

# RELIANCE NAVAL AND ENGINEERING LIMITED

Pipavav Port, Post - Uchhaiya, Via - Rajula, Dist. - Amreli, PIN - 365 560, Gujarat  
CIN - L35110GJ1997PLC033193 Phone No.: +91 22 4058 7300 Email: rnel@swan.co.in

## REPORT OF THE AUDIT COMMITTEE OF RELIANCE NAVAL AND ENGINEERING LIMITED AT ITS MEETING HELD ON NOVEMBER 22, 2024, IN RELATION TO THE SCHEME OF ARRANGEMENT AND AMALGAMATION BETWEEN TRIUMPH OFFSHORE PRIVATE LIMITED AND RELIANCE NAVAL AND ENGINEERING LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

### Members Present:

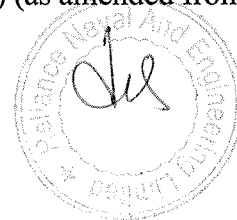
1. Mr. Kaiyoze Billimoria - Chairman
2. Mr. Ashishkumar Bairagra - Member
3. Mr. Paresh Merchant - Member

### In Attendance:

1. Mr. Nikhil Merchant - Managing Director
2. Ms. Maya Sinha - Independent Director
3. Mr. Rishi Chopra - Chief Financial Officer
4. Mr. Vishant Shetty - Company Secretary
5. Mr. Rajesh Bhardwaj - Vice President – Finance
6. Mr. Chetan Selarka - Whole-time Director & CFO, Swan Energy Limited
7. Mr. Jignesh Shah - SR VP – Finance & Accounts, Swan Energy Limited
8. Mr. Deepesh Kedia - Company Secretary, Swan Energy Limited

### 1. Background:

- 1.1. The Audit Committee at its meeting held on **November 22, 2024**, was requested to consider and recommend to the Board of Directors, a draft of the proposed Scheme of Arrangement and Amalgamation between Triumph Offshore Private Limited (“**TOPL**” or “**the Transferor Company**”) and Reliance Naval and Engineering Limited (“**RNEL**” or “**the Transferee Company**”) and their respective shareholders and creditors (“**Scheme**”), to be implemented under Sections 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and the rules made there under (“**Act**”) and other applicable provisions, if any, of the Act, any other law for the time being in force (including any statutory modifications(s) or re-enactment(s) thereof), and such other applicable rules, regulations, guidelines, and circulars issued by any regulatory authorities from time to time including the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (“**SEBI Circular**”) (as amended from time to time).



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1.2. In terms of the Schedule II, Part C, paragraph A (22) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("**SEBI LODR Regulations**") read with SEBI Circular, a report from the Audit Committee recommending the draft Scheme taking into consideration, *inter alia*, the valuation report, and commenting on the need for the arrangement, rationale of the scheme, synergies of business of the entities involved in the scheme, cost benefit analysis of the scheme and impact of schemes on the Company and its shareholders is required. This report of the Audit Committee is made in compliance with the requirements of the SEBI LODR Regulations read with SEBI Circular.

## 2. While deliberating on the Scheme, the Audit Committee had, inter-alia, considered and has taken on record the following documents:

2.1. Draft Scheme of Arrangement and Amalgamation;

2.2. Valuation Report dated November 22, 2024, issued by M/s. Pawan Poddar & Associates (Registration No. IBBI/RV/06/2019/12475), Registered Valuer ("Valuation Report");

2.3. Fairness Opinion Report dated November 22, 2024, issued by M/s. Navigant Corporate Advisors Limited, (Registration No. INM000012243), an Independent SEBI registered Category – I Merchant Banker ("Fairness Opinion"); and

2.4. Statutory Auditors' certificate of N. N. Jambusaria & Co Chartered Accountants (Firm Registration No. 104030W), the Statutory Auditors of the Transferee Company, confirming that the scheme is in compliance with the accounting treatment prescribed under section 133 of the Companies Act and other generally accepted accounting principles;

## 3. Proposed Scheme

3.1. The Audit Committee noted the need and the rationale of the Scheme, which *inter-alia* is as follows:

- a. The rationale for the proposed reduction and re-organisation of capital of the Transferee Company in the manner set out in this Scheme is as under:



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- (i) The Transferee Company has suffered substantial losses during the past few years and has undergone Corporate Insolvency Resolution Process which has deleveraged its balance sheet substantially.
  - (ii) As per the audited financial statements of the Transferee Company on 31 March 2024, the Transferee Company carries a debit balance of Retained Earnings Account, while it has unutilized credit balances of Capital Reserve and Securities Premium. Accordingly, the Transferee Company believes that utilization of the Capital Reserve and Securities Premium to set off the debit balances in Retained Earnings Account would result in a true and fair reflection of the "Other Equity" in the balance sheet;
  - (iii) The Scheme will enable the Transferee Company to explore opportunities for the benefit of the shareholders of the Transferee Company including in the form of dividend payment as per the applicable provisions of the Companies Act, 2013;
  - (iv) The proposed adjustment / set off, of the Securities Premium Account would not have any impact on the shareholding pattern, and the capital structure of the Transferee Company; and
  - (v) The proposed reduction and re-organisation of capital does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Transferee Company to meet its obligations / commitments in the normal course of business.
- b. Both the Transferor Company and the Transferee Company belongs to the same group. The proposed amalgamation would inter alia have the following benefits:
- (i) The proposed amalgamation will help the group in consolidation of all the activities such as purchase, sale, charter hire, constructions, repairs, etc. of ships, boats, vessels, other transports and conveyances in a single entity which will help the combined business to exploit the complementary capabilities of both companies.



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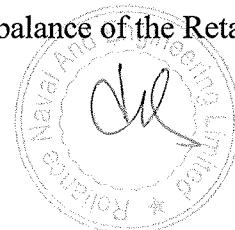
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- (ii) The merged entity would oversee the entire value chain, from vessel design and construction to financing, leasing, and eventual management. This integration enables the company to have greater control over costs, quality, and delivery schedules, resulting in more streamlined operations.
- (iii) The proposed amalgamation would create a more competitive and diversified entity capable of competing with global players in the shipbuilding and heavy engineering sectors.
- (iv) The proposed amalgamation would position the merged entity to benefit from the growing demand for naval defense, energy infrastructure, and commercial shipping in both domestic and international markets.
- (v) The proposed amalgamation would not only create economies of scale, reduction of costs and reduction of compliance burden, but also simplify management and strategic focus, leading to a better long-term performance.

#### 4. The Audit Committee noted the salient features of the Scheme, which *inter-alia* are as under:

- 4.1. This Scheme is presented under Sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the companies act, 2013 and rules made there under, and provides for the following:
  - a. Reduction and re-organisation of capital of the Transferee Company; and
  - b. Amalgamation of Transferor Company with the Transferee Company.
- 4.2. The appointed date for the Scheme is April 1, 2024 (“Appointed Date”).
- 4.3. Upon the Scheme becoming effective, the credit balance of following reserves as appearing in books of accounts of the Transferee Company as on the Appointed Date, shall be adjusted against the debit balance of the Retained Earnings Account of the Transferee Company, in the following chronological order:
  - a. Entire credit balance appearing under the Capital Reserve; and
  - b. Securities Premium, to the extent of remaining debit balance of the Retained Earnings Account.

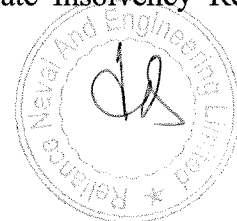


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- 4.4. Upon the Scheme becoming effective, the Transferor Company along with all its assets, liabilities, contracts, employees, records etc. being its integral part shall stand transferred to the Transferee Company as a going concern subject to the provisions of the Scheme.
- 4.5. From the Appointed Date and upto the effective date, the Transferor Company and Transferee Company shall carry on its business and activities with reasonable diligence and business prudence.
- 4.6. The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme.
- 5. The Audit Committee noted the synergies of business of the entities involved in the Scheme, which *inter-alia* are as under:**
- 5.1. The background and information about TOPL and RNEL are, *inter-alia*, as under:
- a. TOPL is a company incorporated under the provisions of the Companies Act, 2013 having its registered office at 9th Avenue, Ground Floor, Behind Rajpath Club, Memnagar, Bodakdev, Ahmedabad – 380 059, Gujarat. TOPL is a wholly owned subsidiary Company of Swan Energy Limited (“SEL”), a public company whose equity shares are listed on BSE Limited and National Stock Exchange of India Limited. TOPL specializes in purchasing and operating vessels. TOPL was incorporated to own, purchase, charter hire, sell, exchange, let, operate, trade in steam and other ships including Floating Storage Regasification units / Floating Storage Units, boats, tugs, vessels, trawlers, drifters, other transports and conveyances.
- b. RNEL is a company incorporated under the provisions of Companies Act, 1956 having its registered office at Pipavav Port, Post Uchaya, Via Rajula, Rajula – 365 560, Gujarat. RNEL is a listed public company whose equity shares are listed on BSE Limited and National Stock Exchange of India Limited. RNEL is engaged in the construction of vessels, repairs and refits of ships and rigs and heavy engineering. RNEL has a large shipbuilding / repair infrastructure in India including dry dock. SEL through its special purpose vehicle, Hazel Infra Limited, has acquired RNEL under the Corporate Insolvency Resolution



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Process approved by the National Company Law Tribunal. Accordingly, RNEL is a step-down subsidiary of SEL.

5.2. Upon effectiveness of the scheme (as defined in the scheme), the benefits and synergies as mentioned in Para 3.1 above shall be derived.

**6. The Audit Committee noted the impact of the Scheme on the shareholders of the Transferee Company, which *inter-alia* is as under:**

6.1. Upon scheme becoming effective and upon amalgamation of the Transferor Company with the Transferee Company in terms of this scheme, the Transferee Company shall, Redeemable Preference Shares to the members of the Transferor Company. Accordingly, there will not be any change in the equity shareholding pattern of the Transferee Company, as a result of amalgamation.

6.2. The Scheme is expected to have several benefits for the Company as indicated in the rationale of the Scheme and is expected to be in the best interest of the Transferee Company and shareholders of the Transferee Company.

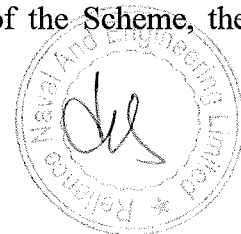
**7. The Audit Committee noted the cost benefit analysis of the Scheme, which *inter-alia* is as under:**

As stated in the rationale, the benefits of the Scheme would far outweigh the cost of implementation of the Scheme.

**8. Recommendation of the Audit Committee:**

The Audit Committee has taken on record the Valuation Report and the Fairness Opinion and the recommendations made therein.

The Audit Committee has considered and noted the aforementioned draft Scheme and *inter alia* taking into consideration the valuation report, fairness opinion, certificate issued by Statutory Auditors of the Transferee Company, need and rationale of the scheme, synergies of the business of the companies involved in the Scheme and impact of the Scheme on the Transferee Company and its shareholders, cost benefit analysis of the Scheme, the Audit



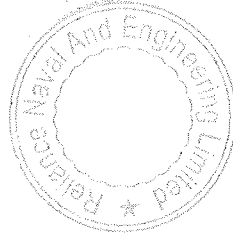
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Committee recommends the draft Scheme to the Board of Directors of the Transferee Company for their favorable consideration and approval.

For **Reliance Naval and Engineering Limited**



**Chairman of the Audit Committee**

Dated: November 22, 2024

Place: Mumbai