited) Survey No. 658, Village Rampara- II, Taluka Rajula and Village Lunsapur, Taluka Jafrabad, Amreli, Gujarat - 365 560	U29219GJ2012PLC070565	Subsidiary	100	2(87)
5	Reliance Technologies and Systems Private Limited (formerly Pipavav Technologies and Systems Private Limited) Survey No. 209, SKIL House, Bank Street Cross Lane, Fort, Mumbai - 400 023	U29248MH2013PTC247148	Subsidiary	100	2(87)
6	PDOC Pte. Ltd. Add: 79 Robinson Road #16-01 CPF Building Singapore (068897)	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, Karnataka - 560085.	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, 2015)				No. of Shares held at the end of the year (March 31, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A Promoters</b>									
<b>1. Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	31,11,00,828	-	31,11,00,828	42.26	22,01,03,025*	-	22,01,03,025	29.90	-12.36
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(1):</b>	<b>31,11,00,828</b>	<b>-</b>	<b>31,11,00,828</b>	<b>42.26</b>	<b>22,01,03,025</b>	<b>-</b>	<b>22,01,03,025</b>	<b>29.90</b>	<b>-12.36</b>
<b>(2) Foreign</b>									
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(2):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Shareholding of Promoters (A) = (A) (1)+(A)(2)</b>	<b>31,11,00,828</b>	<b>-</b>	<b>31,11,00,828</b>	<b>42.26</b>	<b>22,01,03,025</b>	<b>-</b>	<b>22,01,03,025</b>	<b>29.90</b>	<b>-12.36</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds/UTI	97,24,147	-	97,24,147	1.32	3,050	-	3,050	0.00	-1.32
b) Banks/FI	2,33,54,596	-	2,33,54,596	3.17	1,41,83,297	-	1,41,83,297	1.93	-1.24
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	5,84,65,899	-	5,84,65,899	7.94	5,84,65,899	-	5,84,65,899	7.94	-
g) Foreign Institutional Investors	3,80,71,792	-	3,80,71,792	5.17	3,20,46,044	-	3,20,46,044	4.35	-0.82
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
NBFCs					17,20,030		17,20,030	0.23	0.23
<b>Sub-Total (B)(1):</b>	<b>12,96,16,434</b>	<b>-</b>	<b>12,96,16,434</b>	<b>17.60</b>	<b>10,64,18,320</b>	<b>-</b>	<b>10,64,18,320</b>	<b>14.45</b>	<b>-3.15</b>
<b>(2) Non-Institutions</b>									
<b>a) Bodies Corporate</b>									
i) Indian	15,39,97,902	-	15,39,97,902	20.92	32,09,69,190	-	32,09,69,190	43.60	22.68
ii) Overseas	4,09,07,881	1,75,00,000	5,84,07,881	7.93	3,39,00,000	-	3,39,00,000	4.60	-3.32
<b>b) Individuals</b>									
i. Individual shareholders holding nominal share capital up to ₹ 1 lakh.	43,606,569	7,161	4,36,13,730	5.92	4,63,61,589	7,161	4,63,68,750	6.30	0.38
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	3,55,33,874	-	3,55,33,874	4.83	46,07,251	-	46,07,251	0.63	-4.20
<b>c) Others (specify)</b>									
i) Non Resident Indians	19,45,035	-	19,45,035	0.26	15,23,273	-	15,23,273	0.21	-0.05
ii) Clearing Members/ Clearing House	19,04,085	-	19,04,085	0.26	23,12,660	-	23,12,660	0.31	0.05

# Reliance Defence and Engineering Limited

## Directors' Report

Category of Shareholders	No. of Shares held at the beginning of the year (April 01, 2015)				No. of Shares held at the end of the year (March 31, 2016)				% Change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
iii) Trusts	86,500	-	86,500	0.01	3800	-	3800	0.00	-0.01	
iv) Limited Liability Partnership	-	-	-	-	-	-	-	-	-	
v) Foreign Portfolio Investor (corporate)	-	-	-	-	-	-	-	-	-	
vi) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-	
<b>Sub-Total (B)(2):</b>	<b>27,79,81,846</b>	<b>7161</b>	<b>29,54,89,007</b>	<b>40.13</b>	<b>40,96,77,763</b>	<b>7,161</b>	<b>40,96,84,924</b>	<b>55.65</b>	<b>-15.52</b>	
<b>Total Public Shareholding (B) = (B) (1)+(B)(2)</b>	<b>40,75,98,280</b>	<b>1,75,07,161</b>	<b>42,51,05,441</b>	<b>57.74</b>	<b>51,60,96,083</b>	<b>7,161</b>	<b>51,61,03,244</b>	<b>70.10</b>	<b>10.46</b>	
<b>C. Non Promoters Non Public</b>										
(1) Shares held by Custodian for GDRs	-	-	-	-	-	-	-	-	-	
<b>Grand Total (A+B+C)</b>	<b>71,86,99,108</b>	<b>1,75,07,161</b>	<b>73,62,06,269</b>	<b>100.00</b>	<b>73,61,99,108</b>	<b>7,161</b>	<b>73,62,06,269</b>	<b>100.00</b>	<b>-</b>	

\* Change in Shareholding of Promoters is on account of Change in Promoters consequent to Takeover of the Company by Reliance Group.

### (ii) Change in Promoters' Shareholding (please specify, if there is no change)

Shareholding at the beginning of the year -	Shareholding at the beginning of the year (April 1, 2015)			Cumulative Shareholding during the year	
	Date	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
<b>Reliance Defence Systems Private Limited*</b>					
At the beginning of the year	-	-	-	-	-
Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc):	31.12.2015	13,87,12,427	18.84	13,87,12,427	18.84
	08.01.2016	6,86,08,587	9.32	20,73,21,014	28.16
	15.01.2016	1,27,82,011	1.74	22,01,03,025	29.90
At the end of the year		22,01,03,025	29.90	22,01,03,025	29.90

\*Change in Shareholding of Promoters is on account of Change in Promoters consequent to Takeover of the Company by Reliance Group.

### (iii) Shareholding Pattern of Top Ten shareholders (Other than Directors, Promoters and Holders of GDRs)

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (April 01, 2015)		Increase / Decrease No. of Shares	Shareholding at the end of the year (March 31, 2016)	
		No. of Shares	% of total shares of the Company		No. of Shares	% of total shares of the Company
1	SKIL Infrastructure Ltd	25,03,73,648	34.01	(6,91,70,520)	18,12,03,128	24.61
2	Life Insurance Corporation of India	5,84,65,899	7.94	-	5,84,65,899	7.94
3	IL and FS Maritime Infrastructure Company Limited	5,34,23,871	7.26	(3,13,197)	5,31,10,674	7.21
4	Grevek Investment & Finance Pvt Ltd	2,23,49,494	3.04	-	2,23,49,494	3.04
5	IL And FS Financial Services Ltd	2,32,17,254	3.15	(26,90,694)	2,05,26,560	2.79
6	Sembcorp Marine Ltd	1,75,00,000	2.38	-	1,75,00,000	2.38
7	Valiant Mauritius Partners FDI Limited	1,64,00,000	2.23	-	1,64,00,000	2.23
8	Export- Import Bank of India	1,30,28,000	1.77	-	1,30,28,000	1.77
9	Valiant Mauritius Partners Offshore Limited	82,16,000	1.12	43,91,697	1,26,07,697	1.71
10	Valiant Mauritius Partners Limited	75,84,000	1.03	27,31,389	1,03,15,389	1.40
11	Religare Finvest Ltd	69,15,892	0.94	31,01,174	1,00,17,066	1.36
12	SAAB Aktiebolag	2,45,07,881	3.33	(2,45,07,881)	-	-

\* The date wise increase or decrease in shareholding of top 10 shareholders is available in the investor section of the Company

## Directors' Report

### (iv) Shareholding of Directors and Key Managerial Personnel (KMPs)

1. Shri Bhavesh Gandhi, Non-Executive Director of the Company, held 68,300 (0.03%) equity shares at the beginning and end of the year.
2. The Key Managerial Personnel of the Company, Vice Admiral (Retd.) H S Malhi, Whole-time Director and Chief Executive Officer, Shri Sridhar Krishnamurthy, Chief Financial Officer did not hold any shares at the beginning and end of the year and Shri Ajit Dabholkar, Corporate Counsel & Company Secretary of the Company held 22,771 (0.01%) equity shares at the beginning of the year and 8,001 (0.00%) equity shares at the end of the year.

## V. INDEBTEDNESS

### Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	5,68,986	64,204	-	633,190
ii) Interest due but not paid	1,785	197	-	1,982
iii) Interest accrued but not due	1,994	558	-	2,552
<b>Total (i+ii+iii)</b>	<b>572,765</b>	<b>64,959</b>	<b>-</b>	<b>637,724</b>
Change in Indebtedness during the financial year				
● Addition	102,150	36,656	-	138,806
● Reduction	1,692	833	-	2,525
<b>Net Change</b>	<b>100,458</b>	<b>35,823</b>	<b>-</b>	<b>136,281</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	667,915	97,831	-	765,746
ii) Interest due but not paid	4,403	-	-	4,403
iii) Interest accrued but not due	905	2,951	-	3,856
<b>Total (i+ii+iii)</b>	<b>673,223</b>	<b>100,782</b>	<b>Nil</b>	<b>774,005</b>

## VI. Remuneration of Directors and Key Managerial Personnel

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

(₹ Lakh)

Sl. no.	Particulars of Remuneration	Name of Managing Director, Whole-time Director, Manager	
		Shri. Bhavesh Gandhi (Whole-time Director) till January 18, 2016	Vice Admiral (Retd.) Shri. H S Malhi (WTD) (from January 18, 2016)
1.	Gross salary		
	(a) Salary as per provisions contained u/s 17(1) of the Income-tax Act, 1961	239.51	*NIL
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.40	NIL
	(c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	NIL	NIL
2.	Stock Option	NIL	NIL
3.	Sweat Equity	NIL	NIL
4.	Commission		
	- as per cent of profit	NIL	NIL
	- others, specify		
5.	Others, please specify		
	Superannuation (Gratuity)	10.00	NIL
	Provident Fund	17.24	NIL
	<b>Total (A)</b>	<b>267.15</b>	<b>NIL</b>
	Ceiling as per the Act	Subject to Centre government approval	

\* During the year, no remuneration was paid to Vice Admiral (Retd.) H S Malhi, Whole-time Director and Chief Executive Officer

# Reliance Defence and Engineering Limited

## Directors' Report

### Remuneration to other directors:

Sr. No.	Name of Directors	Particulars of Remuneration			(₹ Lakh)
		Fee for attending board / committee Meetings (Amount in ₹)	Commission	Others, please specify	Total Amount
					(Amount in ₹)
<b>I. Independent Directors</b>					
1.	Air Chief Marshal (Retd.) Fali Homi Major	0.40	-	-	0.40
2.	Shri Ajai Vikram Singh	10.40	-	-	10.40
3.	Ms. Comal Ramachandran Gayathri	5.40	-	-	5.40
4.	Lt. Gen. (Retd) Syed Ata Hasnain	0.40	-	-	0.40
5.	Shri Rahul Sarin	0.40	-	-	0.40
6.	Shri Rajendra Chitale	0.40	-	-	0.40
7.	Ms. Ryna Karani	0.40	-	-	0.40
8.	Shri Ramunni Menon Premkumar	14.0	-	-	14.0
9.	Shri Samar Ballav Mohapatra	13.0	-	-	13.0
10.	Shri Alexander John Joseph	5.0	-	-	5.0
<b>Total (A)</b>		<b>49.80</b>	<b>-</b>	<b>-</b>	<b>49.80</b>
<b>II. Other Non-Executive Directors (NEDs)</b>					
1.	Shri Anil Ambani	0.40	-	-	0.40
2.	Shri Amitabh Jhunjhunwala	0.40	-	-	0.40
3.	Shri Nikhil Gandhi	14.40	-	-	14.40
4.	Shri Bhavesh Gandhi	0.40	-	-	0.40
5.	Shri Ajay Sharma*	1.20	-	-	1.20
6.	Ms. Padmaja Bhaskaran**	1.20	-	-	1.20
<b>Total (B)</b>		<b>18.00</b>	<b>-</b>	<b>-</b>	<b>18.00</b>
<b>Total (A+B)</b>		<b>67.80</b>	<b>-</b>	<b>-</b>	<b>67.80</b>

\* The Sitting Fees for attending meetings were paid to IDBI Bank.

\*\* The Sitting Fees for attending meetings were paid to LIC of India.

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

(₹ Lakh)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CFO	Acting CFO	Corporate Counsel and Company Secretary
		Shri. Rajiv Shukla (till May 30, 2015)	Shri Praveen Mohnot (till August 31, 2015)	Shri Madan Pendse (November 14, 2015 to January 18, 2016)	Shri Ajit Dabholkar
<b>1</b>	<b>Gross salary</b>	<b>19.07</b>	<b>44.42</b>	<b>2.17</b>	<b>67.69</b>
(a)	Salary as per provisions contained u/s 17(1) of the Income-tax Act, 1961	19.07	44.42	2.17	67.69
(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	NIL	NIL	NIL	NIL
(c)	Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	NIL	NIL	NIL	NIL
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	N.A.	N.A.	N.A.	N.A.
	- as per cent of profit	N.A.	N.A.	N.A.	N.A.
	- others	N.A.	N.A.	N.A.	N.A.
5.	Others:				
	Superannuation Provident Fund	N.A.	N.A.	N.A.	N.A.
	National Pension Scheme				
<b>Total</b>		<b>19.07</b>	<b>44.42</b>	<b>2.17</b>	<b>67.69</b>

Note 1: During the Financial year 2015-16, no remuneration has been paid by the Company to Vice Admiral (Retd.) H S Malhi, Whole Time Director and Chief Executive Office and Shri Sridhar Krishnamurthy, Chief Financial Officer.

### VII. Penalties/Punishment/Compounding of Offences:

There were no penalties, punishment or compounding of offences to the Company, directors and other officers of the Company during the year ended March 31, 2016.

#### DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Sr. No	Requirement	Disclosure												
(i)	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year	Executive Director (Up to January 18, 2016) Shri Bhavesh Gandhi – 56:1												
(ii)	The percentage increase in remuneration of each director, CEO, CFO, Company Secretary if any, in the Financial Year.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Name of KMPs</th> <th style="text-align: center;">Percentage increase in remuneration in financial year 2015-16</th> <th style="text-align: center;">Ratio of remuneration of each KMP/to median remuneration of employees</th> </tr> </thead> <tbody> <tr> <td>Vice Admiral (Retd.) H S Malhi Whole-time Director and Chief Executive Office (From January 18, 2016)</td> <td>Please refer Note-1</td> <td>N.A.</td> </tr> <tr> <td>Shri Sridhar Krishnamurthy Chief Financial Officer (From January 18, 2016)</td> <td>Please refer Note-1</td> <td>N.A.</td> </tr> <tr> <td>Shri Ajit Dabholkar Corporate Counsel and Company Secretary</td> <td>NIL</td> <td>15.21:1</td> </tr> </tbody> </table> <p style="font-size: small;">Note 1: During the Financial year 2015-16, no remuneration has been paid by the Company to Vice Admiral (Retd.) H S Malhi, Whole-time Director and Chief Executive Office and Shri Sridhar Krishnamurthy, Chief Financial Officer.</p>	Name of KMPs	Percentage increase in remuneration in financial year 2015-16	Ratio of remuneration of each KMP/to median remuneration of employees	Vice Admiral (Retd.) H S Malhi Whole-time Director and Chief Executive Office (From January 18, 2016)	Please refer Note-1	N.A.	Shri Sridhar Krishnamurthy Chief Financial Officer (From January 18, 2016)	Please refer Note-1	N.A.	Shri Ajit Dabholkar Corporate Counsel and Company Secretary	NIL	15.21:1
Name of KMPs	Percentage increase in remuneration in financial year 2015-16	Ratio of remuneration of each KMP/to median remuneration of employees												
Vice Admiral (Retd.) H S Malhi Whole-time Director and Chief Executive Office (From January 18, 2016)	Please refer Note-1	N.A.												
Shri Sridhar Krishnamurthy Chief Financial Officer (From January 18, 2016)	Please refer Note-1	N.A.												
Shri Ajit Dabholkar Corporate Counsel and Company Secretary	NIL	15.21:1												
(iii)	The percentage increase in the median remuneration of employees in the Financial Year	During the Financial year 2015-16 there has been no increase in median remuneration of employees.												
(iv)	Number of permanent employees on the rolls of the Company	517 permanent employees as on March 31, 2016.												
(v)	The explanation on the relationship between average increase in remuneration and Company's performance.	The average increase in the remuneration is affected by various factors like normal salary, organizational performance, revision, talent retention, inflation, external competitiveness, etc. The results of the changes in remuneration structure needs to be measured over the long term.												
(vi)	Comparison of the remuneration of the key managerial personnel against the performance of the Company	During the year under review, there was no increase in median remuneration of employees of the Company. During the Financial year the Company has reported losses. Hence, comparison of KMP's remuneration with profit cannot be ascertained.												
(vii)	Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current and previous financial year.	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Date</th> <th style="text-align: right;">Market Capitalisation (₹ in crore)</th> <th style="text-align: right;">P/E Ratio in ₹</th> </tr> </thead> <tbody> <tr> <td>31.3.2016</td> <td style="text-align: right;">4998.84</td> <td style="text-align: right;">N.A.</td> </tr> <tr> <td>31.3.2015</td> <td style="text-align: right;">4,211.10</td> <td style="text-align: right;">N.A.</td> </tr> <tr> <td>Change</td> <td style="text-align: right;">787.74</td> <td style="text-align: right;">N.A.</td> </tr> </tbody> </table>	Date	Market Capitalisation (₹ in crore)	P/E Ratio in ₹	31.3.2016	4998.84	N.A.	31.3.2015	4,211.10	N.A.	Change	787.74	N.A.
Date	Market Capitalisation (₹ in crore)	P/E Ratio in ₹												
31.3.2016	4998.84	N.A.												
31.3.2015	4,211.10	N.A.												
Change	787.74	N.A.												

## Directors' Report

- (viii) Percentage increase or decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer.
- I. The Company had on October 1, 2009 made the last public offering @ ₹ 60/- per equity share to anchor investors and @ ₹ 58/- per equity share to investors other than anchor investors.
- II. The price of Company's equity share as at March 31, 2016 was ₹ 67.90 i.e. an increase of 13.17per cent for anchor investors and 17.07per cent for investors other than anchor investors.
- (ix) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.
- There has been no increase in the managerial remuneration during the Financial Year 2015-16. Hence, comparison of increase in managerial remuneration and justification thereof is not applicable.
- (x) Key parameters for any variable component of remuneration availed by the Directors.
- During the Financial Year 2015-16 no variable remuneration was paid to any of the Directors.
- (xi) The ratio of the remuneration of the highest paid Director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year.
- During the Financial Year 2015-16, Shri Bhavesh Gandhi, Executive Director was paid highest remuneration. There is no employee who receives remuneration in excess of remuneration paid to Shri Bhavesh Gandhi.
- (xii) Affirmation that the remuneration is as per the remuneration policy of the Company.
- Yes.

**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

(a) Energy Conservation / reduction of consumption of energy measures taken:

- Analysis of Electrical contract demand and reduction from 7MVA to 5.8 MVA.
- In the chilling system, cooling water circulation pump has been replaced with energy efficient pumps.
- Increased monitoring of air compressor for identifying abnormalities, thereby leading to conservation to energy
- Continued maintenance of the power factor at 0.999 to ensure optimized utilization of power.
- Installation of Energy saving devices for centrifuges.
- Use of chemicals in cooling tower of HVAC Plant to increase the efficiency of compressed air generation.
- Mandatorily keeping the machines, compressors, welding equipments, distribution transformers, off during idle hours including break-hours.
- Re-designing of pipelines, re-distribution of electrical systems, changing conventional manual welding by MIG welding process, conversion of pneumatic tools to electrical tools, use of electrical grinding machines, installation of submerged Arc special purpose welding machine with Motorized Rotator, Induction of latest welding technology.
- Installation of separate energy meters at all the Works enables monitoring of power consumption, power factor and maximum demand.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

The company is continuously taking various measures for reduction of consumption of energy and whatever investments, although small, required is being made. Other measures proposed are like replacement of lamps with LED lamps& Solar System, induction of latest technology, training of new welding methods etc.

c) Impact of the measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost of production of goods:

As a result of the aforesaid measures taken, the company has been able to:-

- I. Achieve reduction in idle loss of H.T. Transformers.
- II. Improve quality with saving of energy.
- III. Reduce losses in compressed air lines in works.
- IV. Reduce considerably "no load losses".

d) Total energy consumption and energy consumption per unit of production:

The industry in which the Company operates viz. shipbuilding is not included in the Schedule to the said Rules.

#### B. Foreign Exchange Earnings and Outgo

Particulars	₹ In Lakh)	
	2015-16	2014-15
Foreign Exchange Earned	<b>6,448.67</b>	10,033.95
Foreign Exchange Expenses	<b>4,469.70</b>	5,406.78

During the year under review, the Company imported Raw Materials & Components and Stores & Spares on CIF basis of ₹ 11,958 Lakh (Previous year ₹ 7,957.33 Lakh). Similarly, the Company imported Capital Goods worth ₹ 1,284 Lakh (Previous year -9.27 Lakh).

### Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2015-16.

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

The Company has a robust CSR Policy at group level. As per the said policy, 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.

c. 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	Amount Outlay (budget) Project or Programs wise.	Amount spent or programs	Cumulative Expenditure upto the reporting period.	Amount spent: Direct or through implementing agency.
			(1) Local area or other		Sub-heads:		
			(2) Specify the state and district where projects or programs was undertaken.		(1) Direct expenditure on projects or programs.		
					(2) Overheads:		
<b>Not applicable</b>							

**6. In case the company has failed to spend the two per cent 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.**

Not applicable.

**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.

Vice Admiral (Retd.) H S Malhi  
Whole Time Director and  
Chief Executive Officer

Rahul Sarin  
Chairman, CSR Committee

May 14, 2016

## Management Discussion and Analysis

### 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 government's strategy relating to acquisition of naval platforms, changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statements 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 specified under Section 133 of the Act. The management of Reliance Defence and Engineering Limited ("Reliance Defence and Engineering" or "RDEL" or "the Company") has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs for the year.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements 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", "RDEL", "RDEL Group" or "Reliance Defence and Engineering" are to Reliance Defence and Engineering Limited and its subsidiary companies, joint ventures and associate companies.

### Macroeconomic Overview – Indian Economic Environment

As per the Central Statistics Organisation (CSO), India has emerged as the fastest growing major economy in the world in 2015-16. The improvement in India's economic fundamentals accelerated in 2015 with the combined impact of strong Government reforms like 'Make in India', 'Digital India', 'Smart Cities', 'Skill India' and 'Startup India', as well as, RBI's inflation focus, which was supported by benign global commodity prices. The Government's fiscal deficit also improved to 3.9 per cent of the Gross Domestic Product (GDP) in 2015-16 from 4.1 per cent in 2014-15. Fiscal deficit came in at ₹ 5.32 lakh crore for the fiscal year, marginally lower than the revised estimate of ₹ 5.35 lakh crore or 3.9 per cent of the GDP. The revenue deficit was at 2.5 per cent of GDP better than 2.9 per cent in 2014-15 and 3.2 per cent in 2013-14. The Nikkei / Markit Manufacturing Purchasing Managers' Index (PMI) for March 2016 was reported at 52.4, indicating expansion in Indian manufacturing activity for a third month in a row, as both domestic and foreign demand increased due to lower prices. India was ranked the highest globally in terms of consumer confidence during October-December quarter of 2015, continuing its earlier trend of being ranked at the top during first three quarters of 2015, as per the global consumer confidence index created by Nielsen.

### GDP Growth

India's GDP grew at a five year high of 7.6 per cent in 2015-16, powered by a rebound in farm output, and an improvement in electricity generation and mining production in the fourth quarter of the fiscal. Economic growth was estimated at 7.2 per cent in 2014-15. The growth numbers for the last fiscal, which reinforces India's position as the world's fastest-growing large economy, came on the back of a strong 7.9 per cent growth in the last quarter of the fiscal. The fourth quarter growth comes at a time when China has reported a 6.7 per cent in the March quarter – its slowest growth in about seven years. The farm sector grew by 2.3 per cent from a year ago compared with a 1.0 per cent contraction in the December quarter. Mining grew 8.6 per cent in the March quarter, up from 7.1 per cent in the previous quarter. Electricity, water and gas production growth surged to 9.3 per cent from 5.6 per cent in the December quarter. Going forward, better rainfall and seventh pay commission payouts are likely to remain supportive of consumption.

### Industrial Production

During 2015-16, the Index of Industrial Production (IIP) grew by 2.4 per cent compared with a growth of 2.8 per cent in 2014-15. In this financial year, manufacturing expanded by 2 per cent. During 2015-16, the infrastructure sector grew just 2.7 per cent as compared with 4.5 per cent in 2014-15, 4.2 per cent in 2013-14 and 6.5 per cent in 2012-13. Infrastructure is perceived as one of the engines of growth along with the manufacturing. While the government has been attracting domestic and foreign firms to step up investment under the 'Make in India' initiative, infrastructure development has remained sluggish. 'Make in India' initiative of the Government would result in higher Foreign Direct Investment (FDI) inflows and raises hope of higher Industrial production in coming quarters.

### Inflation and Interest Rate

The Consumer Price Index (CPI) inflation averaged to 4.9 per cent in 2015-16 from 5.8 per cent in 2014-15. Soft global commodity prices, especially crude oil, helped ease inflationary pressures in the last fiscal. The Wholesale Price Index (WPI) inflation remained in the deflationary territory, averaging -2.6 per cent compared with -2.3 per cent in 2014-15. While food prices remained elevated during the later part of the year, rural inflation topped that in the urban regions throughout the year. The rural part of the country remained deprived of the subdued commodity and fuel prices on supply side issues and use of traditional fuels sources like firewood etc. While the government has stepped up public capex in the year, the Reserve Bank of India slashed policy lending rate by 150 basis points since January 2015. It has indicated that it would wait to see how the monsoon pans out before further rate cuts.

### Current Account Deficit

India's Current Account Deficit (CAD) fell to US\$7.1 billion (1.3 per cent of GDP) in October-December 2015-16 compared with US\$7.7 billion (1.5 per cent of GDP) a year ago on substantial decline in merchandise trade deficit even as services trade surplus shrank. Healthy foreign direct investments into the financial account were adequate to cover CAD which helped in the accrual of foreign exchange reserves. The major contributor to the decline in the trade deficit was crude oil whose deficit reduced to US\$12.9 billion from US\$19.2 billion in the previous year. Services trade surplus also shrank as exports fell by 4.4 per cent while imports continued to grow.

## Management Discussion and Analysis

India's merchandise exports have suffered on account of weak demand from major markets like China, Eurozone and Organisation of Petroleum Exporting Countries. While oil imports of crude oil is expected to be muted due to lower prices, some uptick in core imports – non-oil, non-gold is anticipated on improved domestic consumption and investment demand.

### BUSINESS PROSPECTS

Defence is still a nascent sector with respect to private sector participation in India. According to estimates, the defence market in the country would be worth US\$ 250 billion over the next ten years. India currently imports 70 per cent of its defence requirements.

In a further bid to promote "Make in India" initiative, the Union Cabinet has approved the proposal for introducing measures to encourage shipbuilding and ship repair industry in India. This includes a policy for grant of financial assistance to shipyards, after delivery of all types of ships, to counter cost disadvantages at 20 per cent of the contract price or the fair price, whichever is lower for the first three years and assistance would be reduced at 3 per cent every three years. This policy will be in force for ten years. The implementation of this policy would have a budgetary support of ₹ 4,000 crore over ten years. The proposals also include grant of a Right of First Refusal for Indian shipyards for government purchases, tax incentives and grant of infrastructure status for shipbuilding and ship repair industry.

Currently Indian Navy has 137 ships and submarines and the Indian Coast guard has approximately 120 ships. Both the Navy and the Indian Coast guard have a projected force level plan of 200 ships each by year 2027. Further, a large number of ships in the current inventory are old and need to be phased out. The Indian Navy has the requirement of vessels worth more than ₹ 5,00,000 crore over the next 15 years.

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

On the commercial side of new shipbuilding, the Hydro-carbon Exploration and Production ('E&P') Assets segment both in India and in South-East Asia region presents another opportunity for the Company to expand its business in a gainful manner. Immediately after Takeover by Reliance Group, the Company delivered the seventh vessel to Oil and Natural Gas Corporation.

The Government of India as part of a wider set of national-building initiatives to transform India into a global design and manufacturing hub announced a very significant initiative called "Make in India". On the occasion of World Youth Skills Day The Government of India launched the "National Skill Development Mission". The motive behind this scheme was to create convergence across sectors and states in terms of skill training activities.

These imperative initiatives of government give strong commitment to fiscal target, and thrust on boosting infrastructure could brighten the investment climate. For the Defence sector, such initiatives will not only save precious foreign exchange but also address national security issues.

The Government also relaxed the FDI norms in the Defence Sector by allowing the FDI upto 49 per cent by the 'Automatic Route'. FDI upto 100 per cent is also permitted under 'Government

Route' subject to applicable terms and conditions. Going forward, the Indian Government will emphasise on promotion of locally manufactured defence products to boost the Indian economy.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

#### Defence Shipbuilding and Repairs

During the year under review, Indian defence industry continued to open up opportunities for private players. Indigenous Construction of various strategic platforms for Indian Navy and Indian Coast Guard under the "Make in India" campaign will give a boost for building a domestic defence industrial base and reduce dependence on imports.

Indian dream to become a global economic power demands equally strong blue water navy to protect the national interest and maritime interest and keep its shipping routes clear from all types of threats. Various development in the Indian Ocean emphasized the need to have a strong Indian blue water Navy.

The Indian Navy and Coast Guard, have approved a 15 years ship building programme, projecting 165 warships and 400 aerial assets by 2022 and has approved new builds of over ₹ 90,000 crore. Defence PSUs, despite constraints, have done yeomen service to the nation by building warships and submarines. However, to meet the growing requirements of the Indian Navy, utilization of capacities and capabilities in Private Sector is imperative in the national interest.

To realize the dream of becoming warship building nation by developing indigenous modern shipbuilding infrastructures and capabilities, Government of India has opened the doors of warship and submarine construction to the Private Shipyards under "Make in India" mission. Defence Procurement Procedure - 2016 ('DPP-2016') provides level playing field to private sector domestic defence equipment manufacturers and Defence Public Sector Undertaking to inter alia ensure better utilisation of available modern warship building infrastructure in the country.

Reliance Defence and Engineering Limited ('the Company') is among a few private sector companies to have developed capabilities and capacities to tap this huge opportunity. The Construction, Repairing, Conversion of commercial vessels, Hydro-carbon E&P Assets, etc. is a vast and complex industry. The traditional commercial shipbuilding sector continues to reel under the tonnage glut, shrinking global trade and subsequent low ordering levels. Government of India is committed to increasing India's share of the global shipbuilding market to 5 per cent by 2020 which is currently around less than one per cent. India's advantages over other competitor nations are well known and include its strategic location in close proximity to the international busy trading routes and a ready availability of skilled manpower. However, the Company has mitigated this risk by concentrating its business development efforts to niche segments like building of LNG Carriers, Floating Storage and Regasification Unit (FSRU), Floating Production, Storage and Offloading Unit (FPSO), Floating Storage Unit (FSU), etc.,

The Ship repair segment is a priority for the Government of India ('GoI'). The Ministry of Shipping, Government of India, as recorded in its vision document viz., 'Maritime Agenda 2010-2020', aims to developing a highly competent domestic ship repair industry.

The financial year 2015-16 was a volatile and challenging for the maritime world. Against the backdrop of sharply lower crude oil prices, capital expenditures were cut by major oil and gas companies. Global oil and gas exploration projects of approximately US\$ 150 billion were put on back burner as

## Management Discussion and Analysis

plunging oil prices render them unviable. These challenges would affect construction of Hydro-carbon Exploration and Production Assets segment.

### OPPORTUNITIES AND OUTLOOK

#### Defence Shipbuilding and Repairs

In furtherance of objective to make India a global manufacturing hub, the Government of India through "Make in India" campaign is stressing on indigenous defence production. The government has cleared a US\$8 billion plan to build India's most advanced seven stealth warships in India and has also cleared ₹ 50,000 crore plan for construction of six new conventional submarines with 'AIR Independent Propulsion (AIP)' system under the project code name P75-I. It is expected that project P75-I will be awarded to Indian private sector defence ship building companies, in view of over booked position of DPSUs. To enhance Navy's underwater capabilities, the Government is also reviewing another project of six nuclear-powered submarines with an estimated capital outlay of US\$ 8 billion.

The Company is also qualified for dry-docking of INS Vikramaditya, the present largest aircraft carrier of Indian Navy. Indian Navy has planned to acquire a new generation Aircraft carrier of 65,000 tons which is 1.50 times larger than that of INS Vikramaditya. The Indian Navy is planning to have the most advanced technology for the proposed new generation Aircraft Carrier and pre-bid process is already commenced by the Government of India.

The Government of India and Government of Russia are in dialogue for four upgraded Talwar class Frigates, for building these vessels in India. This 'Make in India' Naval Frigate order is likely to exceed US\$3 billion.

In addition to these big tickets strategic naval platforms following new projects are also expected during next few years:-

- Landing Platform Dock
- Fleet Support Ships
- Diving Support Vessels
- ASW-SW Crafts
- New Generation Missile Vessels
- Multi Purpose Vessels

The ageing Indian Naval / Coast Guard fleet is offering many opportunities in the defence ship repairing segment. Medium Refit and Life Certification (MRLC) of 877 EKM Submarines in India is an existing opportunity.

#### Construction, Repairing, Conversion of commercial vessels, Hydro-carbon E&P Assets

The Company has put India on the global shipbuilding industry map by exporting the largest panama vessels ever built in India. The Indian shipbuilding industry has all the required resources, skills, talent and enjoy labour arbitrage to compete in the global shipbuilding / repairs / refit industry. Emerging demand from Indian companies including ONGC, Petronet, SCI, IWAI, DCI, GAIL etc for OSV, PSV, LNG Carriers and dredgers offers a huge opportunity considering the thrust on 'Make in India' mission.

Infrastructure status was recently awarded to the shipbuilding industry. The same will enable raising of long term finances at competitive financing cost.

#### Commercial Ship Repairs

In addition to the global opportunities there is a huge potential demand for ship repairs within the country. India has a large fleet of ships of around 1,100 Indian owned vessels. Moreover, 41 per cent of the domestic fleet has passed 20 years of its operational life. Given the fact, that the average life cycle of ships is 26 years, there is bound to be a rapid increase in the frequency of repairs/ refurbishments.

It is estimated that this domestic demand for ship repairs is worth approximately ₹. 7,300 crore annually.

#### OVERALL REVIEW

Reliance Defence and Engineering Limited is India's leading private sector Defence company, with aggregate revenues of about ₹ 34,595.49 Lakh and gross fixed assets of ₹ 6,15,720.65 Lakh. The highlights of the performance of the Company during Financial Year 15-16 are furnished year hereunder;

- Total income of ₹ 34,595.49 Lakh
- Net loss of ₹ 52,728.04 Lakh

During the year, the interest expenditure marginally increased to ₹ 47,179.40 Lakh as compared to ₹ 45,269.29 Lakh in the previous year. The provisions of Schedule II to the Companies Act, 2013 requires depreciation to be provided on historical cost or the amount substituted for the historical cost. Therefore, in case of revaluation, the Company needs to charge depreciation based on the revalued amount. Consequently, the depreciation charge during the year is higher by ₹ 1,681.74 Lakh. Cash loss for the year was ₹ 3,808.16 Lakh as compared to ₹ 6,277.07 Lakh in the the previous year. Net loss for the year was ₹ 52,728.04 Lakh as compared to ₹ 34,192.33 Lakh in the previous year. The capital expenditure during the year was ₹ 34,975.61 Lakh. Total gross fixed assets increased during the year to ₹ 6,15,720.65 Lakh, with a net worth of ₹ 1,69,460.84 Lakh.

#### 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 ₹ 7,657.46 crore.

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 and foreign banks funded by a consortium of banks and financial institutions.

The Company also undertakes liability management transactions and enters into other structured derivative arrangements such as interest rate and currency swaps. This is practiced on an ongoing basis to reduce overall cost of debt and diversify liability mix.

#### Risks & Concerns

##### Defence Shipbuilding and Repairs

Warship construction programme is purely based on threat perception by the Government, availability of resources and global military scenario in addition to country's ability to spare funds for the defence. In past, projects had been delayed due to sudden resource crunch.

In addition, DPSUs always pose threat to the private sector shipyards, which get projects on nomination basis.

## Management Discussion and Analysis

Changes in warship design, equipment and at times delay in decision due to changing security environment and threat perceptions are common even in the most advanced countries.

Naval warship and submarine building have been opened to the private sector. However it comprises of various risks like cut-throat competition, unpredictable exchange rate variation, long build period for the first ship of the class, change in Governments Priorities.

However, the Company with its best-in-class Infrastructure and processes is in a advantageous position to deal with the above threat.

### Commercial Shipbuilding:

The growth of Chinese shipbuilding industry is now becoming a threat to almost all major shipbuilding nations as China is planning to become the leading shipbuilding nation with an aim to corner more than 30 per cent global share. 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 globe especially from South-East region.

### Commercial Ship Repairs:

Though there is huge potential demand for ship repairs within the country, major share of ship repairs business goes to overseas yard. The prime reason why India has not made inroads is a lack of ship repair infrastructure.

### 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. DNV-GL Business Assurance has issued ISO 9001:2008; ISO 14001:2004 and OHSAS 18001:2007 certificates respectively for the Quality Management Systems; Environmental Management Systems; and Occupational Health and Safety Management Systems of the Company. 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 the 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) in the Company 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 and performance excellence 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 number of employees as on March 31, 2016 was 517.

### Talent Acquisition

Talent sourcing at RDEL is based on 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 Defence 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 non monetary 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.

## Corporate Governance Report

### Our Corporate Governance Philosophy

Reliance Defence and Engineering 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 statutory and regulatory requirements:

#### A. Values and commitments

We have set out and adopted a policy document on 'Values and Commitments of Reliance Defence and Engineering'. 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. We have also split the posts of Chairman and CEO.

#### 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 and 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. The policy is also hosted on the website of the Company at [http://www.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html).

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 Chairman's role is separated from that of a CEO in managing day-to-day business affairs.

##### b. Board charter

The Board of Directors has adopted 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 and SEBI (Listing Regulation and Disclosure Requirements) Regulations, 2015 read with schedule II and V ("Listing Regulations") the Board constituted Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee. The Board rotates the Chairman of these Committees periodically.

##### 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 he participates as a Director and thereafter at the first meeting of the Board in every

## Corporate Governance Report

financial year, gives a declaration that 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 Companies Act, 2013 ("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 up on the website of the Company at the link [http://www.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html)

### 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 they may determine and deem fit.

### i. 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 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.

### j. Statutory Auditors

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

They hold office as Statutory Auditors as per the provisions of the Companies Act, 2013.

### k. Compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015

The Company is fully compliant with the Corporate Governance requirements specified in Regulations 17 to 27 and Clauses (b) to (i) of Sub Regulation (2) of Regulation 46 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (Listing Regulations).

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

## I. Board of Directors

### 1. Board Composition - Board strength and representation

As on March 31, 2016, the Board of Directors comprised of fourteen Directors. The composition and category of Directors on the Board of the Company were as under:

Sr. No.	Names of Directors	DIN	Category
1	Shri Anil D Ambani, Chairman	00004878	Non-executive and Non-independent director
2	Vice Admiral (Retd.) H. S. Malhi	02388929	Whole-time Director and Chief Executive Officer
3	Shri Amitabh Jhunjunwala	00045174	Non-executive and Non-independent directors
4	Shri Nikhil Gandhi	00030560	
5	Shri Bhavesh Gandhi	00030623	

## Corporate Governance Report

Sr. No.	Names of Directors	DIN	Category
6	Shri Ajai Vikram Singh	02184840	Independent Directors
7	Ms. Comal Ramachandran Gayathri	02872723	
8	Air Chief Marshal (Retd.) Fali Homi Major	03026199	
9	Lt. Gen. (Retd.) Syed Ata Hasnain	07257757	
10	Shri Rahul Sarin	02275722	
11	Shri Rajendra Chitale	00015986	
12	Ms. Ryna Karani	00116930	Nominee Directors
13	Shri Ajay Sharma	06417150	
14	Ms. Padmaja Bhaskaran	05264282	

### Notes:

- None of the directors is related to any other director, except Shri Nikhil Gandhi and Shri Bhavesh Gandhi, who are related to each other as brothers.
- 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 year.
- Shri Anil D. Ambani, Shri Amitabh Jhunjhunwala, Vice Admiral (Retd.) H S Malhi, Air Chief Marshal (Retd.) Fali Homi Major, Lt. Gen. (Retd.) Syed Ata Hasnain, Shri Rahul Sarin, Shri Rajendra Chitale and Ms Ryna Karani were appointed on the Board with effect from January 18, 2016.
- Shri Alexander John Joseph, Shri Ramunni Menon Premkumar and Shri Samar Ballav Mohapatra ceased to be Director on the Board of the Company with effect from January 18, 2016.
- Shri Nikhil Gandhi ceased to be the Chairman of the Company and Shri Bhavesh Gandhi resigned from the office of Executive Vice-Chairman and Whole-Time Director of the Company with effect from January 18, 2016.

All the independent Directors of the Company have furnished a declaration at the time of their appointment and also annually that they qualify with the conditions of their being independent as provided under the law. 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 led by the Chairman. The Board holds at least 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 specific 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 and
- Monitoring and reviewing the Board Evaluation framework.

## 3. Board meetings

The Board held five meetings during the financial year 2015-16 on May 28, 2015, August 14, 2015, November 14, 2015, January 15, 2016, and January 18, 2016.

The maximum time gap between any two meetings was 91 days and the minimum gap was 3 days. The meetings were held in Mumbai.

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

## 4. Secretarial Standards issued by ICSI

Pursuant to the provisions of Section 118 (10) of the Act, compliance with secretarial standards I and II relating to Board and General Meetings specified by the Institute of

# Reliance Defence and Engineering Limited

## Corporate Governance Report

Company Secretaries of India (ICSI) as approved by the Central Government has become mandatory with effect from July 1, 2015. The company diligently follows the above standards.

### 5. Attendance of directors

Attendance of directors at the Board Meetings held during

the financial year 2015-16 and the last Annual General Meeting (AGM) held on September 30, 2015 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, 2016 were as under:

Name of Directors	Number of meetings attended out of meetings held	Attendance at the last AGM held on September 30, 2015	Number of directorships (including RDEL)	Committee membership (including RDEL)	
				Membership	Chairmanship
Shri Anil D Ambani*	1	N.A.	12	1	0
Shri Amitabh Jhunjhunwala*	1	N.A.	3	2	0
Vice Admiral (Retd.) H. S. Malhi*	1	N.A.	2	2	0
Shri Nikhil Gandhi	4	Absent	13	5	0
Shri Bhavesh Gandhi	5	Present	10	1	0
Shri Ajai Vikram Singh	4	Absent	2	1	1
Ms Comal Ramachandran Gayathri	4	Absent	11	4	2
Shri Ajay Sharma	5	Absent	2	0	0
Ms Padmaja Bhaskaran	5	Present	2	0	0
Air Chief Marshal(Retd.) Fali Homi Major*	1	N.A.	2	0	0
Lt. Gen. (Retd.) Syed Ata Hasnain*	1	N.A.	1	0	0
Shri Rahul Sarin*	1	N.A.	1	0	0
Shri Rajendra Chitale*	1	N.A.	12	4	3
Ms Ryna Karani*	1	N.A.	7	4	1
Shri Alexander John Joseph**	4	Absent	N.A.	N.A.	N.A.
Shri Ramunni Menon Premkumar **	4	Absent	N.A.	N.A.	N.A.
Shri Samar Ballav Mohapatra **	4	Absent	N.A.	N.A.	N.A.

\* Shri Anil D Ambani, Shri Amitabh Jhunjhunwala, Vice Admiral (Retd.) H. S. Malhi, Air Chief Marshal (Retd.) Fali Homi Major, Lt. Gen. (Retd.) Syed Ata Hasnain, Shri Rahul Sarin, Shri Rajendra Chitale and Ms. Ryna Karani were appointed on the Board w.e.f. January 18, 2016. Shri Anil D Ambani, Shri Amitabh Jhunjhunwala, Vice Admiral (Retd.) H. S. Malhi have attended all meetings held after their appointment.

\*\* Shri Alexander John Joseph, Shri Ramunni Menon Premkumar and Shri Samar Ballav Mohapatra ceased to be Directors on the Board of the Company w.e.f January 18, 2016.

#### Notes:

- None of the Directors holds directorships in more than 20 companies (Excluding foreign companies and section 8 companies) of which directorship in public companies does not exceed 10 in line with the provisions of Section 165 of the Act.
- None of the directors holds membership of more than 10 committees nor, is a Chairman of more than 5 committees across 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 excludes Chairmanship, if any.

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

## Corporate Governance Report

### 6. Details of directors

The brief profile of all directors are furnished hereunder:

#### Shri Anil D. Ambani

Shri Anil D. Ambani, 57 years, is the Chairman of our Company, Reliance Capital Limited, Reliance Communications Limited, Reliance Power Limited and Reliance Infrastructure Limited. He is the President of the Dhirubhai Ambani Institute of Information and Communication Technology, Gandhinagar, Gujarat. With a master's degree from the Wharton School of the University of Pennsylvania, Shri Ambani is credited with having spearheaded the Reliance Group's first forays into the overseas capital markets with international public offerings of global depository receipts, convertibles and bonds. Shri Ambani has been associated with a number of prestigious academic institutions in India and abroad:

- Member of Wharton Board of Overseers, the Wharton School, U.S.A.
- Member of the Presidents Global Counsel, New York University, U.S.A.
- Member of Advisory Board of Warwick Business School, UK.
- One of the Founders of Indian School of Business (ISB), Hyderabad. ISB has established formal partnership with International Business Schools-Wharton and Kellogg.

The Prime Minister of India nominated Shri Ambani as the Co-Chair from the Indian side of the India-China CEO Forum, Member of the US-India CEO Forum, Member of the Indo-French CEO Forum, Member of the India-Canada CEO Forum and Member of Indo-Russia CEO Forum.

As on March 31, 2016, Shri Anil D. Ambani did not hold any share in the Company.

#### Shri Amitabh Jhunjhunwala

Shri Amitabh Jhunjhunwala, 59 years, is a Fellow Chartered Accountant. He has had a wide exposure in developing, strategising and overseeing businesses in financial services, power, telecommunication and entertainment sectors. Currently, he oversees and leads businesses in financial services and entertainment sectors of the Reliance Group. He has experience in the areas of finance, commercial, banking, accounts and general management. Shri Jhunjhunwala is the Group Managing Director of Reliance Group. He is a Vice Chairman of Reliance Capital Limited and also a director on the board of Reliance Anil Dhirubhai Ambani Group Limited. Shri Amitabh Jhunjhunwala is a member of Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee of Reliance Capital Limited. He did not hold any share in the Company as of March 31, 2016.

#### Vice Admiral (Retd.) H. S. Malhi

Vice Admiral (Retd.) H.S. Malhi, 64 years has a distinguished 36 years service in the Indian Navy. An alumnus of the National Defence Academy, he was commissioned into the Indian Navy on January 1, 1972. His major appointments ashore included Commanding Officer of INS Shivaji, Indian

Navy's premier technical training establishment and Warship Production Superintendent at Mazagon Dock Ltd., Mumbai, where he oversaw commissioning of destroyer INS Mumbai, missile corvette INS Kirch and missile boat INS Prabal. As Flag Officer, he was Director, Defence Machinery Design Establishment at Hyderabad and served as Admiral Superintendent, Naval Dockyard at Visakhapatnam, Indian Navy's premier ship repair yard on the East Coast. He retired as the Chairman and Managing Director of Mazagon Dock Limited in January, 2012.

He is on the Board of E Complex Private Limited.

He is the member of Audit, Nomination & Remuneration, stakeholders' Grievance and Corporate Social Responsibility Committees of the Company.

As on March 31, 2016, Vice Admiral (Retd.) H.S. Malhi did not hold any shares of the Company

#### Shri Nikhil Gandhi

Shri Nikhil Gandhi 57 years, is the first generation entrepreneur with business interest in marine engineering and infrastructure. Shri Gandhi has approximately 33 years of experience as an entrepreneur of various infrastructure development projects. Some of the marquee projects conceived and developed during their infrastructure development stages by Shri Nikhil Gandhi include Pipavav Port in Gujarat, Navi Mumbai Special Economic Zone and Maha Mumbai Special Economic Zone.

Shri Nikhil Gandhi inter-alia is on the Board of SKIL Infrastructure Limited, SKIL-Himachal Infrastructure and Tourism Limited, KLG Capital Services Limited, JPT Securities Limited, Nayroh Lifestyle and Leisure Infrastructure Limited and Pipavav Electronic Warfare Systems Private Limited (Erstwhile SKIL Strategic Deterrence Systems Pvt. Ltd)

As on March 31, 2016, Shri Nikhil Gandhi did not hold any shares of the Company.

#### Shri Bhavesh Gandhi

Shri Bhavesh Gandhi 50 years, has approximately 30 years of experience in various fields pertaining to infrastructure development projects. Shri Bhavesh Gandhi led development of Pipavav Railways, a railway project in India based on the PPP model through a joint venture with the Ministry of Railways. Shri Gandhi was awarded the "Shipping, Marine and Ports (SMP), 2012 - Young Entrepreneur" Award.

Shri Bhavesh Gandhi inter-alia is on the Board of Donyi Polo Petrochemicals Limited, Energy India Corporation Limited, Nayroh Lifestyle and Leisure Infrastructure Limited, SKIL Infrastructure Limited and SKIL Shipyard Holdings Private Limited

Shri Nikhil Gandhi and Shri Bhavesh Gandhi are related to each other as brothers

As on March 31, 2016, Shri Bhavesh Gandhi held 68,300 equity shares (out of the total shareholding 66,000 Equity Shares are held in Bhavesh Prataprai Gandhi, HUF Account) of the Company.

#### Shri Ajai Vikram Singh

Shri Ajai Vikram Singh, 71 years, is the former Defence Secretary to the Government of India. Shri Singh joined the

## Corporate Governance Report

Indian Administrative Service (IAS) in the year 1967 and has served the State and Central Governments in various capacities.

As on March 31, 2016, Shri Ajai Vikram Singh did not hold any shares of the Company.

### **Ms Comal Ramachandran Gayathri**

Ms Comal Ramachandran Gayathri 68 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 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 member of Corporate Social Responsibility Committee of the Company.

As on March 31, 2016, Ms Comal Ramachandran Gayathri did not hold any shares of the Company.

### **Shri. Ajay Sharma**

Shri. Ajay Sharma 54 years, has held various senior positions with IDBI Bank and is currently Chief General Manager – RBG, IDBI Bank, Chandigarh.

As on March 31, 2016, Shri. Ajay Sharma did not hold any shares of the Company.

### **Ms. Padmaja Bhaskaran**

Ms. Padmaja Bhaskaran 59 years, is Chief Executive (ED) at LIC Cards Services Limited, New Delhi.

As on March 31, 2016, Ms. Padmaja Bhaskaran did not hold any shares of the Company.

### **Air Chief Marshal (Retd.) Fali Homi Major**

Air Chief Marshal (Retd.) Fali Homi Major, 68 years, was commissioned in the Indian Air Force on December 31, 1967. The Air Chief Marshal has over 7000 hours of flying to his credit on various types of Aircraft & Helicopters, which include many Combat tours and flying in inhospitable, high altitude & hostile environment He was instrumental in the raising, operationalising & commanding the very first MI-17 Squadron of the IAF and inducted it into the highest battlefield in the world – the Siachen glacier. He commanded yet another Mi-17 Squadron, leading it into battle during the operations of the Indian Peace Enforcement Force in Sri Lanka. He has also held a number of important Field appointments – the Command of two front-line Air Bases, including Leh (Ladakh) the highest operational Air Force Base in the world at an altitude of 11,000 feet.

The Air Chief Marshal has held some very important Staff appointments in Air Headquarters which include Principal Director (Operations), Assistant Chief of the Air Staff (Personnel) and on promotion to the rank of Air Marshal, was the Deputy Chief of Integrated Defence Staff (Operations), during which he directed the relief, rescue and rehabilitation Operations of the Indian Armed Forces in India and South East Asia – in the aftermath of the devastating Tsunami. He was promoted and appointed as the Air Officer Commanding-in-Chief, Eastern Air Command, where

his tenure saw the successful conduct of three major International Air Exercises with the United States Air Force, Republic of Singapore Air Force and the French Air Force in his command area of responsibility. The Air Chief Marshal is a highly decorated Officer with two Presidential Gallantry Awards and two Presidential Distinguished Service Awards for exceptional service to the Nation.

The Government of India appointed him as the 18th Chief of the Air Staff of the Indian Air Force on March 31, 2007. During his tenure as the Chief of the fourth largest Air Force in the world, the IAF was in the throes of a modernisation process, and with his sound strategic planning, this modernisation process progressed relentlessly in giving the IAF greater operational capability and credibility.

After an illustrious career spanning over four decades in the Indian Air Force, the Air Chief Marshal retired on May 31, 2009. Post retirement, the Govt of India utilised his experience & exposure by appointing him as an Independent Director of Air India, on many Expert Groups on Military, Strategic & Defence Modernisation issues. He recently completed a satisfying tenure as Member of the National Security Advisory Board to the Government of India.

As on March 31, 2016, Air Chief Marshal did not hold any shares of the Company.

### **Lt Gen (Retd.) Syed Ata Hasnain**

Lt Gen (Retd.) Syed Ata Hasnain, 62 years, participated in Operation Pawan in Sri Lanka during 1988-90 and counter insurgency operations in Punjab in 1990-91. During the 1990s he served with the United Nations in Mozambique, and later, war torn Rwanda. He commanded his unit in the Siachen Glacier. He is one of the rare officers to have commanded a company, battalion, brigade, division and corps, all in the challenging environment of Jammu & Kashmir.

As a Lieutenant General, Hasnain was initially the General Officer Commanding (GOC), XXI Corps, in Bhopal, Madhya Pradesh and was then specially nominated to take over the Srinagar based 15 Corps when turbulence hit Kashmir in a big way. He was instrumental in restoring stability to Kashmir through his innovative 'Hearts Doctrine'. On June 09, 2012, Lt Gen Hasnain took office as the Military Secretary, at Army Headquarters, New Delhi. On September 07, 2013, Lt Gen Syed Ata Hasnain was awarded his first civilian honor by the Capital Foundation Society of Delhi. The award was for Military leadership of an exceptional order. The General Officer is one of highest decorated officers of the Indian Army having been decorated eight times.

Ever since his superannuation, General Hasnain has actively pursued intellectual activities. He writes for a large number of media houses, and appears as a strategic affairs commentator on various TV channels. His area of emphasis is Jammu & Kashmir, Pakistan and West Asia besides affairs of the Army concerning equipment management, doctrine and training. He holds a B.A. (Honours) degree in History from St Stephen's College and is a post graduate in International Relations from Kings College, University of London; he also has an M Phil in Defence & Management Studies from University of Indore. In addition he has

## Corporate Governance Report

attended long programs in Strategic Studies at the Royal College of Defence Studies (RCDS) and the Asia Pacific Center for Strategic Studies (APCSS), Hawaii, USA.

General Hasnain is a member of the Eminent Persons Group on Indonesia for consultation by the MEA. He is also on the Experts Committee of the MEA on Afghanistan. He is a President of India's nominee on the Executive Council of Aligarh Muslim University.

He is the Chairman of Nomination & Remuneration of the Company.

As on March 31, 2016, General Hasnain did not hold any shares of the Company.

### **Shri Rahul Sarin**

Shri Rahul Sarin, age 66 yrs, enriched with a diverse experience of thirty five years as a member of the Indian Administrative Service, He is currently Member of Competition Appellate Tribunal, a statutory body under the Competition Act, 2002.

Equipped with graduate degrees in Science and Law, he joined the Indian Administrative Service in 1974. After undergoing a number of in-service and professional training courses, he also upgraded his qualifications with a Post-Graduate Degree in Development Administration from the University of York, U.K. in 1987.

In his assignments in DoPT, Shri Sarin has coordinated all personnel matters in Government of India regarding recruitment, capacity building and training, career development, staff welfare and post-retiral benefits. The assignment of Principal Secretary, Finance enabled Shri Sarin in developing a broader vision and perspective regarding the importance of financial management, accountability and utilization of public funds for reaching the desired policy outcomes. Shri Sarin has also varied international experience. His last assignment has been that of Advisor, Small and Macro Enterprises in the Ministry of Trade and Industry, Government of Republic of Namibia Cooperation Programme.

He is the Chairman of Corporate Social Responsibility Committee of the Company.

As on March 31, 2016, Shri Sarin did not hold any shares of the Company.

### **Shri Rajendra Chitale**

Shri Rajendra P. Chitale, 55 years, a law graduate and an eminent Chartered Accountant, is a Managing Partner of Chitale & Associates (one of India's leading boutique structuring and tax advisory firm) and M. P. Chitale & Co. (one of the India's leading accounting and consulting firms). He has served as a member of the Insurance Advisory Committee of the Insurance Regulatory and Development Authority of India (IRDA), the Working Group on Insurance, Pensions, Small Savings, etc., Financial Sector Legislative Reforms Commission, Government of India, the Takeover Panel of the Securities and Exchange Board of India, Investor Education and Protection Fund Committee, Government of India, the Advisory Committee on Regulations of the Competition Commission of India and the Maharashtra Board for Restructuring of State Enterprises, Government

of Maharashtra. He has served as a director on the boards of Life Insurance Corporation of India, Unit Trust of India, Small Industries Development Bank of India, National Stock Exchange of India Limited, Asset Reconstruction Company (India) Limited, SBI Capital Markets Limited and National Securities Clearing Corporation Limited. He currently serves as a director on the boards of several large companies including Hinduja Ventures Limited, Ambuja Cements Limited, Hinduja Global Solutions Limited, The Clearing Corporation of India Limited, JM Financial Asset Management Limited, Reliance Life Insurance Company Limited and Reliance General Insurance Company Limited.

Shri Rajendra P. Chitale is the Chairman of Audit Committee of the Company. He is the chairman of Audit and Nomination and Remuneration Committee and a member of Stakeholders Relationship Committee of Reliance Capital Limited. He is the Chairman of Audit Committee of Ambuja Cements Limited, The Clearing Corporation of India Limited. and a member of Audit Committee of Hinduja Ventures Limited, Hinduja Global Solutions Limited, Reliance General Insurance Company Limited and Reliance Life Insurance Company Limited. He is the Chairman of Stakeholders Relationship Committee of Ambuja Cements Limited.

He did not hold any share in the Company as of March 31, 2016.

### **Ms Ryna Karani**

Ms Ryna Karani, 48 years, is partner of ALMT Legal, Advocates and Solicitors since November 2006 and part of the firm's corporate and commercial team. She has been practicing as a lawyer since 1994 and is enrolled as 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. She has advised and assisted a number of foreign clients in establishing a presence in India through incorporation of companies and/or establishment of liaison offices. She is a member of the Society of Women Lawyers.

Besides her M&A practice, 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. Ms Ryna Karani also regularly advises clients on loan transactions (both Rupee and external commercial borrowings), including drafting and negotiating the loan agreements, security and other related documents. She also provides advice on general corporate matters, commercial contracts and real estate matters.

She is a director on the Board of Addivant India Private Limited, Mumbai Metro One Private Limited, BSES Yamuna Power Limited, BSES Rajdhani Power Limited, Reliance Infrastructure Limited and E Complex Private Limited.

She is a member of the Audit Committee, Stakeholder Relationship Committee, Risk Management Committee and Corporate Social Responsibility Committee of the Company.

She is the Chairperson of CSR Committee and a member of the Audit Committee, Risk Management Committee,

## Corporate Governance Report

Environment, Health and Safety Committee and Employees Stock Option Scheme Compensation Committee of Reliance Infrastructure Limited.

As on March 31, 2016, Ms Ryna Karani did not hold any equity shares of the Company.

### Insurance coverage

The Company has obtained Directors and Officers liability insurance coverage in respect of any legal action that might be initiated against the directors.

## II. Audit Committee

In terms of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013, the Audit Committee reconstituted on January 18, 2016 comprises of Shri Rajendra Chitale, Chairman, Ms Ryna Karani, Shri Ajai Vikram Singh and Vice Admiral (Retd) H S Malhi as members. All the members of the committee are financially literate.

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 minutes of the meetings of the Audit Committee are placed before the Board.

Pursuant to the provisions of the Act and Listing Regulations the Board has approved the terms of reference of the Audit Committee as under:

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, reappointment, terms of appointment and replacement/removal of the statutory auditors of Company;
  3. Approval of payment to statutory auditors for any other services rendered by 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. Approval or any subsequent modification of transactions of the company with related parties;
  9. Scrutiny of inter-corporate loans and investments;
  10. Valuation of undertakings or assets of the company, wherever it is necessary;
  11. Evaluation 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 function, 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;
  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. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- The Audit Committee has following powers:
- a. To investigate any activity within its terms of reference;

## Corporate Governance Report

- b. To seek information from any employee;
- c. To obtain outside legal and other professional advice;
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary;

The Audit Committee held its meetings on May 28, 2015, August 14, 2015, November 14, 2015 and January 15, 2016. The maximum gap between any two meetings was 81 days and the minimum gap was 61 days.

Attendance at the meetings of the Audit Committee held during 2015-16, is as follows:

Members	Number of meetings held	Number of meetings attended
Shri Rajendra Chitale*	-	-
Ms. Ryna Karani*	-	-
Shri Ajai V Singh	4	3
Vice Admiral (Retd.) H S Malhi*	-	-
Shri Bhavesh Gandhi**	4	4
Shri R M Premkumar**	4	4
Shri Samar Ballav Mohapatra**	4	4

\*Shri Rajendra Chitale, Ms Ryna Karani and Vice Admiral (Retd.) H S Malhi were appointed as members of the Committee with effect from January 18, 2016.

\*\* Shri Bhavesh Gandhi, Shri R M Premkumar and Shri Samar Ballav Mohapatra ceased to be members of the Committee with effect from January 18 2016.

Shri R. M. Premkumar, the then Chairman of the Audit Committee could not attend the last Annual General Meeting of the Company due to his personal exigencies.

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

Shri Ajit Dabholkar, Corporate Counsel and Company Secretary acts as the Secretary to the Audit Committee.

During the year, the Committee discussed with the statutory auditors of the Company, the overall scope and plans for the independent audit. The management represented to the Committee that the Company's financial statements were prepared in accordance with the prevailing laws and regulations. The Committee discussed the Company's audited financial statements, the rationality of significant judgments and clarity of disclosures in the financial statements. 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. While 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 Listing Regulations and Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee has been reconstituted on January 18, 2016. The Committee comprises of Lt Gen.(Retd.) Syed Ata Hasnain, Chairman, Vice Admiral (Retd.) H S Malhi, Shri Ajay V Singh and Ms Ryna Karani as members.

Shri Ajit Dabholkar, Corporate Counsel and Company Secretary acts as the Secretary to the Nomination and Remuneration Committee.

As per Section 178 of the Act and the Listing Regulations, the terms of reference of the Committee, inter alia, includes the following:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees.
- process for selection and appointment of new directors and succession plans.
- 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 committees thereof.
- to carry out evaluation of every director's performance.
- to devise a policy on board diversity.

Shri R. M. Premkumar, the then Chairman of the Nomination and Remuneration Committee could not attend the last Annual General Meeting due to his personal exigencies.

#### Managerial remuneration policy

The Nomination and Remuneration Committee determine and recommends to the Board, the compensation of the Directors.

The key components of the Company's Remuneration Policy are:

- Formulation of the criteria for determining qualifications, positive attributes and independence

# Reliance Defence and Engineering Limited

## Corporate Governance Report

of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;

- process for selection and appointment of new directors and succession plans;
- 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, the Board and the committees thereof;
- to carry out evaluation of every director's performance; and
- to devise a policy on board diversity.

Four meetings of the Nomination and Remuneration Committee were held on May 28, 2015, August 14, 2015, November 14, 2015 and January 18, 2016 during the financial year 2015-16.

Attendance at the meetings of the Nomination and Remuneration Committee held during 2015-16, is as follows:

Members	Number of Meeting held	Number of Meeting attended
Lt Gen.(Retd.) Syed Ata Hasnain*	N.A.	N.A.
Vice Admiral (Retd.) H S Malhi*	N.A.	N.A.
Shri Ajay V Singh	4	3
Ms Ryna Karani*	N.A.	N.A.
Shri Nikhil Gandhi	4	4
Shri R. M. Premkumar	4	4
Shri Samar Ballav Mohapatra	4	3

\* Lt Gen. (Retd.) Syed Ata Hasnain, Vice Admiral (Retd.) H S Malhi and Ms Ryna Karani were inducted as members of the Committee with effect from January 18, 2016.

\*\*Shri Nikhil Gandhi, Shri R M Premkumar and Shri Samar Ballav Mohapatra ceased to be members of the Committee with effect from January 18, 2016

### 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, comparative scales, aligned to corporate goals, role assumed and number of meetings attended.

### Sitting Fees paid / payable to directors during the year ended March 31, 2016.

						Amount ₹ In lakh
Sr. No.	Name	Designation	Sitting Fees	Salary and Perquisites	Commission	Total
1.	Shri Anil D Ambani	Non Executive Chairman	0.4	-	-	0.4
2	Shri Amitabh Jhunjhunwala	Non Executive Director	0.4	-	-	0.4
3	Vice Admiral (Retd.) H. S. Malhi	Whole Time Director	-	-	-	-
4	Shri Nikhil Gandhi	Director	14.4	-	-	14.4
5	Shri Bhavesh Gandhi	Director	0.4	249.51	-	249.91
6	Shri Ajai Vikram Singh	Director	10.4	-	-	10.4
7	Ms Comal Ramachandran Gayathri	Director	5.4	-	-	5.4
8	Shri Ajay Sharma	Nominee Director	1.2	-	-	1.2
9	Ms Padmaja Bhaskaran	Nominee Director	1.2	-	-	1.2
10	Air Chief Marshal Fali Homi Major	Independent Director	0.4	-	-	0.4
11	Lt Gen. (Retd.) Syed Ata Hasnain	Independent Director	0.4	-	-	0.4
12	Shri Rahul Sarin	Independent Director	0.4	-	-	0.4
13	Shri Rajendra Chitale	Independent Director	0.4	-	-	0.4
14	Ms Ryna Karani	Independent Director	0.4	-	-	0.4
15	Shri Alexander John Joseph*	Independent Director	5.0	-	-	5.0
16	Shri Ramunni Menon Premkumar*	Independent Director	14.0	-	-	14.0
17	Shri Samar Ballav Mohapatra*	Independent Director	13.0	-	-	13.0

## Corporate Governance Report

Notes:

- The Company had with effect from January 18, 2016, the revised sitting fees payable to the Directors to ₹ 40,000/- per meeting for attending Board and Committee Meetings
- There were no other pecuniary relationships or transactions of non-executive directors vis-à-vis the Company.
- With effect from January 18, 2016 Shri Bhavesh Gandhi stepped down from the office of Executive Director and continued to contribute as non-executive Director.

### IV. Stakeholders Relationship Committee

In accordance with the requirements of Listing Regulations and provisions of the Act, the Company has reconstituted the "Stakeholders Relationship Committee" on January 18, 2016, to resolve the grievances of all the stakeholders of the Company and to perform all other Work.

The Committee comprises of Shri Ajai Vikram Singh as Chairman and Ms Ryna Karani and Vice Admiral (Retd.) H S Malhi as members.

During the year, the Stakeholders Relationship Committee held its meetings on, January 8, 2016.

Attendance at the meeting of the Stakeholders Relationship Committee held during the financial year 2015-16 is as follows:

Members	Number of Meetings held	Number of Meetings attended
Shri Ajai Vikram Singh*	N.A.	N.A.
Ms. Ryna Karani*	N.A.	N.A.
Vice Admiral (Retd.) H S Malhi*	N.A.	N.A.
Shri Bhavesh Gandhi**	1	1
Shri Nikhil Gandhi**	1	1

\* Shri Ajai Vikram Singh, Ms.Ryna Karani and Vice Admiral (Retd.) H S Malhi, were appointed as members of the Committee with effect from January 18, 2016.

\*\* Shri Bhavesh Gandhi and Shri Nikhil Gandhi ceased to be members of the Committee with effect from January 18, 2016.

### V. Compliance Officer

Shri Ajit Dabholkar, Corporate Counsel and Company Secretary is the Compliance Officer as defined under the Listing Regulations.

### VI. Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility (CSR) Committee was reconstituted on January 18, 2016 pursuant to the requirements of the Act. The committee consists of Shri Rahul Sarin as Chairman, Ms Ryna Karani, Ms Comal Gayatri and Vice Admiral (Retd.) H S Malhi as members. The Committee's prime responsibility is to assist the Board in discharging its social responsibilities by way of formulating and monitoring implementation of the framework of 'Corporate Social Responsibility Policy.'

Shri Bhavesh Gandhi, Shri Ajai Vikram Singh and Shri R. M. Premkumar, ceased to be members of the Committee with effect from January 18, 2016.

The Corporate Social Responsibility Committee has formulated a Corporate Social Responsibility Policy (CSR policy) indicating the activities to be undertaken by the Company.

### VII. Risk Management Committee

Risk Management Committee was reconstituted by the Board on January 18, 2016. The Committee consists of Shri Rajendra Chitale as Chairman, Ms Ryna Karani, Vice Admiral (Retd.) H.S.Malhi and Shri Sridhar Krishnamurthy as Members. Shri Ajit Dabholkar, Corporate Counsel and Company Secretary acts as Secretary of the Committee.

The Committee is authorized to discharge its responsibilities under the provisions of the Companies Act, 2013 and Listing Regulations as follows:

- Identify and manage existing and new risks in a planned and coordinated manner.
- Develop a "risk" culture that encourages all staff to identify risks and associated opportunities and to respond to them with effective actions.
- Provide a sound basis for integrated risk management and internal control as components of good corporate governance.  
To realise the risk management policy objective, Reliance Defence and Engineering Limited aims to ensure that:
  - The acceptance and management of risk is integrated in day to day management of the business;
  - Key risks are identified, their potential impact on the achievement of objectives, continuously monitored and managed to an acceptable level;
  - The escalation of risk information is timely, accurate and gives complete coverage of the key risks to support management decision making at all levels;
  - Risk is primarily taken and managed by the business entity transacting the business which gives rise to the risk; and
  - All employees actively engage in risk management within their own areas of responsibility.

### VIII. General Body Meetings:

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

Financial Year	Date and Time	Whether Special Resolution passed
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

Financial Year	Date and Time	Whether Special Resolution passed
2013-14	September 26, 2014 at 12.00 noon.	Yes To authorize creation of charge on, mortgage of all immovable assets of the Company and/or hypothecation of all movable assets, present or future, of the Company for securing Financial Assistance availed by the Company.
2012-13	December 18, 2013 at 12.00 noon.	Yes i) To approve alteration of Articles of Association of the Company. ii) To increase the Borrowing Limits of the Company upto ₹ 7,500 Crore. iii) To approve raising of funds upto USD 200 Million by issue of FCCBs, QIP, Equity Shares or other convertible securities iv) To approve re-appointment of Shri Bhavesh Gandhi as the Whole-time Director designated as Executive Vice-Chairman of the Company for a period of five years commencing from April 1, 2013 and expiring on March 31, 2018 and approval of Remuneration payable to Shri Bhavesh Gandhi for the period April 1, 2013 to March 31, 2016.

All the above Annual General Meetings were held at Pipavav Port, Post Ucchahiya, Via-Rajula, Dist. Amreli, Pin 365 560, Gujarat, India.

### Postal Ballot

The Company had conducted business through Postal Ballot during the financial year 2015-16. The Company had sent the Postal Ballot Notice dated January 18, 2016, together with the Postal Ballot Form to the Members of the Company for seeking their approval to the businesses listed therein, by Postal Ballot (which includes electronic voting) pursuant to Section 110 of the Companies Act, 2013. The Board of Directors had appointed Shri Anil Lohia, Partner of M/s Dayal & Lohia, Chartered Accountants as Scrutinizer for conducting Postal Ballot voting process in a fair and transparent manner. The result of the Postal Ballot was announced on February 29, 2016, in which the following special resolutions were passed with requisite majority.

Sr. No.	Particulars of Resolutions	Percentage of valid votes cast in favour of Resolutions
1	Change in the Promoters of the Company.	100
2	Change the Name of the Company	100
3	Adopt new Articles of Association of the Company	99.71
4	To appoint Shri Anil D. Ambani as Non-retiring Director	99.73
5	To appoint Shri Amitabh Jhunjunwala as Non-executive Director	100
6	To appoint Vice Admiral (Retd.) H.S.Malhi as Whole-time Director and Chief Executive Officer	89.39
7	To appoint Shri Rahul Sarin as an Independent Director	100
8	To appoint Air Chief Marshal (Retd.) Fali Homi Major as an Independent Director	100
9	To appoint Lt Gen (Retd.) Syed Ata Hasnain as an Independent Director	100
10	To appoint Ms Ryna Karani as an Independent Director	100
11	To appoint Shri Rajendra Chitale as an Independent Director	100
12	Borrowing limits of the Company	99.44
13	Issue of Securities to the Qualified Institutional Buyers	99.15

The Company had complied with the procedure for Postal Ballot in terms of the provision of Section 110 of the Act, read with Companies (Management and Administration) Rules, 2014 and amendments thereto from time to time. There is no immediate proposal for passing any resolution through Postal Ballot. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing of a special resolution through postal ballot.

## IX Means of Communication

### a. Quarterly Results:

Quarterly Results are published in Financial Express, English newspaper circulating substantially the whole of India and in Saurashtra Samachar, Gujarati newspaper and are also posted on the Company's website at link: [http://www.reliancedefence.co/financial\\_results.html](http://www.reliancedefence.co/financial_results.html)

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.reliancedefence.co> 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

## Corporate Governance Report

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:** Annual Report containing, inter alia, Notice of Annual General Meeting Audited Annual statements, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to the members and others entitled thereto. The 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 the Register and Transfer Agent of the Company.

- 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 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 Release 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 333

Telephone nos. : +91 40 6716 1500

Fax no. : +91 40 6716 1791

Email : [evoting@karvy.com](mailto:evoting@karvy.com)

Post your request : <http://kcpl.karvy.com/adag>

- h. **Designated email-id: The Company has also designated email-Id: [rdel.investor@relianceada.com](mailto:rdel.investor@relianceada.com) exclusively for investor servicing.**

- i. **SEBI Complaint Redressal System (SCORES):**

The investors' complaints are also being processed through the centralized 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.

### X. Management Discussion and Analysis

A Management Discussion and Analysis Report forms part of this annual report and includes discussions on various matters specified under Listing Regulations.

### XI. 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.
- Quarterly review of Risk Management process by the Risk Management Committee and
- The Company as formulated policy for determining material subsidiaries which is posted on Company's website viz: [http://www.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html)

### XII. Disclosures

- a. 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 2015-16, 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 policy on dealing with Related Party Transactions is placed on the Company's website at web link: [http://www.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html)

#### c. Accounting Treatment

In preparation of the financial statements, the Company has followed the Accounting Standards as prescribed under section 133 of the Companies Act 2013, 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.reliancedefence.co/corporate\\_governance.html](http://www.reliancedefence.co/corporate_governance.html). The Board members and senior management have affirmed their compliance with the code and a declaration signed by the 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 2015-16."

Sd/-  
Vice Admiral (Retd.) H S Malhi  
Chief Executive Officer

## Corporate Governance Report

### e. CEO and CFO certification

Vice Admiral (Retd.) H S Malhi, Whole-time Director and Chief Executive Officer and Shri Sridhar Krishnamurthy, CFO 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, 2016 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

## XIII 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 Shri Ajit Dabholkar, Corporate Counsel and 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.

## XIV. Compliance of Regulation 34(3) of the Listing Regulations

As per Regulation 34(3) and Para F of Schedule V of Listing Regulations, the details in respect of equity shares lying in "Unclaimed Suspense Account - Reliance Defence 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, 2015	14	3577
2.	Number of undelivered folios and shares were transferred to Unclaimed suspense account during the year 2015-16.	Nil	Nil
3.	Number of shareholders who approached issuer for transfer of shares from suspense account during the year.	Nil	Nil

Sr. No.	Particulars	No of shareholders	No of shares
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, 2016.	14	3577

The voting rights on the shares outstanding in the suspense account as on March 31, 2016, 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.

## XV. Compliance with discretionary 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. Modified Opinion(s) in Audit Report

There are no modified opinions on the financial statement of the Company for the year 2015-16.

### 3. Separate posts of Chairman and CEO

The Company has appointed Vice Admiral (Retd.) H.S.Malhi as CEO of the Company. Thus Company maintains separate posts of Chairman and CEO.

### 4. Reporting of Internal Auditor

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

## XVI. 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) and Para E of Schedule V 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 Defence 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.

## DECLARATION OF WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER

Pursuant to provisions of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, I, Vice Admiral (Retd.) H.S. Malhi, Whole-time Director and Chief Executive Officer of Reliance Defence and Engineering Limited, hereby declare that all Board Members and Senior Executives of the Company have affirmed their compliance with the Code of Conduct and Ethics during the financial year 2015-16.

Place: Mumbai  
Date: May 14, 2016

Sd/-  
Vice Admiral (Retd.) H.S. Malhi  
Whole Time Director and Chief Executive Officer

## CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER - CERTIFICATION

We, Vice Admiral (Retd.) H.S. Malhi, Whole-time Director and Chief Executive Officer and Sridhar Krishnamurthy, Chief Financial Officer of Reliance Defence and Engineering Limited ("the Company") to the best of our knowledge and belief and based upon records maintained by the Company, enquiries made by us and information provided to us, certify that:

- a. We have reviewed financial statements and the cash flow statement for the financial year 2015-16 and that to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year 2015-16 which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee:
  - i. significant changes in internal control over financial reporting during the financial year 2015-16;
  - ii. significant changes in accounting policies during the financial year 2015-16 and that the same have been disclosed in the notes to the financial statements; and
  - iii. during the financial year 2015-16 there were no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-  
Vice Admiral (Retd.) H.S. Malhi  
Whole-time Director and Chief Executive Officer

Sd/-  
Sridhar Krishnamurthy  
Chief Financial Officer

Place: Mumbai  
Date: May 14, 2016

### CERTIFICATE ON CORPORATE GOVERNANCE

#### TO THE MEMBERS OF

#### RELIANCE DEFENCE AND ENGINEERING LIMITED

#### (Formerly known as Pipavav Defence and Offshore Engineering Company Limited)

1. We have examined the compliance of conditions of Corporate Governance by Reliance Defence and Engineering Limited (Formerly known as Pipavav Defence and Offshore Engineering Company Limited) ("the Company"), for the year ended on 31st March, 2016, as stipulated in:
  - Clause 49 (excluding clause 49(VII) (E)) of the Listing Agreements of the Company with stock exchange(s) for the period from April 01, 2015 to November 30, 2015.
  - Clause 49(VII) (E) of the Listing Agreements of the Company with the stock exchange(s) for the period from April 01, 2015 to September 01, 2015.
  - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016 and
  - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016 except the chairman of the Audit Committee could not attend the Annual General Meeting for the reasons explained in the Corporate Governance Report.
5. We state that such compliance 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.

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

Chartered Accountants  
(Registration. No. 107783W)

**Rupesh Shah**

Partner

Membership No. 117964

Place: - Mumbai,

Date:- 14th May, 2016

## Investor Information

### Important Points

#### Hold securities in dematerialised form

Investors should hold their securities in dematerialised form as the same is beneficial 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 as change with Depository Participants gets registered with all companies in which investor holds securities electronically;
- Easier transmission of securities as the same 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.

#### 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 holding shares in demat mode 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.

#### 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, [www.reliancedefence.co](http://www.reliancedefence.co) 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 split/bonus etc. in electronic form by providing their demat account details to 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 communication 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.

#### 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 transferee(s) to furnish copy of PAN card to the Company's RTA for registration of such transfer of shares.

#### Facility for a Basic Services Demat Account (BSDA)

SEBI has stated that all the depository participants shall make available a BSDA for the shareholders who have only one demat account with (a) No Annual Maintenance charges if the value of holding is up to ₹ 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).

## GENERAL SHAREHOLDERS INFORMATION

### Annual General Meeting

The 19th Annual General Meeting (AGM) of the Company will be held on Saturday, August 20, 2016 at 2.00 p.m. at the Registered office of the Company at Pipavav Port, Post Uchchhaiya, Via-Rajula, Dist Amreli 365 560.

### E-voting

The Members can cast their vote online from 10.00 a.m. on August 17, 2016 to 05.00 p.m. on August 19, 2016.

### Financial year of the Company

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

### Website

The Company's website [www.reliancedefence.co](http://www.reliancedefence.co) contains a 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. [rdei.investors@relianceada.com](mailto:rdei.investors@relianceada.com) for investors.

# Reliance Defence and Engineering Limited

## Investor Information

**Registrar and Transfer Agents (RTA)** Karvy Computershare Private Limited (Unit: Reliance Defence 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 : +91 40 6716 1500  
Fax : +91 40 6716 1791  
Toll Free No. (India) : 1800 4250 999  
Email : evoting@karvy.com  
Post your request: <http://kcpl.karvy.com/adag>

Shareholders/Investors are requested to forward share transfer documents, dematerialisation requests through their Depository

Participant (DP) and other related correspondence directly to the Company's RTA at the above address for speedy response.

### Dividend announcements

The Board of Directors of the Company do not recommend any dividend for the financial year 2016.

### Book closure dates for the purpose of AGM

Register of Members and Share Transfer Books of the Company will remain closed from Saturday, August 13, 2016 to Saturday August 20, 2016 (both days inclusive) for the purpose of AGM, for the year ended March 31, 2016.

## Shareholding Pattern

Sl. No.	Category	As on 31.03.2016		As on 31.03.2015	
		Number of Shares	%	Number of Shares	%
(A)	Shareholding of Promoter and Promoter Group				
	(i) Indian	22,01,03,025	29.90	31,11,00,828	42.26
	(ii) Foreign	0	0.00	0	0.00
	<b>Sub Total (A)</b>	<b>22,01,03,025</b>	<b>29.90</b>	<b>31,11,00,828</b>	<b>42.26</b>
(B)	Public shareholding				
	(i) Institutions:				
	Insurance Companies	5,84,65,899	7.94	5,84,65,899	7.94
	Foreign Institutional Investors (FII) / Foreign Portfolio Investors (FPI)	3,20,46,044	4.35	3,80,71,792	5.17
	Mutual Funds /UTI	3,050	0.00	97,24,147	1.32
	Financial Institutions/Banks	1,59,03,327	2.16	2,33,54,596	3.17
	Others	0	0.00	0	0.00
	(ii) Non-institutions	40,96,84,924	55.64	29,54,89,007	40.13
	<b>Sub Total (B)</b>	<b>51,61,03,244</b>	<b>70.10</b>	<b>42,51,05,441</b>	<b>57.74</b>
(C)	Shares held by Custodian and against which Depository Receipts have been issued - Sub Total (C)	0	0.00	0	0.00
(D)	ESOS Trust				
	<b>Sub Total (D)</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	<b>GRAND TOTAL (A) + (B) + (C) + (D)</b>	<b>73,62,06,269</b>	<b>100.00</b>	<b>73,62,06,269</b>	<b>100.00</b>

## Distribution of shareholding

Number of Shares	No. of Shareholders as on 31.03.2016		Total equity shares as on 31.03.2016		No. of Shareholders as on 31.03.2015		Total equity shares as on 31.03.2015	
	Number	%	Number	%	Number	%	Number	%
1 to 500	87299	83.76	13652357	1.85	87782	81.35	14391748	1.95
501 to 5,000	15487	14.86	21056791	2.86	18058	16.74	25837875	3.51
5,001 to 1,00,000	1353	1.30	22077367	3.00	1892	1.75	33574850	4.56
Above 1,00,000	82	0.08	679419754	92.29	168	0.16	662401796	89.98
<b>Total</b>	<b>104221</b>	<b>100.00</b>	<b>736206269</b>	<b>100.00</b>	<b>107900</b>	<b>100.00</b>	<b>736206269</b>	<b>100.00</b>

## Dematerialization of shares

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).

## Investor Information

### Status of dematerialization of Shares

As on March 31, 2016, 99.99 per cent of the Company's equity shares are held in dematerialised form.

### Share transfer system

Shareholders/investors are requested to send share certificate(s) along with the share transfer deed in the prescribed form SH-4 duly filled in, executed and affixed with the share transfer stamp(s), 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 the Company's RTA.

### Investors' grievances attended

Received From	Received during April to March		Redressed during April to March		Pending as on	
	2015-16	2014-15	2015-16	2014-15	31.3.2016	31.3.2015
Securities and Exchange Board of India	0	0	0	0	0	0
Stock Exchanges	0	0	0	0	0	0
NSDL/CDSL	0	0	0	0	0	0
Direct from investors	73	26	73	26	0	0
<b>Total</b>	<b>73</b>	<b>26</b>	<b>73</b>	<b>26</b>	<b>0</b>	<b>0</b>

### Analysis of grievances

Particulars	Number		Percentage	
	2015-16	2014-15	2015-16	2014-15
Non-receipt of dividend warrants	1	1	9.10	2.63
Non-receipt of Annual Report	10	36	90.90	94.74
Others	0	1	0.00	2.63
<b>Total</b>	<b>11</b>	<b>38</b>	<b>100.00</b>	<b>100.00</b>

There were no complaints pending as on March 31, 2016.

Notes:

- 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.
- The queries and grievances received during 2015-16 correspond to 0.002 per cent (Previous Year 0.003 per cent) of the number of members.

### Shareholder Base

Shareholder Base was 1,04,221 as of March 31, 2016 and 1,07,900 as of March 31, 2015.

### 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
12	September 17, 2007	Preferential allotment	10	129,361,538	448,601,538

# Reliance Defence 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
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
Total Number of Shares as on March 31, 2016					<b>736,206,269</b>

## Stock Price and Volume

Month	BSE Limited			National Stock Exchange of India Limited		
	High ₹	Low ₹	Volume Nos.	High ₹	Low ₹	Volume Nos.
April 2015	64	56.25	51,50,27,046	64	56.20	2,72,20,676
May 2015	61.8	57.15	23,27,10,634	61.75	57.25	1,36,84,088
June' 2015	61.75	58.2	28,41,41,187	61.90	58.15	1,97,28,072
July' 2015	64.95	59.25	44,20,49,477	64.95	59.30	2,77,07,331
August' 2015	63.7	51.45	40,61,11,940	63.30	51.30	2,52,69,330
September' 2015	60.6	54.1	19,62,32,447	60.80	54.10	1,06,21,482
October' 2015	60.75	56.5	9,25,93,627	60.40	56.55	59,02,821
November' 2015	65	57	22,82,54,685	64.90	57.00	1,63,72,725
December' 2015	100.25	63.75	1,90,30,22,714	113.95	63.20	16,75,99,193
January' 2016	94.3	68.1	2,22,42,57,527	94.20	68.35	9,09,80,203
February' 2016	75	52.65	64,75,55,344	75.00	52.65	2,77,80,664
March' 2016	74.9	60.4	1,12,75,92,379	74.95	60.60	5,56,18,030

## Stock Exchange listings

The Company's equity shares are actively traded on BSE and NSE.

## Listings on Stock Exchanges

BSE Limited  
Phiroze Jeejeebhoy Towers

## Investor Information

Dalal Street, Fort  
Mumbai 400001  
Website : [www.bseindia.com](http://www.bseindia.com)  
National Stock Exchange of India Limited  
Exchange Plaza  
Plot No C /1, G Block  
Bandra-Kurla Complex  
Bandra (East), Mumbai 400 051  
Website : [www.nseindia.com](http://www.nseindia.com)

### Stock Codes

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

### Payment of Listing Fees and Depository Fees

Annual Listing fees for the year 2015-16 have been paid by the Company to the stock exchanges.

### Share Price Performance in comparison with broad based indices – BSE Sensex and NSE Nifty

	RDEL (per cent)	Sensex BSE (per cent)	Nifty NSE (per cent)
2015-16	18.71	-9.36	-8.86
2 years	91.81	13.20	15.43
3 years	-7.56	34.54	36.18

### Key Financial Reporting Dates for the Financial Year 2016-17

Unaudited results for the first quarter ending June 30, 2016	: On or before August 14, 2016
the second quarter/half year ending September 30, 2016	: On or before November 14, 2016
the third quarter/nine months ending December 31, 2016	: On or before February 14, 2017
Audited results for the financial year 2016-17	: On or before May 30, 2017

### Depository services

For guidance on depository services, shareholders may write to the Registrar and Transfer Agent (RTA) of the Company 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](http://www.nsdl.co.in) or Central Depository Services (India) Limited, Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Mumbai, 400 001 website: [www.cdslindia.com](http://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 during the year under review. The Company's media releases and details of significant developments are made available on the Company's website: [www.reliancedefence.co](http://www.reliancedefence.co) under "Investor Relations" 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 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 Defence and Engineering Limited)

# Reliance Defence and Engineering Limited

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## Investor Information

Karvy Selenium Tower – B  
Plot No. 31 & 32, Survey No. 116/22, 115/24, 115/25  
Financial District, Nanakramguda  
Hyderabad 500 032.

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

Corporate Counsel & Company Secretary  
Reliance Defence and Engineering Limited  
Address H Block, 1st Floor, Dhirubhai Ambani Knowledge City  
Navi Mumbai 400 710  
Telephone : +91 22 3303 8060  
Fax : +91 22 33033662

## Site Locations

- a) Pipavav Port, Post Ucchahiya, Via-Rajula, District Amreli – 365 560, Gujarat
- b) Village Rampara – II, Taluka Rajula & Village Lunsapur, Taluka Jafrabad, District Amroli – 365 560, Gujarat

## Independent Auditor's Report

To the Members of Reliance Defence and Engineering Limited (Formerly known as Pipavav Defence and Offshore Engineering Company Limited)

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **RELIANCE DEFENCE AND ENGINEERING LIMITED** (Formerly known as Pipavav Defence and Offshore Engineering Company Limited) ("the Company"), which comprise the Balance sheet as at 31st March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows 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 Companies Act, 2013, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these standalone 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 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 financial statements are free from material misstatements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 of the Company as at 31st March, 2016 and its loss and its cash flows for the year ended on that date.

### Emphasis of Matters

We draw attention to the:

- a. note no. 29.1 regarding managerial remuneration paid / payable to a Executive Director, which is subject to the approval of the Central Government.
- b. note no. 48 regarding voluntary early adoption of 'Ind AS' by the company and its consequential impacts on the Other Equity (Reserve & Surplus) as well as restatement/ rework of corresponding figures of the previous year and presentations of financial statements as per Schedule III of the Companies Act 2013 as notified vide notification No. G.S.R. 404 (E) dated 6th April, 2016 by the Ministry of Corporate Affairs.

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, and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the aforesaid standalone financial statements comply with the Ind AS prescribed under Section 133 of the Act, as applicable.
  - e. On the basis of the written representations received from the directors as on 31st March, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f. 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".
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of

## Independent Auditor's Report on Standalone Financial Statements

the Companies (Audit and Auditors) Rules, 2014, 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 financial statements as referred to in Note No. 33 to the standalone 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; and
- iii. There are no amounts which are 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 Regn. No: 107783W

**Rupesh Shah**

Partner  
Membership No. 117964

Place: Mumbai

Date: 14th May, 2016

## 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)

### 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 DEFENCE AND ENGINEERING LIMITED** (Formerly known as *Pipavav Defence and Offshore Engineering Company Limited*) ('the Company') as of 31st March, 2016 in conjunction with our audit of the standalone 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 Institute of Chartered Accountants of India (ICAI) and the Standards on 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 31st March, 2016, 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 Regn. No: 107783W

**Rupesh Shah**

Partner  
Membership No. 117964

Place: Mumbai

Date: 14th May, 2016

# Reliance Defence and Engineering Limited

## 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 DEFENCE AND ENGINEERING LIMITED** (Formerly known as Pipavav Defence and Offshore Engineering Company Limited) on the standalone financial statements for the year ended 31st March, 2016)

- 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

Value added tax aggregating to ₹ 2,173.26 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 2004-05 2007-08 to 2014-15	942.17 30.16 18.57	Income Tax Appellate Tribunal High Court ITO (TDS)
MVAT, 2002	VAT	2006-07 to 2011-12	146.36	Assistance Commissioner of Sales Tax
CENVAT Credit Rules, 2004	Central Excise Penalty	2010-11 to 2014-15	1,036.00	Commissioner of Central Excise
<b>Total</b>			<b>2,173.26</b>	

(\*) Net of amount deposited under protest

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. During the year delays have been noticed in depositing undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at 31st March, 2016 for a period of more than six months from the date they became payable except in respect of TDS and Works Contract Tax aggregating to ₹ 1,696.35 Lacs as detailed below, which have since been paid.

Name of the Statutes	Nature of the Dues	Period to which it relates	Amounts (₹ in Lacs)
Income Tax Act, 1961	Tax Deducted at source	April 2015 to August 2015	229.30
MVAT Act	Works Contract Tax	December 2014	1,467.05
<b>Total</b>			<b>1,696.35</b>

- b. Details of dues of Income tax, Duty of Excise and

## Annexure - B to Independent Auditor's Report

viii. Based on our audit procedures and information and explanations given by the management, and considering the Corporate Debt Restructuring (CDR) scheme, we are of the opinion that as on 31st March, 2016 the Company has defaulted in repayment of loans to banks and financial institutions aggregating to ₹ 7,869.07 Lacs. Lender wise details of such default is as under:

(₹ in Lacs)

Sr. No	Bank / Financial Institution	Amount of default as at the balance sheet date	Period of default
1	HUDCO Ltd	6,263.00	Above 100 days
2	India Infrastructure Financial Ltd ECB	902.13	Below 100 days
3	Bank of India	182.95	Below 100 days
4	United Bank of India	131.92	Below 100 days
5	Union Bank of India	92.07	Below 100 days
6	Oriental Bank of Commerce	90.26	Below 100 days
7	Dena Bank	70.49	Below 100 days
8	Vijaya Bank	56.28	Below 100 days
9	State Bank of Patiala	28.79	Below 100 days
10	Central Bank of India	24.99	Below 100 days
11	Punjab National Bank	21.22	Below 100 days
12	State Bank of Mysore	4.97	Below 100 days
<b>Total</b>		<b>7,869.07</b>	

- 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 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. According to the information and explanations give to us and based on our examination of the records Company has paid

or provided ₹ 249.51 Lacs to one of the executive director of the Company which was in excess of remuneration as prescribed in the Schedule V to the Act by ₹ 120.53 Lacs. The Company has applied the requisite approval from the Central Government mandated by the provisions of section 197 read with Schedule V, which is awaited.

- 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. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Therefore, the provisions of paragraph 3 (xiv) of the CARO 2016 are not applicable to the Company.
- 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 Regn. No: 107783W

**Rupesh Shah**

Partner  
Membership No. 117964

Place: Mumbai

Date: 14th May, 2016

# Reliance Defence and Engineering Limited

## Balance Sheet as at March 31, 2016

₹ in Lacs

Particulars	Notes	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
<b>I Assets</b>				
<b>(1) Non Current Assets</b>				
Property, Plant and Equipment	2	5,26,011.72	5,45,540.02	4,78,906.50
Capital Work in Progress	2	3,66,860.13	3,36,014.87	2,93,373.61
Intangible Assets	2	312.25	330.03	408.70
Intangible Assets under Development	2	8,115.47	5,909.45	1,846.57
		<u>9,01,299.57</u>	<u>8,87,794.37</u>	<u>7,74,535.38</u>
Financial Assets				
Non Current Investments	3	2,087.00	2,087.00	2,060.74
Other Non Current Financial Assets	4	2,596.75	1,793.79	5,446.32
		<u>4,683.75</u>	<u>3,880.79</u>	<u>7,507.06</u>
Other Non Current Assets	5	35,267.82	34,946.04	50,227.65
		<u>35,267.82</u>	<u>34,946.04</u>	<u>50,227.65</u>
		<b>9,41,251.14</b>	<b>9,26,621.20</b>	<b>8,32,270.09</b>
<b>(2) Current Assets</b>				
Inventories	6	61,048.03	30,710.45	23,094.30
		<u>61,048.03</u>	<u>30,710.45</u>	<u>23,094.30</u>
Financial Assets				
Current Investments	7	9.54	-	-
Trade Receivables	8	1,098.33	4,546.19	68,396.30
Cash and Cash Equivalents	9	4,398.38	2,575.03	4,608.19
Other Bank Balances	10	11,220.83	18,198.24	28,373.87
Current Loans	11	5,346.89	5,622.42	1,656.25
Other Current Financial Assets	12	1,402.25	1,145.86	1,005.86
		<u>23,476.22</u>	<u>32,087.74</u>	<u>1,04,040.47</u>
Other Current Assets	13	50,244.92	52,635.13	70,568.72
		<u>50,244.92</u>	<u>52,635.13</u>	<u>70,568.72</u>
		<b>1,34,769.17</b>	<b>1,15,433.32</b>	<b>1,97,703.49</b>
<b>Total</b>		<b><u>10,76,020.31</u></b>	<b><u>10,42,054.52</u></b>	<b><u>10,29,973.58</u></b>
<b>II Equity and Liabilities</b>				
<b>(1) Equity</b>				
Equity Share Capital	14	73,620.63	73,620.63	73,620.63
Other Equity		<u>95,840.21</u>	<u>1,48,568.25</u>	<u>1,82,858.60</u>
		<b>1,69,460.84</b>	<b>2,22,188.88</b>	<b>2,56,479.23</b>
<b>(2) Liabilities</b>				
<b>Non Current Liabilities</b>				
Financial Liabilities				
Long Term Borrowings	15	5,66,880.49	5,10,172.79	2,07,463.35
		<u>5,66,880.49</u>	<u>5,10,172.79</u>	<u>2,07,463.35</u>
Non Current Provisions	16	298.73	405.19	278.38
Deferred Tax Liabilities (Net)	17	5,051.51	32,483.84	53,243.57
Other Non Current Liabilities	18	5,624.21	5,624.21	14,270.69
		<u>10,974.45</u>	<u>38,513.24</u>	<u>67,792.64</u>
		<b>5,77,854.94</b>	<b>5,48,686.03</b>	<b>2,75,255.99</b>
<b>Current Liabilities</b>				
Financial Liabilities				
Short Term Borrowings	19	1,64,104.70	1,12,936.75	2,55,105.40
Trade Payables	20			
(i) Due to Micro and Small Enterprise		315.30	940.30	839.08
(ii) Due to others		26,730.14	29,212.49	27,365.36
Other Current Financial Liabilities	21	43,024.74	14,837.92	62,137.10
		<u>2,34,174.88</u>	<u>1,57,927.46</u>	<u>3,45,446.94</u>
Other Current Liabilities	22	24,394.50	51,938.88	97,149.08
Current Provisions	23	70,135.15	61,313.27	55,642.34
		<u>94,529.65</u>	<u>1,13,252.15</u>	<u>1,52,791.42</u>
		<b>3,28,704.53</b>	<b>2,71,179.61</b>	<b>4,98,238.36</b>
<b>Total</b>		<b><u>10,76,020.31</u></b>	<b><u>10,42,054.52</u></b>	<b><u>10,29,973.58</u></b>
Significant Accounting Policies	1			
Notes to the Financial Statements	2 to 48			

As per our report of even date  
**For Pathak H. D. & Associates**  
Chartered Accountants  
Firm Registration No. 107783W

**Rupesh Shah**  
Partner  
Membership No.: 117964

for and on behalf of the Board of Directors

**Anil D Ambani** Chairman  
**Vice Admiral (Retd.) H S Malhi**  
**Amitabh Jhunjhunwala**  
**Bhavesh Gandhi**  
**Comal Ramachandran Gayathri**  
**Lt. Gen. (Retd.) Syed Ata Hasnain**  
**Rahul Sarin**  
**Ajai Vikram Singh**  
**Ryna Karani**  
**Ajay Sharma**  
**Ms. Padmaja Bhaskaran**  
**Sridhar Krishnamurthy**  
**Ajit Dabholkar**

Directors

Chief Financial Officer  
Corporate Counsel, Company Secretary &  
Compliance Officer

Place : Mumbai  
Date : May 14, 2016

# Reliance Defence and Engineering Limited

## Statement of Profit and Loss for the year ended March 31, 2016

₹ in Lacs

Particulars	Notes	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Revenue</b>			
Gross Revenue from Operations	24	30,658.24	83,170.25
Less: Excise duty recovered		31.99	69.55
Net Revenue from Operations		30,626.25	83,100.70
Other Income	25	3,969.24	3,107.21
<b>Total Revenue</b>		<b>34,595.49</b>	<b>86,207.91</b>
<b>Expenses</b>			
Cost of Materials Consumed	26	8,998.81	7,977.65
Purchase of Stock-in-Trade	27	-	13,245.55
Changes in Inventories of Work in Progress & Scrap	28	(3,401.37)	(889.62)
Employee Benefits Expenses	29	5,723.11	6,149.58
Finance Costs	30	47,179.40	45,269.29
Depreciation and Amortisation Expenses	2	21,426.41	19,744.67
Other Expenses	31	35,027.32	49,527.20
<b>Total Expenses</b>		<b>1,14,953.68</b>	<b>1,41,024.32</b>
<b>Loss Before Tax</b>		<b>(80,358.19)</b>	<b>(54,816.41)</b>
Tax Expense - Current Tax		-	-
- Deferred Tax Credit		(27,493.47)	(20,724.73)
- Income Tax for Earlier Years		-	21.88
<b>Loss for the year from continued operations</b>		<b>(52,864.72)</b>	<b>(34,113.56)</b>
<b>Loss for the year</b>		<b>(52,864.72)</b>	<b>(34,113.56)</b>
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive Income not to be reclassified to profit and loss in subsequent year</b>			
Actuarial gains/(losses) on defined benefit plans		197.81	(114.00)
Income Tax relating to Other Comprehensive Income		(61.13)	35.23
<b>Other Comprehensive Income for the year</b>		<b>136.68</b>	<b>(78.77)</b>
<b>Total Comprehensive Income for the year</b>		<b>(52,728.04)</b>	<b>(34,192.33)</b>
Earnings per Equity Share of ₹ 10/- each	32		
- Basic (In Rupees)		(7.16)	(4.64)
- Diluted (In Rupees)		(7.16)	(4.64)
Significant Accounting Policies	1		
Notes to the Financial Statements	2 to 48		

As per our report of even date

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

**Rupesh Shah**  
Partner  
Membership No.: 117964

for and on behalf of the Board of Directors

<b>Anil D Ambani</b>	Chairman
<b>Vice Admiral (Retd.) H S Malhi</b>	
<b>Amitabh Jhunjhunwala</b>	Directors
<b>Bhavesh Gandhi</b>	
<b>Comal Ramachandran Gayathri</b>	
<b>Lt. Gen. (Retd.) Syed Ata Hasnain</b>	
<b>Rahul Sarin</b>	
<b>Ajai Vikram Singh</b>	
<b>Ryna Karani</b>	
<b>Ajay Sharma</b>	
<b>Ms. Padmaja Bhaskaran</b>	Chief Financial Officer
<b>Sridhar Krishnamurthy</b>	
<b>Ajit Dabholkar</b>	Corporate Counsel, Company Secretary & Compliance Officer

Place : Mumbai  
Date : May 14, 2016

# Reliance Defence and Engineering Limited

## Statement of Changes in Equity for the year ended March 31, 2016

### A Equity Share Capital

₹ in Lacs

Particulars	As at March 31, 2016		As at March 31, 2015	
	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	-	-	-	-
Equity shares at the end of the year	73,62,06,269	73,620.63	73,62,06,269	73,620.63

### B Other Equity

₹ in Lacs

Particulars	Capital Reserve	Securities Premium	Other Reserve*	Retained Earning	Total
<b>As at April 1, 2014</b>	6,254.96	1,49,327.83	22,791.35	4,484.46	1,82,858.60
<b>Add/(Less):</b>					
Loss for the year	-	-	-	(34,113.56)	(34,113.56)
Other Comprehensive Income	-	-	-	(78.77)	(78.77)
Prior period items related to earlier financial year	-	-	-	(98.02)	(98.02)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,290.35)</b>	<b>(34,290.35)</b>
<b>As at March 31, 2015</b>	<b>6,254.96</b>	<b>1,49,327.83</b>	<b>22,791.35</b>	<b>(29,805.89)</b>	<b>1,48,568.25</b>
Loss for the year	-	-	-	(52,864.72)	(52,864.72)
Other Comprehensive Income	-	-	-	136.68	136.68
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52,728.04)</b>	<b>(52,728.04)</b>
<b>As at March 31, 2016</b>	<b>6,254.96</b>	<b>1,49,327.83</b>	<b>22,791.35</b>	<b>(82,553.93)</b>	<b>95,840.21</b>

\* not available for distribution as dividend

Note: Other Reserve is created pursuant to first time adoption of Ind-AS. Refer note no. 48 for disclosure.

As per our report of even date  
**For Pathak H. D. & Associates**  
 Chartered Accountants  
 Firm Registration No. 107783W

**Rupesh Shah**  
 Partner  
 Membership No.: 117964

Place : Mumbai  
 Date : May 14, 2016

for and on behalf of the Board of Directors

<b>Anil D Ambani</b>	} Chairman
<b>Vice Admiral (Retd.) H S Malhi</b>	
<b>Amitabh Jhunjhunwala</b>	} Directors
<b>Bhavesh Gandhi</b>	
<b>Comal Ramachandran Gayathri</b>	
<b>Lt. Gen. (Retd.) Syed Ata Hasnain</b>	
<b>Rahul Sarin</b>	
<b>Ajai Vikram Singh</b>	
<b>Ryna Karani</b>	
<b>Ajay Sharma</b>	
<b>Ms. Padmaja Bhaskaran</b>	} Chief Financial Officer
<b>Sridhar Krishnamurthy</b>	
<b>Ajit Dabholkar</b>	} Corporate Counsel, Company Secretary & Compliance Officer

# Reliance Defence and Engineering Limited

## Cash Flow Statement for the year ended March 31, 2016

₹ in Lacs

Sr. No.	Particulars	2015 - 2016	2014 - 2015
<b>A</b>	<b>Cash Flow from Operating Activities</b>		
	Net Profit before Tax	(80,358.19)	(54,816.41)
	Adjustments for :-		
	Depreciation and Amortisation Expenses	21,426.41	19,744.67
	Interest Income	(1,871.62)	(2,734.18)
	Dividend on Current Investments	(32.18)	(14.38)
	Loss / (Profit) on sale of fixed assets (net)	13.27	11.97
	Finance Costs	47,179.40	45,269.29
	Provision for Wealth Tax	-	1.95
	Excess provision of subsidy written off	-	6,507.49
	Provision for estimated cost over contract revenue	(4,266.67)	(429.09)
	Actuarial gains/(losses) on defined benefit plans	197.81	(114.00)
	Prior period items	-	(98.02)
	Cost estimated for revenue recognised	13,112.90	6,031.03
	Balances written off (net)	(1,883.55)	17.21
	Foreign exchange loss (net)	2,481.64	6,006.13
	<b>Operating profit before working capital changes</b>	<b>(4,000.78)</b>	<b>25,383.66</b>
	<b>Adjusted for</b>		
	Inventories	(30,337.58)	(7,616.15)
	Trade and Other Receivables	(1,495.76)	74,454.56
	Trade and Other Payables	(24,753.41)	(46,844.50)
	<b>Cash Generated from Operations</b>	<b>(60,587.53)</b>	<b>45,377.57</b>
	Direct Taxes (Paid) / Refund	(438.01)	(558.25)
	<b>Net Cash (Used) / Generated from Operating Activities</b>	<b>(61,025.54)</b>	<b>44,819.32</b>
<b>B</b>	<b>Cash Flow from Investing Activities</b>		
	Purchase of Fixed Assets and Capital Work in Progress	(2,641.22)	(96,863.32)
	Sale of Fixed Assets	30.72	14.86
	Advance to Subsidiaries (net)	275.95	(3,966.02)
	Purchase of Investments including advance against Investment	(5,000.00)	(7,231.00)
	Investment in Subsidiaries including share application money	-	(13.26)
	Sale of Investments including advance against Investment	5,081.00	7,150.00
	Dividend received on Current Investments	22.64	14.38
	<b>Net Cash used in Investing Activities</b>	<b>(2,230.91)</b>	<b>(1,00,894.36)</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>		
	Inter Corporate Deposits from Subsidiary Company repaid	-	(15,499.08)
	Proceeds from Long Term Borrowings	3,491.39	1,30,752.69
	Repayment of Long Term Borrowings	(2,698.23)	(55,811.57)
	Short Term Borrowings (net)	81,672.05	24,764.70
	Interest paid	(24,938.70)	(46,795.92)
	Margin Money (net)	6,174.45	13,815.16
	Interest received	1,615.22	2,594.18
	Realised (loss)/gain on currency swap transactions	(236.38)	221.72
	<b>Net Cash Flow from Financing Activities</b>	<b>65,079.80</b>	<b>54,041.88</b>
	<b>Net (decrease) / increase in Cash and Cash Equivalents (A+B+C)</b>	<b>1,823.35</b>	<b>(2,033.16)</b>
	Cash and Cash Equivalents - Opening balance	2,575.03	4,608.19
	Cash and Cash Equivalents - Closing balance	4,398.38	2,575.03

### Notes:

- (1) The above cash flow statement has been prepared under the "indirect method" as set out in Ind-AS 7 - Cash flow Statement.
- (2) Figures in brackets indicate outflow.
- (3) Previous year figures have been regrouped/ rearranged/ recasted wherever necessary to make them comparable with those of current year.

As per our report of even date  
**For Pathak H. D. & Associates**  
Chartered Accountants  
Firm Registration No. 107783W

**Rupesh Shah**  
Partner  
Membership No.: 117964

for and on behalf of the Board of Directors

<b>Anil D Ambani</b>	Chairman
<b>Vice Admiral (Retd.) H S Malhi</b>	
<b>Amitabh Jhunjhunwala</b>	Directors
<b>Bhavesh Gandhi</b>	
<b>Comal Ramachandran Gayathri</b>	
<b>Lt. Gen. (Retd.) Syed Ata Hasnain</b>	
<b>Rahul Sarin</b>	
<b>Ajai Vikram Singh</b>	
<b>Ryna Karani</b>	
<b>Ajay Sharma</b>	
<b>Ms. Padmaja Bhaskaran</b>	Chief Financial Officer Corporate Counsel, Company Secretary & Compliance Officer
<b>Sridhar Krishnamurthy</b>	
<b>Ajit Dabholkar</b>	

Place : Mumbai  
Date : May 14, 2016

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### 1. Statement of Significant Accounting Policies:

#### a General Information:

Reliance Defence and Engineering Limited ("RDEL" or "the Company") was incorporated on October 17, 1997. The name of the Company got changed from Pipavav Defence and Offshore Engineering Company Limited during the year and fresh certificate of incorporation was issued by the Ministry of Corporate Affairs (MCA), Government of India on March 3, 2016. The Company is domiciled in India having registered office at Pipavav port, Post Ucchahiya, Via-Rajula, District Amreli (Gujarat) and listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company is mainly engaged in the construction of vessels, repairs and refits of ships and rigs and heavy engineering.

#### b Basis of Preparation of Financial Statements:

These financial statements have been prepared in compliance with Indian Accounting Standards (Ind-AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, on the accrual basis. These Financial Statements are the Company's first Ind AS Financial Statements and as covered by Ind AS 101, 'First-time adoption of Indian Accounting Standards'. For all periods up to and including the year ended March 31, 2015, the Company has prepared its Financial Statements in accordance with Indian GAAP, including accounting standards (AS) notified under the Companies (Accounting Standards) Rules, 2006 (as amended), which is considered as "Previous GAAP". An explanation of how the transition to Ind-AS has affected the Company's equity and its net profits is provided in note no 48.

#### c Functional and Presentation Currency:

The Financial Statements are presented in Indian rupees 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.
- iii. **Recognition of deferred tax assets:**

A 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

## Notes to the Financial Statements

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:**

Ind - AS 115 "Revenue from Contract with Customers" :The MCA had notified Ind - AS 115 "Revenue from Contract with Customers" in February, 2015. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Company is in the process of making an assessment of the impact of Ind - AS 115 upon initial application. As at the date of this report, the Company does not expect any impact on the operational results and financial position will be material upon adoption of Ind - AS 115.

f **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 equivalents 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.

g **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 equipments have been carried at value in accordance with the previous GAAP.
- 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.
- 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.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### 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 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 - 5 years.

### V Fair Value Measurement:

Fair value is the price that would be received to sell an asset or settle a liability in an ordinary transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing an asset or a liability acting in their best economic interest. The fair value of plants and equipments as at transition date 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 and equipments is determined on Specific Identification Method 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 is 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 includes income from sale of goods, services 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:
- identify the Contract with Customer

## Notes to the Financial Statements

- identify the performance obligations in the contract
  - determining the transaction price
  - allocate the transaction price to the performance obligations in the contract
  - 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, progress of performance obligation is measured using output method, where milestones reached are certified by respective customers.
  - 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 the agreements entered in to with the buyers, which are subject to fulfilment of obligations/ conditions imposed by the 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:

Government subsidy related to shipbuilding contracts are recognized at their fair value 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 grants are recognized in the Statement of Profit and Loss and presented under the head revenue from operations.

### 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 flows characteristics of the financial asset.

## Notes to the Financial Statements

### 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 and 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 recognised 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 amortized cost or as FVOCI, is classified as at FVTPL. Debt instruments included within 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.

## 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.

## Notes to the Financial Statements

### 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.

### 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 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.

## Notes to the Financial Statements

### 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 life 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 Provision for Doubtful Debts and Loans and Advances:

Provision is made in the accounts for doubtful debts, loans and advances in cases where the management considers the debts, loans and advances to be doubtful of recovery.

### XVI 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.

### XVII Provision, Contingent Liabilities and Contingent Assets:

A provision is recognised 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.

### XVIII Preliminary and Issue Expenses:

Preliminary Expenses related to issue of equity and equity related instruments are adjusted against the Securities Premium.

Notes to the Financial Statements

Note - 2

₹ in Lacs

Particulars	Gross Block			Depreciation and Amortisation			Net Block			
	As at 1-Apr-15	Additions during the year	Deductions	As at 31-Mar-16	Upto 31-Mar-15	For the year	Deductions	Upto 31-Mar-16	As at 31-Mar-16	As at 31-Mar-15
<b>2A</b>										
<b>Property, Plant and Equipment</b>										
<b>Owned Assets</b>										
Buildings	50,122.85	86.73	-	50,209.58	8,475.39	1,571.77	-	10,047.16	40,162.42	41,647.46
Plant and Equipments	5,12,796.53	1,527.19	14.61	5,14,309.11	49,441.23	16,521.40	10.80	65,951.83	4,48,357.28	4,63,355.30
Furniture and Fixtures	879.83	9.13	9.71	879.25	428.87	81.13	3.98	506.02	373.23	450.96
Office Equipments	244.00	23.47	5.75	261.72	165.17	47.37	3.06	209.48	52.24	78.83
Vehicles	635.26	159.29	165.63	628.92	337.69	82.53	133.87	286.35	342.57	297.57
<b>Sub Total</b>	5,64,678.47	1,805.81	195.70	5,66,288.58	58,848.35	18,304.20	151.71	77,000.84	4,89,287.74	5,05,830.12
<b>Leased Assets</b>										
Leasehold Land and Development	48,448.78	-	-	48,448.78	8,738.88	2,985.92	-	11,724.80	36,723.98	39,709.90
<b>Sub Total</b>	48,448.78	-	-	48,448.78	8,738.88	2,985.92	-	11,724.80	36,723.98	39,709.90
<b>Total</b>	6,13,127.25	1,805.81	195.70	6,14,737.36	67,587.23	21,290.12	151.71	88,725.64	5,26,011.72	5,45,540.02
<b>2B</b>										
<b>Intangible Assets</b>										
Computer Softwares*	864.78	118.51	-	983.29	534.75	136.29	-	671.04	312.25	330.03
<b>Total</b>	864.78	118.51	-	983.29	534.75	136.29	-	671.04	312.25	330.03
<b>Total (2A+2B)</b>	6,13,992.03	1,924.32	195.70	6,15,720.65	68,121.98	21,426.41	151.71	89,396.68	5,26,323.97	5,45,870.05
Previous Year	5,27,714.30	86,326.10	48.37	6,13,992.03	48,399.10	19,744.67	21.79	68,121.98	5,45,870.05	
Capital Work in Progress									3,66,860.13	3,36,014.87
Intangible Assets under development									8,115.47	5,909.45

\* Other than Internally Generated

2.1 The reconciliation of Fixed Assets on adoption of Ind-AS as compared to reported under previous GAAP is given below:

₹ in Lacs

Particulars	Gross Block			Depreciation and Amortisation			Net Block As at 31-Mar-15			
	As at 1-Apr-14	Additions as per fair valuation	Additions during the year	Deductions	As at 31-Mar-15	Upto 31-Mar-14		For the year	Deductions	Upto 31-Mar-15
<b>2.1A Property, Plant and Equipment</b>										
<b>Owned Assets</b>										
Buildings	47,497.18	-	2,625.67	-	50,122.85	6,977.20	1,498.18	-	8,475.38	41,647.47
Plant and Equipments	2,29,530.60	2,08,122.17	75,153.16	9.40	5,12,796.53	34,301.19	15,132.74	3.01	49,430.92	4,63,365.61
Furniture and Fixtures	848.79	-	31.04	-	879.83	349.16	79.69	-	428.85	450.98
Office Equipments	237.04	-	14.44	7.48	244.00	73.33	109.82	7.64	175.51	68.49
Vehicles	547.39	-	119.36	31.49	635.26	248.03	100.81	11.14	337.70	297.56
<b>Sub Total</b>	<b>2,78,661.00</b>	<b>2,08,122.17</b>	<b>77,943.67</b>	<b>48.37</b>	<b>5,64,678.47</b>	<b>41,948.91</b>	<b>16,921.24</b>	<b>21.79</b>	<b>58,848.36</b>	<b>5,05,830.11</b>
<b>Leased Assets</b>										
Leasehold Land and Development	40,121.45	-	8,327.33	-	48,448.78	6,049.21	2,689.66	-	8,738.87	39,709.91
<b>Sub Total</b>	<b>40,121.45</b>	<b>-</b>	<b>8,327.33</b>	<b>-</b>	<b>48,448.78</b>	<b>6,049.21</b>	<b>2,689.66</b>	<b>-</b>	<b>8,738.87</b>	<b>39,709.91</b>
<b>Total</b>	<b>3,18,782.45</b>	<b>2,08,122.17</b>	<b>86,271.00</b>	<b>48.37</b>	<b>6,13,127.25</b>	<b>47,998.12</b>	<b>19,610.90</b>	<b>21.79</b>	<b>67,587.23</b>	<b>5,45,540.02</b>
<b>2.1B Intangible Assets</b>										
Computer Softwares	809.68	-	55.10	-	864.78	400.98	133.77	-	534.75	330.03
<b>Total</b>	<b>809.68</b>	<b>-</b>	<b>55.10</b>	<b>-</b>	<b>864.78</b>	<b>400.98</b>	<b>133.77</b>	<b>-</b>	<b>534.75</b>	<b>330.03</b>
<b>Total (2.1A+2.1B)</b>	<b>3,19,592.13</b>	<b>2,08,122.17</b>	<b>86,326.10</b>	<b>48.37</b>	<b>6,13,992.03</b>	<b>48,399.10</b>	<b>19,744.67</b>	<b>21.79</b>	<b>68,121.98</b>	<b>5,45,870.05</b>

2.2 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.

2.3 All the fixed assets of the Company are either mortgaged or hypothecated against the secured borrowings of the Company as detailed in note no. 15 and 19 to the financial statements.

## Notes to the Financial Statements

### 2.4 Capital Work in Progress includes:

	₹ in Lacs	
Particulars	2015 - 2016	2014 - 2015
- Material at site	1,352.59	1,203.16
- Assets under construction and installation*	2,43,356.53	2,43,276.22
- Preoperative expenses	1,22,151.02	91,535.49

\* net of impairment provision of ₹ 20,555.26 Lacs (previous year: ₹ 20,555.26 lacs)

### 2.5 Intangible Assets under development includes:

	₹ in Lacs	
Particulars	2015 - 2016	2014 - 2015
- Software development and Licence Fees	6,820.69	5,112.72
- Preoperative expenses	1,294.78	796.73

### 2.6 Details of Preoperative expenses are as under:

	₹ in Lacs	
Particulars	2015 - 2016	2014 - 2015
Opening Balance	92,332.22	65,273.38
<b>Add:</b>		
Salaries, Wages and Allowances	38.09	774.22
Legal and Professional Charges	-	467.14
Travelling, Conveyance and Vehicle Hire Charges	-	5.61
Insurance	109.97	-
<b>Finance Costs</b>		
Interest Expenses	28,988.22	29,396.50
Exchange Differences regarded as an adjustment to borrowing costs	1,977.30	702.27
Other Borrowing Costs	-	987.80
	1,23,445.80	97,606.92
<b>Less :</b>		
Allocated to Fixed Assets	-	5,274.70
<b>Closing Balance</b>	1,23,445.80	92,332.22

2.7 During the year, the Company has capitalised borrowing cost related to specific borrowings aggregating to ₹ 30,965.52 Lacs (Previous year: ₹ 31086.57 Lacs). The average rate used to determine the amount of borrowing cost is 10.50%. Additions during the year in the Plant and Equipments include interest and financial charges of ₹ NIL (Previous year ₹ 5,274.70 Lacs).

2.8 In accordance with the Ind-AS 36 "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 Defence and Engineering Limited

## Notes to the Financial Statements

### 3. Non Current Investments:

₹ in Lacs

Particulars	% of holding	Face Value	Numbers		As at March	
			31-Mar-16	31-Mar-15	31, 2016	31, 2015
<b>Long Term Trade Investments (Unquoted and fully paid up)</b>						
<b>In Equity Instruments of Subsidiary Companies</b>						
E Complex Private Limited	100.00%	₹ 10.00	<b>2,17,09,327</b>	2,17,09,327	<b>1,896.73</b>	1,896.73
Reliance Marine and Offshore Limited (formerly Pipavav Marine and Offshore Limited)	100.00%	₹ 10.00	<b>50,000</b>	50,000	<b>5.00</b>	5.00
Reliance Lighter than Air systems Private Limited (formerly Pipavav Lighter Than Air Systems Private Limited)	100.00%	₹ 10.00	<b>1,40,000</b>	1,40,000	<b>14.00</b>	14.00
Reliance Engineering and Defence Services Limited (formerly Pipavav Engineering and Defence Services Limited)	100.00%	₹ 10.00	<b>50,000</b>	50,000	<b>5.00</b>	5.00
Reliance Technologies and Systems Private Limited (formerly Pipavav Technologies and Systems Private Limited)	100.00%	₹ 10.00	<b>10,000</b>	10,000	<b>1.00</b>	1.00
PDOC Pte. Limited (Incorporated and place of business at Singapore)	100.00%	₹1	<b>25,000</b>	25,000	<b>11.74</b>	11.74
					<b>1,933.47</b>	1,933.47
<b>In Equity Shares of Associate Company</b>						
Conceptia Software Technologies Private Limited	25.50%	₹ 10.00	<b>1,12,200</b>	1,12,200	<b>153.48</b>	153.48
					<b>153.48</b>	153.48
<b>In Government and Other Securities</b>						
6 years National Savings Certificate (Deposited with Sales Tax Department)	-	-	-	-	<b>0.05</b>	0.05
					<b>0.05</b>	0.05
<b>Total</b>					<b>2,087.00</b>	2,087.00

3.1 Refer note no. 1(g)(X) for basis of valuation.

3.2 Aggregate amount of Non Current Investments.

₹ in Lacs

Particulars	As at March 31, 2016		As at March 31, 2015	
	Book Value	Market Value	Book Value	Market Value
Quoted Investments	-	-	-	-
Unquoted Investments	<b>2,087.00</b>	-	2,087.00	-
<b>Total</b>	<b>2,087.00</b>	-	2,087.00	-

3.3 Equity Shares of E Complex Private Limited are pledged with the Lenders for loan facilities availed by the Company.

## Notes to the Financial Statements

3.4 Details of Non Current Investment as at April 1, 2014 are as under:

₹ in Lacs

Particulars	% of holding	Face Value	Numbers	As at April 1, 2014
<b>Long Term Trade Investments (Unquoted and fully paid up)</b>				
<b>In Equity Instruments of Subsidiary Companies</b>				
E Complex Private Limited	100.00%	₹ 10.00	21,709,327	1,896.73
Reliance Marine and Offshore Limited <i>(formerly Pipavav Marine and Offshore Limited)</i>	100.00%	₹ 10.00	50,000	5.00
Reliance Lighter than Air Systems Private Limited <i>(formerly Pipavav Lighter Than Air Systems Private Limited)</i>	100.00%	₹ 10.00	10,000	1.00
PDOC Pte. Limited (Incorporated and place of business at Singapore)	100.00%	S\$1	10,000	4.48
				<b>1,907.21</b>
<b>In Equity Shares of Associate Company</b>				
Conceptia Software Technologies Private Limited	25.50%	₹ 10.00	1,12,200	153.48
				<b>153.48</b>
<b>In Government and Other Securities</b>				
6 years National Savings Certificate	-	-	-	0.05
				<b>0.05</b>
<b>Total</b>				<b>2,060.74</b>

#### 4 Other Non Current Financial Assets:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Fixed Deposits with Banks held as Margin Money	2,596.75	1,793.79	5,433.32
Share Application Money given to a Subsidiary Company	-	-	13.00
<b>Total</b>	<b>2,596.75</b>	<b>1,793.79</b>	<b>5,446.32</b>

#### 5. Other Non Current Assets:

**(Unsecured and considered good)**

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Capital Advances	20,578.58	20,578.58	36,400.42
Security Deposits with			
Related Parties (refer note no 39)	7,370.00	7,355.00	7,355.00
Others	628.41	676.59	751.69
Advance against investments	-	81.00	-
Advance Taxes (net)	3,352.65	2,916.69	2,376.85
MAT credit entitlement	3,338.18	3,338.18	3,343.69
<b>Total</b>	<b>35,267.82</b>	<b>34,946.04</b>	<b>50,227.65</b>

5.1 Refer note no 48 for disclosure relating to first time adoption of Ind-AS.

5.2 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 ten 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 the 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 Defence and Engineering Limited

## Notes to the Financial Statements

### 6. Inventories:

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Raw Materials	53,091.22	28,519.33	21,028.54
Raw Materials in Transit	2,721.15	192.59	543.00
Work in Progress	4,304.31	827.56	12.67
Stores and Spares	894.52	1,058.76	1,472.62
Scrap	36.83	112.21	37.47
<b>Total</b>	<b>61,048.03</b>	<b>30,710.45</b>	<b>23,094.30</b>

6.1 Refer Note No. 1(g)(VI) for basis of valuation.

### 7. Current Investments (Unquoted):

₹ in Lacs

Particulars	Face Value	Numbers	Amount	Numbers	Amount
	(₹)	31-Mar-16	31-Mar-16	31-Mar-15	31-Mar-15
<b>In Units of Mutual Funds</b>					
SBI MF Premier Liquid Fund	₹ 1,003.25	951	9.54	-	-
<b>Total</b>			<b>9.54</b>		

7.1 Refer Note No. 1(g)(X) for basis of valuation.

7.2 Aggregate amount of Current Investments.

₹ in Lacs

	As at March 31, 2016		As at March 31, 2015	
	Book Value	Market Value	Book Value	Market Value
	Quoted Investments	-	-	-
Unquoted Investments	9.54	-	-	-
<b>Total</b>	<b>9.54</b>	<b>-</b>	<b>-</b>	<b>-</b>

7.3 There was no current investment as at April 1, 2014

### 8. Trade Receivables (Unsecured):

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
	Considered Good	1,098.33	4,546.19
Considered Doubtful	78,813.67	78,813.67	66,727.66
	<b>79,912.00</b>	83,359.86	1,35,123.96
Less: Provision for Impairment	78,813.67	78,813.67	66,727.66
	<b>1,098.33</b>	4,546.19	68,396.30
<b>Total</b>	<b>1,098.33</b>	<b>4,546.19</b>	<b>68,396.30</b>

8.1 Trade receivables are non- interest bearing and receivable in normal operating cycle

8.2 Refer note no 48 for disclosure relating to first time adoption of Ind-AS.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### 9. Cash And Cash Equivalents:

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Balances with Banks in Current Accounts	4,395.67	2,564.75	4,596.60
Cash on hand	2.71	10.28	11.59
<b>Total</b>	<b>4,398.38</b>	<b>2,575.03</b>	<b>4,608.19</b>

### 10. Other Bank Balances:

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Share Application Money Refund Account	5.36	5.36	5.36
Fixed Deposits with Banks held as Margin Money*	11,215.47	18,192.88	28,368.51
<b>Total</b>	<b>11,220.83</b>	<b>18,198.24</b>	<b>28,373.87</b>

\* Includes ₹ 30.00 lacs (Previous year : ₹ 915.76 lacs) having maturity period more than twelve months.

### 11. Current Loans:

(Unsecured and considered good)

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Loans to Related Parties	5,346.89	5,622.42	1,656.25
<b>Total</b>	<b>5,346.89</b>	<b>5,622.42</b>	<b>1,656.25</b>

#### 11.1 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	Maximum	As at
	March 31, 2016	balance during the year	March 31, 2015
E Complex Private Limited	5,055.77	5,055.77	5,546.98
Reliance Marine and Offshore Limited	84.02	84.02	37.74
Reliance Lighter than Air System Private Limited	70.08	70.08	32.27
Reliance Engineering and Defence Services Limited	131.33	131.33	0.16

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.

### 12. Other Current Financial Assets:

(Unsecured & considered good)

₹ in Lacs

Particulars	As at	As at	As at April 1,
	March 31, 2016	March 31, 2015	2014
Interest Receivable	1,402.25	1,145.86	1,005.86
<b>Total</b>	<b>1,402.25</b>	<b>1,145.86</b>	<b>1,005.86</b>

12.1 Interest receivable include amount receivables from related parties of ₹ 965.20 lacs (P.Y ₹ 420.05 lacs). Refer note no 39 for details.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### 13. Other Current Assets:

(Unsecured & considered good)

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Security Deposits	71.14	80.04	65.78
Prepaid Expenses	367.56	2,071.20	3,834.18
Cenvat / VAT recoverable	1,151.40	995.04	995.04
Advance against purchase of material / services	18,751.84	20,139.25	23,591.74
Shipbuilding Contracts Receivables	21,672.48	17,818.87	31,134.15
Subsidy Receivable	2,323.42	2,323.42	8,830.92
Other Advances *	5,907.08	9,207.31	2,116.91
<b>Total</b>	<b>50,244.92</b>	<b>52,635.13</b>	<b>70,568.72</b>

\* Mainly includes interest receivables and VAT/Cenvat refundable/to be availed.

13.1 Refer note no 48 for disclosure relating to first time adoption of Ind-AS.

### 14. Equity Share Capital:

₹ in Lacs

Particulars	As at	As at
	March 31, 2016	March 31, 2015
<b>Equity Shares</b>		
<b>Authorised</b>		
1,500,000,000 (Previous year 1,000,000,000) Equity Shares of ₹ 10/- each	1,50,000.00	1,00,000.00
<b>Issued, Subscribed and fully paid up</b>		
736,206,269 (Previous year 736,206,269) Equity Shares of ₹ 10/- each fully paid up	73,620.63	73,620.63
<b>Total</b>	<b>73,620.63</b>	<b>73,620.63</b>

#### 14.1 Reconciliation of Equity Shares outstanding at the beginning and at the end of the year:

₹ in Lacs

Particulars	As at March 31, 2016		As at March 31, 2015	
	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	-	-	-	-
Equity Shares at the end of the year	<u>73,62,06,269</u>	<u>73,620.63</u>	<u>73,62,06,269</u>	<u>73,620.63</u>

#### 14.2 Shareholders holding more than 5% Shares in the Company:

Shares held by	As at March 31, 2016		As at March 31, 2015	
	No of Shares	% Holding	No of Shares	% Holding
Reliance Defence Systems Private Limited - Associate	22,01,03,025	29.90%	-	-
SKIL Infrastructure Limited - Associate	18,12,03,128	24.61%	25,03,73,648	34.01%
Life Insurance Corporation of India	5,84,65,899	7.94%	5,84,65,899	7.94%
IL & FS Marine Infrastructure Company Limited	5,31,10,674	7.21%	5,34,23,871	7.26%
SKIL Shipyard Holdings Private Limited	*	*	3,83,77,686	5.21%

\* Reduced to less than 5% as at March 31, 2016

## Notes to the Financial Statements

### 14.3 Terms and Rights attached to Equity Shares:

The Company has only one class of Equity Shares 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 shareholders 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.

### 14.4 Reserved Shares:

Pursuant to Debt Restructuring Scheme out of funded interest term loan (FITL), ₹ 25,000 lacs is to be converted in to equity share before June 30, 2017.

## 15. Long Term Borrowings:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
<b>Secured Loans</b>			
<b>Rupee Term Loans from:</b>			
Banks	4,72,663.51	4,00,912.31	1,61,361.24
Financial Institutions	64,450.01	58,232.10	30,564.27
Body Corporates	491.07	-	-
	<u>5,37,604.59</u>	4,59,144.41	1,91,925.51
<b>Foreign Currency Term Loans from:</b>			
Financial Institution	20,748.93	20,855.25	-
<b>Vehicle Loans</b>	135.75	88.26	38.76
Total Secured Loans	<u>5,58,489.27</u>	4,80,087.92	1,91,964.27
<b>Unsecured Loans</b>			
<b>Foreign Currency Term Loans from:</b>			
Body Corporate	8,391.22	14,042.70	-
<b>Inter Corporate Deposits from:</b>			
Related Parties	-	16,042.17	15,499.08
Total Unsecured Loans	<u>8,391.22</u>	30,084.87	15,499.08
<b>Total</b>	<u><u>5,66,880.49</u></u>	<u>5,10,172.79</u>	<u>2,07,463.35</u>

15.1 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 Restructuring Scheme was subsequently approved by CDR Cell on March 18, 2015 and communicated vide Letter of Approval (LOA) dated March 27, 2015. The Cut Off Date as per Restructuring Scheme is July 1, 2014 ('COD'). 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. The Restructuring scheme has been implemented as at March 31, 2015 with effect from the COD.

15.2 In terms of the MRA entered with certain lenders of the Company for Debt Restructuring, each of those Lenders has a right of recompense as per extant guidelines of CDR for the reliefs and sacrifices extended by them. The amount of recompense being depending on various matters cannot be ascertained as on date

15.3 Secured Term loans as referred to above and ₹ 10,207.25 lacs being part of current maturities of long term debt in note no. 21 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 Directors of the Company.
- iii) Pledge of 12,27,55,500 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). Further, SKIL, Grevek and SSHPL are required to pledge their remaining shareholdings in the Company, which are currently pledged in favour of lenders of SKIL group, to the CDR Lenders upon release of such charge.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

- 15.4 Secured Term Loans of ₹ 537,113.51 lacs are further secured as:
- 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.
  - 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.
  - by way of Pledge of entire shareholding i.e. 2,17,09,327 Equity Shares of E Complex Private Limited held by the Company.
- 15.5 Vehicle Loans referred to above including ₹ 43.60 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 installments (including interest) as per repayment schedule starting from July 01, 2012 to March 15, 2021.
- 15.6 Secured Rupee Term Loan of ₹ 26,685.75 lacs are repayable in 24 quarterly structured installment starting from June 30, 2019 to March 31, 2025, ₹ 18,500.00 lacs in 28 quarterly structured installment starting from September 30, 2017 to June 30, 2024, ₹ 8,403.00 lacs in 40 quarterly structured installments starting from August 31, 2005 to February 28, 2017 and ₹ 491.07 lacs on May 25, 2017 by way of bullet repayment.
- 15.7 Secured Foreign Currency Term Loan as referred above including ₹ 1,804.25 lacs being part of current maturities of long term debts in note no. 21 carry an interest rate of 2.78% and repayable in 11 yearly structured installment starting from February 01, 2016 to February 01, 2026.
- 15.8 **Unsecured Foreign Currency Term Loans :**
- Unsecured Foreign Currency Term Loan as referred above including ₹ 8,479.55 lacs being part of current maturities of long term debts in note no. 21 is secured by way of Mortgage of Property at Mahal Mira, Pen Taluka, Raigad admeasuring 10,89,000 sq. feet owned by other Corporates. The above loan is further secured by Corporate Guarantee of SKIL Infrastructure Limited and some of the directors of the Company.
  - The above unsecured loan carry an interest rate of 6.80% and repayable in 30 monthly structured installments starting from May 31, 2015 to October 31, 2017
- 15.9 The maturity profile, period and amount of installments of Term Loans as referred above including current maturities of long term debt of ₹ 18,686.80 lacs referred to in note no. 21 are as under:

₹ in Lacs

Financial Year	Secured Term Loans from			Unsecured Foreign Currency Term Loan	Total
	Banks	Financial Institutions	Body Corporates	Body Corporates	
2016 - 2017	-	10,207.25	-	8,479.55	18,686.80
2017 - 2018	26,115.92	5,010.20	491.07	8,391.22	40,008.41
2018 - 2019	52,231.83	9,118.27	-	-	61,350.10
2019 - 2020	55,261.83	10,020.40	-	-	65,282.23
2020 - 2021	56,131.83	11,824.66	-	-	67,956.49
2021 - 2022	58,681.83	12,726.78	-	-	71,408.61
2022 - 2023	75,642.44	19,976.14	-	-	95,618.58
2023 - 2024	93,053.05	13,693.58	-	-	1,06,746.63
2024 - 2025	51,526.91	6,846.78	-	-	58,373.69
<b>Total</b>	<b>4,68,645.64</b>	<b>99,424.06</b>	<b>491.07</b>	<b>16,870.77</b>	<b>5,85,431.54</b>

15.10 **Loans from Related Parties:**

The above unsecured loans from related parties including ₹ 16,030.42 lacs being part of current maturities of long term debts in note no 21 carry an interest rate of 12.00% and include ₹ 15,776.40 lacs & ₹ 254.02 lacs repayable after 15 months by way of bullet payments from the date of first disbursement i.e. March 23, 2015 and March 24, 2015 respectively. Refer note no 39 for details of unsecured loans from related parties.

- 15.11 As at March 31, 2016, the Company has overdue of ₹ 8,225.07 lacs (Previous Year: ₹ 5,531.33 lacs) and ₹ 4,402.83 lacs (Previous Year: ₹ 1,982.49 lacs) towards the principal and interest respectively, out of which ₹ 527.88 lacs has since been paid.

## Notes to the Financial Statements

### 16. Non Current Provisions:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Provision for Employee Benefits (refer note no 29.2)	298.73	405.19	278.38
<b>Total</b>	<b>298.73</b>	<b>405.19</b>	<b>278.38</b>

### 17. Deferred Tax Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Opening Balance</b>	<b>32,483.84</b>	53,243.57
<b>Tax Expenses (Income) recognised in:</b>		
<b>Statement of Profit and Loss</b>		
Difference in Tax Base of Property, plant and equipment	(23.18)	12,774.22
Disallowance in income Tax	(7,452.88)	(5,999.61)
Depreciation losses	(9,568.93)	(17,089.98)
Business losses	(10,448.47)	(5,563.29)
Impact of change in tax rate	-	(4,845.84)
	<b>(27,493.46)</b>	(20,724.50)
<b>Other Comprehensive Income</b>		
related to Employee benefits	61.13	(35.23)
<b>Closing Balance</b>	<b>5,051.51</b>	<b>32,483.84</b>

#### 17.1 Reconciliation of tax expenses and the accounting profit multiplied by domestic tax rate:

Since the Company has incurred loss during the year 2015-16 and previous year 2014-15 and 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.

17.2 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.

### 18. Other Non Current Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Advances from Customers	5,624.21	5,624.21	14,270.69
<b>Total</b>	<b>5,624.21</b>	<b>5,624.21</b>	<b>14,270.69</b>

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### 19. Short Term Borrowings:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
<b>Secured Loans</b>			
<b>Working Capital Loans</b>			
Cash Credit Facilities from Banks	<b>99,186.48</b>	80,916.07	1,20,795.06
<b>Short Term Loans from:</b>			
Banks	-	-	30,000.00
Financial Institutions	-	-	15,000.00
	-	-	45,000.00
<b>Unsecured Loans from:</b>			
Banks	<b>32,678.22</b>	32,020.68	89,310.34
Related Party	<b>32,240.00</b>	-	-
	<b>64,918.22</b>	32,020.68	89,310.34
<b>Total</b>	<b>1,64,104.70</b>	1,12,936.75	2,55,105.40

19.1 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.

19.2 The above working capital loans from banks are further secured by :

- Corporate Guarantee of SKIL Infrastructure Limited and personal guarantee of some of the Directors of the Company.
- Pledge of 12,27,55,500 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). Further, SKIL, Grevek and SSHPL are required to pledge their remaining shareholdings in the Company, which are currently pledged in favour of lenders of SKIL group, to the CDR Lenders upon release of such charge.
- Pledge of entire shareholding i.e. 2,17,09,327 equity shares of E Complex Private Limited held by the Company.

19.3 As on March 31, 2016, the Company has overdue of ₹ 703.93 lacs (Previous Year: ₹ NIL) towards the principal.

### 20. Trade Payables:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Micro and Small Enterprises	<b>315.30</b>	940.30	839.08
Others	<b>26,730.14</b>	29,212.49	27,365.36
<b>Total</b>	<b>27,045.44</b>	30,152.79	28,204.44

## Notes to the Financial Statements

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, 2016	As at March 31, 2015
Principal amount remaining unpaid	315.30	940.30
Interest due thereon	239.55	394.81
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	239.55	394.81
Interest remaining due and payable even in succeeding years	239.55	394.81

20.2 All trade payables are non interest bearing and payable or settled with in normal operating cycle of the Company.

### 21. Other Current Financial Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Current Maturities of Long Term Debts	34,760.82	10,079.84	52,967.96
Interest accrued and due on borrowings	4,402.83	1,982.49	6,558.56
Interest accrued but not due on borrowings	3,855.73	2,552.12	2,605.22
Unclaimed Share Application Money *	5.36	5.36	5.36
Book Overdraft	-	218.11	-
<b>Total</b>	<b>43,024.74</b>	<b>14,837.92</b>	<b>62,137.10</b>

\* not due to be credited to Investor Education and Protection Fund.

### 22. Other Current Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Creditors for Capital Goods	12,634.73	12,280.34	23,021.85
Advances from Customers	4,597.97	27,168.27	64,050.67
Statutory Dues	2,632.53	4,878.37	1,562.74
Other Payables*	4,529.27	7,611.90	8,513.82
<b>Total</b>	<b>24,394.50</b>	<b>51,938.88</b>	<b>97,149.08</b>

\* Includes mainly amount payables to employees and provision for expenses.

### 23. Current Provisions:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
for Employee Benefits (refer note no 29.2)	156.72	250.05	180.93
for Wealth Tax (net)	-	2.05	2.15
Other Provisions	69,978.43	61,061.17	55,459.26
<b>Total</b>	<b>70,135.15</b>	<b>61,313.27</b>	<b>55,642.34</b>

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

23.1 The Company has recognised liabilities based on substantial degree of estimation for provision for 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 Warranty claims	Provision for estimated cost over contract revenue	Provision for cost estimated for revenue recognised
Balance as at March 31, 2015	-	8,011.57	53,049.60
Add: Provision made for the year ended March 31, 2016	71.00	3,744.93	27,549.91
Less: Amount incurred and charged against the opening balance	-	8,011.59	14,436.99
<b>Balance as at March 31, 2016</b>	<b>71.00</b>	<b>3,744.91</b>	<b>66,162.52</b>

## 24. Revenue From Operations:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Ship Building	20,613.79	29,303.55
Repairs and Fabrication	10,441.81	40,835.79
Sale of Steel Items (Steel Plates, Pipes, Rolled Products and other steel items)	-	13,384.75
Other Operating Revenue		
Sale of Scraps	531.65	767.34
Berth Usage Charges	98.58	-
	<b>31,685.83</b>	84,291.43
Less: Service Tax Recovered	1,027.59	1,121.18
<b>Total</b>	<b>30,658.24</b>	<b>83,170.25</b>

## 25. Other Income:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest Income	1,871.62	3,079.80
Dividend on Current Investments	32.18	14.38
Sundry Balances Written Back (net)	1,883.55	-
Miscellaneous Income	181.89	13.03
<b>Total</b>	<b>3,969.24</b>	<b>3,107.21</b>

## 26. Cost of Materials Consumed:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Steel Plates and Profiles	1,833.19	1,793.47
Equipment and Components	7,165.62	6,184.18
<b>Total</b>	<b>8,998.81</b>	<b>7,977.65</b>

## Notes to the Financial Statements

### 27. Purchase of Stock-In-Trade: ₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Steel Items (Steel Plates, Pipes, Rolled Products and other steel items)	-	13,245.55
<b>Total</b>	<b>-</b>	<b>13,245.55</b>

### 28. Changes in Inventories of Work in Progress and Scrap: ₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
At the end of the year		
Scrap	<b>36.83</b>	112.21
Work in progress	<b>4,304.31</b>	827.56
	<b>4,341.14</b>	939.77
Less :- At the beginning of the year		
Scrap	<b>112.21</b>	37.48
Work in progress	<b>827.56</b>	12.67
	<b>939.77</b>	50.15
Changes in Inventories	<b>(3,401.37)</b>	(889.62)

### 29. Employee Benefits Expenses: ₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries, Wages and Allowances	<b>5,377.32</b>	5,691.34
Contribution to Provident and Other Funds	<b>196.30</b>	198.98
Staff Welfare Expenses	<b>149.49</b>	259.26
<b>Total</b>	<b>5,723.11</b>	6,149.58

29.1 Salary, wages and allowances include remuneration paid / payable to Ex - Executive Vice Chairman of ₹ 249.51 lacs (Previous Year: ₹ 385.92 lacs) which is in excess of limits prescribed under section 198 and Schedule V of the Companies Act 2013. The Company has filed necessary application for approval of Central Government, which is awaited.

#### 29.2 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	2015 - 2016	2014 - 2015
Employers Contribution to Provident Fund	<b>138.28</b>	146.97
Employers Contribution to Pension Fund	<b>58.02</b>	52.01
<b>Total</b>	<b>196.30</b>	198.98

#### 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 Defence and Engineering Limited

## Notes to the 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	2015 - 2016	2014 - 2015
Defined Benefit Obligation at beginning of the year	259.18	188.94
Current & Past Service Cost	64.98	75.89
Current Interest Cost	17.49	13.41
Actuarial (Gain) / Loss	(30.26)	18.44
Benefits paid	(64.26)	(37.50)
Defined Benefit Obligation at end of the year	247.13	259.18

#### ii) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets.

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Fair Value of Plan Assets at the beginning of the year	69.59	64.44
Expected Return on Plan Assets	4.67	5.36
Actuarial Gain / (Loss)	(10.56)	(0.21)
Fair Value of the Assets at the end of the year	63.70	69.59

#### iii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Fair Value of Plan Assets at the end of the year	63.70	69.59
Present Value of Defined Benefit Obligation at end of the year	247.13	259.18
Liabilities / (Assets) recognised in the Balance Sheet	183.43	189.59

#### iv) Expenses recognised during the year

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Current & Past Service Cost	64.98	75.89
Interest Cost	17.49	13.41
Expected Return on Plan Assets	(4.67)	(5.36)
Net Cost Recognised in profit or loss	77.80	83.94
Actuarial (Gain) / Loss recognised in other comprehensive income	(19.70)	18.65

## Notes to the Financial Statements

v) **Assumptions used to determine the defined benefit obligations** ₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Mortality Table (LIC)	(2006 - 08 ultimate)	
Discount Rate (p.a.)	<b>7.70%</b>	7.88%
Estimated Rate of Return on Plan Asset	<b>7.00%</b>	8.00%
Expected Rate of increase in Salary (p.a.)	<b>7.00%</b>	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.*

vi) **Amounts for the Current and previous year for Gratuity Funded are as follows:**

₹ IN LACS

Particulars	2015-2016	2014 - 2015	2013 - 2014	2012 - 2013	2011 - 2012
Defined Benefit Obligation	247.13	259.18	188.94	169.51	104.22
Plan Assets	63.70	69.59	64.44	59.67	55.18
Surplus/(Deficit)	(183.43)	(189.59)	(124.50)	(109.84)	(49.04)
Experience adjustment on plan Assets (Gain)/Loss	10.56	(0.21)	(0.19)	0.10	(0.09)
Experience adjustment on plan Liabilities Gain/ (Loss)	30.26	(12.27)	(27.59)	(8.81)	(50.17)

*Note: 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.*

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	2015 - 2016	2014 - 2015
Defined Benefit Obligation at beginning of the year	<b>465.60</b>	334.80
Current & Past Service Cost	<b>31.06</b>	49.58
Current Interest Cost	<b>31.57</b>	24.85
Actuarial (Gain) / Loss	<b>(178.11)</b>	95.35
Benefits paid	<b>(78.10)</b>	(38.98)
Defined Benefit Obligation at end of the year	<b>272.02</b>	465.60

ii) **Reconciliation of Present Value of Obligation and Fair Value of Plan Assets**

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Fair Value of Plan Assets at the end of the year	-	-
Present Value of Defined Benefit Obligation at end of the year	<b>272.02</b>	465.60
Liabilities / (Assets) recognised in the Balance Sheet	<b>272.02</b>	465.60

iii) **Expenses recognised during the year**

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Current & Past Service Cost	<b>31.06</b>	49.58
Interest Cost	<b>31.57</b>	24.85
Net Cost Recognised in statement of profit or loss	<b>62.63</b>	74.43
Actuarial (Gain) / Loss recognised in other comprehensive income	<b>(178.11)</b>	95.35

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### iv) Assumptions used to determine the defined benefit obligations

Particulars	₹ in Lacs	
	2015 - 2016	2014 - 2015
Mortality Table	<b>(2006 - 08 ultimate)</b>	
Discount Rate (p.a.)	<b>7.70%</b>	7.88%
Estimated Rate of Return on Plan Asset	<b>N/A</b>	N/A
Expected Rate of increase in Salary (p.a.)	<b>7.00%</b>	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.

### v) Amounts for the Current and previous year for Leave Encashment are as follows:

Particulars	₹ in Lacs				
	2015-2016	2014 - 2015	2013 - 2014	2012 - 2013	2011 - 2012
Defined Benefit Obligation	272.02	465.60	334.80	302.34	244.02
Plan Assets	-	-	-	-	-
Surplus/(Deficit)	(272.02)	(465.60)	(334.80)	(302.34)	(244.02)
Experience adjustment on plan Liabilities Gain/ (Loss)	(192.46)	(56.93)	(13.01)	(4.13)	(31.08)

### 30 Finance Costs:

Particulars	₹ in Lacs	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest Expenses	<b>42,526.61</b>	32,407.71
Other Borrowing Costs (Bill Discounting charges, Guarantee commission, etc.)	<b>4,652.79</b>	12,861.58
<b>Total</b>	<b>47,179.40</b>	45,269.29

### 31. Other Expenses:

Particulars	₹ in Lacs	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Consumables, Stores and Spares	<b>1,107.33</b>	1,097.23
Power, Fuel and Water	<b>1,690.28</b>	1,859.04
Repairs and Maintenance	<b>1,611.20</b>	1,991.20
Labour and Fabrication Charges	<b>6,009.69</b>	9,358.11
Equipment Hire Charges	<b>2,916.00</b>	4,840.67
Rent	<b>2,413.27</b>	1,936.09
Testing and Inspection Charges	<b>1,390.96</b>	1,615.53
Infrastructure Facility Charges	<b>1,090.00</b>	1,090.00
Design, Drawing and Construction Support Fees	<b>565.13</b>	723.62
Insurance	<b>1,043.78</b>	621.56
Cost Estimated for Revenue Recognised	<b>13,112.90</b>	6,031.03
Provision for Estimated Cost Over Contract Revenue	<b>(4,266.67)</b>	(429.09)
Rates and Taxes	<b>223.22</b>	256.99

## Notes to the Financial Statements

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Communication Expenses	124.88	139.30
Travelling, Conveyance and Vehicle Hire Charges	972.06	1,605.33
Legal and Professional Charges	1,283.28	4,140.27
Foreign Exchange Difference (net)	2,591.19	4,091.74
Payment to Auditors	59.27	119.35
Advertising, Publicity and Selling Expenses	14.26	167.55
Business Promotion Expenses	117.57	349.86
Balances Written Off (net)	-	17.21
Excess provision of subsidy written off	-	6,507.49
Loss on Sale of Fixed Assets (net)	13.27	11.97
Donations	10.63	7.68
Miscellaneous Expenses	933.82	1,377.47
<b>Total</b>	<b>35,027.32</b>	<b>49,527.20</b>

### 31.1 Payment to Auditors includes:

₹ in Lacs		
Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Audit Fees	50.00	31.20
Certification Charges	6.50	19.65
Other Matters	2.77	68.50
<b>Total</b>	<b>59.27</b>	<b>119.35</b>

### 32. Earnings per Share (Basic and Diluted):

₹ in Lacs		
Particulars	2015 - 2016	2014 - 2015
Loss attributable to the Equity Shareholders	(52,728.04)	(34,192.33)
Amount available for calculation of Basic and Diluted EPS (a)	(52,728.04)	(34,192.33)
Weighted Average No. of Equity Shares outstanding for Basic and Diluted EPS (b)	73,62,06,269	73,62,06,269
Basic and Diluted Earnings per share of ₹10/- each (in ₹.) (a)/(b)	(7.16)	(4.64)

32.1 As mentioned in note 15.1 In terms of MRA entered by the Company with the CDR Lenders, the CDR Lenders are eligible to convert certain debts into Equity Shares as per the SEBI Guidelines. Since this is yet to be approved by the members as well as conversion price cannot be ascertained now, the same has not been considered for calculation of Diluted EPS.

32.2 Pursuant to the Companies (Indian Accounting Standard) Rules, 2015, the Company has adopted March 31, 2016 as reporting date for first time adoption of Indian Accounting Standard (Ind-AS) and April 1, 2014 as transition date for preparation of financial statements. Accordingly, Statement of Profit and Loss for the financial year 2014-15 has been restated. The effects on basic and Diluted EPS on adoption of Ind-AS from those reported as per previous GAAP are as under:

₹ in Lacs		
Particulars	As reported as per Previous GAAP	As revised as per Ind-AS
Profit/(Loss) attributable to the Equity Shareholders	(36,903.23)	(34,192.33)
Basic Earnings per share of ₹ 10/- each (in ₹)	(5.01)	(4.64)
Diluted Earnings per share of ₹10/- each (in ₹)	(5.01)	(4.64)

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### 33. 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	2015 - 2016	2014 - 2015
a)	Guarantees given by Company's Bankers		
i)	Refund Bank Guarantees given to customers (net of liabilities accounted for)	1,23,198.48	1,18,058.60
ii)	Other Bank Guarantees (Bank Guarantees are provided under contractual/ legal obligations.)	40,961.75	42,026.74
b)	Corporate Guarantee (Given to Banks, Financial Institutions and Body Corporates for credit facilities taken by subsidiary companies to the extent such facilities outstanding)	45,139.43	52,885.20
c)	Demands not acknowledged as Debts (net)		
i)	Income Tax Majority the tax demand due to disallowances by the Income tax department including expenses disallowed U/s. 14 A of the Income Tax Act, 1961.	1,127.31	187.71
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 the Company has challenged the same in appeal for claiming the refund. Such cases also have been considered as part of contingent liability. The Company has also received demand for VAT payable on input services at its Mumbai unit, which has been considered in the 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.	362.90	5,871.19
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 provided in the books have been disclosed as contingent liability. Further, the Company has considered contingent liability in respect of liquidated damages payable to the customers in respect of delays in execution of the contract. Further, post CDR, certain lenders have claimed interest/processing fees and other charges, which are more than what the Company is required to pay as per MRA signed between the Company and the Lenders. The Company has submitted the representation to the respective Lenders for the waiver and pending such settlement the amount has been disclosed as contingent liability.	15,307.02	10,680.66
d)	Letters of Credit opened in favour of the suppliers (Cash outflow is expected on receipt of materials from suppliers)	468.60	5,019.79

## Notes to the Financial Statements

### 34. Commitments:

₹ in Lacs

Sr. No.	Particulars	2015 - 2016	2014 - 2015
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)	68,320.08	68,342.68
b)	Other Commitments (for investment in the Associates and Joint Venture)	802.24	2,463.74

**35.** The Company has issued a Bond cum legal undertaking for ₹ 64,400 lacs (Previous Year: ₹ 44,400 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 ₹ 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 ₹ 1350.00 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.

**36.** The Company has received twenty one 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 to 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.

**37.** In the opinion of the Management, Current Assets, Loans and Advances are of the value stated, if realized in the ordinary course of business.

### 38. Segment Reporting:

#### A. Segment information as per Ind AS - 108 on Operating Segment :

Information provided in respect of revenue items for the year ended March 31, 2016 and in respect of assets/liabilities as at March 31, 2016.

#### I Information about Primary (Product wise) segments :

₹ in Lacs

Sr No	Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
1.	<b>REVENUE</b>				
	External Sales	30,626.25 (69,715.95)	- (13,384.75)	- (-)	30,626.25 (83,100.70)
2.	<b>RESULTS</b>				
	Segment Results	(27,831.11) (-4,087.71)	- (139.20)	- (-)	(27,831.11) (-3,948.51)
	Unallocated Corporate Expenses	- (-)	- (-)	9,135.03 (8,705.82)	9,135.03 (8,705.82)
	<b>Operating Profit / (Loss)</b>	(27,831.11) (-4,087.71)	- (139.20)	(9,135.03) (-8,705.82)	(36,966.14) (-12,654.33)
	Finance Cost	- (-)	- (-)	47,179.40 (45,269.29)	47,179.40 (45,269.29)
	Unallocated Corporate Income	- (-)	- (-)	3,787.35 (3,107.21)	3,787.35 (3,107.21)
	Loss from Ordinary Activities before tax	(27,831.11) (-4,087.71)	- (139.20)	(52,527.08) (-50,867.90)	(80,358.19) (-54,816.41)
	Provision for Income-tax - Net	- (-)	- (-)	(27,493.47) (-20,702.85)	(27,493.47) (-20,702.85)
	Net Loss	(27,831.11) (-4,087.71)	- (139.20)	(25,033.61) (-30,165.05)	(52,864.72) (-34,113.56)

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

Sr No	Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
<b>3.</b>	<b>OTHER INFORMATION</b>				
	Segment Assets	10,38,116.09	-	-	10,38,116.09
		(9,91,531.69)	(3,405.37)	(-)	(9,94,937.06)
	Unallocated Corporate Assets	-	-	37,904.22	37,904.22
		(-)	(-)	(47,117.46)	(47,117.46)
	<b>Total Assets</b>	10,38,116.09	-	37,904.22	10,76,020.31
		(9,91,531.69)	(3,405.37)	(47,117.46)	(10,42,054.52)
	Segment Liabilities	1,22,265.20	-	-	1,22,265.20
		(1,42,764.64)	-	(-)	(1,42,764.64)
	Unallocated Corporate Liabilities	-	-	7,84,294.27	7,84,294.27
		(-)	(-)	(6,77,101.00)	(6,77,101.00)
	<b>Total Liabilities</b>	1,22,265.20	-	7,84,294.27	9,06,559.47
		(1,42,764.64)	-	(6,77,101.00)	(8,19,865.64)

Sr No	Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
1	Capital Expenditure	34,818.50	-	157.10	34,975.60
		(1,17,000.91)	(-)	(207.45)	(1,17,208.36)
2	Depreciation and Amortisation	21,315.89	-	110.52	21,426.41
		(19,611.95)	(-)	(132.72)	(19,744.67)
3	Non-cash Expenses other than Depreciation	-	-	-	-
		(6,524.70)	(-)	(-)	(6,524.70)

Figures in brackets represents previous year's amounts.

## II Information about Secondary Segment :

### Geographical Segment :

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
<b>Revenue by Geographical Segment</b>		
Within India	<b>30,540.22</b>	80,527.84
Outside India	<b>86.03</b>	2,572.86
<b>Total Revenue</b>	<b>30,626.25</b>	83,100.70
<b>Carrying Amount of Segment Assets</b>		
Within India	<b>10,37,321.38</b>	1,006,114.02
Outside India	<b>38,698.93</b>	35,940.50
<b>Total Assets</b>	<b>1,076,020.31</b>	1,042,054.52
<b>Capital Expenditure</b>		
Within India	<b>34,975.60</b>	117,208.36
Outside India	-	-

## Notes to the Financial Statements

### III Revenue from Major Customers :

Revenue under the segment 'Shipbuilding and Fabrication' include ₹ 28,463.43 lacs (Previous Year: ₹ 50,185.87 lacs) from three customers (Previous Year: two customers) having more than 10% revenue of 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.

### 39 Related Party Disclosures:

#### a) List of Related parties

##### 1 Subsidiary Companies

E Complex Private Limited

Reliance Marine and Offshore Limited (formerly Pipavav Marine and Offshore Limited)

Reliance Lighter Than Air Systems Private Limited (formerly Pipavav Lighter Than Air Systems Private Limited)

Reliance Technologies and Systems Private Limited (formerly Pipavav Technologies and Systems Private Limited)

Reliance Engineering and Defence Services Limited (formerly Pipavav Engineering and Defence Services Limited)

PDOC Pte. Ltd.

##### 2 Associates

Reliance Defence Systems Private Limited (w.e.f. 18.01.2016)

Reliance Infrastructure Limited (w.e.f. 18.01.2016)

SKIL Infrastructure Limited

Conceptia Software Technologies Private Limited

##### 3 Person having control over investing party

Mr. Anil D. Ambani (w.e.f. 18.01.2016)

##### 4 Key Managerial Personnel

Mr. Harisimran Singh Malhi (w.e.f. 18.01.2016)

Mr. Sridhar Krishnamurthy (w.e.f. 18.01.2016)

Mr. Ajit Dabholkar

Mr. Nikhil P. Gandhi (up to 18.01.2016)

Mr. Bhavesh P. Gandhi (up to 18.01.2016)

##### 5 Enterprises in which persons mentioned in point 3 and 4 above or their relatives are able to exercise significant influence (Other Related Parties)

Reliance General Insurance Company Limited (w.e.f 18.01.2016)

Reliance Communication Infra Limited (w.e.f 18.01.2016)

Sasan Power Limited (w.e.f 18.01.2016)

SKIL Shipyard Holdings Private Limited

Awaita Properties Private Limited (up to 18.01.2016)

#### 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.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### c) 1 Transactions with related parties for the year ended March 31, 2016 (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	-	-	-	352.01	-	-	<b>352.01</b>
	(-)	(-)	(-)	(276.50)	(-)	(-)	<b>(276.50)</b>
Infrastructure Facility Charges	-	-	-	1,090.00	-	-	<b>1,090.00</b>
	(-)	(-)	(-)	(1,090.00)	(-)	(-)	<b>(1,090.00)</b>
Interest Expenses on ICD	-	-	-	-	-	-	-
	(-)	(-)	(-)	(682.06)	(-)	(-)	<b>(682.06)</b>
Interest Income	8.50	0.10	-	586.70	-	10.42	<b>605.72</b>
	(-)	(-)	(-)	(466.72)	(-)	(-)	<b>(466.72)</b>
Expenses reimbursed to	-	-	-	-	0.15	-	<b>0.15</b>
	(-)	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Lease Deposits - Non Current as at March 31, 2016	-	-	-	7,370.00	-	-	<b>7,370.00</b>
	(-)	(-)	(-)	(7,030.00)	(-)	(-)	<b>(7,030.00)</b>
<b>Loans and Advances</b>							
Balance as at April 1, 2015	32.27	0.16	5.27	5,546.98	-	37.74	<b>5,622.42</b>
	(-)	(-)	(5.50)	(1,613.01)	(-)	(37.75)	<b>(1,656.26)</b>
Given During the year	37.81	131.17	0.42	-	-	46.28	<b>215.68</b>
	(32.27)	(0.16)	(-)	(3,933.96)	(-)	(-)	<b>(3,966.39)</b>
Received During the year	-	-	-	491.22	-	-	<b>491.22</b>
	(-)	(-)	(0.23)	(-)	(-)	(-)	<b>(0.23)</b>
Balance as at March 31, 2016	70.08	131.33	5.69	5,055.76	-	84.03	<b>5,346.89</b>
	(32.27)	(0.16)	(5.27)	(5,546.98)	(-)	(37.75)	<b>(5,622.43)</b>
<b>Interest Receivable</b>							
	7.65	0.10	-	948.08	-	9.37	<b>965.20</b>
	(-)	(-)	(-)	(420.05)	(-)	(-)	<b>(420.05)</b>
<b>Share Application Money</b>							
Balance as at April 1, 2015	-	-	-	-	-	-	-
	(13.00)	(-)	(-)	(-)	(-)	(-)	<b>(13.00)</b>
Received during the year	-	-	-	-	-	-	-
	(-)	(-)	(7.25)	(-)	(-)	(-)	<b>(7.25)</b>
Equity Shares Issued during the year	-	-	-	-	-	-	-
	(13.00)	(-)	(7.25)	(-)	(-)	(-)	<b>(20.25)</b>
Balance as at March 31, 2016	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
<b>Inter Corporate Deposits</b>							
Balance as at April 1, 2015	-	-	-	-	-	-	-
	(-)	(-)	(-)	(15,499.08)	(-)	(-)	<b>(15,499.08)</b>
Received during the year	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Repaid during the year	-	-	-	-	-	-	-
	(-)	(-)	(-)	(15,499.08)	(-)	(-)	<b>(15,499.08)</b>
Balance as at March 31, 2016	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
<b>Corporate Guarantee</b>							
Corporate Guarantee Given	-	11,000.00	-	17,488.66	-	16,650.77	<b>45,139.43</b>
	(-)	(11,000.00)	(-)	(21,663.20)	(-)	(20,222.00)	<b>(52,885.20)</b>
<b>Non Current Investment</b>							
Balance as at March 31, 2016	14.00	5.00	11.74	1,896.73	1.00	5.00	<b>1,933.47</b>
	(14.00)	(5.00)	(11.74)	(1,896.73)	(1.00)	(5.00)	<b>(1,933.47)</b>

Figures in brackets represents previous year's amounts.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### c) 2 Transactions with related parties for the year ended March 31, 2016 (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Associates				Key Managerial Personal			
	SKIL Infrastructure Limited	Conceptia Software Technologies Pvt Ltd	Reliance Infrastructure Ltd	Total	Mr. Anil D. Ambani	Mr. Nikhil Gandhi	Mr. Bhavesh Gandhi	Total
Engineering and Design Fees	- (-)	52.96 (112.31)	- (-)	52.96 (112.31)	- (-)	- (-)	- (-)	- (-)
Interest Expenses on ICD	32.36 (1.24)	- (-)	538.90 (-)	571.26 (1.24)	- (-)	- (-)	- (-)	- (-)
Directors Sitting Fees	- (-)	- (-)	- (-)	- (-)	0.40 (-)	14.00 (12.80)	- (-)	14.40 (12.80)
Short Term Employee Benefits	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	222.27 (360.00)	222.27 (360.00)
Post Employment Benefits	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	27.24 (25.92)	27.24 (25.92)
Expenses Reimbursed to	- (26.07)	- (-)	- (-)	- (26.07)	- (-)	- (-)	- (-)	- (-)
Assignment of Investment	81.00 (-)	- (-)	- (-)	81.00 (-)	- (-)	- (-)	- (-)	- (-)
Trade Payables	- (-)	45.88 (27.44)	- (-)	45.88 (27.44)	- (-)	- (-)	- (-)	- (-)
Other Payables	29.90 (29.90)	- (-)	- (-)	29.90 (29.90)	- (-)	- (-)	- (-)	- (-)
Interest Accrued but not due	33.47 (1.11)	- (-)	485.01 (-)	518.48 (1.11)	- (-)	- (-)	- (-)	- (-)
<b>Borrowings</b>								
Balance as at April 1, 2015	292.17 (-)	- (-)	- (-)	292.17 (-)	- (-)	- (-)	- (-)	- (-)
Received during the year	- (696.02)	- (-)	32,240.00 (-)	32,240.00 (696.02)	- (-)	- (-)	- (-)	- (-)
Repaid during the year	38.15 (403.85)	- (-)	- (-)	38.15 (403.85)	- (-)	- (-)	- (-)	- (-)
Balance as at March 31, 2016	254.02 (292.17)	- (-)	32,240.00 (-)	32,494.02 (292.17)	- (-)	- (-)	- (-)	- (-)
<b>Non Current Investment</b>								
Balance as at March 31, 2016	- (-)	153.48 (153.48)	- (-)	153.48 (153.48)	- (-)	- (-)	- (-)	- (-)

Figures in brackets represents previous year's amounts.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### c) 3 Transactions with related parties for the year ended March 31, 2016 (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Other Related Parties					Total
	SKIL Shipyard Holdings Pvt Ltd	Awaita Properties Pvt Ltd	Reliance General Insurance Ltd	Reliance Communication Infr Ltd	Sasan Power Limited	
Lease Rent	-	461.87	-	-	-	<b>461.87</b>
	(-)	(534.16)	(-)	(-)	(-)	<b>(534.16)</b>
Communication Expenses	-	-	-	0.76	-	<b>0.76</b>
	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Insurance Expenses	-	-	3.04	-	-	<b>3.04</b>
	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Purchase of Material	-	-	-	-	273.57	<b>273.57</b>
	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Interest Expenses on ICD	1,896.95	-	-	-	-	<b>1,896.95</b>
	(18.49)	(-)	(-)	(-)	(-)	<b>(18.49)</b>
Expenses Reimbursed to	-	-	-	-	-	<b>-</b>
	(-)	(27.18)	(-)	(-)	(-)	<b>(27.18)</b>
Lease Deposits – Non Current as at March 31, 2016	-	-	-	-	-	<b>-</b>
	(-)	(325.00)	(-)	(-)	(-)	<b>(325.00)</b>
Trade Payables	-	-	-	0.57	273.57	<b>274.14</b>
	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Other Payables	-	-	-	-	-	<b>-</b>
	(-)	(270.56)	(-)	(-)	(-)	<b>(270.56)</b>
Interest Accrued but not due	1,913.59	-	-	-	-	<b>1,913.59</b>
	(16.64)	(-)	(-)	(-)	(-)	<b>(16.64)</b>
Other Receivables	-	71.03	2.47	-	-	<b>73.50</b>
	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
<b>Borrowings</b>						
Balance as at April 1, 2015	15,750.00	-	-	-	-	<b>15,750.00</b>
	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Received during the year	26.40	-	-	-	-	<b>26.40</b>
	(15,750.00)	(-)	(-)	(-)	(-)	<b>(15,750.00)</b>
Repaid during the year	-	-	-	-	-	<b>-</b>
	(-)	(-)	(-)	(-)	(-)	<b>(-)</b>
Balance as at March 31, 2016	15,776.40	-	-	-	-	<b>15,776.40</b>
	(15,750.00)	(-)	(-)	(-)	(-)	<b>(15,750.00)</b>

Figures in brackets represents previous year's amounts.

### 40 Financial and other Derivative Instruments:

- a Derivative contracts entered into by the Company and outstanding are as under:

#### For Hedging Currency related risks

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Forward Contract	11,641.42	18,745.82
Currency Swap	900.11	1,117.30

- b All derivative and financial instruments acquired by the company are for hedging purpose only.  
c Foreign currency exposures that are not hedged by derivative instruments or forward contracts are:

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Trade Receivables (net)	4,861.08	-
Payables	61,760.41	72,749.42

The advances to the vendors in foreign currency is not consider above.

## Notes to the Financial Statements

### 41. Operating Lease:

The Company has entered into a non cancellable leasing agreements for Land and Infrastructure Facilities for a period of 30 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	
		2015-16	2014-15	2015-16	2014-15
1	Rent debited to statement of profit and loss during the year	492.61	416.09	1,090.00	1,090.00
2	Future Minimum Lease payments payable in:				
	i Less than one year	500.89	416.89	1,090.00	1,090.00
	ii One to five years	2,245.01	1,798.61	4,660.00	4,510.00
	iii More than five years	4,910.19	4,748.07	9,969.28	11,209.29

### 42 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 long-term debt obligations with floating interest rates.

#### 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).

The Company manages its foreign currency risk by hedging transactions that are expected to realise in future.

#### 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.

# Reliance Defence and Engineering Limited

## Notes to the Financial Statements

### 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

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.

## 43 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. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

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.

## 44 Disclosure in Respect of Shipbuilding Contracts under Progress:

		₹ in Lacs	
Sr No.	Particulars	2015 - 2016	2014 - 2015
a	The contract revenue recognised in the year	20,613.79	29,303.55
b	The aggregate amount of cost incurred and recognised profits (less recognised losses) upto the end of year for all contracts in progress.	92,277.00	1,31,472.66
c	Amount of advance received from the customers for contracts in progress.	1,50,488.23	1,45,402.76
d	The retention amount due from customers for contracts in progress as at the end of financial year.	-	-

## 45 Post Reporting Events:

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation

## 46 Authorisation of Financial Statements:

The financial statements for the year ended March 31, 2016 were approved by the Board of Directors on May 14, 2016

## 47 The management and authorities have the power to amend the Financial Statements in accordance with Section 130 and 131 of The Companies Act, 2013.

## 48 First Time Adoption of Ind-AS:

Pursuant to the Companies (Indian Accounting Standard) Rules, 2015, the Company has voluntarily adopted March 31, 2016 as reporting date for first time adoption of Indian Accounting Standard (Ind-AS) and consequently April 1, 2014 as the transition date for preparation of financial statements. The financial statements for the year ended March 31, 2016, are the first financials, prepared in accordance with Ind-AS. Upto the Financial year ended March 31, 2015, the Company prepared its financial statements in accordance with previous GAAP, including accounting standards notified under the Companies (Accounting Standard) Rule, 2006. For preparing these financial statements, opening balance sheet was prepared as at April 1, 2014 i.e. the date of transition to Ind-AS. The figures for the previous periods and for the year ended March 31, 2015 have been restated, regrouped and reclassified, wherever required to comply with Ind-AS and Schedule III to the Companies Act, 2013 and to make them comparable.

## Notes to the Financial Statements

- I The following reconciliations and explanatory notes thereto describe the effects of the transition on the Ind-AS Opening Statement of financial position as at April 1, 2014. All explanations should be read in conjunction with the accounting policies of the Company as disclosed in the Notes to the Accounts.

₹ in Lacs

Particulars	Note	April 1, 2014	March 31, 2015
<b>Equity as per Previous GAAP</b>		2,33,687.88	1,96,914.44
Adjustments to Other Equity:			
<b>a Through Other Reserve to:</b>			
Property, Plant and Equipment (including Capital work in Progress) (net)	III (i)	1,87,259.05	1,87,259.05
Other non-current assets	III (ii)	(2,743.75)	(2,743.75)
Trade Receivables	III (ii)	(66,727.66)	(66,727.66)
Other current assets	III (ii)	(47,279.89)	(47,279.89)
Incidental impact on current provisions	III (ii)	(3,941.31)	(3,941.31)
Deferred tax liabilities (net)	III (iv)	(43,775.09)	(43,775.09)
<b>Sub Total</b>		<u>22,791.35</u>	<u>22,791.35</u>
<b>b Through Retained Earnings for:</b>			
Incremental depreciation	III (i)	-	(6,740.10)
Foreign exchange difference on above adjustments (net)	III (ii)	-	(2,408.01)
Adjustments to deferred tax liabilities (net)	III (iv)	-	11,631.20
<b>Sub Total</b>		<u>-</u>	<u>2,483.09</u>
<b>Total Adjustments</b>		<u><b>22,791.35</b></u>	<u><b>25,274.44</b></u>
<b>Equity as per Ind AS</b>		<u><b>2,56,479.23</b></u>	<u><b>2,22,188.88</b></u>

- II The following reconciliations and explanatory notes thereto describe the effects of the transition on the Ind-AS on Statement of Profit and Loss for the year ended March 31, 2015. All explanations should be read in conjunction with the accounting policies of the Company as disclosed in the Notes to the Accounts.

₹ in Lacs

Particulars	2014-15
<b>Loss as per Previous GAAP</b>	(36,903.23)
Adjustments	
a As explained in Note I (b) above	2,483.09
b Prior period items adjusted to opening balance of retained earnings	98.02
c Incremental Depreciation on opening fixed assets	129.79
<b>Total Adjustments</b>	<u>2,710.90</u>
<b>Loss as per Ind-AS</b>	<u><b>(34,192.33)</b></u>

## Notes to the Financial Statements

### III Notes to the reconciliation

#### i. Property, Plant and Equipment

The Company has as at the date of transition elected to measure Plant and Equipments under property, plant and equipment at fair value as deemed cost. Consequently, depreciation for the financial year 2014 - 15 has been recomputed on the deemed cost as at transition date.

- ii Consequent to the early adoption of Ind-AS, the Company undertook a detailed evaluation of its Non-current assets, trade receivables, other current assets and current liabilities and provisions under Indian GAAP as at the date of transition being April 1, 2014. These assets and liabilities were assessed for future economic benefits expected to flow to the Company or collection or payment expected over the period of time in accordance with Ind-AS principals. Ind-AS requires measurement of provision for bad and doubtful debts to be determined with reference to the expected credit loss model. Such assets and liabilities, based on evaluation, have been measured at the present value discounted at effective interest rate and adjusted to other reserve as at transition date. Accordingly, the Company has made appropriate adjustment on the transition date.
- iii Under previous GAAP, the Company has not presented Other Comprehensive Income (OCI) separately. Hence, the Statement of Profit and Loss under previous GAAP has been reconciled with profit and loss statement and total other comprehensive income as per Ind - AS.
- iv Previous GAAP required recognition of deferred tax using the income statement approach; however, Ind-AS requires the Company to recognise deferred tax using the balance sheet approach. The effect on account of application of Ind-AS has been duly accounted.
- v In the preparation of these Ind-AS Financial Statements, the Company has made several presentation differences between previous GAAP and Ind-AS. These differences have no impact on reported profit or total equity. Accordingly, some assets and liabilities have been reclassified into another line item under Ind-AS at the date of transition. Further, in these Financial Statements, some line items are described differently under Ind-AS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected.

As per our report of even date

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

**Rupesh Shah**  
Partner  
Membership No.: 117964

Place : Mumbai  
Date : May 14, 2016

for and on behalf of the Board of Directors

**Anil D Ambani**  
**Vice Admiral (Retd.) H S Malhi**  
**Amitabh Jhunjhunwala**  
**Bhavesh Gandhi**  
**Comal Ramachandran Gayathri**  
**Lt. Gen. (Retd.) Syed Ata Hasnain**  
**Rahul Sarin**  
**Ajai Vikram Singh**  
**Ryna Karani**  
**Ajay Sharma**  
**Ms. Padmaja Bhaskaran**  
**Sridhar Krishnamurthy**  
**Ajit Dabholkar**

Chairman

Directors

Chief Financial Officer  
Corporate Counsel, Company Secretary &  
Compliance Officer

## Independent Auditor's Report

To the Members of Reliance Defence and Engineering Limited (Formerly Known as Pipavav Defence and Offshore Engineering Company Limited)

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **RELIANCE DEFENCE AND ENGINEERING LIMITED** (Formerly known as Pipavav Defence and Offshore Engineering Company 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, 2016, the Consolidated Profit and Loss Statement, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated 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 and consolidated cash flows 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 Companies Act, 2013, as applicable.

The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 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 financial statements by the Directors of the Holding Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 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

financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 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 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 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 of the Group and its associate as at March 31, 2016, and their consolidated loss and their consolidated cash flows for the year ended on that date.

### Emphasis of Matters

We draw attention to the

- a) note no. 28.1 to the Consolidated Financial Statements regarding managerial remuneration paid or payable to a Executive Director of the Holding Company, which is subject to the approval of Central Government.
- b) note no. 47 to the Consolidated Financial Statements regarding voluntary early adoption of Ind AS by the Group and its consequential impacts on the Other Equity (Reserve & Surplus) as well as restatement / rework of corresponding figures of the previous year and presentations of consolidated financial statements as per the Schedule III of the Companies Act, 2013 as notified vide notification No. G.S.R. 404 (E) dated 6th April 2016 by the Ministry of Corporate Affairs.

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. 155,846 Lacs as at March 31, 2016 and total revenue of Rs. 6,164 Lacs and net cash flows amounting to Rs. 204 Lacs for the year then ended on that date and financial statement of Associate in which the share of profit of the group is Rs. 33 Lacs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our

## Independent Auditors' Report on Consolidated Financial Statements

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 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 subsidiaries Company 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 financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated 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, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS prescribed under Section 133 of the Companies Act, 2013, as applicable.
- e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 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,

2016 from being appointed as a director in terms of Section 164 (2) of the Act.

- f) 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.
- g) 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, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates, as referred to in note 32 to the consolidated financial statements.
  - ii. Provision has been made in the consolidated 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and its associate company.

**For Pathak H. D. & Associates**  
**Chartered Accountants**  
Firm Regn. No: 107783W

**Rupesh Shah**  
Partner  
Membership No. 117964

Place : Mumbai  
Date : 14<sup>th</sup> May, 2016

## Annexure "A" to the Independent Auditor's Report

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

### 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 financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of **RELIANCE DEFENCE AND ENGINEERING LIMITED** (Formerly known as Pipavav Defence and Offshore Engineering Company 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, all 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 associates, 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 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 on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India and the Standards on 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 Holding Company its subsidiaries and its associate, 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, 2016, 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 Regn. No: 107783W

**Rupesh Shah**  
Partner  
Membership No. 117964

Place : Mumbai  
Date : 14<sup>th</sup> May, 2016

# Reliance Defence and Engineering Limited

## Consolidated Balance Sheet as at March 31, 2016

Particulars	Notes	₹ in Lacs		
		As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
<b>I Assets</b>				
<b>(1) Non Current Assets</b>				
Property, Plant and Equipment	2	5,84,794.45	6,04,654.18	5,38,843.57
Capital Work in Progress	2	3,80,267.58	3,45,996.75	2,99,356.78
Intangible Assets	2	312.25	330.03	408.68
Intangible Assets under Development	2	8,115.47	5,909.45	1,846.57
		<u>9,73,489.75</u>	<u>9,56,890.41</u>	<u>8,40,455.60</u>
Goodwill on Consolidation		1,018.96	1,018.96	1,018.22
Financial Assets				
Non Current Investments	3	30,201.83	30,168.76	188.28
Other Non Current Financial Assets	4	6,215.00	3,219.99	25,655.32
		<u>36,416.83</u>	<u>33,388.75</u>	<u>25,843.60</u>
Other Non Current Assets	5	41,877.78	41,340.35	56,515.16
		<u>41,877.78</u>	<u>41,340.35</u>	<u>56,515.16</u>
		<b>10,52,803.32</b>	<b>10,32,638.47</b>	<b>9,23,832.58</b>
<b>(2) Current Assets</b>				
Inventories	6	61,436.30	31,128.90	23,094.30
		<u>61,436.30</u>	<u>31,128.90</u>	<u>23,094.30</u>
Financial Assets				
Current Investments	7	9.54	-	-
Trade Receivables	8	1,098.33	4,546.20	68,620.13
Cash and Cash Equivalents	9	4,669.24	2,641.48	4,628.12
Other Bank Balances	10	11,282.83	18,198.24	28,373.87
Other Current Financial Assets	11	437.05	312.07	-
		<u>17,496.99</u>	<u>25,697.99</u>	<u>1,01,622.12</u>
Other Current Assets	12	50,406.89	53,259.94	71,688.31
		<u>50,406.89</u>	<u>53,259.94</u>	<u>71,688.31</u>
		<b>1,29,340.18</b>	<b>1,10,086.83</b>	<b>1,96,404.73</b>
<b>Total</b>		<b><u>11,82,143.50</u></b>	<b><u>11,42,725.30</u></b>	<b><u>11,20,237.31</u></b>
<b>II Equity and Liabilities</b>				
<b>(1) Equity</b>				
Equity Share Capital	13	73,620.63	73,620.63	73,620.63
Other Equity		1,28,863.76	1,87,968.94	2,25,210.89
		<b>2,02,484.39</b>	<b>2,61,589.57</b>	<b>2,98,831.52</b>
<b>(2) Liabilities</b>				
<b>Non Current Liabilities</b>				
Financial Liabilities	14	5,98,389.55	5,48,946.17	2,09,658.52
Long Term Borrowings		5,98,389.55	5,48,946.17	2,09,658.52
Non Current Provisions	15	298.73	410.79	282.91
Deferred Tax Liabilities (net)	16	5,051.51	32,859.24	53,671.07
Other Non Current Liabilities	17	5,624.21	5,624.21	14,770.69
		<u>10,974.45</u>	<u>38,894.24</u>	<u>68,724.67</u>
		<b>6,09,364.00</b>	<b>5,87,840.41</b>	<b>2,78,383.19</b>
<b>Current Liabilities</b>				
Financial Liabilities	18	1,87,811.26	1,22,589.98	2,70,410.61
Short Term Borrowings	19			
Trade Payables		315.30	940.30	839.08
(i) Due to Micro and Small Enterprise		26,988.87	29,711.64	30,769.79
(ii) Due to others		59,394.61	25,645.93	86,978.67
Other Current Financial Liabilities	20	2,74,510.04	1,78,887.85	3,88,998.15
Other Current Liabilities	21	25,649.92	53,073.25	98,381.22
Current Provisions	22	70,135.15	61,334.22	55,643.23
		<u>95,785.07</u>	<u>1,14,407.47</u>	<u>1,54,024.45</u>
		<b>3,70,295.11</b>	<b>2,93,295.32</b>	<b>5,43,022.60</b>
<b>Total</b>		<b><u>11,82,143.50</u></b>	<b><u>11,42,725.30</u></b>	<b><u>11,20,237.31</u></b>
Significant Accounting Policies	1			
Notes to the Financial Statements	2 to 47			

As per our report of even date  
**For Pathak H. D. & Associates**  
Chartered Accountants  
Firm Registration No. 107783W

**Rupesh Shah**  
Partner  
Membership No.: 117964

for and on behalf of the Board of Directors

<b>Anil D Ambani</b>	Chairman
<b>Vice Admiral (Retd.) H S Malhi</b>	
<b>Amitabh Jhunjhunwala</b>	Directors
<b>Bhavesh Gandhi</b>	
<b>Comal Ramachandran Gayathri</b>	
<b>Lt. Gen. (Retd.) Syed Ata Hasnain</b>	
<b>Rahul Sarin</b>	
<b>Ajai Vikram Singh</b>	
<b>Ryna Karani</b>	
<b>Ajay Sharma</b>	
<b>Ms. Padmaja Bhaskaran</b>	
<b>Sridhar Krishnamurthy</b>	
<b>Ajit Dabholkar</b>	Chief Financial Officer
	Corporate Counsel, Company Secretary & Compliance Officer

Place : Mumbai  
Date : May 14, 2016

# Reliance Defence and Engineering Limited

## Consolidated Statement of Profit and Loss for the year ended March 31, 2016

				₹ in Lacs
Particulars	Notes	For the year ended March 31, 2016	For the year ended March 31, 2015	
<b>Revenue</b>				
Gross Revenue from Operations		31,248.72	91,220.67	
Less: Excise duty recovered		31.99	69.55	
Net Revenue from Operations	23	31,216.73		91,151.12
Other Income	24	3,366.92		3,151.38
<b>Total Revenue</b>		<b>34,583.65</b>		<b>94,302.50</b>
<b>Expenses</b>				
Cost of Materials Consumed	25	9,184.59		7,977.65
Purchase of Stock-in-Trade	26	-		21,211.85
Changes in Inventories of Work in Progress & Scrap	27	(3,553.02)		(1,126.25)
Employee Benefits Expenses	28	5,807.55		6,244.70
Finance Costs	29	53,706.36		48,688.60
Depreciation and Amortisation Expenses	2	22,135.61		20,391.69
Other Expenses	30	34,446.47		48,723.34
<b>Total Expenses</b>		<b>1,21,727.56</b>		<b>1,52,111.58</b>
<b>Loss Before Tax</b>		<b>(87,143.91)</b>		<b>(57,809.08)</b>
Tax Expense – Current Tax		-		-
– Deferred Tax Credit		(27,868.84)		(20,764.21)
– Income Tax for Earlier Years		-		21.91
<b>Loss for the year from continued operations</b>		<b>(59,275.07)</b>		<b>(37,066.78)</b>
Add:- Consolidated share in the profits of associate		33.07		12.48
<b>Loss for the year</b>		<b>(59,242.00)</b>		<b>(37,054.30)</b>
<b>Other Comprehensive Income</b>				
<b>Other Comprehensive Income to be reclassified to profit and loss in subsequent year</b>				
Exchange differences on translation of Foreign Operations		0.14		(0.23)
<b>Other Comprehensive Income not to be reclassified to profit and loss in subsequent year</b>				
Actuarial gains/(losses) on defined benefit plans		197.81		(129.18)
Income Tax relating to Other Comprehensive Income		(61.13)		39.78
<b>Other Comprehensive Income for the year</b>		<b>136.82</b>		<b>(89.63)</b>
<b>Total Comprehensive Income for the year</b>		<b>(59,105.18)</b>		<b>(37,143.93)</b>
Earnings per Equity Share of ₹ 10/- each	31			
– Basic (In Rupees)		(8.03)		(5.05)
– Diluted (In Rupees)		(8.03)		(5.05)
Significant Accounting Policies	1			
Notes to the Financial Statements	2 to 47			

As per our report of even date

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

**Rupesh Shah**  
Partner  
Membership No.: 117964

for and on behalf of the Board of Directors

<b>Anil D Ambani</b>	}	Chairman
<b>Vice Admiral (Retd.) H S Malhi</b>		
<b>Amitabh Jhunjhunwala</b>	}	Directors
<b>Bhavesh Gandhi</b>		
<b>Comal Ramachandran Gayathri</b>		
<b>Lt. Gen. (Retd.) Syed Ata Hasnain</b>		
<b>Rahul Sarin</b>		
<b>Ajai Vikram Singh</b>		
<b>Ryna Karani</b>		
<b>Ajay Sharma</b>		
<b>Ms. Padmaja Bhaskaran</b>		
<b>Sridhar Krishnamurthy</b>		
<b>Ajit Dabholkar</b>	Corporate Counsel, Company Secretary & Compliance Officer	

Place : Mumbai  
Date : May 14, 2016

# Reliance Defence and Engineering Limited

## Statement of Changes in Equity for the year ended March 31, 2016

### A Equity Share Capital

₹ in Lacs

Particulars	As at March 31, 2016		As at March 31, 2015	
	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	-	-	-	-
Equity shares at the end of the year	73,62,06,269	73,620.63	73,62,06,269	73,620.63

### B Other Equity

₹ in Lacs

Particulars	Capital Reserve	Securities Premium	Other Reserve*	Foreign Currency Translation Reserve	Retained Earning	Total
<b>As at April 1, 2014</b>	6,254.96	1,49,327.83	64,527.97	(0.08)	5,100.21	2,25,210.89
<b>Add/(Less):</b>						
Loss for the year	-	-	-	-	(37,054.30)	(37,054.30)
Other Comprehensive Income	-	-	-	-	(89.40)	(89.40)
Prior period items related to earlier financial year	-	-	-	-	(98.02)	(98.02)
Effect of Foreign Exchange rate fluctuation during the year	-	-	-	(0.23)	-	(0.23)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.23)</b>	<b>(37,241.72)</b>	<b>(37,241.95)</b>
<b>As at March 31, 2015</b>	6,254.96	1,49,327.83	64,527.97	(0.31)	(32,141.51)	1,87,968.94
Loss for the year	-	-	-	-	(59,242.00)	(59,242.00)
Other Comprehensive Income	-	-	-	-	136.68	136.68
Effect of Foreign Exchange rate fluctuation during the year	-	-	-	0.14	-	0.14
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.14</b>	<b>(59,105.32)</b>	<b>(59,105.18)</b>
<b>As at March 31, 2016</b>	<b>6,254.96</b>	<b>1,49,327.83</b>	<b>64,527.97</b>	<b>(0.17)</b>	<b>(91,246.83)</b>	<b>1,28,863.76</b>

\* not available for distribution as dividend

Note: Other Reserve is created pursuant to first time adoption of Ind-AS. Refer note no 47 for disclosure.

As per our report of even date  
**For Pathak H. D. & Associates**  
 Chartered Accountants  
 Firm Registration No. 107783W

**Rupesh Shah**  
 Partner  
 Membership No.: 117964

Place : Mumbai  
 Date : May 14, 2016

for and on behalf of the Board of Directors

<b>Anil D Ambani</b>	Chairman
<b>Vice Admiral (Retd.) H S Malhi</b>	
<b>Amitabh Jhunjhunwala</b>	Directors
<b>Bhavesh Gandhi</b>	
<b>Comal Ramachandran Gayathri</b>	
<b>Lt. Gen. (Retd.) Syed Ata Hasnain</b>	
<b>Rahul Sarin</b>	
<b>Ajai Vikram Singh</b>	
<b>Ryna Karani</b>	
<b>Ajay Sharma</b>	
<b>Ms. Padmaja Bhaskaran</b>	
<b>Sridhar Krishnamurthy</b>	
<b>Ajit Dabholkar</b>	Chief Financial Officer Corporate Counsel, Company Secretary & Compliance Officer

# Reliance Defence and Engineering Limited

## Consolidated Cash Flow Statement for the year ended March 31, 2016

₹ in Lacs

Sr. No.	Particulars	2015 - 2016	2014 - 2015
<b>A</b>	<b>Cash Flow from Operating Activities</b>		
	Net Profit before Tax	(87,143.91)	(57,809.08)
	Adjustments for :-		
	Depreciation and Amortisation Expenses	22,135.61	20,391.69
	Interest Income	(1,269.24)	(2,267.50)
	Dividend on Current Investments	(32.18)	(14.38)
	Loss / (Profit) on sale of fixed assets (net)	13.27	11.97
	Finance Costs	53,706.36	48,688.61
	Provision for Wealth Tax	-	1.95
	Excess provision of subsidy written off	-	6,507.49
	Provision for estimated cost over contract revenue	(4,266.67)	(429.09)
	Actuarial gains/(losses) on defined benefit plans	197.81	(129.18)
	Prior period items	-	(98.02)
	Cost estimated for revenue recognised	13,112.90	6,031.03
	Balances written off (net)	(1,883.55)	(482.79)
	Foreign exchange loss (net)	2,482.20	6,005.77
	<b>Operating profit before working capital changes</b>	<b>(2,947.40)</b>	<b>26,408.47</b>
	<b>Adjusted for</b>		
	Inventories	(30,307.40)	(8,034.61)
	Trade and Other Receivables	(691.55)	75,001.10
	Trade and Other Payables	(24,884.49)	(49,478.51)
	<b>Cash Generated from Operations</b>	<b>(58,830.84)</b>	<b>43,896.45</b>
	Direct Taxes (Paid) / Refund	(995.02)	(688.24)
	<b>Net Cash (Used) / Generated from Operating Activities</b>	<b>(59,825.86)</b>	<b>43,208.21</b>
<b>B</b>	<b>Cash Flow from Investing Activities</b>		
	Purchase of Fixed Assets and Capital Work in Progress	(2,657.46)	(97,064.51)
	Sale of Fixed Assets	30.72	14.86
	Purchase of Investments including advance against Investment	(5,000.00)	(16,977.00)
	Sale of Investments including advance against Investment	5,081.00	7,150.00
	Dividend received on Current Investments	22.64	14.38
	<b>Net Cash used in Investing Activities</b>	<b>(2,523.10)</b>	<b>(1,06,862.27)</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>		
	Proceeds from Issue of debentures	-	12,000.00
	Redemption of Debentures	(7,000.00)	-
	Proceeds from Long Term Borrowings	18,646.79	1,45,181.56
	Repayment of Long Term Borrowings	(16,190.40)	(73,148.74)
	Short Term Borrowings (net)	95,725.38	19,112.72
	Interest paid	(33,825.38)	(57,642.51)
	Margin Money (net)	6,112.45	13,815.16
	Interest received	1,144.26	2,127.50
	Realised (loss)/gain on currency swap transactions	(236.38)	221.72
	<b>Net Cash Flow from Financing Activities</b>	<b>64,376.72</b>	<b>61,667.41</b>
	<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>2,027.76</b>	<b>(1,986.65)</b>
	Cash and Cash Equivalents - Opening balance	2,641.48	4,628.12
	Cash and Cash Equivalents - Closing balance	4,669.24	2,641.48

### Notes:

- (1) The above cash flow statement has been prepared under the "indirect method" as set out in Ind-AS 7 - Cash flow Statement.
- (2) Figures in brackets indicate outflow.
- (3) Previous year figures have been regrouped/rearranged/recasted wherever necessary to make them comparable with those of current year.

As per our report of even date  
**For Pathak H. D. & Associates**  
Chartered Accountants  
Firm Registration No. 107783W

**Rupesh Shah**  
Partner  
Membership No.: 117964

for and on behalf of the Board of Directors

<b>Anil D Ambani</b>	Chairman
<b>Vice Admiral (Retd.) H S Malhi</b>	
<b>Amitabh Jhunjhunwala</b>	Directors
<b>Bhavesh Gandhi</b>	
<b>Comal Ramachandran Gayathri</b>	
<b>Lt. Gen. (Retd.) Syed Ata Hasnain</b>	
<b>Rahul Sarin</b>	
<b>Ajai Vikram Singh</b>	
<b>Ryna Karani</b>	
<b>Ajay Sharma</b>	
<b>Ms. Padmaja Bhaskaran</b>	Chief Financial Officer
<b>Sridhar Krishnamurthy</b>	
<b>Ajit Dabholkar</b>	Corporate Counsel, Company Secretary & Compliance Officer

Place : Mumbai  
Date : May 14, 2016

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 1. Statement of Significant Accounting Policies

#### a General Information:

Reliance Defence and Engineering Limited ("RDEL" or "the Company") was incorporated on October 17, 1997. The name of the Company has been changed from Pipavav Defence and Offshore Engineering Company Limited during the year and fresh certificate of incorporation was issued by the Ministry of Corporate Affairs (MCA), Government of India on March 3, 2016. The Company is domiciled in India having registered office at Pipavav Port, Post Ucchayi, Via-Rajula, District Amreli (Gujarat) and listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company is mainly engaged in the construction of vessels, repairs and refits of ships and rigs and heavy engineering.

#### b Basis of Preparation of Consolidated Financial Statements:

These consolidated financial statements have been prepared in compliance with Indian Accounting Standards (Ind - AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, on the accrual basis. These Consolidated Financial Statements are the Company's first Ind - AS Consolidated Financial Statements and as covered by Ind - AS 101 "First-time adoption of Indian Accounting Standards". For all periods up to and including the year ended March, 31 2015, the Company has prepared its Financial Statements in accordance with Indian GAAP, including the accounting standards (AS) notified under the Companies (Accounting Standards) Rules, 2006 (as amended), which is considered as "Previous GAAP". An explanation of how the transition to Ind-AS has affected the Company's equity and its net profits is provided in note no 47.

#### c Principles of Consolidation:

The consolidated financial statements relate to the Reliance Defence 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.
- 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 associates and the share of net assets at the time of acquisition of shares in associates are identified in the Consolidated Financial Statements as Goodwill or Capital Reserve as the case may be.

#### d Functional and Presentation Currency:

The Consolidated Financial Statements are presented in Indian rupees 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 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

## Notes to the Consolidated Financial Statements

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 Consolidated 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; 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:

Ind - AS 115 "Revenue from Contract with Customers" : The MCA had notified Ind - AS 115 "Revenue from Contract with Customers" in February, 2015. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Company is in the process of making an assessment of the impact of Ind - AS 115 upon initial application. As at the date of this report, the Company does not expect any impact on the operational results and financial position will be material upon adoption of Ind - AS 115.

# Reliance Defence and Engineering Limited

## Notes to the Consolidated 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 equivalents 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 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 equipments have been carried at value in accordance with the previous GAAP.
- 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.
- 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.

## Notes to the Consolidated Financial Statements

### IV Intangible Assets:

Intangible Assets 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 - 5 years.

### V Fair Value Measurement:

Fair value is the price that would be received to sell an asset or settle a liability in an ordinary transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing an asset or a liability acting in their best economic interest. The fair value of plants and equipments as at transition date 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 and equipments is determined on Specific Identification Method 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 includes income from sale of goods, services 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:
  - identify the Contract with Customer
  - identify the performance obligations in the contract
  - determining the transaction price
  - allocate the transaction price to the performance obligations in the contract
  - 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, progress of performance obligation is measured using output method, where milestones reached are certified by respective customers.
  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 the agreements entered in to with the buyers, which are subject to fulfilment of obligations/ conditions imposed by the statutory authorities is postponed till such obligations are discharged.

## Notes to the Consolidated Financial Statements

- 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:

Government subsidy related to ship building contracts are recognized at their fair value 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 grants are recognized in the Statement of Profit and Loss and presented under the head revenue from operations.

### 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 remeasured 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 or 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 and 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 within the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

## Notes to the Consolidated Financial Statements

### 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.

## **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.

### iii **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.

### iv **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.

### v **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.

## Notes to the Consolidated Financial Statements

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 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.

## Notes to the Consolidated Financial Statements

### 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 life 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 Provision for Doubtful Debts and Loans and Advances:

Provision is made in the accounts for doubtful debts, loans and advances in cases where the management considers the debts, loans and advances to be doubtful of recovery.

### XVI 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.

### XVII Provision, Contingent Liabilities and Contingent Assets:

A provision is recognised 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 Consolidated Financial Statements when economic inflow is probable.

### XVIII Preliminary and Issue Expenses:

Preliminary Expenses related to issue of equity and equity related instruments are adjusted against the Securities Premium.

### 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	SEZ Developer	India	100%
Reliance Marine and Offshore Limited (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 air ships and aerostat	India	100%
PDOC Pte. Ltd.	Yet to commence business	Singapore	100%
Reliance Engineering and Defence Services Limited (formerly Pipavav Engineering and Defence Services Limited)	Yet to commence business	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	India	25.50%

(The Company is engaged in the business of Software Design)

#### c The carrying amount of investment in associate includes Goodwill of ₹ 110.21 Lacs.

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

₹ in lacs

Particulars	Gross Block			Depreciation and Amortisation			Net Block		
	As at 1-Apr-15	Additions during the year	Deductions	As at 31-Mar-16	Upto 31-Mar-15	For the year	Upto 31-Mar-16	As at 31-Mar-16	As at 31-Mar-15
<b>2A</b>									
<b>Property, Plant and Equipment</b>									
<b>Owned Assets</b>									
Land and Site Development	49,073.00	-	-	49,073.00	-	-	-	49,073.00	49,073.00
Buildings	54,685.02	452.09	-	55,137.11	8,925.53	1,720.84	10,646.37	44,490.74	45,759.49
Plant and Equipments	5,20,662.94	1,527.49	14.61	5,22,175.82	51,447.32	17,066.26	68,502.78	4,53,673.04	4,69,215.62
Furniture and Fixtures	960.67	9.13	9.71	960.09	477.18	88.13	561.33	398.76	483.49
Office Equipments	315.54	35.59	5.75	345.38	200.45	55.65	253.04	92.34	115.09
Vehicles	635.26	159.28	165.63	628.91	337.68	82.53	286.34	342.57	297.58
<b>Sub Total</b>	<b>6,26,332.43</b>	<b>2,183.58</b>	<b>195.70</b>	<b>6,28,320.31</b>	<b>61,388.16</b>	<b>19,013.41</b>	<b>80,249.86</b>	<b>5,48,070.45</b>	<b>5,64,944.27</b>
<b>Leased Assets</b>									
Leasehold Land and Development	48,448.79	-	-	48,448.79	8,738.88	2,985.91	11,724.79	36,724.00	39,709.91
<b>Sub Total</b>	<b>48,448.79</b>	<b>-</b>	<b>-</b>	<b>48,448.79</b>	<b>8,738.88</b>	<b>2,985.91</b>	<b>11,724.79</b>	<b>36,724.00</b>	<b>39,709.91</b>
<b>Total</b>	<b>6,74,781.22</b>	<b>2,183.58</b>	<b>195.70</b>	<b>6,76,769.10</b>	<b>70,127.04</b>	<b>21,999.32</b>	<b>91,974.65</b>	<b>5,84,794.45</b>	<b>6,04,654.18</b>
<b>2B</b>									
<b>INTANGIBLE ASSETS</b>									
Computer Softwares*	864.78	118.51	-	983.29	534.75	136.29	671.04	312.25	330.03
<b>Total</b>	<b>864.78</b>	<b>118.51</b>	<b>-</b>	<b>983.29</b>	<b>534.75</b>	<b>136.29</b>	<b>671.04</b>	<b>312.25</b>	<b>330.03</b>
<b>Total (2A+2B)</b>	<b>6,75,646.00</b>	<b>2,302.09</b>	<b>195.70</b>	<b>6,77,752.39</b>	<b>70,661.79</b>	<b>22,135.61</b>	<b>92,645.69</b>	<b>5,85,106.70</b>	<b>6,04,984.21</b>
Previous Year	5,89,536.04	86,514.94	404.98	6,75,646.00	50,291.87	20,391.69	70,661.79	6,04,984.21	6,04,984.21
Capital Work in Progress								3,80,267.58	3,45,996.75
Intangible Assets under development								8,115.47	5,909.45

\* Other than Internally Generated.

Notes to the Consolidated Financial Statements

2.1 The reconciliation of Fixed Assets on adoption of Ind-AS as compared to reported under previous GAAP is given below:

₹ in Lacs

Particulars	Gross Block				Depreciation and Amortisation				Net Block	
	As at 1-Apr-14	Additions as per fair valuation	Additions during the year	Deductions	As at 31-Mar-15	Upto 31-Mar-14	For the year	Deductions	Upto 31-Mar-15	As at 31-Mar-15
<b>2.1A Property, Plant and Equipment</b>										
<b>Owned Assets</b>										
Land and Site Development	3,110.25	45,962.75	-	-	49,073.00	-	-	-	-	49,073.00
Buildings	52,059.35	-	2,625.67	-	54,685.02	7,258.75	1,666.78	-	8,925.53	45,759.49
Plant and Equipments	2,37,586.81	2,08,122.17	75,319.98	366.01	5,20,662.95	35,858.94	15,591.37	3.00	51,447.32	4,69,215.63
Furniture and Fixtures	929.16	-	31.51	-	960.67	390.50	86.68	-	477.18	483.49
Office Equipments	287.01	-	36.01	7.48	315.54	85.47	122.62	7.63	200.46	115.08
Vehicles	547.39	-	119.36	31.49	635.26	248.02	100.81	11.15	337.68	297.58
<b>Sub Total</b>	<b>2,94,519.97</b>	<b>2,54,084.92</b>	<b>78,132.53</b>	<b>404.98</b>	<b>6,26,332.44</b>	<b>43,841.68</b>	<b>17,568.26</b>	<b>21.78</b>	<b>61,388.17</b>	<b>5,64,944.27</b>
<b>Leased Assets</b>										
Leasehold Land and Development	40,121.45	-	8,327.33	-	48,448.78	6,049.21	2,689.66	-	8,738.87	39,709.91
<b>Sub Total</b>	<b>40,121.45</b>	<b>-</b>	<b>8,327.33</b>	<b>-</b>	<b>48,448.78</b>	<b>6,049.21</b>	<b>2,689.66</b>	<b>-</b>	<b>8,738.87</b>	<b>39,709.91</b>
<b>Total</b>	<b>3,34,641.42</b>	<b>2,54,084.92</b>	<b>86,459.86</b>	<b>404.98</b>	<b>6,74,781.22</b>	<b>49,890.89</b>	<b>20,257.92</b>	<b>21.78</b>	<b>70,127.04</b>	<b>6,04,654.18</b>
<b>2.1B INTANGIBLE ASSETS</b>										
Computer Softwares	809.68	-	55.10	-	864.78	400.98	133.77	-	534.75	330.03
<b>Total</b>	<b>809.68</b>	<b>-</b>	<b>55.10</b>	<b>-</b>	<b>864.78</b>	<b>400.98</b>	<b>133.77</b>	<b>-</b>	<b>534.75</b>	<b>330.03</b>
<b>Total (2.1A+2.1B)</b>	<b>3,35,451.10</b>	<b>2,54,084.92</b>	<b>86,514.96</b>	<b>404.98</b>	<b>6,75,646.00</b>	<b>50,291.87</b>	<b>20,391.69</b>	<b>21.78</b>	<b>70,661.79</b>	<b>6,04,984.21</b>

2.2 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.

2.3 All the fixed assets of the Company are either mortgaged or hypothecated against the secured borrowings of the Company as detailed in note no. 14 and 18 to the financial statements

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 2.4 Capital Work in Progress includes:

	₹ in Lacs	
Particulars	2015 - 2016	2014 - 2015
- Material at site	<b>1,359.30</b>	1,209.02
- Assets under construction and installation*	<b>2,43,356.52</b>	2,43,653.45
- Preoperative expenses	<b>1,35,551.75</b>	1,01,134.28

\* net of impairment provision of ₹ 20,555.26 lacs (previous year: ₹ 20,555.26 lacs)

### 2.5 Intangible Assets under development includes:

	₹ in Lacs	
Particulars	2015 - 2016	2014 - 2015
- Software development and Licence Fees	<b>6,820.69</b>	5,112.72
- Preoperative expenses	<b>1,294.78</b>	796.73

### 2.6 Details of Preoperative expenses are as under:

	₹ in Lacs	
Particulars	2015 - 2016	2014 - 2015
Opening Balance	<b>1,01,931.01</b>	70,917.24
<b>Add:</b>		
Salaries, Wages and Allowances	<b>38.09</b>	774.22
Legal and Professional Charges	-	467.14
Travelling, Conveyance and Vehicle Hire Charges	-	5.61
Insurance	<b>109.97</b>	-
<b>Finance Costs</b>		
Interest Expenses	<b>34,982.21</b>	34,777.63
Exchange Differences regarded as an adjustment to borrowing costs	<b>1,977.30</b>	702.27
Other Borrowing Costs	-	987.80
<b>Less:</b>		
Redemption premium	<b>2,192.05</b>	1,426.20
	<b>1,36,846.53</b>	1,07,205.71
<b>Less:</b>		
Allocated to Fixed Assets	-	5,274.70
<b>Closing Balance</b>	<b>1,36,846.53</b>	1,01,931.01

2.7 During the year the Company has capitalised borrowing cost related to specific borrowings aggregating to ₹ 36,959.51 Lacs (Previous year: ₹. 36,467.70 Lacs). The Average rate used to determine the amount of borrowing cost is 10.78%, Additions in the Plant and Equipments include interest and financial charges of ₹ NIL (Previous Year ₹ 5,274.70 Lacs).

2.8 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 the Consolidated Financial Statements

### 3. Non Current Investments

Particulars	% of holding	Face Value	Numbers		₹ in Lacs	
			31-Mar-16	31-Mar-15	As at March 31, 2016	As at March 31, 2015
<b>Long Term Trade Investments (Unquoted and fully paid up)</b>						
<b>In Equity Shares of Associate Company</b>						
Conceptia Software Technologies Private Limited	25.50%	₹ 10	1,12,200	1,12,200	233.78	200.71
					233.78	200.71
<b>Long Term Trade Investment in 0% Non Convertible Non Secured Bonds of the Corporates</b>						
Avocado Reality Private Limited		₹100000	6,173	-	6,173.00	6,173.00
Budding Merchantile Company Private Limited		₹100000	6,545	-	6,545.00	6,545.00
Replinish Reality Private Limited		₹100000	4,500	-	4,500.00	4,500.00
Slimline Reality Private Limited		₹100000	5,300	-	5,300.00	5,300.00
Winsome Reality Private Limited		₹100000	7,450	-	7,450.00	7,450.00
					29,968.00	29,968.00
<b>In Government and Other Securities</b>						
6 years National Savings Certificate (Deposited with Sales Tax Department)		-	-	-	0.05	0.05
					0.05	0.05
					30,201.83	30,168.76
<b>Total</b>						

#### 3.1 Aggregate amount of Non Current Investments.

Particulars	As at March 31, 2016		As at March 31, 2015	
	Book Value	Market Value	Book Value	Market Value
	Quoted Investments	-	-	-
Unquoted Investments	30,201.83	-	30,168.76	-
<b>Total</b>	30,201.83	-	30,168.76	-

3.2 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. The Company 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.

3.3 Details of Non Current Investment as at April 1, 2014 are as under:

Particulars	% of holding	Face Value	Numbers	As at
				April 1, 2014
<b>Long Term Trade Investments (Unquoted and fully paid up)</b>				
<b>In Equity Shares of Associate Company</b>				
Conceptia Software Technologies Private Limited	25.50	10	11,200	188.23
<b>In Government and Other Securities</b>				
6 years National Savings Certificate (Deposited with Sales Tax Department)		-	-	0.05
				188.28
<b>Total</b>				

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 4. Other Non Current Financial Assets:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Fixed Deposits with Banks held as Margin Money	2,596.75	1,793.79	5,433.32
Redemption Premium Receivable	3,618.25	1,426.20	-
Bond Application Money	-	-	20,222.00
<b>Total</b>	<b>6,215.00</b>	<b>3,219.99</b>	<b>25,655.32</b>

### 5. Other Non Current Assets:

#### (Unsecured and considered good)

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Capital Advances	33,563.59	33,563.59	49,408.59
Security Deposits with			
Related Parties (refer note no 37)	-	325.00	325.00
Others	630.84	680.38	755.47
Advance against investments	-	81.00	-
Advance Taxes (net)	4,214.44	3,221.47	2,551.68
MAT credit entitlement	3,468.91	3,468.91	3,474.42
<b>Total</b>	<b>41,877.78</b>	<b>41,340.35</b>	<b>56,515.16</b>

5.1 Refer note no 47 for disclosure relating to first time adoption of Ind-AS

5.2 Capital Advances include ₹12,985 lacs given for acquisition of land about 57.055 Acres situated at Belawade, Taluka Pen, District Raighad, Maharashtra. The Company intends to use the said land for the purpose of manufacturing in course of its business activities

5.3 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 ten 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 the 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.

### 6 Inventories:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Raw Materials	53,091.22	28,519.33	21,028.54
Raw Materials in Transit	2,721.15	374.42	543.00
Work in Progress	4,692.58	1,064.18	12.67
Stores and Spares	894.52	1,058.76	1,472.62
Scrap	36.83	112.21	37.47
<b>Total</b>	<b>61,436.30</b>	<b>31,128.90</b>	<b>23,094.30</b>

6.1 Refer Note No. 1(h)(VI) for basis of valuation.

## Notes to the Consolidated Financial Statements

### 7 Current Investments (Unquoted):

₹ in Lacs

Particulars	Face Value (₹)	Numbers 31-Mar-16	Amount 31-Mar-16	Numbers 31-Mar-15	Amount 31-Mar-15
<b>In Units of Mutual Funds</b>					
SBI MF Premier Liquid Fund	1,003.25	951	9.54	-	-
<b>Total</b>			9.54		-

7.1 Refer Note No. 1(h)(X) for basis of valuation.

7.2 Aggregate amount of Current Investments.

₹ in Lacs

Particulars	As at March 31, 2016		As at March 31, 2015	
	Book Value	Market Value	Book Value	Market Value
Quoted Investments	-	-	-	-
Unquoted Investments	9.54	-	-	-
<b>Total</b>	9.54	-	-	-

7.3 There was no current investment as at April 1, 2014

### 8 Trade Receivables (Unsecured):

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Considered Good	1,098.33	4,546.20	68,620.13
Considered Doubtful	83,024.11	83,024.11	70,938.10
	84,122.44	87,570.31	139,558.23
Less: Provision for Impairment	83,024.11	83,024.11	70,938.10
	1,098.33	4,546.20	68,620.13
<b>Total</b>	1,098.33	4,546.20	68,620.13

8.1 Trade receivables are non- interest bearing and receivable in normal operating cycle

8.2 Refer note no 47 for disclosure relating to first time adoption of Ind-AS.

### 9 Cash and Cash Equivalents:

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Balances with Banks in Current Accounts	4,665.20	2,628.66	4,220.66
Cheques on hand	-	-	393.10
Cash on hand	4.04	12.82	14.36
<b>Total</b>	4,669.24	2,641.48	4,628.12

### 10 Other Bank Balances:

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Share Application Money Refund Account	5.36	5.36	5.36
Fixed Deposits with Banks held as Margin Money*	11,277.47	18,192.88	28,368.51
<b>Total</b>	11,282.83	18,198.24	28,373.87

\* Includes ₹ 92.00 lacs (Previous Year : ₹ 915.76 lacs) having maturity period more than twelve months.

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 11. Other Current Financial Assets: (Unsecured and considered good)

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Interest Receivable	437.05	312.07	-
<b>Total</b>	<b>437.05</b>	<b>312.07</b>	<b>-</b>

### 12. Other Current Assets: (Unsecured and considered good)

₹ in Lacs

Particulars	As at	As at	As at
	March 31, 2016	March 31, 2015	April 1, 2014
Security Deposits	71.59	111.05	65.78
Prepaid Expenses	367.56	2,071.20	3,834.18
Cenvat / VAT recoverable	1,151.40	995.04	995.04
Advance against purchase of material / services	18,795.72	20,185.73	23,599.90
Shipbuilding Contracts Receivables	21,672.48	17,818.87	31,134.15
Subsidy Receivable	2,323.42	2,323.42	8,830.92
Other Advances *	6,024.72	9,754.63	3,228.34
<b>Total</b>	<b>50,406.89</b>	<b>53,259.94</b>	<b>71,688.31</b>

\* Mainly includes interest receivables and VAT/Cenvat refundable/to be availed.

12.1 Refer note no 47 for disclosure relating to first time adoption of Ind-AS.

### 13. Equity Share Capital:

₹ in Lacs

Particulars	As at	As at
	March 31, 2016	March 31, 2015
<b>Equity Shares</b>		
Authorised		
1,500,000,000 (Previous Year 1,000,000,000) Equity Shares of ₹ 10/- each	1,50,000.00	1,00,000.00
<b>Issued, Subscribed and fully paid up</b>		
736,206,269 (Previous Year 736,206,269) Equity Shares of ₹ 10/- each fully paid up	73,620.63	73,620.63
<b>Total</b>	<b>73,620.63</b>	<b>73,620.63</b>

#### 13.1 Reconciliation of Equity shares outstanding at the beginning and at the end of the year

₹ in Lacs

Particulars	As at March 31, 2016		As at March 31, 2015	
	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	-	-	-	-
Equity Shares at the end of the year	<b>73,62,06,269</b>	<b>73,620.63</b>	<b>73,62,06,269</b>	<b>73,620.63</b>

## Notes to the Consolidated Financial Statements

### 13.2 Shareholders holding more than 5% shares in the Company:

Shares held by	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	% Holding	No. of Shares	% Holding
Reliance Defence Systems Private Limited - Associate	<b>22,01,03,025</b>	<b>29.90%</b>		
SKIL Infrastructure Limited - Associate	<b>18,12,03,128</b>	<b>24.61%</b>	25,03,73,648	34.01%
Life Insurance Corporation of India	<b>5,84,65,899</b>	<b>7.94%</b>	5,84,65,899	7.94%
IL & FS Marine Infrastructure Company Limited	<b>5,31,10,674</b>	<b>7.21%</b>	5,34,23,871	7.26%
SKIL Shipyard Holdings Private Limited	*	*	3,83,77,686	5.21%

\* Reduced to less than 5% as at March 31, 2016

### 13.3 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.

### 13.4 Reserved Shares:

Pursuant to Debt Restructuring Scheme out of funded interest term loan (FITL), ₹ 25,000 lacs is to be converted in to equity share before June 30, 2017.

### 14. Long Term Borrowings:

Particulars	₹ in Lacs		
	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
<b>Secured Loans</b>			
<b>50 (Previous Year: 120)</b>	<b>5,000.00</b>	12,000.00	-
<b>14% Secured Non Convertible Debentures</b>			
<b>of ₹ 1 Crore each</b>			
<b>Rupee Term Loans from:</b>			
Banks	<b>4,72,789.32</b>	4,01,318.74	1,61,361.24
Financial Institutions	<b>64,450.01</b>	58,232.10	30,564.27
Body Corporates	<b>491.07</b>	-	-
	<b>5,37,730.40</b>	4,59,550.84	1,91,925.51
<b>Foreign Currency Term Loans from:</b>			
Financial Institution	<b>20,748.93</b>	20,855.25	-
<b>Vehicle Loans</b>	<b>135.75</b>	88.26	38.76
Total Secured Loans	<b>5,63,615.08</b>	4,92,494.35	1,91,964.27
<b>Unsecured Loans</b>			
<b>Rupee Term Loans from:</b>			
Financial Institutions	<b>7,583.25</b>	12,638.75	17,694.25
	<b>7,583.25</b>	12,638.75	17,694.25
<b>Foreign Currency Term Loans from:</b>			
Body Corporate	<b>8,391.22</b>	14,042.70	-
	<b>8,391.22</b>	14,042.70	-
<b>Inter Corporate Deposits from:</b>			
Related Parties	-	18,773.31	-
Body Corporates	<b>18,800.00</b>	10,997.06	-
	<b>18,800.00</b>	29,770.37	-
Total Unsecured Loans	<b>34,774.47</b>	56,451.82	17,694.25
<b>Total</b>	<b>5,98,389.55</b>	5,48,946.17	2,09,658.52

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### Unsecured Loans

#### 14.1 14% Secured Non-Convertible Debentures:

- i) E Complex Private Limited has the right to redeem the Debentures in full or in multiples of ₹ 10 crores at any time after 12 month from the Date of allotment of Debentures i.e. March 30, 2015 as per the Schedule below:-

Period	Applicable rate for redemption premium, quarterly compounded
Redemption within 24 months from the date of issuance	4.00 % p.a. on the amount redeemed
Redemption within 36 months from date of issuance, but post 24 months	8.00 % p.a., on the amount redeemed, from the beginning of the term.
Redemption post 36 months	10.00 % p.a., on the amount redeemed, from the beginning of the term.

- ii) 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
- iii) These NCDs are further guaranteed by the Holding Company and personal guarantee of some of the directors of the Holding Company.
- iv) E Complex Private Limited was required to provide Debenture Redemption Reserve (DRR) of ₹ 312.07 Lacs upto March 31, 2016 (P.Y ₹ 4.10 lacs) 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, 2016. The requisite provisions will be made out of the profits available in the future years.

14.2 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 Restructuring Scheme was subsequently approved by CDR Cell on March 18, 2015 and communicated vide Letter of Approval (LOA) dated March 27, 2015. The Cut Off Date as per Restructuring Scheme is July 1, 2014 ('COD'). 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. The Restructuring Scheme has been implemented as at March 31, 2015 with effect from the COD.

14.3 In terms of the MRA entered with certain lenders of the Company for Debt Restructuring, each of those Lenders has a right of recompense as per extant guidelines of CDR for the reliefs and sacrifices extended by them. The amount of recompense being depending on various matters cannot be ascertained as on date.

14.4 Secured Term loans as referred to above and ₹ 10,248.01 lacs being part of current maturities of long term debt in note no. 20 are secured as under:

- ₹568,560.77 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, Corporate Guarantee of SKIL Infrastructure Limited and by way of Pledge of 12,27,55,500 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). Further, SKIL, Grevek and SSHPL are required to pledge their remaining shareholdings in the Company, which are currently pledged in favour of lenders of SKIL group, to the CDR Lenders upon release of such charge.
- personal guarantee by some of the directors of the Company.
- ₹166.57 lacs secured by exclusive charge on land situated at 675-P2, Rampura Village II border, Registration district - Amreli, Taluka Rajula, Gujarat.

14.5 Secured Term Loans of ₹ 537,113.51 lacs are further secured as:

- 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.

## Notes to the Consolidated Financial Statements

- 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.

14.6 Vehicle Loans referred to above including ₹ 43.60 lacs being part of current maturities of long term debts in note no. 20 are secured by the Hypothecation of the specific vehicles financed. The loans are repayable in monthly equated installments (including interest) as per repayment schedule starting from July 01, 2012 to March 15, 2021.

14.7 Secured Rupee Term Loan of ₹26,685.75 lacs are repayable in 24 quarterly structured installment starting from June 30, 2019 to March 31, 2025, ₹18,500.00 lacs in 28 quarterly structured installment starting from September 30, 2017 to June 30, 2024, ₹ 8,403.00 lacs in 40 quarterly structured installments starting from August 31, 2005 to February 28, 2017, ₹ 491.07 lacs on May 25, 2017 by way of bullet repayment and ₹ 166.57 lacs in 60 monthly equated installments (including interest) starting from January 30, 2015 to November 28, 2019

14.8 Secured Foreign Currency Term Loan as referred above including ₹ 1,804.25 lacs being part of current maturities of long term debts in note 20 carry an interest rate of 2.78% and repayable in 11 yearly structured installment starting from February 01, 2016 to February 01, 2026.

### 14.9 Unsecured Foreign Currency Term Loan:

- i) Unsecured Foreign Currency Term Loan as referred above including ₹ 8,479.55 lacs being part of current maturities of long term debts in note no. 20 is secured by way of Mortgage of Property at Mahal Mira, Pen Taluka, Raigad admeasuring 10,89,000 sq. feet owned by other Corporates. The above loan is further secured by Corporate Guarantee of SKIL Infrastructure Limited and some of the directors of the Company.
- ii) The above unsecured loan carry an interest rate of 6.80% and repayable in 30 monthly structured installments starting from May 31, 2015 to October 31, 2017

14.10 The maturity profile, period and amount of installments of Secured Term Loans as referred above including current maturities of long term debt of ₹ 10,248.01 lacs referred to in note no. 20 are as under:

₹ in Lacs

Financial Year	Secured Term Loans from			Total
	Banks	Financial Institutions	Body Corporates	
2016 - 2017	40.76	10,207.25	-	10,248.01
2017 - 2018	26,153.99	5,010.20	491.07	31,655.26
2018 - 2019	52,283.00	9,118.27	-	61,401.27
2019 - 2020	55,298.40	10,020.40	-	65,318.80
2020 - 2021	56,131.83	11,824.66	-	67,956.49
2021 - 2022	58,681.83	12,726.78	-	71,408.61
2022 - 2023	75,642.44	19,976.14	-	95,618.58
2023 - 2024	93,053.05	13,693.58	-	1,06,746.63
2024 - 2025	51,526.91	6,846.78	-	58,373.69
<b>Total</b>	<b>4,68,812.21</b>	<b>99,424.06</b>	<b>491.07</b>	<b>5,68,727.34</b>

14.11 Unsecured Rupee Term Loan from Financial Institution and Body Corporates including ₹ 7,547.13 lacs being part of current maturities of long term debts in note no. 20 are secured as under:

- i) ₹ 15,130.38 lacs by way of pledge of 10,425,819 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 9 acres mortgaged.
- ii) ₹ 11,000.00 lacs by way of first charge of mortgage on approximately 66 acres of land belonging to other corporates. The loan is further guaranteed by SKIL Infrastructure Limited and secured by pledge of 2,65,00,000 fully paid up equity share of the Company and 32,00,000 fully paid equity shares of the Everon Education Limited.

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

- iii) ₹ 7,000.00 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 3,12,68,283 fully paid up equity shares of the Holding 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.
- iv) Unsecured loan from Body Corporates of ₹ 800 lacs are secured by way of unencumbered share of Reliance Defence and Engineering Limited and SKIL Infrastructure Limited.
- v) The above loans are further guaranteed by some of the directors of the Company.
- vi) The Unsecured Rupee Term loan from financial institutions carry interest rate of 15% p.a. for the first year and 16% from the next year and repayable in 16 equal quarterly installments with a moratorium of 1 year from the first disbursement i.e October 2013.

14.12 The maturity profile, period and amount of installments of Unsecured Term Loans as referred above are as under:

₹ in Lacs

Financial Year	Unsecured Term Loans from			Total
	Foreign Currency Term Loan from Financial Institutions	Rupee Term Loan from Body Corporates	Rupee Term from Financial Institutions	
2016 - 2017	8,479.55	-	7,547.13	16,026.68
2017 - 2018	8,391.22	-	5,055.50	13,446.72
2018 - 2019	-	11,800.00	2,527.75	14,327.75
2019 - 2020	-	7,000.00	-	7,000.00
<b>Total</b>	<b>16,870.77</b>	<b>18,800.00</b>	<b>15,130.38</b>	<b>50,801.15</b>

### 14.13 Loans from Related Parties:

The unsecured loan from related parties including ₹ 18,060.91 lacs included in current maturities of long term debts in note no 20 includes ₹ 15,776.40 lacs carry an interest rate of 12.00% and repayable after 15 months by way of bullet payments from the date of first disbursement i.e March 23, 2015, ₹ 980.00 lacs carry an interest rate of 12.00% and repayable after 15 months by way of bullet payments from the date of first disbursement i.e March 30, 2015, ₹ 254.02 lacs carry an interest rate of 12.00 % and repayable after 15 months by way of bullet payments from the date of first disbursement i.e March 24, 2015, ₹ 892.59 lacs carry an interest rate of 16% p.a. and repayable by way of bullet payment after 15 Months of first disbursement i.e March 13, 2015, ₹ 157.90 lacs carry an interest rate of 17.00% and repayable after 24 months from the date of first disbursement i.e. October 28, 2014. Refer note no 37 for details of unsecured loans from related parties.

14.14 As at March 31, 2016, the Company has overdue of ₹ 10,716.70 lacs (Previous Year: ₹ 6,807.31 lacs) and ₹ 5,562.41 lacs (Previous Year: ₹ 3,631.22 lacs) towards the principal and interest respectively, out of which ₹ 527.88 lacs has since been paid.

### 15. Non Current Provisions:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Provision for Employee Benefits (refer note no 28.2)	<b>298.73</b>	410.79	282.91
<b>Total</b>	<b>298.73</b>	410.79	282.91

## Notes to the Consolidated Financial Statements

### 16. Deferred Tax Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Opening Balance</b>	<b>32,859.24</b>	53,662.95
<b>Tax Expenses (Income) recognised in:</b>		
<b>Statement of Profit and Loss</b>		
Difference in Tax Base of Property, plant and equipment	<b>30.39</b>	12,727.97
Disallowance in income tax	<b>(7,444.66)</b>	(6,001.62)
Depreciation losses	<b>(10,006.12)</b>	(17,060.72)
Business losses	<b>(10,448.47)</b>	(5,563.29)
Impact of change in tax rate	<u>-</u>	<u>(4,866.27)</u>
	<b>(27,868.86)</b>	(20,763.93)
<b>Other Comprehensive Income</b>		
related to Employee benefits	<b>61.13</b>	(39.78)
<b>Closing Balance</b>	<u><b>5,051.51</b></u>	<u>32,859.24</u>

#### 16.1 Reconciliation of tax expenses and the accounting profit multiplied by domestic tax rate:

Since the Company has incurred loss during the year 2015-16 and previous year 2014-15 and 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.

16.2 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 ₹ 1,382.92 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.

### 17 Other Non Current Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Deposits	-	-	500.00
Advances from Customers	<b>5,624.21</b>	5,624.21	14,270.69
<b>Total</b>	<u><b>5,624.21</b></u>	<u>5,624.21</u>	<u>14,770.69</u>

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 18. Short Term Borrowings:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
<b>Secured Loans</b>			
<b>Working Capital Loan</b>			
Cash Credit Facilities from Banks	<b>99,762.86</b>	81,467.70	120,795.06
<b>Short Term Loans from:</b>			
Banks	-	-	30,000.00
Financial Institutions	-	-	15,000.00
	-	-	45,000.00
<b>Unsecured Loans from:</b>			
Banks	<b>32,678.22</b>	32,020.68	89,310.34
Related Party (refer note no 37)	<b>36,223.21</b>	-	-
Body Corporates	<b>19,146.97</b>	9,101.60	15,305.21
	<b>88,048.40</b>	41,122.28	104,615.55
<b>Total</b>	<b>1,87,811.26</b>	122,589.98	270,410.61

18.1 The above working capital loans from banks include ₹ 99,186.48 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.

18.2 Working capital loans from banks of ₹ 99,186.48 Lacs are further secured by :

- Corporate Guarantee of SKIL Infrastructure Limited and personal guarantee of some of the Directors of the Company.
- Pledge of 12,27,55,500 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). Further, SKIL, Grevek and SSHPL are required to pledge their remaining shareholdings in the Company, which are currently pledged in favour of the lenders of SKIL group, to the CDR Lenders upon release of such charge.
- Pledge of entire shareholding i.e. 2,17,09,327 equity shares of E Complex Private Limited held by the Company.

18.3 The Working Capital Loan from Bank of ₹ 576.38 Lacs is secured by registered mortgage of the land situated at Survey no 589/P2, 668/P2/ and 515 Village Lunsapur, Taluka Jafraabad, Dist. Amreli, PIN-365560, Gujarat, India, and further guaranteed by one of the director of the Company.

18.4 Unsecured Loan from Body Corporates of ₹ 9,566.97 as referred above are secured by:

- First charge by way of mortgage of land admeasuring about 151.426 acre situated at Borgaon, Taluka Pen, District Raigad in the State of Maharashtra owned by other corporates.
- Pledge of 1,81,10,647 or such number of fully paid up equity shares of the Reliance Defence and Engineering Limited and Pledge of 25% fully paid up equity share of SKIL Infrastructure Limited (on fully diluted basis), subject to minimum 6,37,28,000 number of shares.
- Corporate guarantee of SKIL Infrastructure Limited and one of the director of the Company.

18.5 As on March 31, 2016, the Company has overdue of ₹ 10,270.89 lacs (Previous Year: ₹ 9,101.60 lacs) and ₹ 2,470.25 lacs (Previous Year: ₹ 611.42 lacs) towards the principal and interest respectively. Out of which ₹ 1,130.45 lacs has since been paid.

## Notes to the Consolidated Financial Statements

### 19. Trade Payables:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Micro and Small Enterprises	315.30	940.30	839.08
Others	26,988.87	29,711.64	30,769.79
<b>Total</b>	<b>27,304.17</b>	<b>30,651.94</b>	<b>31,608.87</b>

19.1 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, 2016	As at March 31, 2015
Principal amount remaining unpaid	315.30	940.30
Interest due thereon	239.55	394.81
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	239.55	394.81
Interest remaining due and payable even in succeeding years	239.55	394.81

19.2 All trade payables are non interest bearing and payable or settled with in normal operating cycle of the Company.

### 20. Other Current Financial Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Current Maturities of Long Term Debts	44,379.20	17,770.65	72,646.19
Interest accrued and due on borrowings	8,032.66	4,242.64	10,678.95
Interest accrued but not due on borrowings	6,977.39	3,409.17	3,648.17
Unclaimed Share Application Money *	5.36	5.36	5.36
Book Overdraft	-	218.11	-
<b>Total</b>	<b>59,394.61</b>	<b>25,645.93</b>	<b>86,978.67</b>

\* not due to be credited to Investor Education and Protection Fund.

### 21. Other Current Liabilities:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
Creditors for Capital Goods	12,941.43	12,601.88	23,690.96
Advances from Customers	4,597.97	27,168.28	64,050.67
Statutory Dues	3,568.29	5,584.96	2,120.29
Other Payables *	4,542.23	7,718.13	8,519.30
<b>Total</b>	<b>25,649.92</b>	<b>53,073.25</b>	<b>98,381.22</b>

\* Includes mainly amount payables to employees and provision for expenses.

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 22. Current Provisions:

₹ in Lacs

Particulars	As at March 31, 2016	As at March 31, 2015	As at April 1, 2014
for Employee Benefits (refer note no 28.2)	156.72	271.00	181.82
for Wealth Tax (net)	-	2.05	2.15
Other Provisions	69,978.43	61,061.17	55,459.26
<b>Total</b>	<b>70,135.15</b>	<b>61,334.22</b>	<b>55,643.23</b>

22.1 The Company has recognised liabilities based on substantial degree of estimation for provision for 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 Warranty claims	Provision for estimated cost over contract revenue	Provision for cost estimated for revenue recognised
<b>Balance as at March 31, 2015</b>	-	8,011.57	53,049.60
Add: Provision made for the year ended March 31, 2016	71.00	3,744.93	27,549.91
Less: Amount incurred and charged against the opening balance	-	8,011.59	14,436.99
<b>Balance as at March 31, 2016</b>	<b>71.00</b>	<b>3,744.91</b>	<b>66,162.52</b>

### 23. Revenue from Operations:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Ship Building	20,613.79	29,303.55
Repairs and Fabrication	11,061.81	40,835.79
Sale of Steel Items (Steel Plates, Pipes, Rolled Products and other steel items)	-	21,435.17
Other Operating Revenue		
Sale of Scraps	531.65	767.34
Berth Usage Charges	98.58	-
	<b>32,305.83</b>	92,341.85
Less: Service Tax Recovered	1,057.11	1,121.18
<b>Total</b>	<b>31,248.72</b>	<b>91,220.67</b>

### 24. Other Income:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest Income	1,269.24	2,613.12
Dividend on Current Investments	32.18	14.38
Sundry Balances Written Back (net)	1,883.55	500.00
Miscellaneous Income	181.95	23.88
<b>Total</b>	<b>3,366.92</b>	<b>3,151.38</b>

## Notes to the Consolidated Financial Statements

### 25. Cost of Materials Consumed:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Steel Plates and Profiles	1,833.19	1,793.47
Equipment and Components	7,351.40	6,184.18
<b>Total</b>	<b>9,184.59</b>	<b>7,977.65</b>

### 26. Purchase of Stock-In-Trade:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Steel Items (Steel Plates, Pipes, Rolled Products and other steel items)	-	21,211.85
<b>Total</b>	<b>-</b>	<b>21,211.85</b>

### 27. Changes in Inventories of Work in Progress and Scrap:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
At the end of the year		
Scrap	36.83	112.21
Work in progress	4,692.58	1,064.18
	<b>4,729.41</b>	<b>1,176.39</b>
Less :- At the beginning of the year		
Scrap	112.21	37.47
Work in progress	1,064.18	12.67
	<b>1,176.39</b>	<b>50.14</b>
Changes in Inventories	<b>(3,553.02)</b>	<b>(1,126.25)</b>

### 28. Employee Benefits Expenses:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries, Wages and Allowances	5,456.23	5,781.90
Contribution to Provident and Other Funds	200.35	202.56
Staff Welfare Expenses	150.97	260.24
<b>Total</b>	<b>5,807.55</b>	<b>6,244.70</b>

28.1 Salary, wages and allowances includes remuneration paid / payable to Ex - Executive Vice Chairman of ₹ 249.51 lacs (Previous Year: ₹ 385.92 lacs) which is in excess of limits prescribed under section 198 and Schedule V of the Companies Act 2013. The Company has filed necessary application for approval of Central Government, which is awaited.

#### 28.2 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	2015 - 2016	2014 - 2015
Employers Contribution to Provident Fund	140.87	149.09
Employers Contribution to Pension Fund	59.48	53.47
	<b>200.35</b>	<b>202.56</b>

# Reliance Defence and Engineering Limited

## Notes to the 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

##### i) Reconciliation of opening and closing balances of the present value of the defined gratuity benefit obligation

₹ in Lacs

Particulars	2015 - 2016		2014 - 2015	
	Funded	Non Funded	Funded	Non Funded
Defined Benefit Obligation at beginning of the year	259.18	2.92	188.94	2.06
Current & Past Service Cost	64.98	-	75.89	0.70
Current Interest Cost	17.49	-	13.41	0.15
Actuarial (Gain) / Loss	(30.26)	-	18.44	0.41
Benefits paid/Reversed	(64.26)	(2.92)	(37.50)	(0.40)
Defined Benefit Obligation at end of the year	247.13	-	259.18	2.92

##### ii) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets

₹ in Lacs

Particulars	2015 - 2016		2014 - 2015	
	Funded	Non Funded	Funded	Non Funded
Fair Value of Plan Assets at the beginning of the year	69.59	-	64.44	-
Expected Return on Plan Assets	4.67	-	5.36	-
Actuarial Gain / (Loss)	(10.56)	-	(0.21)	-
Fair Value of the Assets at the end of the year	63.70	-	69.59	-

##### iii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

₹ in Lacs

Particulars	2015 - 2016		2014 - 2015	
	Funded	Non Funded	Funded	Non Funded
Fair Value of Plan Assets at the end of the year	63.70	-	69.59	-
Present Value of Defined Benefit Obligation at end of the year	247.13	-	259.18	2.92
Liabilities / (Assets) recognised in the Balance Sheet	183.43	-	189.59	2.92

## Notes to the Consolidated Financial Statements

### iv) Expenses recognised during the year

₹ in Lacs

Particulars	2015 - 2016		2014 - 2015	
	Funded	Non Funded	Funded	Non Funded
Current & Past Service Cost	<b>64.98</b>	-	75.89	0.70
Interest Cost	<b>17.49</b>	-	13.41	0.15
Expected Return on Plan Assets	<b>(4.67)</b>	-	(5.36)	-
Net Cost Recognised in profit or loss	<b>77.80</b>	-	83.94	0.85
Actuarial (Gain) / Loss recognised in other comprehensive income	<b>(19.70)</b>	-	18.65	0.41

### v) Assumptions used to determine the defined benefit obligations

₹ in Lacs

Particulars	2015 - 2016		2014 - 2015	
	Funded	Non Funded	Funded	Non Funded
Mortality Table (LIC)	<b>(2006 - 08 ultimate)</b>		(2006 - 08 ultimate)	
Discount Rate (p.a.)	<b>7.70%</b>	<b>NA</b>	7.88%	9.14%
Estimated Rate of Return on Plan Asset	<b>7.00%</b>	<b>NA</b>	8.00%	0.00%
Expected Rate of increase in Salary (p.a.)	<b>7.00%</b>	<b>NA</b>	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.*

### vi) Amounts for the Current and previous year for Gratuity Funded are as follows

₹ in Lacs

Particulars	2015-2016	2014 - 2015	2013 - 2014	2012 - 2013	2011 - 2012
Defined Benefit Obligation	<b>247.13</b>	259.18	188.94	169.51	104.22
Plan Assets	<b>63.70</b>	69.59	64.44	59.67	55.18
Surplus/(Deficit)	<b>(183.43)</b>	(189.59)	(124.50)	(109.84)	(49.04)
Experience adjustment on plan Assets (Gain)/Loss	<b>10.56</b>	(0.21)	(0.19)	0.10	(0.09)
Experience adjustment on plan Liabilities Gain/ (Loss)	<b>30.26</b>	(12.27)	(27.59)	(8.81)	(50.17)

Note: 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.

### 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	2015 - 2016	2014 - 2015
Defined Benefit Obligation at beginning of the year	<b>489.28</b>	338.15
Current & Past Service Cost	<b>31.06</b>	54.88
Current Interest Cost	<b>31.57</b>	25.11
Actuarial (Gain) / Loss	<b>(178.11)</b>	110.12
Benefits paid / (Reversed)	<b>(101.78)</b>	(38.98)
Defined Benefit Obligation at end of the year	<b>272.02</b>	489.28

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### ii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Fair Value of Plan Assets at the end of the year	-	-
Present Value of Defined Benefit Obligation at end of the year	<b>272.02</b>	489.28
Liabilities / (Assets) recognised in the Balance Sheet	<b>272.02</b>	489.28

### iii) Expenses recognised during the year

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Current & Past Service Cost	<b>31.06</b>	54.88
Interest Cost	<b>31.57</b>	25.11
Net Cost Recognised in statement of profit or loss	<b>62.63</b>	80.00
Actuarial (Gain) / Loss recognised in other comprehensive income	<b>(178.11)</b>	110.11

### iv) Assumptions used to determine the defined benefit obligations

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
Mortality Table	<b>(2006 - 08 ultimate)</b>	
Discount Rate (p.a.)	<b>7.70%</b>	7.88%
Estimated Rate of Return on Plan Asset	<b>N/A</b>	N/A
Expected Rate of increase in Salary (p.a.)	<b>7.00%</b>	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.*

### v) Amounts for the Current and previous year for Leave Encashment are as follows

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015	2013 - 2014	2012 - 2013	2011 - 2012
Defined Benefit Obligation	<b>272.02</b>	338.15	304.81	244.02	175.57
Plan Assets	-	-	-	-	-
Surplus/(Deficit)	<b>(272.02)</b>	338.15	(304.81)	244.02	(175.57)
Experience adjustment on plan Liabilities Gain/ (Loss)	<b>(192.46)</b>	(56.93)	(13.01)	(4.13)	(31.08)

## 29. Finance Costs:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest Expenses	<b>49,012.79</b>	35,788.83
Other Borrowing Costs (Bill Discounting charges, Guarantee commission, etc.)	<b>4,693.57</b>	12,899.77
<b>Total</b>	<b>53,706.36</b>	48,688.60

## Notes to the Consolidated Financial Statements

### 30. Other Expenses:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Consumables, Stores and Spares	1,107.33	1,097.23
Power, Fuel and Water	1,719.43	1,886.23
Repairs and Maintenance	1,645.56	2,046.77
Labour and Fabrication Charges	6,408.24	9,358.11
Equipment Hire Charges	2,916.00	4,840.67
Rent	2,061.26	1,682.30
Testing and Inspection Charges	1,390.96	1,615.53
Design, Drawing and Construction Support Fees	565.13	723.62
Insurance	1,043.78	621.56
Cost Estimated for Revenue Recognised	13,112.90	6,031.03
Provision for Estimated Cost Over Contract Revenue	(4,266.67)	(429.09)
Rates and Taxes	236.03	259.17
Communication Expenses	124.91	139.30
Travelling, Conveyance and Vehicle Hire Charges	972.20	1,605.33
Legal and Professional Charges	1,513.19	4,431.83
Foreign Exchange Difference (net)	2,597.92	4,091.95
Payment to Auditors	59.27	127.86
Advertising, Publicity and Selling Expenses	14.26	167.55
Business Promotion Expenses	117.57	349.86
Balances Written Off (net)	-	17.21
Excess provision of subsidy written off	-	6,507.49
Loss on Sale of Fixed Assets (net)	13.27	11.97
Donations	10.63	7.68
Miscellaneous Expenses	1,083.30	1,532.18
<b>Total</b>	<b>34,446.47</b>	<b>48,723.34</b>

#### 30.1 Payment to Auditors includes:

₹ in Lacs

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Audit Fees	50.00	37.77
Tax Audit Fees	-	2.00
Certification Charges	6.50	19.65
Other Matters	2.77	68.50
<b>Total</b>	<b>59.27</b>	<b>127.92</b>

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 31. Earnings Per Share (Basic and Diluted):

₹ in Lacs

Particulars		2015 - 2016	2014 - 2015
Loss attributable to the Equity Shareholders		<b>(59,105.18)</b>	(37,143.93)
Amount available for calculation of Basic and Diluted EPS	(a)	<b>(59,105.18)</b>	(37,143.93)
Weighted Average No. of Equity Shares outstanding for Basic and Diluted EPS	(b)	<b>73,62,06,269</b>	73,62,06,269
Basic and Diluted Earnings per share of ₹ 10/- each (in ₹)	(a/b)	<b>(8.03)</b>	(5.05)

31.1 As mentioned in note 14.2, in terms of MRA entered by the Company with the CDR Lenders, the CDR Lenders are eligible to convert certain debts into Equity Shares as per the SEBI Guidelines. Since this is yet to be approved by the members as well as conversion price cannot be ascertained now, the same has not been considered for calculation of Diluted EPS.

31.2 Pursuant to the Companies (Indian Accounting Standard) Rules, 2015, the Company has adopted March 31, 2016 as reporting date for first time adoption of Indian Accounting Standard (Ind-AS) and April 1, 2014 as transition date for preparation of financial Statement. Accordingly Statement of Profit and Loss for the financial year 2014-15 has been restated. The effects on basic and Diluted EPS on adoption of Ind-AS from those reported as per previous GAAP are as under:

Particulars	As reported as per Previous GAAP	As revised as per Ind-AS
Profit/(Loss) attributable to the Equity Shareholders	(39,854.58)	(37,143.93)
Basic Earnings per share of ₹ 10/- each (in ₹)	(5.41)	(5.05)
Diluted Earnings per share of ₹ 10/- each (in ₹)	(5.41)	(5.05)

### 32. Contingent Liabilities and Commitments:

#### 32.1 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	2015 - 2016	2014 - 2015
a)	Guarantees given by Company's Bankers		
i)	Refund Bank Guarantees given to customers (net of liabilities accounted for)	<b>1,23,260.48</b>	1,18,058.60
ii)	Other Bank Guarantees (Bank Guarantees are provided under contractual / legal obligations.)	<b>40,961.75</b>	42,026.74
b)	Demands not acknowledged as Debts (net)		
i)	Income Tax Majorly the tax demand due to disallowances by the Income tax department including expenses disallowed U/s. 14 A of the Income Tax Act, 1961.	<b>1,169.97</b>	201.89
ii)	Service Tax, Excise Duty and Sales Tax	<b>362.90</b>	5,871.19

## Notes to the Consolidated Financial Statements

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 Company has also received demand for VAT payable on input services at its Mumbai unit, which has been considered in the 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.

iii)	Third Party Claims	<b>15,418.86</b>	11,644.19
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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 provided in the books have been disclosed as contingent liability. Further, the Company has considered contingent liability in respect of liquidated damages payable to the customers in respect of delays in execution of the contract. Further, post CDR, certain lenders have claimed interest/processing fees and other charges, which are more than what the Company is required to pay as per MRA signed between the Company and the Lenders. The Company has submitted the representation to the respective Lenders for the waiver and pending such settlement the amount has been disclosed as contingent liability.

c)	Letters of Credit opened in favour of the suppliers (Cash outflow is expected on receipt of materials from suppliers)	<b>468.60</b>	5,019.79
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### 32.2 Commitments:

a)	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net of Advances).	<b>69,599.08</b>	69,621.68
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(Cash flow is expected on execution of such Capital Contracts on progressive basis)

b)	Other Commitments	<b>802.24</b>	2,463.74
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(for investment in the Associates and Joint Venture)

32.3 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 was allotted is the same 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 Gujrat in regard to payment of premium and the same is pending.

33 The Company has issued a Bond cum legal undertaking for ₹ 73,400 lacs (Previous Year: ₹ 53,400 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 ₹ 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 lacs (Previous Year: 1,350 lacs) in favour of President of India acting through D.R.I. Ahmedabad, Zonal Unit as security of compliance under Central Excise Act, 1944.

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

**34** The Company has received twenty one 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.

**35** In the opinion of the Management, Current Assets, Loans and Advances are of the value stated, if realized in the ordinary course of business.

### 36. Segment Reporting:

#### A. Segment information as per Ind AS - 108 on Operating Segment :

Information provided in respect of revenue items for the year ended March 31, 2016 and in respect of assets/liabilities as at March 31, 2016.

#### I Information about Primary (Product wise) segments:

₹ in Lacs

Sr No	Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
<b>1.</b>	<b>Revenue</b>				
	External Sales	31,216.73	-	-	31,216.73
		(69,715.95)	(21,435.17)	(-)	(91,151.12)
<b>2.</b>	<b>Results</b>				
	Segment Results	(27,762.42)	-	-	(27,762.42)
		(-3,657.44)	(223.32)	(-)	(-3434.12)
	Unallocated Corporate Expenses	-	-	9,042.05	9,042.05
		(-)	(-)	(8,337.74)	(8,337.74)
	<b>Operating Profit / (Loss)</b>	(27,762.42)	-	(9,042.05)	(36,804.47)
		(-3,657.44)	(223.32)	(-8337.74)	(-11,771.86)
	Finance Cost	-	-	53,706.36	53,706.36
		(-)	(-)	(48,688.60)	(48,688.60)
	Unallocated Corporate Income	-	-	3,366.92	3,366.92
		(-)	(-)	(2,651.38)	(2,651.38)
	Loss from Ordinary Activities before tax	(27,762.42)	-	(59,381.49)	(87,143.91)
		(-3,657.44)	(223.32)	(-54,374.96)	(-57,809.08)
	Provision for Income-tax - net	-	-	(27,868.84)	(27,868.84)
		(-)	(-)	(-20,742.30)	(-20,742.30)
	Consolidated share in the profits of the Associates			33.07	33.07
		(-)	(-)	(12.48)	(12.48)
	Net Loss	(27,762.42)	-	(31,479.58)	(59,242.00)
		(-3,657.44)	(223.32)	(-33620.18)	(-37054.30))
<b>3.</b>	<b>Other Information</b>				
	Segment Assets	10,64,610.61	-	-	10,64,610.61
		(10,50,614.54)	(3,405.39)	(-)	(10,54,019.93)
	Unallocated Corporate Assets	-	-	1,17,532.89	1,17,532.89
		(-)	(-)	(88,705.37)	(88,705.37)
	<b>Total Assets</b>	10,64,610.61	-	1,17,532.89	11,82,143.50
		(10,50,614.54)	(3,405.39)	(88,705.37)	(11,42,725.30)
	Segment Liabilities	1,22,830.63	-	-	1,22,830.63
		(1,43,767.32)	(-)	(-)	(1,43,767.32)
	Unallocated Corporate Liabilities	-	-	8,56,828.48	8,56,828.48
		(-)	(-)	(7,37,368.41)	(7,37,368.41)
	<b>Total Liabilities</b>	1,22,830.63	-	8,56,828.48	9,79,659.11
		(1,43,767.32)	(-)	(7,37,368.41)	(8,81,135.73)

₹ in Lacs

## Notes to the Consolidated Financial Statements

Sr No	Particulars	Ship Building and Fabrication	Trading	Unallocated	Total
1	Capital Expenditure	38,621.84	-	157.10	38,778.94
		(1,22,614.71)	(-)	(184.29)	(1,22,799.00)
2	Depreciation and Amortisation	22,025.09	-	110.52	22,135.61
		(20,258.97)	(-)	(132.72)	(20,391.69)
3	Non-cash Expenses other than Depreciation	-	-	-	-
		(6,524.70)	(-)	(-)	(6,524.70)

Figures in brackets represents previous year's amounts.

### II Information about Secondary Segment:

#### Geographical Segment :

₹ in Lacs

Particulars	2015 - 2016	2014 - 2015
<b>Revenue by Geographical Segment</b>		
Within India	<b>31,130.70</b>	88,578.26
Outside India	<b>86.03</b>	2,572.86
<b>Total Revenue</b>	<b>31,216.73</b>	91,151.12
<b>Carrying Amount of Segment Assets</b>		
Within India	<b>11,43,462.00</b>	11,06,794.75
Outside India	<b>38,681.50</b>	35,930.55
<b>Total Assets</b>	<b>11,82,143.50</b>	11,42,725.30
<b>Capital Expenditure</b>		
Within India	<b>38,778.94</b>	1,22,799.00
Outside India	-	-

### III Revenue from Major Customers :

Revenue under the segment 'Shipbuilding and Fabrication' include ₹ 28,463.43 lacs (Previous Year: ₹ 50,185.87 lacs) from three customers (Previous Year: two customers) having more than 10% revenue of 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.

### 37. Related Party Disclosures:

#### a) List of Related parties

##### 1 Associates

Reliance Defence Systems Private Limited (w.e.f. 18.01.2016)

Reliance Infrastructure Limited (w.e.f. 18.01.2016)

SKIL Infrastructure Limited

Conceptia Software Technologies Private Limited

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

### 2 Person having control over investing party

Mr. Anil D. Ambani (w.e.f. 18.01.2016)

### 3 Key Managerial Personnel

Mr. Harisimran Singh Malhi (w.e.f. 18.01.2016)

Mr. Sridhar Krishnamurthy (w.e.f. 18.01.2016)

Mr. Ajit Dabholkar

Mr. Nikhil P. Gandhi (up to 18.01.2016)

Mr. Bhavesh P. Gandhi (up to 18.01.2016)

### 4 Enterprises in which persons mentioned in point 2 and 3 above or their relatives are able to exercise significant influence (Other Related Parties)

Reliance General Insurance Company Limited (w.e.f 18.01.2016)

Reliance Communication Infra Limited (w.e.f 18.01.2016)

Sasan Power Limited (w.e.f 18.01.2016)

SKIL Shipyard Holdings Private Limited

Awaita Properties Private Limited (up to 18.01.2016)

Grevek Investments and Finance Private Limited (up to 18.01.2016)

### 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, 2016 (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Associates				Key Managerial Personal			
	SKIL Infrastructure Limited	Conceptia Software Technologies Pvt Ltd	Reliance Infrastructure Ltd	Total	Mr. Anil D. Ambani	Mr. Nikhil Gandhi	Mr. Bhavesh Gandhi	Total
Engineering and Design Fees	- (-)	52.96 (112.31)	- (-)	52.96 (112.31)	- (-)	- (-)	- (-)	- (-)
Interest Expenses on ICD	292.47 (40.77)	- (-)	574.13 (-)	866.60 (40.77)	- (-)	- (-)	- (-)	- (-)
Directors Sitting Fees	- (-)	- (-)	- (-)	- (-)	0.40 (-)	14.00 (12.80)	- (-)	14.40 (12.80)
Short Term Employee Benefits	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	222.27 (360.00)	222.27 (360.00)
Post Employment Benefits	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	27.24 (25.92)	27.24 (25.92)
Expenses Reimbursed to	- (26.07)	- (-)	- (-)	- (26.07)	- (-)	- (-)	- (-)	- (-)
Assignment of Investment	81.00 -	- (-)	- (-)	81.00 (-)	- (-)	- (-)	- (-)	- (-)
Trade Payables	- (-)	45.88 (27.44)	- (-)	45.88 (27.44)	- (-)	- (-)	- (-)	- (-)
Other Payables	29.90 (116.95)	- (-)	- (-)	29.90 (116.95)	- (-)	- (-)	- (-)	- (-)
Interest Accrued but not due	329.16 (36.69)	- (-)	516.71 (-)	845.87 (36.69)	- (-)	- (-)	- (-)	- (-)
<b>Borrowings</b>								

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

Nature of transactions	Associates				Key Managerial Personal			
	SKIL Infrastructure Limited	Conceptia Software Technologies Pvt Ltd	Reliance Infrastructure Ltd	Total	Mr. Anil D. Ambani	Mr. Nikhil Gandhi	Mr. Bhavesh Gandhi	Total
Balance as at April 1, 2015	1,795.36	-	-	1,795.36	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Received during the year	1,018.21	-	35,205.00	36,223.21	-	-	-	-
	(2,199.21)	(-)	(-)	(2,199.21)	(-)	(-)	(-)	(-)
Repaid during the year	648.75	-	-	648.75	-	-	-	-
	(403.85)	(-)	(-)	(403.85)	(-)	(-)	(-)	(-)
Balance as at March 31, 2016	2,164.82	-	35,205.00	37,369.82	-	-	-	-
	(1,795.36)	(-)	(-)	(1,795.36)	(-)	(-)	(-)	(-)
<b>Non Current Investment</b>								
Balance as at March 31, 2016	-	233.78	-	233.78	-	-	-	-
	(-)	(200.71)	(-)	(200.71)	(-)	(-)	(-)	(-)

### c) 2 Transactions with related parties for the year ended March 31, 2016 (for the period of relationship exist)

₹ in Lacs

Nature of transactions	Other Related Parties						
	SKIL Shipyard Holdings Pvt Ltd	Awaita Properties Pvt Ltd	Grevek Investments and Finance Private Limited	Reliance General Insurance Ltd	Reliance Communication Infra Ltd	Sasan Power Limited	Total
Lease Rent	-	461.87	-	-	-	-	461.87
	(-)	(534.16)	(-)	(-)	(-)	(-)	(534.16)
Communication Expenses	-	-	-	-	0.76	-	0.76
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Insurance Expenses	-	-	-	3.04	-	-	3.04
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Purchase of Material	-	-	-	-	-	273.57	273.57
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Interest Expenses on ICD	2,002.20	-	36.14	-	-	-	2,038.34
	(19.11)	(-)	(27.40)	(-)	(-)	(-)	(46.51)
Expenses Reimbursed to	-	-	-	-	-	-	-
	(-)	(27.18)	(-)	(-)	(-)	(-)	(27.18)
Lease Deposits - Non Current as at March 31, 2016	-	-	-	-	-	-	-
	(-)	(325.00)	(-)	(-)	(-)	(-)	(325.00)
Trade Payables	-	-	-	-	0.57	273.57	274.14
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Other Payables	-	-	-	-	-	-	-
	(-)	(270.56)	(44.95)	(-)	(-)	(-)	(315.51)
Interest Accrued but not due	2,019.40	-	60.80	-	-	-	2,080.20
	(17.20)	(-)	(24.66)	(-)	(-)	(-)	(41.86)
Other Receivables	-	71.03	-	2.47	-	-	73.50
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
<b>Borrowings</b>							
Balance as at April 1, 2015	16,700.00	-	277.95	-	-	-	16,977.95
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Received during the year	56.40	-	-	-	-	-	56.40
	(16,700.00)	(-)	(461.70)	(-)	(-)	(-)	(17,161.70)
Repaid during the year	-	-	120.05	-	-	-	120.05
	(-)	(-)	(183.75)	(-)	(-)	(-)	(183.75)
Balance as at March 31, 2016	16,756.40	-	157.90	-	-	-	16,914.30
	(16,700.00)	(-)	(277.95)	(-)	(-)	(-)	(16,977.95)

Figures in brackets represents previous year's amounts.

### 38. Financial and Other Derivative Instruments:

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

a Derivative contracts entered into by the Company and outstanding are as under:

### For Hedging Currency related risks

Particulars	2015 - 2016	2014 - 2015
Forward Contract	11,641.42	18,745.82
Currency Swap	900.11	1,117.30

b All derivative and financial instruments acquired by the company are for hedging purpose only.

c Foreign currency exposures that are not hedged by derivative instruments or forward contracts are:

Particulars	2015 - 2016	2014 - 2015
Trade Receivables (net)	4,861.08	-
Payables	61,760.41	72,930.93

*The advances to the vendors in foreign currency is not consider above.*

### 39. Operating Lease:

The Company has entered in to non cancellable leasing agreements for Land for a period of 30 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:

Sr No	Particulars	2015 - 2016	2014 - 2015
1	Rent debited to Statement of Profit and Loss during the year	140.39	139.59
2	Future Minimum Lease payments payable in:	-	
i	Less than one year	140.39	140.39
ii	One to five years	701.94	642.61
iii	More than five years	1,849.43	2,049.16

### 40 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 long-term debt obligations with floating interest rates.

#### 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).

The Company manages its foreign currency risk by hedging transactions that are expected to realise in future.

#### 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

## Notes to the Consolidated Financial Statements

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

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.

## 41. 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. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

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.

## 42 Additional Information, as required under Schedule III to the Companies Act, 2013 of the enterprises consolidate as subsidiary and associate

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
<b>Parent</b>								
Reliance Defence and Engineering Limited	1,69,460.84	83.69%	(52,864.72)	89.24%	136.82	100.00%	(52,727.90)	89.22%
<b>Indian Subsidiaries</b>								
E Complex Private Limited	37,829.67	18.68%	(4,380.94)	7.39%	-	-	(4,380.94)	7.41%
Reliance Marine and Offshore Limited	0.92	0.00%	(2.02)	0.00%	-	-	(2.02)	0.00%
Reliance Lighter Than Air Systems Private Limited	3.43	0.00%	(9.23)	0.02%	-	-	(9.23)	0.02%
Reliance Technologies and Systems Private Limited	0.46	0.00%	(0.37)	0.00%	-	-	(0.37)	0.00%
Reliance Engineering and Defence Services Limited	(125.11)	-0.06%	(123.30)	0.21%	-	-	(123.30)	0.21%
<b>Foreign Subsidiary</b>								
PDOC Pte. Ltd.	(7.47)	0.00%	(7.52)	0.01%	-	-	(7.52)	0.01%
<b>Indian Associate (Investment as per the equity Method)</b>								
Conceptia Software Technologies Private Limited	233.78	0.12%	33.07	-0.06%	-	-	33.07	-0.06%
Total Eliminations	(4,912.13)	-2.43%	(1,886.97)	3.19%	-	-	(1,886.97)	3.19%
<b>Total</b>	<b>2,02,484.39</b>	<b>100.00%</b>	<b>(59,242.00)</b>	<b>100.00%</b>	<b>136.82</b>	<b>100.00%</b>	<b>(59,105.18)</b>	<b>100.00%</b>

## 43. Disclosure in respect of shipbuilding contracts under progress:

# Reliance Defence and Engineering Limited

## Notes to the Consolidated Financial Statements

		₹ in Lacs	
Sr No.	Particulars	2015 - 2016	2014 - 2015
a	The contract revenue recognised in the year	20,613.79	29,303.55
b	The aggregate amount of cost incurred and recognised profits (less recognised losses) upto the end of year for all contracts in progress.	92,277.00	1,31,472.66
c	Amount of advance received from the customers for contracts in progress.	1,50,488.23	1,45,402.76
d	The retention amount due from customers for contracts in progress as at the end of financial year.	-	-

#### 44. Post Reporting Events:

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation

#### 45. Authorisation of Financial Statements:

The financial statements for the year ended March 31, 2016 were approved by the Board of Directors on May 14, 2016. The Management and authorities have the power to amend the Financial Statements in accordance with Section 130 and 131 of The Companies Act, 2013.

#### 46. 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

#### 47. First Time Adoption of Ind-AS:

Pursuant to the Companies (Indian Accounting Standard) Rules, 2015, the Company has voluntarily adopted March 31, 2016 as reporting date for first time adoption of Indian Accounting Standard (Ind-AS) and consequently April 1, 2014 as the transition date for preparation of financial statements. The financial statements for the year ended March 31, 2016, are the first financials, prepared in accordance with Ind-AS. Upto the Financial year ended March 31, 2015, the Company prepared its financial statements in accordance with previous GAAP, including accounting standards notified under the Companies (Accounting Standard) Rule, 2006. For preparing these financial statements, opening balance sheet was prepared as at April 1, 2014 i.e. the date of transition to Ind-AS. The figures for the previous periods and for the year ended March 31, 2015 have been restated, regrouped and reclassified, wherever required to comply with Ind-AS and Schedule III to the Companies Act, 2013 and to make them comparable.

I The following reconciliations and explanatory notes thereto describe the effects of the transition on the Ind-AS Opening Statement of financial position as at April 1, 2014. All explanations should be read in conjunction with the accounting policies of the Company as disclosed in the Notes to the Accounts.

		₹ in Lacs	
Particulars	Note	April 1, 2014	March 31, 2015
<b>Equity as per Previous GAAP</b>		2,34,303.55	1,94,578.54
Adjustments to Other Equity:			
<b>a</b>	<b>Through Other Reserve to:</b>		
	Property, Plant and Equipment (including Capital work in Progress) (net)	2,33,206.10	2,33,206.10
	Other non-current assets	(2,743.75)	(2,743.75)
	Trade Receivables	(70,938.10)	(70,938.10)
	Other current assets	(47,279.89)	(47,279.89)
	Incidental impact on current provisions	(3,941.31)	(3,941.31)
	Deferred tax liabilities (net)	(43,775.08)	(43,775.08)
	<b>Sub Total</b>	64,527.97	64,527.97
<b>b</b>	<b>Through Retained Earnings for:</b>		
	Incremental depreciation	-	(6,740.10)
	Foreign exchange difference on above adjustments (net)	-	(2,408.04)
	Adjustments to deferred tax liabilities (net)	-	11,631.20
	<b>Sub Total</b>	-	2,483.06
<b>Total Adjustments</b>		-	2,483.06
<b>Equity as per Ind-AS</b>		<b>64,527.97</b>	<b>67,011.03</b>
		<b>2,98,831.52</b>	<b>2,61,589.57</b>

II The following reconciliations and explanatory notes thereto describe the effects of the transition on the Ind-AS on Statement of Profit and Loss for the year ended March 31, 2015. All explanations should be read in conjunction with the

## Notes to the Consolidated Financial Statements

accounting policies of the Company as disclosed in the Notes to the Accounts.

Particulars	₹ in Lacs 2014-15
<b>Loss as per Previous GAAP</b>	(39,854.58)
Adjustments	
a As explained in Note I (b) above	2,483.06
b Prior period items adjusted to opening balance of retained earnings	98.02
c Foreign Currency translation reserve debited to OCI	(0.23)
d Incremental Depreciation on opening fixed assets	129.80
<b>Total Adjustments</b>	2,710.65
<b>Loss as per Ind-AS</b>	<b>(37,143.93)</b>

### III Notes to the reconciliation

#### i Property, Plant and Equipment

The Company has as at the date of transition elected to measure Plant and Equipments and Land under property, plant and equipment at fair value as deemed cost. Consequently, depreciation for the financial year 2014 - 15 has been recomputed on the deemed cost as at transition date.

- ii Consequent to the early adoption of Ind-AS, the Company undertook a detailed evaluation of its capital work-in-progress, other non-current assets, trade receivables, other current assets and current liabilities and provisions under previous GAAP as at the date of transition being April 1, 2014. These assets and liabilities were assessed for future economic benefits expected to flow to the Company or collection or payment expected over the period of time due to the conditions existing prior to the date of transition. Ind-AS requires measurement of provision for bad and doubtful debts to be determined with reference to the expected credit loss model. Such assets and liabilities, based on evaluation, have been measured at the present value discounted at effective interest rate and adjusted to other reserve as relating to earlier period. Accordingly, the Company has made an additional provision on the transition date.
- iii Under previous GAAP, the Company has not presented Other Comprehensive Income (OCI) separately. Hence, the Statement of Profit and Loss under previous GAAP has been reconciled with profit and loss statement and total other comprehensive income as per Ind - AS.
- iv Previous GAAP required recognition of deferred tax using the income statement approach; however, Ind-AS requires the Company to recognise deferred tax using the balance sheet approach. The effect on account of application of Ind-AS has been duly accounted.
- v In the preparation of these Ind-AS Financial Statements, the Company has made several presentation differences between previous GAAP and Ind-AS. These differences have no impact on reported profit or total equity. Accordingly, some assets and liabilities have been reclassified into another line item under Ind-AS at the date of transition. Further, in these Financial Statements, some line items are described differently under Ind-AS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected.

As per our report of even date

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

**Rupesh Shah**  
Partner  
Membership No.: 117964

Place : Mumbai  
Date : May 14, 2016

for and on behalf of the Board of Directors

<p><b>Anil D Ambani</b> <b>Vice Admiral (Retd.) H S Malhi</b> <b>Amitabh Jhunjhunwala</b> <b>Bhavesh Gandhi</b> <b>Comal Ramachandran Gayathri</b> <b>Lt. Gen. (Retd.) Syed Ata Hasnain</b> <b>Rahul Sarin</b> <b>Ajai Vikram Singh</b> <b>Ryna Karani</b> <b>Ajay Sharma</b> <b>Ms. Padmaja Bhaskaran</b> <b>Sridhar Krishnamurthy</b></p>	}	<p>Chairman</p> <p>Directors</p> <p>Chief Financial Officer Corporate Counsel, Company Secretary &amp; Compliance Officer</p>
<p><b>Ajit Dabholkar</b></p>		

[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 the financial statements of subsidiaries/ associate companies/ joint ventures  
PART "A" – Summary of Financial Information of Subsidiary Companies

1. Subsidiaries of the Company in India:

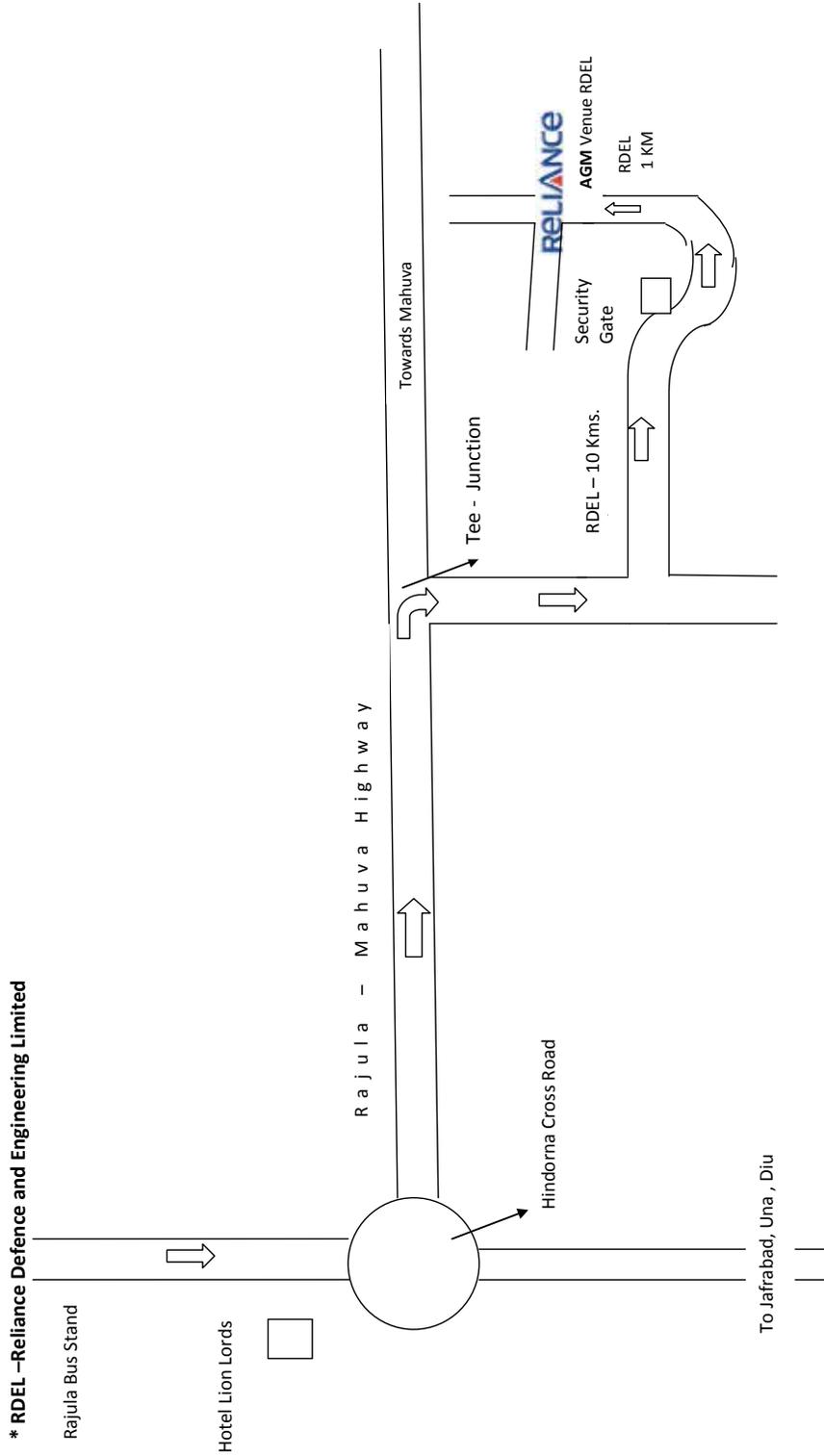
Sr. No.	Name of the Company	Reporting period for the subsidiary concerned, if different from the Holding Company's reporting period	Reporting Currency	Exchange Rate	Share Capital (in Lacs)	Reserves & Surplus (in lacs)	Total Assets (in lacs)	Total Liabilities (in Lacs)	Total Investments (in lacs)	Turnover (in lacs)	Profit / (Loss) Before Taxation	Provision for Taxation	Profit / (Loss) after taxation	Proposed Dividend	% of Shareholding
1.	E Complex Private Limited	-	INR	1	2,170.93	35,658.74	93,618.17	55,788.50	Nil	3,322.8	(4,756.31)	(357.37)	(4,380.94)	Nil	100%
2.	Reliance Marine and Offshore Limited	-	INR	1	5.00	(4.08)	42,968.90	42,967.98	29,968.00	0.00	(2.02)	Nil	(2.02)	Nil	100%
3.	Reliance Lighter than Air Systems Private Limited	-	INR	1	14.00	(10.57)	132.91	129.48	Nil	593.82	(9.23)	Nil	(9.23)	Nil	100%
4.	Reliance Engineering and Defence Services Limited	-	INR	1	5.00	(130.11)	19,119.11	19,244.22	Nil	2,247.27	(123.30)	Nil	(123.30)	Nil	100%
5.	Reliance Technologies and Systems Private Limited	-	INR	1	1.00	(0.54)	0.72	0.26	Nil	Nil	(0.37)	Nil	(0.37)	Nil	100%

2. Subsidiary of the Company Outside India:

Sr. No.	Name of the Company	Reporting period for the subsidiary concerned, if different from the Holding Company's reporting period	Reporting Currency	Exchange Rate	Share Capital (in SGD)	Reserves & Surplus (in SGD)	Total Assets (SGD)	Total Liabilities (in SGD)	Total Investments (SGD)	Turnover (SGD)	Profit / (Loss) Before taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend	% of Shareholding
1	PDOC Pre. Ltd.	-	SGD	49.14	25,000	(41,337)	13,195	29,532	Nil	Nil	(15,885)	Nil	(15,885)	Nil	100%

**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	
		Conceptia Software Technologies Private Limited	
1.	Latest Audited Balance Sheet Date	March 31, 2016	
2.	Shares of Associate held by the Company on year end		
	<ul style="list-style-type: none"> <li>● No. of Equity Shares</li> <li>● Amount of Investment in Associates (in ₹)</li> <li>● Extent of Holding (%)</li> </ul>	1,12,200 1,53,48,842/- 25.50%	
3.	Description of how there is significant influence	There is significant influence due to shareholding in the Associate Company	
4.	Reason why the Associate is not consolidated	N.A.	
5.	Net-worth attributable to Shareholding as per latest audited Balance Sheet (in ₹)	1,23,35,000/-	
6.	Profit / (Loss) for the year		
	1. Considered in Consolidation (in ₹) 2. Not Considered in Consolidation	33,07,000/- -	



**RELIANCE****Defence and Engineering****Reliance Defence and Engineering Limited****(Formerly known as Pipavav Defence and Offshore Engineering Company Limited)****Registered Office:** Pipavav Port, Post Ucchaiya, Via-Rajula, Dist. Amreli 365 560, Gujarat, India**Tel:** +91 2794 305000, **Fax:** +91 2794 305100**CIN:** L35110GJ1997PLC033193, **Website:** www.reliancedefence.co, **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 **19<sup>th</sup> ANNUAL GENERAL MEETING** of the Members of Reliance Defence and Engineering Limited held on Saturday, August 20, 2016 at 2.00 p.m. at the Registered Office of the Company at Pipavav Port, Post Ucchaiya, Via-Rajula, District Amreli – 365 560, Gujarat,\_\_\_\_\_  
Member's/Proxy's Signature

..... TEAR HERE .....

**PROXY FORM****RELIANCE****Defence and Engineering****Reliance Defence and Engineering Limited****(Formerly known as Pipavav Defence and Offshore Engineering Company Limited)****Registered Office:** Pipavav Port, Post Ucchaiya, Via-Rajula, Dist. Amreli 365 560, Gujarat, India**Tel:** +91 2794 305000, **Fax:** +91 2794 305100**CIN:** L35110GJ1997PLC033193, **Website:** www.reliancedefence.co, **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 19<sup>th</sup> Annual General Meeting of the Company, to be held on Saturday, August 20, 2016 at 2.00 p.m at the Registered Office of the Company at Pipavav Port, Post Ucchaiya, 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 standalone financial statement of the Company for the financial year ended March 31, 2016 and the reports of the Board of Directors and Auditors thereon; b) the audited consolidated financial statement of the Company for the financial year ended March 31, 2016 and reports of the Auditors thereon.		
2.	To appoint a Director in place of Shri Nikhil Gandhi (DIN: 00030560) who retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers himself for re-appointment.		
3.	To appoint a Director in place of Shri Bhavesh Gandhi (DIN: 00030623) who retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers himself for re-appointment.		
4.	To ratify the appointment of Statutory Auditors and to fix their remuneration.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

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 Defence 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 : [einward.ris@karvy.com](mailto:einward.ris@karvy.com)