NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting (AGM) of the Members of Sea Blue Shipyard Ltd. will be held on **Friday, 15th day of November, 2024 at 10:30 A.M (IST)** via Video Conferencing (VC) facility or Other Audio-Visual Means (OAVM) to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2024, the Statement of Profit and Loss and the Cash Flow Statement for the financial year ended on that date, Annexure and Schedules thereto and the reports of the Auditors and the Board of Directors thereon.

2. To consider re-appointment of a director in place of Mr. Tojen E (DIN: 01562904) who retires by rotation being eligible for re-appointment and offers himself for re-election.

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Tojen E (DIN: 01562904), Non-Executive Director liable to retire by rotation, being eligible for re-appointment and offers himself for re-election, be and is hereby appointed as Director of the Company."

SPECIAL BUSINESS:

3. **To Ratify the Remuneration of Mr. Tojen E (Din: 01562904), Wholetime Director of the Company**

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT in accordance with the provisions of Section 196,197,198 and 203 read with Schedule V of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and any other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification (s) or re-enactment thereof for the time being in force) and the recommendations of Nomination and Remuneration Committee and the Board, the consent of the members be and is hereby accorded for the remuneration package of Mr. Tojen E (DIN: 01562904), Wholetime Director of the Company in the event of loss or inadequacy of profits for the financial year 2023-24 as below;

   Basic Salary of Rs. 1,05,000 P.M and HRA of Rs. 16,000 P.M plus 0.5% of Net Profit derived under Section 198 as Performance Incentive w.e.f 01st April,2021.

4. To Ratify the Appointment of Mr. Jroish G Kanippilly (Din: 01562904) as Managing Director, Director Finance and his Remuneration

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Section 196,197 and 203 read with Schedule V of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Articles of Association of the Company and the recommendations of Nomination and Remuneration Committee and the Board, and subject to any other approval as may be required, the consent of the members of the Company be and is hereby accorded for appointment of Mr. Jroish G Kanippilly (DIN: 03623843) as the Managing Director of the Company.

RESOLVED FURTHER THAT consent of the members be and is hereby accorded for the remuneration package of Mr. Jroish G Kanippilly (DIN: 03623843), as Managing Director and Executive Director (Director Finance) of the Company in the event of loss or inadequacy of profits for the financial year 2023-24 as below–

(i) As Managing Director of the Company for the period of from 14th October, 2023 to 15th July, 2024

Basic Salary of Rs. 1,15,500/- Lakhs/Month + HRA of Rs.16,000/ Month + 0.5% of Net Profit derived under Section 198 read with Sections 196 and 197 as Performance Incentive w.e.f 14th October, 2023

(ii) As Executive Director (Director Finance) of the Company for a period from 15th September, 2023 to 13th October, 2023

Basic Salary of Rs. 1,05,000 P.M and HRA of Rs. 16,000 P.M plus 0.5% of Net Profit derived under Section 198 as Performance Incentive w.e.f 15th September, 2023.

5. To Ratify the Appointment of Adv. P P Antony (Din: 10288144) As Managing Director and his Remuneration

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 & 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 ("the Act"), The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modifications or reenactment(s) thereof for the time being in force), subject to approval of members in the general meeting and such other consents and permission as may be necessary is hereby accorded for the appointment of Adv. P P Antony (DIN: 10288144) as Managing Director of the Company till ensuing AGM or for a period of 1 Year, whichever is earlier, with effect from 22nd July, 2024 on the remuneration and terms & conditions as follows –

Salary of Rs. 1,15,500/- Lakhs/Month + HRA of Rs.16,000/ Month + 0.5% of Net Profit derived under Section 198 read with Sections 196 and 197 as Performance Incentive w.e.f 22nd July, 2024.

6. **To appoint Mr. Simon Kunjuvareed Pullokaran (DIN: 10809354) as the Non-Executive Director of the Company.**

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 152,160 164 and other applicable provisions of the Companies Act, 2013 (''Act'') and the Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended from time to time and other applicable provisions if any under the Act, read with Articles of Association of the Company and in respect of whom the Company has received notice in writing under Section 160(1) of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, Mr. Simon Kunjuvareed Pullokaran (DIN: 10809354) be and is hereby appointed as the Non-Executive Director of the Company, who shall be liable to retire by rotation."

7. **To appoint Mr. Joseph Abraham (DIN: 10807271) as the Non-Executive Director of the Company.**

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 152,160 164 and other applicable provisions of the Companies Act, 2013 (''Act'') and the Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended from time to time and other applicable provisions if any under the Act, read with Articles of Association of the Company and in respect of whom the Company has received notice in writing under Section 160(1) of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, Mr. Joseph Abraham (DIN: 10807271) be and is hereby appointed as the Non-Executive Director of the Company, who shall be liable to retire by rotation."

8. **To appoint Mr. Vyupukaran Abubacker Shaffi (DIN: 05130571) as the Non-Executive Director of the Company.**

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 152,160 164 and other applicable provisions of the Companies Act, 2013 (''Act'') and the Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended from time to time and other applicable provisions if any under the Act, read with Articles of Association of the Company and in respect of whom the Company has received notice in writing under Section 160(1) of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, Mr. Vyupukaran Abubacker Shaffi (DIN: 05130571) be and is hereby appointed as the Non-Executive Director of the Company, who shall be liable to retire by rotation."

9. Alteration of Articles of Association of the Company

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT RESOLVED THAT pursuant to provisions of Section 14 of the Companies Act, 2013 (including any amendments thereto or re-enactment thereof) (the "Act") read with rules made thereunder and subject to the approval of shareholders and subject to such other approvals, permission and consents as may be required, the Articles of Association of the Company be and are hereby altered by replacing the existing Clause 58 with a new clause as follows:

58. Subject to the provisions of the Companies Act, 2013, the Board may appoint one of their members as Managing Director, at such remuneration and upon such conditions as they think fit. Provided that, the Chairman of the Board shall not be appointed as the Managing Director of the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to accept any addition/ alteration in proposal(s) mentioned above, as may be required by the authorities concerned at the time of their approval and as agreed to by the Board."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to one or more director(s) of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid resolution."

RESOLVED FURTHER THAT a certified true of the resolution signed by any director/ Company Secretary be provided to anyone concerned or interested in the matter."

For and on behalf of the Board of Directors
For Sea Blue Shipyard Limited

Sd/-
P P Antony
Managing Director
DIN: 10288144

Place: Vypin
Date: 21/10/2024

Registered Office:
1/212, V. P. Road,
Azheekal P O,
Vypin, Kochi – 682 508, Kerala.
CIN: U35111KL2003PLC016677
E-mail Id: cs@seablueshipyard.com
Website address: www.seablueshipyard.com

NOTES

1. The ROC, Kerala, vide order dated 09th October 2024, has granted the Company an extension of time for holding the Annual General Meeting (AGM) by a period of one and a half months beyond the due date for conducting the AGM for the financial year 2023-24, which ended on 31st March 2024.

2. Corporate Members intending to send their authorised representatives to attend and vote at the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the Meeting.

3. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business under item 3 to 9 be transacted at the Annual General Meeting (AGM) is annexed hereto.

4. The notice of AGM is being sent in electronic mode to Members whose e-mail address is registered with the depository participant(s). Members who have not registered their e-mail address are requested to register the same with their respective depository participant(s). In case of any assistance, the members are requested to write an email to cs@seablueshipyard.com.

5. Shareholders who have not registered their e-mail addresses so far, are requested to register their e-mail address in prescribed form attached with Notice for receiving all communication including Notices, circulars etc. from the Company electronically.

6. Members may note that the Notice of Annual General Meeting will also be available on the Company's website www.seablueshipyard.com.

7. Please ensure that your PAN, email ID, and mobile number are updated with your Depository Participant (DP) and the Company. This is mandatory to maintain accurate records and to receive the Notice, details of the Annual General Meeting (AGM) or Extra-Ordinary General Meeting (EGM), and other communications from the Company. Kindly update your details with the Registrar and Transfer Agent (RTA) and the Company at the earliest.

8. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44(1) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to its Members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting ("AGM") by electronic means and the business may be transacted through E-voting services arranged by Central Depository Services Limited ("CDSL"). The Members may cast their votes using an electronic voting system from a place other than the venue of the AGM ("remote E-voting").

9. The facility for voting through electronic voting system or polling paper shall be made available at the AGM and the Members attending the AGM who have not cast their vote by remote E-voting shall be able to exercise their right at the AGM.

10. The Members who have cast their vote by remote E-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

11. The remote E-voting period commences on Tuesday, 12th November, 2024 (10.00 a.m. IST) and ends on Thursday, 14th November, 2024 (5.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or dematerialized form, as on the cut-off date i.e. Friday, 08th November 2024, may cast their vote by remote E-voting. The remote E-voting module shall be disabled by CSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

12. Any person who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at evoting@cdsl.co.in. However, if he/she is already registered with CDSL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

13. The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date.

14. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

15. The Company has appointed CS Panakkat Sandeep Kumar, M/s Panakkat Sandeep and Associates, Practicing Company Secretaries, to act as the Scrutinizer, to scrutinize the entire e-voting process in a fair and transparent manner. The Members desiring to vote through remote e-voting are requested to refer to the detailed procedure given hereinafter.

16. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, and the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer’s Report of the votes cast in favour or against, if any, to the chairman or a person authorized by him in writing, who shall countersign the same.

17. The results declared along with the scrutinizer’s report shall be placed on the website of the Company www.seablueshipyard.com under the head “Investor” and on the website of CDSL, https://www.evoting.cdsl.com immediately after the results are declared by the Chairman or a person authorised by him in writing.

CDSL e-Voting System – For e-voting and Joining Virtual meetings.

1. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.

2. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

3. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.

4. Pursuant to MCA Circular No. 14/2020 dated April 08, 2020, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.

5. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling AGM has been uploaded on the website of the Company at www.seablueshipyard.com. The AGM Notice is also disseminated on the website of CDSL (agency for providing the Remote e-Voting facility and e-voting system during the AGM) i.e. www.evotingindia.com.

6. The AGM has been convened through VC/OAVM in compliance with applicable provisions of the Companies Act, 2013 read with MCA Circular No. 14/2020 dated April 8, 2020 and MCA Circular No. 17/2020 dated April 13, 2020 and MCA Circular No. 20/2020 dated May 05, 2020.

THE INTRUCTIONS OF SHAREHOLDERS FOR E-VOTING AND JOINING VIRTUAL MEETINGS ARE AS UNDER:

Step 1 : Access through Depositories CDSL e-Voting system in case of individual shareholders holding shares in demat mode.

Step 2 : Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in demat mode.

i. The voting period begins on 12.11.2024 at 10.00 am and ends on 14.11.2024 at 5.00 pm. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 08.11.2024 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

ii. Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

Step 1 : Access through Depositories CDSL e-Voting system in case of individual shareholders holding shares in demat mode.

iii. In terms of SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to abovesaid SEBI Circular, Login method for e-Voting and joining virtual meetings for Individual shareholders holding securities in Demat mode CDSL is given below:

<table>
<tr><th>Type of shareholders</th><th>Login Method</th></tr>
<tr><td>Individual Shareholders holding securities in Demat mode with CDSL Depository</td><td>1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login to Easi / Easiest are requested to visit cdsl website www.cdslindia.com and click on login icon & New System Myeasi Tab.

2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly.

3) If the user is not registered for Easi/Easiest, option to register is available at cdsl website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option.

4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.</td></tr>
<tr><td>Individual Shareholders (holding securities in demat mode) login through their Depository Participants (DP)</td><td>You can also login using the login credentials of your demat account through your Depository Participant registered with CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</td></tr>
</table>

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with **CDSL**	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 21 09911/ +91-8075821115

Step 2 : Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in demat mode.

iv. Login method for e-Voting and joining virtual meetings for Physical shareholders and shareholders other than individual holding in Demat form.

1) The shareholders should log on to the e-voting website www.evotingindia.com.

2) Click on “Shareholders” module.

3) Now enter your User ID

   a. For CDSL: 16 digits beneficiary ID,
   b. Shareholders holding shares in physical form should enter their Folio Number as registered with the Company. Shareholders must prefix the Folio Number with 'SBS'. For example, if the Folio Number is 1, the entry should be 'SBS1.

4) Next enter the Image Verification as displayed and Click on Login.

5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.

6) If you are a first-time user follow the steps given below:

	For Physical shareholders and other than individual shareholders holding shares in Demat.
PAN	Enter your 10-digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders). • Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact

	Company/RTA.
Dividend Bank Details **OR** Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company, please enter your folio number by prefixing 'SBS' in the Dividend Bank details field.

v. After entering these details appropriately, click on "SUBMIT" tab.

vi. Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

vii. For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

viii. Click on the EVSN for the relevant M/s SEA BLUE SHIPYARD LIMITED on which you choose to vote.

ix. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

x. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

xi. After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xii. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

xiii. You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

xiv. If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

xv. There is also an optional provision to upload BR/POA if any uploaded, which will be made available to scrutinizer for verification.

xvi. Additional Facility for Non – Individual Shareholders and Custodians –For Remote Voting only.

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
- It is Mandatory that, a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively, non-individual shareholders are required mandatory to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz: cs@seablueshipyard.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:

1. The procedure for attending meeting & e-Voting on the day of the AGM is same as the instructions mentioned above for e-voting.

2. The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for e-voting.

3. Shareholders who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM.

4. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.

5. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

6. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

7. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance at least 2 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at cs@seablueshipyard.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 2 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at cs@seablueshipyard.com. These queries will be replied to by the company suitably by email.

8. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

9. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

10. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders may be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL/MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/DEPOSITORIES.

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to the company mail id.

2. For Demat shareholders -, Please update your email id & mobile no. with your respective Depository Participant (DP)

3. **For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.**

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 21 09911/ +91-8075821115.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call toll free no. 1800 21 09911/ +91-8075821115.

EXPLANATORY STATEMENT
(Pursuant to Section 102 of the Companies Act, 2013)

Item No. 3

To seek the approval of the members for the remuneration package of Mr. Tojen E (DIN: 01562904), Whole-time Director of the Company, in light of potential financial challenges during the financial year 2023-24.

In accordance with the Companies Act, 2013, specifically Sections 196, 197, 198, and 203, as well as Schedule V, the Company is required to obtain the approval of its members to ratify the remuneration of its managerial personnel. The Nomination and Remuneration Committee, along with the Board of Directors, has reviewed and recommended the remuneration package for Mr. Tojen E (DIN: 01562904).

The proposed remuneration comprises:

- Basic Salary: Rs. 1,05,000 per month
- House Rent Allowance (HRA): Rs. 16,000 per month
- Performance Incentive: 0.5% of the Net Profit, as derived under Section 198 of the Companies Act, applicable in cases of profitability. Tojen E (DIN: 01562904), Whole-time Director of the Company

Accordingly, the Board recommends the resolutions set out at Item No. 03 seeking approval of the Members as Ordinary Resolution.

None of the directors and Key Managerial Personnel and their relatives except for Mr. Tojen E shall be concerned or interested, financially or otherwise, in the resolution set out in the item no. 03 of this Notice.

Item No. 4

To seeks the approval of the members for the appointment of Mr. Jroish G Kanippilly as Managing Director and Director Finance of the Company, along with his remuneration package, in accordance with the provisions set forth in the Companies Act, 2013.

The appointment is made in compliance with Sections 196, 197, and 203 of the Companies Act, 2013, along with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Nomination and Remuneration Committee, after careful consideration, has recommended Mr. Jroish G Kanippilly for this role, which is essential for the Company's strategic direction and financial management.

Position: Managing Director

- **Tenure:** From 14th October 2023 to 15th July 2024
- **Basic Salary:** Rs. 1,15,500 per month

- **House Rent Allowance (HRA):** Rs. 16,000 per month
- **Performance Incentive**: 0.5% of Net Profit derived under Section 198, effective from 14th October 2023.

Position: Executive Director (Director Finance)

- **Tenure:** From 15th September 2023 to 13th October 2023
- **Basic Salary:** Rs. 1,05,000 per month
- **HRA:** Rs. 16,000 per month
- **Performance Incentive**: 0.5% of Net Profit derived under Section 198, effective from 15th September 2023.

Accordingly, in light of potential financial challenges during the financial year 2023-24 the Board recommends the resolutions set out at Item No. 04 seeking approval of the Members as Ordinary Resolution.

None of the directors and Key Managerial Personnel and their relatives except for Mr. Jroish G Kanippilly shall be concerned or interested, financially or otherwise, in the resolution set out in the item no. 04 of this Notice.

Item No. 5

To seek the approval of the members for the appointment of Adv. P P Antony as Managing Director of the Company, along with his remuneration package, in compliance with the provisions of the Companies Act, 2013.

In accordance with Sections 196, 197, and 203 of the Companies Act, 2013, along with Schedule V and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company is required to obtain the approval of its members for the appointment of its managerial personnel. Adv. P P Antony has been nominated for the role of Managing Director, given his extensive legal expertise and experience in corporate governance.

Position: Managing Director

- **Tenure:** From 22nd July 2024 until the ensuing Annual General Meeting (AGM) or for a period of one year, whichever is earlier
- **Salary:** Rs. 1,15,500 per month
- **House Rent Allowance (HRA):** Rs. 16,000 per month
- **Performance Incentive:** 0.5% of Net Profit derived under Section 198, effective from 22nd July 2024.

The proposed remuneration package aligns with the Company’s commitment to attracting and retaining qualified leadership. The performance incentive is designed to motivate the Managing Director to drive the Company’s growth and profitability.

Accordingly, in light of potential financial challenges during the financial year 2023-24 the Board recommends the resolutions set out at Item No. 05 seeking approval of the Members as Ordinary Resolution.

None of the directors and Key Managerial Personnel and their relatives except for Adv. P P Antony shall be concerned or interested, financially or otherwise, in the resolution set out in the item no. 05 of this Notice.

Item No. 6

Mr. Simon Kunjuvareed Pullokaran (DIN: 10809354) is a Naval Architect with over 35 years of experience in the field of shipbuilding and oil & gas sector. He has proficiency in Design, Engineering and Construction Management and has ability to lead a team of different disciplines and backgrounds. He has adequate skills in Project planning & logistics, budgeting & cost control, Contract Formulation & Management and has good communication and presentation skills

Mr. Simon Kunjuvareed Pullokaran (DIN: 10809354) on recommendation by Nomination and Remuneration Committee, and pursuant to the provisions of section 152,160 and other applicable provisions of Companies Act 2013 and the Companies (Appointment and Qualifications of Directors) Rules, 2014 to be appointed as the Non-Executive Director of the Company, who shall be liable to retire by rotation.

Accordingly, the Board recommends the resolutions set out at Item No. 06 seeking approval of the Members as Ordinary Resolution.

None of the directors and Key Managerial Personnel and their relatives except for Mr. Simon Kunjuvareed Pullokaran shall be concerned or interested, financially or otherwise, in the resolution set out in the item no. 06 of this Notice.

Item No. 7

To seeks the approval of the members for the appointment of Mr. Joseph Abraham as a Non-Executive Director of the Company, in accordance with the provisions of the Companies Act, 2013.

Pursuant to Sections 152, 160, and 164 of the Companies Act, 2013, along with the Companies (Appointment and Qualifications of Directors) Rules, 2014, the Company must obtain approval from its members for the appointment of directors. Mr. Joseph Abraham (DIN: 10807271) has been proposed as a candidate for the role of Non-Executive Director, and the Company has received a notice in writing under Section 160(1) from a member in support of his appointment.

Educational Background: Bachelor of Engineering in Industrial Production from Mangalore University, India (1996).

Professional Summary: Mr. Abraham is a seasoned professional with over 27 years of diverse experience in industrial production, management, and distribution. He has proven expertise in managing operations, optimizing processes, and leading teams across various industries. His strong leadership skills and solid track record of driving business growth underscore his commitment to delivering high-quality results. He is adept at managing partnerships, improving operational efficiencies, and building strong customer relationships.

The appointment of Mr. Joseph Abraham as a Non-Executive Director will bring valuable insights and experience to the Board, contributing to effective governance and strategic decision-making. His extensive background in industrial production and management will enhance the Company's operational capabilities and strategic direction.

The Board recommends this appointment as beneficial for the Company and its stakeholders.

Accordingly, the Board recommends the resolutions set out at Item No. 07 seeking approval of the Members as Ordinary Resolution.

None of the directors and Key Managerial Personnel and their relatives shall be concerned or interested, financially or otherwise, in the resolution set out in the item no. 07 of this Notice.

Item No. 8

To seeks the approval of the members for the appointment of Mr. Vyupukaran Abubacker Shaffi (DIN: 05130571) as a Non-Executive Director of the Company, in accordance with the provisions of the Companies Act, 2013.

Pursuant to Sections 152, 160, and 164 of the Companies Act, 2013, and the Companies (Appointment and Qualifications of Directors) Rules, 2014, the Company must obtain approval from its members for the appointment of directors. Mr. Vyupukaran Abubacker Shaffi (DIN: 05130571) has been proposed as a candidate for the role of Non-Executive Director, and the Company has received a notice in writing under Section 160(1) from a member in support of his appointment.

Mr. Shaffi V A is a result-oriented management professional with over 16 years of senior management experience overseeing and optimizing daily operations across diverse environments. His expertise lies in streamlining processes within sales, marketing, logistics, finance, and administration to enhance productivity and performance. He is a proven leader with a track record of developing high-performing teams and driving operational excellence. He is an excellent communicator with strong analytical skills, emphasizing data-driven decision-making. His experience includes collaborating with cross-functional teams and stakeholders, particularly within the Middle East region.

The appointment of Mr. Shaffi V A as a Non-Executive Director will enrich the Board with his extensive management experience and operational insights. His ability to drive efficiency and effectiveness in various domains will be instrumental in enhancing the Company's strategic initiatives.

The Board recommends this appointment as advantageous for the Company and its stakeholders.

Accordingly, the Board recommends the resolutions set out at Item No. 08 seeking approval of the Members as Ordinary Resolution.

None of the directors and Key Managerial Personnel and their relatives shall be concerned or interested, financially or otherwise, in the resolution set out in the item no. 08 of this Notice.

Item No. 9

To seeks the approval of the members for an alteration to the Articles of Association of the Company, specifically to replace the existing Clause 58, in accordance with Section 14 of the Companies Act, 2013.

The proposed amendment aims to clarify the process for the appointment of the Managing Director by the Board. The new Clause 58 stipulates that the Board may appoint one of its members as Managing Director, with discretion over remuneration and conditions. Importantly, the amendment specifies that the Chairman of the Board shall not be eligible for appointment as Managing Director.

Proposed New Clause: 58. "Subject to the provisions of the Companies Act, 2013, the Board may appoint one of their members as Managing Director, at such remuneration and upon such conditions as they think fit. Provided that, the Chairman of the Board shall not be appointed as the Managing Director of the Company."

This alteration is intended to enhance governance and clarity in the management structure of the Company. By explicitly stating the ineligibility of the Chairman for the Managing Director role, the amendment promotes transparency and prevents potential conflicts of interest.

Accordingly, the Board recommends the resolutions set out at Item No. 09 seeking approval of the Members as Special Resolution.

None of the directors and Key Managerial Personnel and their relatives shall be concerned or interested, financially or otherwise, in the resolution set out in the item no. 09 of this Notice.

For and on behalf of the Board of Directors
For Sea Blue Shipyard Limited

Sd/-

P P Antony
Managing Director
DIN: 10288144

Place: Vypin
Date: 21/10/2024

Registered Office:

1/212, V. P. Road,
Azheekal P O,
Vypin, Kochi – 682 508, Kerala.
CIN: U35111KL2003PLC016677
E-mail Id: cs@seablueshipyard.com
Website address: www.seablueshipyard.com

ANNEXURE TO THE NOTICE

Details of Directors seeking Re-appointment / Appointment at the Twenty-First Annual General Meeting

Name of the Director & DIN	Mr. Tojen E (DIN: 01562904), Age: 61 years
Date of first Appointment	24/09/2022
Qualifications, Experience and Areas of Specialization	He is a B-Tech, Mechanical Engineer by profession and has about 8 years of experience with Merchant Navy as a Marine Engineer and 24 years in Ship repairing and Ship Building Industry with comprehensive operations experience, with technical expertise to effectively lead project coordination, program management, & manufacturing technology efforts in ship building and ship repair industry. He is one amongst the promoters of Sea Blue Shipyard Limited and was serving as Director Operations.
Terms & Conditions of Appointment	Non-Executive Director, liable to retire by Rotation
Remuneration last drawn	14,52,000
No. of Shares Held in the company	6,64,800
No. of Board Meetings attended during Financial Year 2023-2024	7
List of Directorship held in other Companies	NIL
Chairman/ member of the Committee of the Board of Directors of other Companies	NIL
Relation with Key Managerial Personnel and Directors	NIL

Name of the Director & DIN	Mr. Simon Kunjuvareed Pullokaran (DIN: 10809354) Age: 68 years
Date of first Appointment	-
Qualifications, Experience and Areas of Specialization	He is a B-Tech Naval Architect, with over 35 years of experience in Ship Building and Oil and Gas Sector with versatile experience in Project execution for Shipbuilding, Offshore platforms, Fleet maintenance, Refineries and PLG installations. Design & Construction of FPSO Layang, for Layang field off Malaysia. Design development and Engineering of 2 nos. DP3 Derrick Pipe-lay Construction vessels. Design development and Engineering of 22,000 Ton Jacket Launch / Float-over barge. Detailed engineering and construction of 1200 Ton, DPS-2 pipe-lay vessel for Global Industries, Houston, USA; at Keppel Sing-Marine, Singapore. Detailed Engineering and construction of 3000 Ton Derrick and pipe-lay vessel for Offshore International FZC, joint venture of L & T Ltd, and Sapura Crest Petroleum; at ASL Shipyard, Singapore / Batam. Construction of 2 nos. 300 IC

	cantilever Jack up Rigs (Sagar Kiran & Sagar Uday) for ONGC at Mazagaon Dock Ltd; Mangalore Yard. Construction, installation and commissioning of 'WIS' – Water Injection process platform; built for ONGC, India. Dry -dock repairs of OBO's and Bulkers for Samos Steamship Co., Athens, Greece. Construction of new Shipyards for Dempo Shipbuilding at Goa, and Tebma Shipyard Ltd., at Malpe, India and Various projects on construction of offshore wellhead platforms, refineries/LPG systems and shipbuilding projects.
Terms & Conditions of Appointment	Non-Executive Director, liable to retire by Rotation
Remuneration last drawn	NIL
No. of Shares Held in the company	NIL
No. of Board Meetings attended during Financial Year 2023-24	N/A
List of Directorship held in other Companies	NIL
Chairman/ member of the Committee of the Board of Directors of other Companies	NIL
Relation with Key Managerial Personnel and Directors	NIL

Name of the Director & DIN	Joseph Abraham (DIN: 10807271) Age: 54 years
Date of first Appointment	-
Qualifications, Experience and Areas of Specialization	A seasoned professional with over 27 years of diverse experience in industrial production, management, and distribution. Proven expertise in managing operations, optimizing processes, and leading teams across various industries. Demonstrates strong leadership skills, a solid track record of driving business growth, and a commitment to delivering high-quality results. Adept at managing partnerships, improving operational efficiencies, and building strong customer relationships.
Terms & Conditions of Appointment	Non-Executive Director, liable to retire by Rotation
Remuneration last drawn	NIL
No. of Shares Held in the company	55,200
No. of Board Meetings attended during Financial Year 2023-24	N/A
List of Directorship held in other Companies	NIL
Chairman/ member of the Committee of the Board of Directors of other Companies	NIL
Relation with Key Managerial Personnel and Directors	NIL

Name of the Director & DIN	Mr. Vyupukaran Abubacker Shaffi (DIN: 05130571) Age: 59 years
Date of first Appointment	-
Qualifications, Experience and Areas of Specialization	Result oriented Management Professional with over 16 years of senior management experience overseeing and optimizing daily operations within diverse environments. Adept at streamlining processes across sales, marketing, logistics, finance, and administration to boost productivity and performance. Proven leader with a track record of developing high-performing teams and driving operational excellence. Excellent communicator with strong analytical skills and a focus on data-driven decision-making. Experienced in working with cross-functional teams and stakeholders, particularly within the Middle East region. Fluent in English, five Indian languages and working knowledge of Arabic.
Terms & Conditions of Appointment	Non-Executive Director, liable to retire by Rotation
Remuneration last drawn	NIL
No. of Shares Held in the company	30,000
No. of Board Meetings attended during Financial Year 2023-2024	N/A
List of Directorship held in other Companies	NIL
Chairman/ member of the Committee of the Board of Directors of other Companies	NIL
Relation with Key Managerial Personnel and Directors	NIL

DIRECTORS REPORT FOR THE FINANCIAL YEAR 2023-24

Dear Shareholders,

Your directors have pleasure in presenting the 21st Annual Report of your company along with the audited financial statements for the year ended 31st March, 2024.

FINANCIAL HIGHLIGHTS

(in Rs.)

Particulars	Year ended 31/03/2024	Year ended 31/03/2023
Gross Income	18,77,52,464	25,40,45,467
Profit before taxation	(4,70,36,454)	5,19,68,637
Finance Charges	73,48,713	1,00,36,033
Depreciation & Amortization	1,96,45,856	1,72,91,478
Current Tax	-	1,23,72,928
Deferred Tax Asset	(1,15,43,069)	10,66,157
Profit After Tax	(3,54,93,385)	3,85,29,552
Dividend Proposed	-	2,80,00,000

STATE OF COMPANY'S AFFAIRS AND FUTURE OUTLOOK

(A) Financial Performance

The Company is engaged in the business of repairs and maintenance of ships, barges, dredgers, tugs, fishing trawlers, boats, other marine vessels, floating crafts and general engineering works. There has been no change in the business activity of the Company during the financial year ended 31st March, 2024.

During the financial year 2023-24, the net revenue from operations of your Company decreased by 26.09% from Rs.25.40 Crores to Rs.18.78 Crores. The Company reported a loss after tax of ₹3.55 crores for the year under review, as compared to a profit of ₹3.85 crores in the previous year. The company expects both the turnover and profit to increase further in the future due to these factors.

Rs 45,463,000/- Additional depreciation of earlier years due to re- assessment of slipway asset had to be charged to current year P&L Account. Rs 10,268,000/- remaining unpaid in the books for more than 3 years had to be written off and charged to current P&L Account. Similarly, Rs 35,84798, /-under PF of earlier period penal interest and damages of prior periods from year 2015-16 has now been recognised and charged to current year P&L Account.

B) Ship Repair

During the financial year 2023-24, we have undertaken repair works of 19 different types of vessels for Indian Navy, Indian Coast Guard and other private shipping companies. The list of projects undertaken are tabled below:

Sl. No.	Name of the Project	Category	Owner
1	MV Amrut XVII	Split Hopper Barge	Amrut Dredging & Shipping Ltd
2	INS Tarangini	Sail Ship	Naval Ship Repair Yard Kochi
3	ACE XII	Barge	Ace Foundations and Structures
4	BPT Bahadur	Tug	Naval Ship Repair Yard Kochi
5	FACT Pragathiyan	LAG Barge	KSINC
6	ICGS C 155	Interceptor Boats	Indian Coast Guard
7	ICGS C 158	Interceptor Boats	Indian Coast Guard
8	ICGS C 148	Interceptor Boats	Indian Coast Guard
9	ICGS Abheek	Fast Patrol Vessel	Homa Engineering Works
10	MV Tina II	Barge	Shiny Shipping & Logistics Pvt Ltd
11	ICGS Rajdoot	Fast Patrol Vessel	Sagar Ship Repairers and Marine Services
12	ICGS Kasturba Gandhi	Fast Patrol Vessel	Krasny Marine Pvt Ltd
13	Perl of periyar	LAG Barge	Fertilisers And Chemicals Travancore Ltd
14	MV Nine Ocean	Cargo	Bharat Chemicals
15	MUC Jalshwa V	Dredger	Adani Ports & Logistics Ltd
16	RRC	Staging	Naval Ship Repair Yard Kochi
17	Balloon Launching	Vessel Launching Service	Waterways shipyard Pvt Ltd
18	Balloon Launching	Vessel Launching Service	Cherian Varkey Construction Co Pvt Ltd
19	MV Amruth 55	Cargo Barge	Amrut Dredging and Shipping

WEBLINK OF ANNUAL RETURN:

The Weblink of Draft MGT-7 for the Financial Year 31.03.2024 of our company will be available at: https://www.seablueshipyard.com/investors/reports/ on filing of the annual return with registrar of the companies on completion of ensuing annual general meeting

DIVIDEND

Your Board of Directors do not recommend any dividend this financial year.

During the year Rs. 2,03,855 (Rupees Two Lakhs Three Thousand Eight Hundred Fifty-Five only) and Rs. 2,18,932 (Rupees Two Lakhs Eighteen Thousand Nine Hundred Thirty-Two only) remained unclaimed dividend for the Financial Year 2021-22 and 2022-23 and the due date for transferring any unclaimed dividend to IEPF Authority would be 31st October, 2029 and 31st October, 2030 respectively.

Your Company does not have any unpaid or unclaimed dividend or shares relating thereto which is required to be transferred to the IEPF Authority till the date of this Report.

RESERVES

During the year under review, the company incurred a loss of ₹3.55 crores. As there are no sufficient reserves, the loss will be carried forward and adjusted against future profits

CAPITAL STRUCTURE

Your Company's Equity Share Capital as on 31st March, 2024 was as follows:

Authorized Share Capital			Paid-up Share Capital		
No. of Shares	Face Value per Share (in Rs.)	Total Amount (in Rs.)	No. of Shares	Face Value per Share (in Rs.)	Total Amount (in Rs.)
4,00,00,000	10	40,00,00,000	4,00,00,000	10	40,00,00,000

During the year under review, there was no change share capital of the company.

DETAILS OF INTERNAL FINANCIAL CONTROLS RELATED TO FINANCIAL STATEMENTS:

The Company has put in place adequate internal financial controls with reference to the financial statements.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review, there were twelve directors comprises of two Executive Directors, five Non- executive Directors and two Independent Directors.

As on March 31,2024, the following were Key Managerial Personnel ("KMP") of the Company as per Section 2(51) and 203 of the Companies Act, 2013:

a) Mr. Jroish G Kanippilly (DIN: 03623843) - Managing Director
b) Mr. Tojen E (DIN: 01562904), - Whole-time Director
c) Mr. Abdul Samad E S - Chief Financial Officer and

DETAILS OF DIRECTORS/KMP APPOINTED OR RESIGNED DURING THE YEAR

Mr. O C John (DIN: 00918513) who was appointed as Managing Director in the 19th AGM was removed as Managing Director (KMP) by the Board of Directors w.e.f 14.10.2023.

Mr. Jroish G Kanippilly (DIN: 03623843), who was appointed as Executive Director-Finance w.e.f 15.09.2023 was later appointed as Managing Director of the Company by the Board of Directors w.e.f 14.10.2023. He later resigned as Managing Director of the Company w.e.f 15.07.2024.

Adv. Pandippilly Pylie Antony (DIN: 10288144), was appointed as Managing Director of the Company w.e.f 22.07.2024.

The Company is yet to appoint a Wholetime Company Secretary for which adequate steps are taken by the management by providing requisite advertisement in media and conducting interviews.

BOARD OF DIRECTORS MEETINGS:

During the Financial Year 2023-24, 7 [Seven] meetings of the Board of Directors of the Company were held. The meetings were held on 22.07.2023, 03.08.2023, 15.09.2023, 28.09.2023, 14.10.2023, 09.01.2024 and 19.02.2024 respectively.

The composition and category of the Directors along with their attendance at Board Meetings as on 31st March, 2024 are given below:

Sl No	Name of Director	Designation	No. of Board Meetings	
			Held	Attended
1	Mr. Shaji Joseph	Chairman	7	7
2	Mr. Jroish G Kanippilly	Managing Director	7	7
3	Mr. Tojen E	Whole-time Director	7	7
4	Mr. O C John	Non- Executive Director	7	6
5	Dr. Raju Varghese C	Non- Executive Director	7	7
6	Capt. Monson Augustine	Non- Executive Director	5	5
7	Mr. Ummer Moyinkutty	Non- Executive Director	5	5
8	Mr. Shoukathali Meledath	Non- Executive Director	5	4
9	Adv. Pandippilly Pylie Antony	Non-Executive Director	5	5
10	Mr. Vypukaran Abubaker Jamal	Non-Executive Director	5	5
11	Dr. Mohammed Sagheer	Independent Director	7	4
12	Mr. John Porinchu Tharayil	Independent Director	5	5
13	Mr. E V Ramachandran Nair	Non-Executive Director	2	2
14	Mr. K B Gopalakrishnan	Non-Executive Director	2	2

15	Mr. Mohanan T S	Independent Director	2	2

Mr. K B Gopalakrishnan (DIN: 00007974), was appointed as Non-Executive Director in the 19th AGM dtd. 24.09.2022 and a Notice u/s 169 of Companies Act, 2023 was received by the shareholders for his removal, and was removed as Director of the company during the 20th AGM dtd 09.09.2023 due to the voting outcome of the proposed resolution.

Mr. T S Mohanan (DIN: 03600565), was appointed as Additional Director (Independent Director) of the Company on 14.01.2023 but his appointment was not regularised as Director of the Company, as the resolution proposed during the 20th AGM dtd. 09.09.2023 did not pass due to the voting outcome.

Mr. E V Ramachandran Nair (DIN: 08950906), Non-Executive Director liable to retire by rotation and being eligible for re-appointment, offered himself for re-election, but was not appointed as Director of the Company, as the resolution proposed during the 20th AGM dtd. 09.09.2023 did not pass due to the voting outcome.

Capt. Monson Augustine (DIN: 03315787), was appointed as Non-Executive Director of the company during the 20th AGM dtd 09.09.2023 due to the voting outcome of the proposed resolution.

Mr. Ummer Moyinkutty (DIN: 07282120), was appointed as Non-Executive Director of the company during the 20th AGM dtd 09.09.2023 due to the voting outcome of the proposed resolution.

Mr. Shoukathali Meledath (DIN: 10287504), was appointed as Non-Executive Director of the company during the 20th AGM dtd 09.09.2023 due to the voting outcome of the proposed resolution.

Adv. Pandippilly Pylie Antony (DIN: 10288144), was appointed as Non-Executive Director of the company during the 20th AGM dtd 09.09.2023 due to the voting outcome of the proposed resolution.

Mr. Vypukaran Abubaker Jamal (DIN: 10287523), was appointed as Non-Executive Director of the company during the 20th AGM dtd 09.09.2023 due to the voting outcome of the proposed resolution. His office as Non-Executive Director was ceased due to his sudden demise on 12.07.2024

Mr. John Porinchu Tharayil (DIN: 02601759), was appointed as Independent Director of the company during the 20th AGM dtd 09.09.2023 due to the voting outcome of the proposed resolution.

According to Section 152(6) of the Companies Act, 2013, 2/3rd of the total directors is liable to retire by rotation and those out of the 2/3rd, 1/3rd of the directors who were in the office for the longest in office since their last appointment are liable to retire first. Accordingly, Mr. Jroish G Kanippilly (DIN: 03623843) and Dr. Raju Varghese (DIN: 02830301) who were appointed as Non-Executive Director of the Company at the 19th AGM, their term will come to an end in 21st AGM and are eligible to re-appointment, but both of them have expressed their dissent for re-appointment. Also, Mr. Tojen E (DIN: 01562904), who was appointed as Wholetime Director of the Company in the 19th AGM, his term will come to an end in 21st AGM and is being eligible to re-appointment as Non-Executive Director, has offered himself for re-appointment.

DIRECTOR'S APPOINTMENT AND REMUNERATION

The policy relating to appointment of Directors, payment of Managerial remuneration, Director's qualifications, positive attributes, independence of Directors and other related matters is in compliance with Section 178(3) of the Companies Act, 2013. The Board has constituted Nomination and Remuneration Committee for this purpose.

Pursuant to Rule 4 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the board has fixed a sitting fee of Rs. 10,000 for physical and Rs. 5,500 for Video Conference per meeting per Director (excluding Executive Directors) for attending various Committee Meetings of the Company. Earlier the Board had fixed a sitting fee of Rs. 10,000 for physical and Rs. 5,000 for video conferencing per meeting per Director (excluding Executive Directors) for attending the Board Meeting of the Company.

INDEPENDENCE AND OTHER MATTERS PERTAINING TO INDEPENDENT DIRECTOR

In opinion of the Board of Directors of your Company, Mr. T P John (DIN: 02601759) who has been appointed during the Financial Year 2023-24, possess the requisite integrity, expertise, and experience and both are familiarized with the operations and functioning of the Company.

According to the provisions of Section 149 of the Companies Act, 2013 the Independent Directors of the Company have submitted declarations that each of them meets the criteria of independence as provided in Section 149(6) of the Act along with the rules framed thereunder.

Further, the declaration of compliance with Rule 6(3) of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended by the Ministry of Corporate Affairs ("MCA") Notification dated October 22, 2019, regarding the requirement relating to the enrolment in the Data Bank created by MCA for Independent Directors, had been received from all Independent Directors.

The Independent Directors Dr. Mohammed Sagheer (DIN: 02802910) and Mr. T P John (DIN: 02601759) at their meeting dated 29th April, 2024 reviewed the performance of the Board as a whole including non-independent directors, Chairperson, Managing Director and Executive Director with qualitative and quantitative assessments and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The details of the evaluation process were circulated to the Board of Directors separately by both Independent Directors.

ANNUAL EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Pursuant to provisions of the Companies Act, 2013 the Board of Directors has carried out an annual evaluation of its own performance, Board Committees, and Individual Directors.

The Nomination and Remuneration Committee ("NRC") presented a report of the NRC for annual evaluation of the Board, Committee(s) and Individual Directors.

The Board evaluated its performance at the 140th Board Meeting held on 18th May, 2024 after seeking inputs based on NRC report based on criteria such as the Board Composition and Structure, effectiveness of Board Processes, Information and functioning etc., The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members based on criteria such as the composition of committees, effectiveness of committee meetings etc.

The Board and the NRC reviewed the performance of Individual Directors based on criteria such as the contribution of the individual director to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings etc.

REMUNERATION POLICY

The Company follows a remuneration policy as approved by the Nomination and Remuneration Committee and the Board ensures that the composition of remuneration is reasonable to attract, retain and motivate the Directors, KMP and Senior Management employees.

STATUTORY AUDITOR

M/s. JVR & Associates (Firm Registration No. 011121S), Practicing Chartered Accountants, 39/2790A, Wilmont Park Business Centre, Near St. George's Church, Pallimukku, Kochi – 682 016 were appointed as Statutory Auditors of the Company by the members in the 19th Annual General Meeting (19th AGM) and will hold office till the conclusion of 24th consecutive Annual General Meeting.

NOMINATION AND REMUNERATION COMMITTEE

The purpose of constituting the Nomination and Remuneration Committee is to formulate the criteria for determining qualifications, positive attributes and Independence of a Director and recommend to the Board, a policy relating to the remuneration for the Directors, Key Managerial Personnel and other Employees by striking a balance between the interest of the Company and the Shareholders.

During the Financial Year 2023-24, 4 [Four] meetings of the Nomination and Remuneration Committee were held. The meetings were held on 13.07.2023, 22.07.2023, 31.07.2023 and 25.09.2023 respectively and all the recommendations made by the Nomination and Remuneration Committee were accepted by the Board during the period under review.

The composition and category of the NRC Members along with their attendance at the Meetings as on 31st March, 2024 are given below:

Sl. No.	Name of the Member	Designation	No. of NRC Meeting	
			Held	Attended
1.	Mr. T P John / Independent Director	Chairman	1	1
2.	Adv. P P Antony / Non-Executive Director	Member	1	1
3.	Mr. V A Jamal / Non-Executive Director	Member	1	1
4.	Dr. Mohammed Sagheer / Independent Director	Member	3	3
5.	Mr. Mohanan T S / Independent Director	Member	3	3
6.	Mr. E V Ramachandran Nair / Non-Executive Director	Member	3	3

As per the provisions of Section178(1) of the Companies Act 2013 read with Rule 6 of the Companies (Meetings of Board & its Powers) Rules 2014, the Board has reconstituted the Nomination and Remuneration Committee in the 135th Board Meeting dtd. 15.09.2023, by removing Dr. Mohammed Sagheer (DIN: 02802910), Mr. Mohanan T S (DIN: 03600565) and Mr. E V Ramachandran (DIN: 08950906) and appointed Mr. T P John (DIN: 02601759), Adv. P P Antony (DIN: 10288144) and Mr. V A Jamal (DIN: 10287523) respectively.

AUDIT COMMITTEE

During the year 2023-24, 4 [four] meetings of the Audit Committee were held on 13.07.2023, 20.12.2023, 01.03.2024 and 30.03.2024 respectively, and all the recommendations made by the Audit Committee were accepted by the Board during the period under review.

The composition and category of the Audit Committee along with their attendance at the Meetings as on 31st March, 2024 are given below:

Sl. No	Name of the Member	Category of Member	No. of Audit Committee Meetings	
			Held	Attended
1.	Adv. P P Antony/ Non-Executive Director	Chairman	3	3
2.	Dr. Mohammed Sagheer/Independent Director	Member	4	4
3.	Mr. T P John/Independent Director	Member	3	3
4.	Mr. K B Gopalakrishnan/Non-Executive Director	Member	1	1
5.	Mr. Mohanan T S /Independent Director	Member	1	1

The audit committee was reconstituted in the 136th board meeting dated 28.09.2023 by removing Mr. K B Gopalakrishnan (DIN: 00007974), and Mr. Mohanan T S (03600565) and added Mr. T P John (DIN: 02601759) and Adv. P P Antony (DIN: 10288144) respectively.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the financial year 2022-23, the Company was required to spend Rs. 8,69,081/- (Rupees Eight Lakhs Sixty-Nine Thousand Eighty-One Only). Though the CSR amount to be spent does not exceed rupees fifty lakhs, the board constituted a voluntary Corporate Social Responsibility (CSR) committee in the 135th board meeting dated 03.08.2023 with Mr. Mohammed Sagheer (DIN: 02802910), Mr. K B Gopalakrishnan (DIN: 00007974) and Mr. E V Ramachandran Nair (DIN: 08950906) respectively.

As the company was unable to find a suitable CSR implementing agency and considering the matter the Board decided in the board meeting dated 13.08.2023 to transfer the amount to a fund specified in Schedule VII, in accordance with section 135(6) of the Companies Act 2013 and subsequently transferred Rs. 8,69,081/- (Rupees Eight Lakhs Sixty-Nine Thousand Eighty-One Only) to PM CARES on 29.09.2023.

The Board reconstituted the voluntary Corporate Social Responsibility Committee in the 135th Board Meeting dtd. 15.09.2023 with the following Members and during the year 2023-24, 3 [Three] meetings of the committee were held on 19.12.2023, 25.03.2024 and 26.03.2024 respectively, and all the recommendations made by the Audit Committee were accepted by the Board during the period under review.

The composition and category of the CSR Committee along with their attendance at the Meetings as on 31st March, 2024 are given below:

Sl. No	Name of the Member	Category of Member	No. of CSR Committee Meetings	
			Held	Attended
1	Dr. Raju Varghese / Non-Executive Director	Chairman	3	3
2	Adv. P P Antony / Non-Executive Director	Member	3	3
3	Capt. Monson Augustine / Non-Executive Director	Member	3	3

For the financial year 2023-24, the company was required to spend Rs, 8,20,693/- (Rupees Eight Lakhs Twenty-Thousand Six Hundred Ninety-Three Only). A brief outline of the CSR policy of the Company and the initiatives undertaken by the Company during the year are set out in Annexure I of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. This CSR Policy is available on the Company's website at https://www.seablueshipyard.com/csr-policy/

VOULANTARY STAKEHOLDERS' RELATIONSHIP COMMITTEE

The board formed a voluntary Stakeholders Relationship Committee on 133rd board meeting dated 22.07.2023 with Mr. O C John (DIN: 00918513), Mr. Tojen E (DIN: 01562904) and Mr. K B Goplakrishnan (DIN: 08950906) for helping the shareholders for helping with for Issuance of Duplicate Share Certificate, change in type of holding i.e., Joint Holding to Single holding, Transmission of Shares etc. for the convenience to Dematerialisation of shares and other related grievances.

The Board has reconstituted the voluntary Stakeholders Relationship Committee in the 135th Board Meeting dated 15.09.2023 and during the year 2023-24, 12 [Twelve] meetings of the Stakeholders Relationship Committee were held on 14.06.2023, 11.07.2023, 11.08.2023, 28.09.2023, 19.10.2023, 03.11.2023, 07.12.2023, 12.01.2024, 31.01.2024, 12.02.2024, 02.03.2024 and 16.03.2024 respectively, and all the recommendations made by the committee were accepted by the Board during the period under review.

The composition and category of the Stakeholders Relationship Committee along with their attendance at the Meetings as on 31st March, 2024 are given below:

Sl. No.	Name of the Member	Category of Member	No. of Stakeholders Relationship Committee	
			Held	Attend
1	Mr. Jroish G Kanippilly / Managing Director	Chairman	9	9
2	Mr. Tojen E / Wholetime Director	Member	9	9
3	Adv. P P Antony / Non-Executive Director	Member	9	9
4	Mr. O C John / Non-Executive Director	Member	3	3
5	Mr. Tojen E / Wholetime Director	Member	3	3
6	Mr. K B Gopalakrishnan / Non-Executive Director	Member	3	3

DEPOSITS

Your Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013 [(i.e., deposits within the meaning of Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014)], during the Financial Year 2023-24.

Thus, the details of deposits required as per the provisions of the Companies (Accounts) Rules, 2013 are as follows:

(a)	Accepted during the Financial Year 2023-24	Nil
(b)	Remained unpaid or unclaimed during the Financial Year 2023-24	Nil
(c)	Whether there has been any default in repayment of deposits or payment of interest thereon during the Financial Year 2023-24 and if so, number of such cases and total amount involved –	
	(i) At the beginning of the year	Nil
	(ii) Maximum during the year	Nil
	(iii) At the end of the year	Nil
(d)	Details of Deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013	Nil

PARTICULARS OF LOAN, GUARANTEES AND INVESTMENTS UNDER SECTION 186:

The Company has not granted any loan, guarantees and investment covered under section 186 of the Companies Act, 2013 during the year under review.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

The Company has not entered contract or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013 during the year under review. Therefore, Form AOC-2 is not attached with the Board's Report as required under Section134(3)(h) of Companies Act 2013 read with Rule 8 (2) of Companies (Accounts) Rules 2014.

PECUNIARY RELATIONSHIP OR TRANSACTIONS WITH THE COMPANY

During the year under review, the Non-Executive Directors of the Company had no other pecuniary relationship or transactions with the Company, other than sitting fees, Interest on Unsecured Loan and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board/ Committee(s) of the Company.

RISK MANAGEMENT POLICY

The Company has developed and implemented a risk management policy which identifies major risks which may threaten the existence of the Company. The same has also been adopted by your Board and is also subject to its review from time to time. Risk mitigation process and measures have been also formulated and clearly spelled out in the said policy.

DIRECTOR'S RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134 (3) (c) of the Companies Act, 2013:

a) in the preparation of the annual accounts for the financial year ended 31st March 2024, the applicable accounting standards and the instructions provided under Schedule III of the Companies Act, 2013 have been followed and there are no material departures from the same;
b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2024 and of the profit of the Company for the year ended on 31st March, 2024;
c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
d) the Directors have prepared the annual accounts on a 'going concern' basis;
e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information required under Section134(3)(m) of Companies Act 2013 read with rule no 8(3) read with the Companies (Accounts) Rules 2014 pertaining to conservation of energy, technology absorption and foreign earning and outgo are a sunder:

A. CONSERVATION OF ENERGY:

   The Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

   The Company employs a homegrown platform in its operations. Appropriate technology is used in the platform and in the improvements, as is being carried out from time to time.

C. RESEARCH & DEVELOPMENT (R&D) ACTIVITIES: Not Applicable

D. FOREIGN EXCHANGE EARNINGS AND OUTGO:
   - Earnings : NIL
   - Outgo : Rs. 7,78,454/-

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Personnel and industrial relations were cordial and satisfactory during the year under review. There were no employees of the company who have drawn remuneration in excess of the limits set out under Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

GENERAL

Your directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

a) Details relating to deposits covered under Chapter V of the Act.
b) Issue of equity shares with differential rights as to dividend, voting or otherwise. use of shares (including we at equity shares) to employees of the Company under any scheme.
c) Change in the nature of the business of the company.
d) No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
e) Your directors further state that during the year under review, there were no cases reported to the Internal Complaints Committee pursuant to the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and also no frauds were reported by the Auditors of the Company.
f) Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company in FY 2023-24

g) There is no proceeding pending against the company under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at end of the financial year ended 2023-24

h) the details of difference between amount of the valuation done at the time of one-time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof. – Nil

UNSECURED LOANS

During the year under review, the unsecured loan outstanding as on 31st March, 2024 is Rs. 63,50,000/-

Opening Balance		:	Rs. 1,32,00,000/-
Received from	(i) Dr. Raju Varghese	:	Rs. 40,00,000/-
	(ii) Shri. O C John	:	Rs. 1,85,00,000/-
	(iii) Shri. Shaji Joseph	:	Rs. 40,00,000/-
	(iv) Shri. Jroish G Kanippilly	:	Rs. 40,00,000/-
Repayment made to			
	(i) Dr. Raju Varghese C	:	Rs. 90,00,000/-
	(ii) Shri. O C John	:	Rs. 1,85,00,000/-
	(iii) Shri. Shaji Joseph	:	Rs. 40,00,000/-
	(iv) Shri. Jroish G Kanippilly	:	Rs. 40,00,000/-
	(iv) Shri. R Jeyaraman	:	Rs. 18,50,000/-
Closing Balance		:	Rs. 63,50,000/-

ACKNOWLEDGMENT

Your Directors are grateful to the Company's valued shareholders for their un-stinted support and patronage and look forward to receive the same in equal measures in the years to come. The Board members also express their indebtedness to bankers and other stakeholders for their cooperation and continued support. Your Directors also wish to place on record their deep sense of appreciation for the committed services by all employees of the Company.

By Order of the Board of Directors
For Sea Blue Shipyard Limited

	Sd/-	Sd/-
	Shaji Joseph	P P Antony
Place: Vypin	Chairman	Managing Director
Date: 21/10/2024	DIN: 07063210	DIN: 10288144

[Annexure -I]

THE ANNUAL REPORT ON CSR ACTIVITIES

[Pursuant to Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended.]

1. Brief outline on CSR Policy of the Company:

The company is committed to build a sustainable business with strong social relevance and a commitment to inclusive growth and contribute to the society by supporting causes on various concerns including gender equality, women empowerment, road safety, healthcare, environmental sustainability, promoting education, promoting sports and culture as well as other rural development activities. In pursuance of our vision that SEABLUE SHIPYARD LTD desires to be a Company that Society prefers, we are dedicated towards fulfilling the social objectives through various CSR activities. The Company shall make its endeavour to positively impact and influence the Society for its sustainable development.

2. Composition of CSR Committee:

As per the provisions of the act, if the amount required to be spent by the company on CSR does not exceed fifty lakh rupees, the requirement for constitution of the CSR Committee is not mandatory, but considering better governance the company has voluntarily constituted a CSR Committee for implementing its CSR activities.

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Dr. Raju Varghese	Non-Executive Director Chairman of the Committee	3	3
2	Adv. P P Antony	Non-Executive Director Member of the Committee	3	3
3	Capt. Monson Augustine	Non-Executive Director Member of the Committee	3	3
		NIL		

3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company. - https://www.seablueshipyard.com/csr-policy

4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report). – **Not Applicable**

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any - **Not Applicable**

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be set-off for the financial year, if any (in Rs)
-	**Total**	-	-

6. Average net profit of the company as per section 135(5). **Rs. 4,10,34,660/-**

7. (a) Two percent of average net profit of the company as per section 135(5) – **Rs. 8,20,693/-**

   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. **NIL**

   (c) Amount required to be set off for the financial year, if any - **NIL**

   (d) Total CSR obligation for the financial year (7a+7b-7c). – **Rs. 8,20,693/-**

8. (a) CSR amount **spent** ~~or unspent~~ for the financial year: - **Rs. 8,21,328/-**

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
Rs. 8,21,328	Nil	Nil	NA	Nil	NA

(b) Details of CSR amount spent against ongoing projects for the financial year: **Nil**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration.	Amount allocated for the project (in Rs.).	Amount spent in the current financial Year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State.	District.						Name	CSR Registration number.
Nil												

(c) Details of CSR amount spent against **other than ongoing projects** for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/ No).	Location of the project.		Amount spent for the project (in Rs.).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	District.			Name.	CSR registration number.
1	Food Kit distribution to	(i)	Yes	Kerala	Kochi	9,050	Yes	-	-

	Students of Canossa LP & UP School, Vypin								
2	Psychometric Career Assessment conducted for students of St. Joseph School, Thurthipuram	(ii)	No	Kerala	Ernakulam	10,000	Yes	-	-
3	Frontage beautification and seating facilities, Compound wall repair, Construction of open-air stage for Govt. Upper Primary School, Vypin	(ii)	Yes	Kerala	Kochi	3,48,778	Yes	-	-
4	Raising of Land and Paving of Tiles at Canossa LP & UP School, Vypin	(ii)	Yes	Kerala	Kochi	1,19,000	Yes	-	-
5	To alleviate flooding in the St. Joseph High School, Thurthipuram	(ii)	No	Kerala	Ernakulam	82,000	Yes	-	-
6	Promoting health care including preventive health.	(i)	No	Kerala	Thrissur	82,000	No	Alpha Palliative Care	-
7	Promoting health care including preventive health.	(i)	No	Kerala	Thrissur	82,000	No	Hrudaya Palliative care	CSR00046414
8	Promoting health care including preventive health.	(i)	No	Kerala	Alappuzha	82,000	No	Palliative Care	-
9	Promoting health care including preventive health.	(i)	No	Kerala	Thrissur	6,500	No.	Karuna Bhavan	-
Total						**8,21,328**			

(d) Amount spent in Administrative Overheads – **Nil**

(e) Amount spent on Impact Assessment, if applicable – **Nil**

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) – **Rs. 8,21,328/-**

(g) Excess amount for set off, if any – **NIL**

Sl. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	-
(ii)	Total amount spent for the Financial Year	-
(iii)	Excess amount spent for the financial year [(ii)-(i)]	-
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

9. (a) Details of Unspent CSR amount for the preceding three financial years: **Nil**

Sl. No.	Preceding	Amount transferred to	Amount spent in the	Amount transferred to any fund specified under Schedule VII as per	Amount remaining to be spent in

	Financial Year.	Unspent CSR Account under section 135 (6) (in Rs.)	reporting Financial Year (in Rs.).	section 135(6), if any.			succeeding financial years. (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
Nil							

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	**Project ID.**	**Name of the Project.**	**Financial Year in which the project was commenced.**	**Project duration.**	**Total amount allocated for the project (in Rs.).**	**Amount spent on the project in the reporting Financial Year (in Rs).**	**Cumulative amount spent at the end of reporting Financial Year. (in Rs.)**	**Status of the project - Completed /Ongoing.**
Nil								

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details). –

    a. Date of creation or acquisition of the capital asset(s). - **None**
    b. Amount of CSR spent for creation or acquisition of capital asset. - **Nil**
    c. Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. – **Not Applicable**
    d. Details of the capital asset(s) created or acquired (including complete address and location of the capital asset). – **Not Applicable**

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). – **Not Applicable**

By Order of the Board of Directors
For Sea Blue Shipyard Limited

Sd/-	Sd/-
Shaji Joseph	P P Antony
Chairman	Managing Director
DIN: 07063210	DIN: 10288144

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INDEPENDENT AUDITOR'S REPORT

The Members of
SEA BLUE SHIPYARD LIMITED
Kochi

Opinion

We have audited the accompanying financial statements of **SEA BLUE SHIPYARD LIMITED**, which comprise the Balance Sheet as of March 31, 2024, and the Statement of Profit and Loss for the year then ended, Cash Flow Statement for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by The Companies Act, 2013 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 March 31, 2024, its loss and Cash Flows for the year ended on that date.

Basis of Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Emphasis of Matter

We draw attention to the following:

i. **Reference is drawn to note no. 34:** The Slipway was shown under 'Capital Work In progress' till the financial year 2021-22, in which it was capitalized. The Management reviewed the physical condition and quality of the slipway and felt that its realistic value is substantially less than the book value, the major reason being that it was put to use from 2011-12 with some additions in subsequent years though capitalization in books was done only in 2021-2022.

   Accordingly, an external valuer Mr. Laksmeesha S R, Partner Utkrusta Advisors LLP was appointed. He has issued a report dated 15.10.2024 wherein the realistic depreciated value of the slipways was stated as Rs.1,81,25,223/- only as against book value of Rs. 6,35,87,856/- as on 31.03.2023. It has therefore been decided to write off the differential amount of Rs.4,54,62,633/- as additional depreciation during the year.

ii. **Reference is drawn to note no. 16**: Confirmation for Trade Receivables of Rs.2.5 Crores was not available.

Our opinion is not modified in respect of the above matter.

Other Information

The company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to the preparation of these 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, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for the safeguarding of 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.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

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Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 purpose 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 and Statement of Profit and Loss, dealt with by this report are in agreement with the books of account.

d. In our opinion the aforesaid financial statements comply with Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e. On the basis of written representations received from the directors as on March 31st, 2024 taken on record by the Board of Directors, none of the directors is disqualified as on March 31St, 2024 from being appointed as a director in terms of Section 164(2) of the Act.

f. The remuneration paid by the company to its directors is in accordance with the provisions of Section 197 of the Companies Act, 2013.

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

(i) The company does not have pending litigations which would impact its financial position.

(ii) The company does not have any long-term contracts requiring a provision for material foreseeable losses.

(iii) The company does not have any amounts required to be transferred to the Investor Education and Protection Fund.

(iv) (i) The management has represented that, to the best of it's knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person or entity, including foreign entities ("Intermediaries"),with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(ii) The management has represented, that, to the best of it's knowledge and belief, no funds have been received by the company from any person or entity, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

(iii) Based on audit procedures which we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.

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v) In respect of dividend declared and paid during the year by the company, except for not transferring amount of dividend to separate bank account within the timeline specified in sub-section (4) of section 123 of the Act, and for not transferring the unpaid/unclaimed dividend within time limit specified in Section 124 of the companies Act declaration and payment of dividend is in accordance with section 123 of the Companies Act 2013.

vi) As stated in Note 48 to the accompanying standalone financial statements, and based on our examination which included test checks, the company has used an accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2024.

3. As required by the Companies (Auditor's Report) Order, 2020 issued by the Central Government of India in terms of sub-section (11) of section 143 of The Companies Act 2013, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.

4. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, our separate Report is given in "Annexure B".

For JVR & ASSOCIATES
Chartered Accountants
(F. R. No. 011121S)

Sd/-

JOMON K GEORGE
Partner
M.No.202144
UDIN: 24202144BKAECC3154

Place: Kochi
Date: 21.10.2024

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ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF SEA BLUE SHIPYARD LIMITED.

In terms of Companies (Auditor's Report) Order 2020, issued by the Central Government of India, in terms of section 143(11) of The Companies Act, 2013, we further report, on the matters specified in paragraph 3 and 4 of the said Order, that: -

1) (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant & Equipment. The Company does not have any intangible properties.

(b) The Property, Plant & Equipment have been physically verified by the management at reasonable intervals.

(ii) The title deeds of all immovable properties disclosed in the financial statements are held in the name of the company.

(iii) The company has not revalued its Property, Plant & Equipment or Intangible assets during the year.

(iv) No proceedings have been initiated against the company for holding benami property under The Benami Transactions (Prohibition) Act, 1988 and rules made thereunder and the details have been appropriately disclosed in the financial statements.

2) The coverage and procedure of physical verification of inventory needs to be improved.

3) During the year, the company has not made investments in, provided any guarantee or security, granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, LLPs, or any other parties.

4) The Company has not given any loans or security or guarantees/made any investments within the meaning of sections 185 & 186 of The Companies Act, 2013.

5) The company has not accepted any deposits from the public in terms of Section 73 to 76 or any other relevant provisions of The Companies Act, 2013.

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6) The Central Government has not specified the maintenance of cost records under Section 148(1) of the Act, for the business activities carried out by the company. Hence reporting under clause (vi) of the Order is not applicable to the Company.

7) (i) The company has been regular in depositing undisputed statutory dues with appropriate authorities except for the following:

Particulars	Penal Interest 7Q	Penal Damages 14 B	Total Demand
PF arrears of earlier years	12,57,581	23,27,217	35,84,798

(ii) There are no dues in respect of goods and service tax, 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 that have not been deposited with the appropriate authorities on account of any dispute.

8) There are no transactions that were not recorded in the books of account of the company surrendered or disclosed as income during the year in the tax assessments under The Income Tax Act, 1961;

9)

a) The company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender except unsecured demand loan from a former director Mr. R Jayaraman amounting to Rs.63,50,000/- which is over due from 27th November 2023.

b) The company is not declared willful defaulter by any bank or financial institution or other lender.

c) The term loan has been applied for the purpose for which it is obtained.

d) Funds raised on short term basis have not been utilized for long term purposes.

e) The company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

f) The company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies,

10) (i) The company has not made any initial public offer during the year.

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(ii) The company has not made any preferential allotment or private placement of shares/debentures during the year.

11) Based upon the audit procedures performed and information and explanations given to us by the management, we report that no fraud by the company or on the company by its officers/employees have been noticed or reported during the course of our audit.

12) The transactions entered into with related parties are in compliance with section 177 & 188 of the Companies Act 2013 and the details have been disclosed in the financial statements as required by the applicable accounting standards.

13) (i) The company has an internal audit system commensurate with the size and nature of its business.

(ii) The reports of the Internal Auditors for the period under audit has been considered.

14) The company has not entered into any non-cash transactions with directors or persons connected with directors, during the year.

15) The company has not incurred any cash loss during the Financial Year covered by our audit and the immediately preceding financial year.

16) There has not been any resignation of the statutory auditors during the year.

17) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, based on our examination of the evidence supporting the assumptions nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from balance sheet date, will get discharged by the company as and when they fall due.

18) The company has spent the amount required under Section 135 of The Companies Act, 2013 and hence there are no unspent amount to be transferred to funds specified in Schedule VII, in accordance with section 135(6) of Companies Act, 2013.

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19) Matters specified in clauses (xii), (xvi) and (xxi) of paragraph 3 of the Companies (Auditor's Report) Order, 2020 are not applicable to the company.

For JVR & ASSOCIATES
Chartered Accountants
(F. R. No. 011121S)

Sd/-
JOMON K GEORGE
Partner
M.No: 202144
UDIN: 24202144BKAECC3154

Place: Kochi
Date: 21.10.2024

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ANNEXURE (B) REFERRED TO IN INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF SEA BLUE SHIPYARD LIMITED ON FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2023.

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

We have audited the internal financial controls over financial reporting of Sea Blue Shipyard Limited as of March 31, 2024 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the company 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 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.

Auditors' 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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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.

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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 judgment, 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 authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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.

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Opinion

In our opinion, the company have adequate internal financial controls system over financial reporting except that

a) The controls over inventories needs improvement.
b) Statutory compliances need to be strengthened.
c) The scope and coverage of Internal Audit needs to be improved.

The prevailing internal financial controls over financial reporting were operating effectively as at March 31, 2024, 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 issued by the Institute of Chartered Accountants of India.

For JVR & ASSOCIATES
Chartered Accountants
(F. R. No. 011121S)

Sd/-
JOMON K GEORGE
Partner
M.No: 202144
UDIN 24202144BKAECC3154

Place: Kochi
Date: 21.10.2024

SEA BLUE SHIPYARD LIMITED

1/212, V.P. Road, Azheekal P.O, Vypin, Kochi- 682508

CIN: U35111KL2003PLC016677

BALANCE SHEET AS AT 31.03.2024

Particulars	Notes	Current Year	Previous Year
		Amount (₹ in Thousands)	
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	3	4,00,000	4,00,000
(b) Reserves and Surplus	4	(16,532)	46,962
(2) Non-Current Liabilities			
(a) Long Term Borrowings	5	35,933	22,504
(b) Long Term Provisions	6	1,822	1,673
(3) Current Liabilities			
(a) Short Term Borrowings	7	18,795	9,939
(b) Trade Payables	8	13,956	12,136
(c) Other Current Liabilities	9	12,215	6,720
(d) Short Term Provisions	10	929	12,837
		4,67,118	**5,12,771**
II. ASSETS			
(1) Non-Current Assets			
(a) Property, Plant & Equipment and Intangible Assets			
(i) Property, Plant & Equipment	11	3,18,565	3,69,405
(ii) Capital Work in Progress	12	60,670	2,231
(b) Deferred Tax Asset (Net)		8,236	(3,307)
(c) Long Term Loans and Advances	13	480	750
(d) Other Non-Current Assets	14	21,153	39,683
(2) Current Assets			
(a) Inventories	15	7,930	10,832
(b) Trade Receivables	16	25,275	56,276
(c) Cash and Cash Equivalents	17	1,633	11,349
(d) Short Term Loans and Advances	18	984	2,469
(e) Other Current Assets	19	22,193	23,082
		4,67,118	**5,12,771**

The accompanying notes form integral part of financial statements (Note No 1-50)

For and on behalf of the Board of Directors

As per our report of even date attached

For JVR & ASSOCIATES
Chartered Accountants

Sd/-	Sd/-	Sd/-	Sd/-
Shaji Joseph	**Adv. P P Antony**	**Abdul Samad E S**	**Jomon K George**
Chairman	**Managing Director**	**Chief Financial Officer**	**Partner**
DIN: 07063210	DIN :10288144		M No:202144

Cochin, Dated October 21, 2024

SEA BLUE SHIPYARD LIMITED

1/212, V.P. Road, Azheekal P.O, Vypin, Kochi- 682508
CIN: U35111KL2003PLC016677

Statement of Profit and Loss for the year ended 31st March, 2024

Particulars	Notes	Current Year	Previous Year
		Amount (₹ in Thousands)	
I. Income			
Revenue from Operations	20	1,84,450	2,47,634
Other Income	21	3,302	6,411
Total Income		**1,87,752**	**2,54,045**
II. Expenses:			
Cost of Materials Consumed	22	32,979	38,494
Changes in Inventories of WIP	23	-	3,523
Operating Expenses	24	73,474	94,961
Employee Benefits Expense	25	26,445	22,999
Financial Costs	26	7,349	10,036
Depreciation and Amortization Expense	11	19,646	17,291
Other Expenses	27	12,714	14,772
Total Expenses		**1,72,607**	**2,02,077**
III. Profit Before Exceptional and Extraordinary Items and Tax	**(I - II)**	**15,145**	**51,969**
IV.Exceptional/Extraordinary Items			
Additional depreciation of earlier years	34	45,463	
Bad debts relating to earlier years		10,223	-
Provident fund arrears of earlier years		3,585	
Loss on Disposal of Asset		2,911	-
V. Profit Before Tax	**(III - IV)**	**(47,036)**	**51,969**
VI. Tax Expense			
Current Tax		-	12,373
Deferred Tax		(11,543)	1,066
VII. Profit for the Year	**(V -VI)**	**(35,493)**	**38,530**
VIII. Earning per Equity Share - Basic & Diluted	28	**(0.89)**	**0.96**

The accompanying notes form integral part of financial statements (Note No 1-50)

For and on behalf of the Board of Directors

As per our report of even date attached

For JVR & ASSOCIATES
Chartered Accountants

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**
Shaji Joseph	**Adv. P P Antony**	**Abdul Samad E S**	**Jomon K George**
Chairman	**Managing Director**	**Chief Financial Officer**	**Partner**
DIN: 07063210	DIN :10288144		M No:202144

Cochin, Dated October 21, 2024

SEA BLUE SHIPYARD LIMITED

1/212, V.P. Road, Azheekal P.O, Vypin, Kochi- 682508

CIN: U35111KL2003PLC016677

Statement of Cash Flow for the year ended 31st March, 2024

Particulars	Current Year	Previous Year
	Amount (₹ in Thousands)	
Cash Flow from Operating Activities:		
Profit before Tax	(47,036)	51,969
Adjustment For:-		
Depreciation, Amortization & Impairment	65,108	17,291
Interest Income	(2,011)	(3,077)
Interest Charges	3,326	8,943
Loss / (Profit) on disposal of fixed assets	2,728	(6)
Operating Profit before Working Capital Changes	**22,115**	**75,120**
Adjustment for:-		
Trade and Other Receivables	31,001	45,103
Inventories	2,902	1,202
Other Current Assets	889	(6,302)
Loans and Advances	1,485	3,362
Trade Payables	1,820	(10,323)
Other Current Liabilities	5,496	840
Short Term Provisions	(11,908)	4,891
Cash generated from operations	**53,800**	**1,13,893**
Tax Paid (net of refunds)	-	(12,373)
Net Cash From Operating Activities	**53,800**	**1,01,521**
Cash Flow from Investing Activities:		
Purchase/Construction of PPE & CWIP	(75,434)	(41,565)
Interest Received	2,011	3,077
Sale of fixed assets	-	13
Fixed Deposits with Long Term Tenure	2,298	11,109
Decrease / (Increase) in Other Non Current Assets	16,233	(15,534)
Net Cash from/used in Investing Activities	**(54,893)**	**(42,900)**
Cash Flow From Financing Activities:		
Proceeds from Long-Term Borrowings	-	2,060
Dividend Paid	(28,000)	(20,000)
(Increase)/Decrease Long-Term Loans and Advances	270	512
Proceeds/(Repayment) of Long & Short-Term Borrowings	22,284	(26,764)
Increase/(Decrease) in Long Term Provision	149	(642)
Interest Paid	(3,326)	(8,943)
Net Cash from/(used) in Financing Activities	**(8,623)**	**(53,777)**
Net Increase/ (Decrease) in Cash and Cash Equivalents	**(9,717)**	**4,843**
Cash and Cash Equivalents as at 1st April 2023	11,349	6,506
Cash and Cash equivalents as at 31st March 2024	**1,633**	**11,349**

Notes:

1. The Cash Flow Statement is prepared in accordance with Accounting Standard 3 issued by the ICAI

2. Figures of previous year have been regrouped wherever necessary, to suit current year's presentation

For and on behalf of the Board of Directors

As per our report of even date attached

For JVR & ASSOCIATES
Chartered Accountants

Sd/-	Sd/-	Sd/-	Sd/-
Shaji Joseph	**Adv. P P Antony**	**Abdul Samad E S**	**Jomon K George**
Chairman	**Managing Director**	**Chief Financial Officer**	**Partner**
DIN: 07063210	DIN :10288144		M No:202144

Cochin, Dated October 21, 2024

SEA BLUE SHIPYARD LIMITED

1/212, V.P. Road, Azheekal P.O, Vypin, Kochi- 682508

NOTES ON FINANCIAL STATEMENTS

1.Background

Sea Blue Shipyard Limited was incorporated on 08.12.2003 The company is primarily engaged in the business of ship repairing activities.

2.Significant Accounting Policies

The significant Accounting Policies followed by the company are as stated below:

General

The financial statements are prepared under historical cost convention. These statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of The Companies Act, 2013.The company is a Small and Medium Company as defined under the Companies (Accounting Standards) Rules, 2021 and accordingly has complied with the Accounting Standards applicable to Small and Medium Companies only.

Use of Estimates

The preparation of financial statements in conformity with the Indian Generally Accepted Accounting Principal (GAAP) requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amount of income and expenses during the period. Actual figures may differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation. Costs directly attributable to acquisition are capitalised until the property, plant and equipment are ready for use, as intended by the management.

Subsequent expenditures relating to property, plant and equipment are capitalised only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the expenditure can be measured reliably. Repairs and Maintenance costs are recognised in the Statement of Profit and Loss when they are incurred.

Depreciation

Depreciation on property, plant and equipment has been provided under Written Down Value Method over the useful life of the assets estimated by the management which is in line with the terms prescribed in Schedule II to The Companies Act, 2013. Depreciation for assets purchased/sold during the period is proportionately charged. Depreciation methods, useful lives & residual values are reviewed periodically. Based on technical evaluation additional depreciation to the tune of Rs.4,54,62,633/- have been charged.

The management estimates the useful life of the assets as follows:

Building	30 Years
Plant & Machinery	15 Years
Plant & Machinery (As per technical evaluation)	30 Years
Furniture & Fittings	10 Years
Office Equipments	5 Years
Computer	3 Years
Electrical Installations & Equipments	10 Years
Vehicles - Bike	10 Years
Vehicles - Car	8 Years
Ships - Boat	28 Years

Inventories

i. Inventories of raw materials, consumables and spares are valued at weighted Average Cost.

Revenue Recognition

a)Revenue from Service contracts are recognised on the basis of the contract agreements.

b)Work completed not billed is shown under ' Unbilled Revenue'.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognised as income or expense in the year in which they arise.

Employee Benefits

a. Short term employee benefits such as salaries, wages, bonus and incentives which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undiscounted basis and charged to the profit and loss account.

b. Defined Contribution Plans - Contributions made to the Recognised Provident Fund & Employee State Insurance Corporation are expensed to the Profit & Loss Account. The Company's obligation is limited to the amount to be contributed by it.

c. Defined Benefit Plans - Gratuity liability is a defined benefit obligation The Company provides for gratuity which is a defined benefit plan the liabilities of which is determined based on valuations, as at the balance sheet date, made by an independent actuary using the projected unit credit method. Re-measurement, comprising of actuarial gains and losses, Past service cost in respect of gratuity are recognised in the Statement of Profit and Loss in the year of plan amendment or curtailment. The classification of the Company's obligation into current and non-current is as per the actuarial valuation report.

Segment Reporting

In the absence of more than one distinguishable business/ geographical segment, segment information is not given.

Taxes on Income

Income tax expense comprises current tax and deferred tax charge or credit. The current tax is determined as the amount of tax payable in respect of the estimated taxable income of the period. The deferred tax charge or credit is recognised using prevailing enacted or substantively enacted tax rates. Where there are unabsorbed depreciation or carry forward losses, deferred tax asset is recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets are reviewed at each Balance Sheet date based on the developments during the year and available case laws, to reassess realisation/liabilities.

Impairment of Assets

The carrying amount of assets is reviewed at each Balance Sheet date to check whether there is any indication of impairment based on internal/external factors. An impairment loss will be recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital.

Provisions, Contingent Liabilities and Contingent Assets

The company creates a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

	Current Year	Previous Year
	Amount (₹ in Thousands)	
3.SHARE CAPITAL		
A. Authorised		
4,00,00,000 Equity shares of ₹ 10 each(Previous Year 4,00,00,000 Equity shares of ₹ 10 each)	4,00,000	4,00,000
	4,00,000	**4,00,000**
B. Issued, Subscribed and Paid-up		
4,00,00,000 Equity shares of ₹ 10 each(Previous Year 4,00,00,000 Equity shares of ₹ 10 each)	4,00,000	4,00,000
	4,00,000	**4,00,000**

Shares held by Shareholders holding more than 5% shares

Name	Current Year		Previous Year	
	Number of Shares	% of Share Holding	Number of Shares	% of Share Holding
Mr. O C John	20,59,769	5.15%	20,59,769	5.15%

Shares held by the Promoters as at March 31, 2024

S. No		1	2	3
Promoter Name		**O C John**	**E Tojen**	**Monson Augustine**
Class of Shares		Fully Paid up Equity Shares	Fully Paid up Equity Shares	Fully Paid up Equity Shares
At the end of the year	**No. of Shares**	20,59,769	6,64,800	7,98,200
	% of Total Shares	5.15%	1.66%	2.00%
At the beginning of the year	**No. of Shares**	20,59,769	6,64,800	7,98,200
	% of Total Shares	5.15%	1.66%	2.00%
% Change during the year		-	-	-

4. RESERVES & SURPLUS

A. Profit and Loss Account		
Balance at the beginning of the year	46,962	28,432
Dividend	(28,000)	(20,000)
Profit/(Loss) for the year	(35,493)	38,530
Balance at the end of the year	**(16,532)**	**46,962**

5. LONG-TERM BORROWINGS	Current Year	Previous Year
	Amount (₹ in Thousands)	
A. Secured		
a) Chit - Kerala State Financial Enterprises (KSFE)	29,007	-
b) Term Loan - Kerala State Industrial Development Corporation Limited (KSIDC)	-	8,000
c) Finance Lease - Cheraman Financial Services Limited	575	1,305
B. Unsecured		
a) Loans from Directors		
R Jeyaraman	6,350	8,200
Dr Raju C Varghese	-	5,000
	35,933	**22,504**

6. LONG TERM PROVISIONS

Provision for Employee Benefits - Gratuity	1,822	1,673
	1,822	**1,673**

7. SHORT TERM BORROWINGS

Secured		
Cash Credit - The Mattancherry Sarvajanik Co- Operative Bank Ltd	9,395	-
Secured - Current Maturities of Long Term Borrowings		
a) Term Loan - Kerala State Industrial Development Corporation Limited (KSIDC)	8,000	8,000
b) Finance Lease - Cheraman Financial Services Limited	706	615
c) KSFE Chitty - Guaranteed by Director	694	1,325
	18,795	**9,939**

Term Loans are repayable in 30 monthly installments at interest rate of 5%. 12 monthly installments are remaining.
a)Company has used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date.
b)The company has not been declared as a wilful defaulter by any bank or financial institution or other lender.

8. TRADE PAYABLES

Creditors:		
- For Purchases	10,416	7,358
- For Expenses	3,541	4,778
	13,956	**12,136**

Trade Payable Ageing Schedule as at March 31, 2024

		Outstanding for following period from due date of payment				
Particulars	**Unbilled**	**< 1 Year**	**1-2 Years**	**2-3 Years**	**> 3 years**	**Total**
(i) MSME	-	2,766	2	-	-	2,768
(ii) Others	257	10,491	284	96	59	11,188
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues -Others	-	-	-	-	-	-
Total	**257**	**13,257**	**287**	**96**	**59**	**13,956**

Trade Payable Ageing Schedule as at March 31, 2023

		Outstanding for following period from due date of payment				
Particulars	**Unbilled**	**< 1 Year**	**1-2 Years**	**2-3 Years**	**> 3 years**	**Total**
(i) MSME	-	1,994	-	-	-	1,994
(ii) Others	154	9,829	102	57	-	10,142
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues -Others	-	-	-	-	-	-
Total	**154**	**11,823**	**102**	**57**	**-**	**12,136**

	Current Year	Previous Year
9. OTHER CURRENT LIABILITIES	**Amount (₹ in Thousands)**	
Advances from Customers	2,398	133
Other Amounts due to Related Parties	941	1,594
Unpaid Dividend 2022-23	219	-
Unpaid Dividend 2021-22	204	757
CSR Expense Payable	-	869
Job Cost Accruals	211	-
Other Payables	8,242	3,367
	12,215	**6,720**
10. SHORT TERM PROVISIONS		
Provision for Income Tax	-	12,373
Provision for Gratuity	929	464
	929	**12,837**
13. LONG TERM LOANS AND ADVANCES		
Advance for Land	438	708
Loans to Ex-Employees	42	42
	480	**750**
14. OTHER NON-CURRENT ASSETS		
Retention Money	671	888
Security Deposits	3,637	4,404
Term Deposits as margin for Bank Guarantee	16,175	18,513
Interest Accrued on Term Deposits	670	630
KSFE Chitty Deposit	-	15,249
	21,153	**39,683**
15. INVENTORIES		
Raw Materials, Stores and Consumables	7,930	10,832
Work in Progress	-	-
	7,930	**10,832**
16. TRADE RECEIVABLES		
Trade Receivables (unsecured, considered good)	25,275	56,276
	25,275	**56,276**

Trade Receivable ageing schedule as at March 31, 2024

	Outstanding for following period from due date of payment						
Particulars	**Unbilled**	**< 6 Months**	**6 Months - 1 Year**	**1-2 Years**	**2-3 Years**	**> 3 Years**	**Total**
(i) Undisputed Trade Receivables Considered Good	5,837	10,898	7,389	-	-		24,124
(ii) Undisputed Trade Receivables Considered Doubtful	-	-	-	-	-	-	-
(iii) Disputed Trade Receivables Considered Good	-	-	-	1,150	-	-	1,150
(iv) Disputed Trade Receivables Considered Doubtful	-	-	-	-	-	-	-
Total	**5,837**	**10,898**	**7,389**	**1,150**	**-**	**-**	**25,275**

Trade Receivable ageing schedule as at March 31, 2023

	Outstanding for following period from due date of payment						
Particulars	**Unbilled**	**< 6 Months**	**6 Months - 1 Year**	**1-2 Years**	**2-3 Years**	**> 3 Years**	**Total**
(i) Undisputed Trade Receivables Considered Good	2,888	45,783	-	-	-		48,670
(ii) Undisputed Trade Receivables Considered Doubtful	-	-	-	-	-	-	-
(iii) Disputed Trade Receivables Considered Good	-	-	-	2,163	-	-	2,163
(iv) Disputed Trade Receivables Considered Doubtful	-	-	-	-	-	5,443	5,443
Total	**2,888**	**45,783**	**-**	**2,163**	**-**	**5,443**	**56,276**

	Current Year	Previous Year
	Amount (₹ in Thousands)	
17. CASH AND CASH EQUIVALENTS		
Balances with Banks in Current Accounts	1,126	10,532
Balance with Banks in Dividend Warrant Accounts	427	762
Cash in Hand	80	55
	1,633	**11,349**
18. SHORT TERM LOANS AND ADVANCES (unsecured, considered good)		
Advances to Employees	387	468
Advances to Suppliers	598	2,001
	984	**2,469**
19. OTHER CURRENT ASSETS		
GST Input Tax Credit	15,043	9,206
Advance Income Tax	-	4,000
Income Tax Deducted at Source	4,102	5,649
VAT Receivables	2,250	2,662
Others	797	1,565
	22,193	**23,082**
20. REVENUE FROM OPERATIONS		
Income from Engineering Works	1,70,725	2,35,722
Unbilled Revenue	5,956	2,888
Income Received from Wharfage	464	183
Income from Sale of Consumables and Scraps	6,477	8,416
Yard Service Charges	90	112
Hire Charges Received	737	313
	1,84,450	**2,47,634**
21. OTHER INCOME		
Interest Income	2,011	3,077
Training Fee Received	878	1,778
Gain on Foreign Currency Transaction	14	10
Sundry Balances Written Back	399	1,546
	3,302	**6,411**
22. COST OF RAW MATERIALS CONSUMED		
Opening Stock -Raw Material, Stores and Consumables	10,832	8,511
Add : Purchases	30,077	40,815
Less: Closing stock - Raw Material, Stores and Consumables	(7,930)	(10,832)
	32,979	**38,494**
23. CHANGES IN WORK IN PROGRESS		
Opening Stock - Work in Progress	-	3,523
Closing Stock -Work in Progress	-	-
	-	**3,523**
24. OPERATING EXPENSES		
Service Charges	35,470	42,660
Wages & Allowances	19,913	17,755
Man Power Supply	3,996	11,701
Fabrication Expenses	3,021	14,049
Power & Fuel	2,871	2,413
Hire Charges	2,428	989
Claims and Deductions	2,275	-
Travelling Expense - Project Staff	1,519	3,487
Freight & Transportation Charges	1,256	1,247
Job Accruals	211	-
Loading & Unloading Charges	514	638
Testing & Inspection Charges	-	22
	73,474	**94,961**

	Current Year	Previous Year
25. EMPLOYEE BENEFIT EXPENSES	**Amount (₹ in Thousands)**	
Wages & Labor	4,596	1,820
Salaries & Allowances	14,499	11,916
Salary to Whole Time Directors	2,313	5,042
Staff Welfare Expenses	1,902	1,213
Gratuity	852	395
Employer Contribution to PF	643	886
Employer Contribution to ESI	585	672
Employer Contribution to LWF	17	24
Bonus	864	937
Medical Expenses	45	78
Other Allowances to Staff	128	15
	26,445	**22,999**
26. FINANCIAL COSTS		
Interest on Loan	3,326	8,943
BG Commission & Bank Charges	544	573
KSFE Chitty Expenses/Loss	3,479	520
	7,349	**10,036**
27. OTHER EXPENSES		
Payments to the Auditor as		
(a) Auditor	250	250
(b) For Taxation Matters	40	30
Professional Charges	2,568	2,327
Travelling & Conveyance Expense	1,073	1,155
Repairs and Maintenance	872	750
Security Charges	885	1,088
Rent	1,458	1,530
Corporate Social Responsibility (CSR) (Refer Note 27.1)	821	869
Business Promotional Expenses	422	118
Directors Sitting Fee	658	535
Rates, Taxes, Licenses and Fees	636	282
Office Expenses	466	552
Printing & Stationary	431	488
Advertisement Expenses	63	65
Fines , Late Fees and Interest	1,065	1,943
House Keeping Expenses	163	156
Insurance & Legal Charges	125	76
Internal Audit Fees	144	192
Lodging Expenses	63	647
Meeting & Seminar Expenses	117	106
Mobile & Telephone Charges	69	51
Postage & Courier	41	48
Miscellaneous & General Expenses	240	242
Bad Debts Written Off	45	1,271
	12,714	**14,772**

27.1. Corporate Social Responsibility Expenditure

(a) Amount required to be spent by the company during the year	821	869
(b) Amount of expenditure incurred	821	869
(c) Shortfall at the end of the year	-	-
(d) Nature of CSR activities :-		
1. Improvement in education	569	-
2. Promoting health care	253	-
3. Contribution to the PM CARES Fund	-	869
	821	**869**
(e) Related Party Transactions	-	-
(f) Movement in Provision	-	-

	Current Year	Previous Year
28. Basic and Diluted Earnings Per Share (EPS), of face value ₹ 10/-	**Amount (₹ in Thousands)**	
Numerator		
Net Profit for the year	(35,493)	38,530
Denominator		
Weighted average number of equity shares outstanding during the year	40,000	40,000
Earnings per Share	**(0.89)**	**0.96**

29. CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)

Contingent liabilities-		
a. Bank Guarantees (against 100% cash margin)	**15,786**	**18,363**

30. RELATED PARTY DISCLOSURES

a) Key Management Personnel (KMP)

Mr. Pandippilly Pylie Antony	Managing Director
Mr. E Tojen	Whole Time Director
Mr. Abdul Samad E S	Chief Financial Officer

b) Names of the related parties and nature of relationship

Names of related parties	Nature of relationship
Mr. Shaji Joseph	Chairman (w.e.f September 15, 2023), Non-Executive Director
Mr. Pandippilly Pylie Antony	Managing Director (w.e.f. July 22, 2024) Non-Executive Director (w.e.f September 15, 2023 to July 21, 2024)
Mr. Jroish George Kanippilly	Non-Executive Director (w.e.f July 16,2024) Managing Director (w.e.f. October 14, 2023 to July 15,2024) Executive Director of Finance (September 15, 2023 to October 14, 2023) Non-Executive Director (upto September 15, 2023)
Mr. E Tojen	Whole Time Director
Mr. O C John	Non-Executive Director (w.e.f October 14, 2023) Chairman & Managing Director (upto October 14, 2023)
Dr. Raju C Varghese	Non-Executive Director
Capt. Monson Augustine	Non-Executive Director (w.e.f September 15, 2023)
Mr. Shoukathali Meledath	Non-Executive Director (w.e.f September 15, 2023)
Mr. Ummer Moyinkutty	Non-Executive Director (w.e.f September 15, 2023)
Mr. Vypukaran Abubaker Jamal	Non-Executive Director (w.e.f September 15, 2023)
Mr. John Porinchu Tharayil	Independent Director (w.e.f September 15, 2023)
Dr. Mohammad Sagheer	Independent Director
Mr. Mohanan T S	Independent Director (upto September 15, 2023)
Mr. K B Gopalakrishnan	Non-Executive Director (upto September 15, 2023)
Mr. E V Ramachandran Nair	Non-Executive Director (upto September 15, 2023)
Mr. Jeyaraman R	Former Director
Mr. Abdul Samad E S	Chief Financial Officer
M/s Aminco Project Private Limited	Enterprise in which relative of director has significant influence.
Mrs. Shilpa Mary Joseph	Relative of Director

c) Transactions with related parties

	Current Year	Previous Year
Receipt of Unsecured Loans	**Amount (₹ in Thousands)**	
Mr. Jroish G Kanippilly	4,000	-
Mr. Shaji Joseph	4,000	7,500
Mr. O C John	18,500	57,560
Dr. Raju C Varghese	4,000	5,000
Repayment of Unsecured Loans		
Mr. Jroish G Kanippilly	4,000	-
Mr. Shaji Joseph	4,000	17,500
Mr. O C John	18,500	57,560
Dr. Raju C Varghese	9,000	19,700
Mr. Jeyaraman R	1,850	-
Interest on Unsecured Loans		
Mr. Jroish G Kanippilly	163	-
Mr. Shaji Joseph	178	2,063
Mr. O C John	631	2,603
Dr. Raju C Varghese	275	2,225
Mr. Jeyaraman R	799	1,023
Remuneration paid to KMP		
Mr. Jroish G Kanippilly	845	-
Mr. E Tojen	1,452	1,732
Mr. O C John	-	3,310
Mr. Abdul Samad E S	825	60
Guarantee Commission		
Mr. Jroish G Kanippilly	214	321
Dr. Raju C Varghese	24	-
Mrs. Shilpa Mary Joseph	24	-
Sitting Fees		
Mr. Jroish G Kanippilly	30	80
Mr. Shaji Joseph	65	80
Mr. O C John	5	-
Dr. Raju C Varghese	73	80
Capt. Monson Augustine	53	-
Mr. Pandippilly Pylie Antony	83	-
Mr. Shoukathali Meledath	40	-
Mr. Ummer Moyinkutty	45	-
Mr. Vypukaran Abubaker Jamal	38	-
Mr. John Porinchu Tharayil	55	-
Dr. Mohammad Sagheer	58	35
Mr. Mohanan T S	35	25
Mr. K B Gopalakrishnan	45	35
Mr. E V Ramachandran Nair	35	80
Supply of Goods and Services		
M/s. Aminco Project Private Limited	8	5,909

Balance receivable / (payable)	Current Year	Previous Year
	Amount (₹ in Thousands)	
Mr. Jroish G Kanippilly	(120)	-
Mr. E Tojen	(171)	(227)
Mr. Shaji Joseph	(24)	(24)
Mr. O C John	196	(867)
Dr. Raju C Varghese	(58)	(5,028)
Capt. Monson Augustine	(66)	(32)
Mr. Pandippilly Pylie Antony	(32)	-
Mr. Ummer Moyinkutty	(15)	(15)
Mr. John Porinchu Tharayil	(7)	-
Dr. Mohammad Sagheer	(16)	-
Mr. Mohanan T S	(9)	-
Mr. K B Gopalakrishnan	(18)	-
Mr. E V Ramachandran Nair	(9)	-
Mr. Jeyaraman R	(6,536)	(8,215)
Mr. Abdul Samad E S	(70)	(60)
Mrs. Shilpa Mary Joseph	(23)	-

Note: Loan repayment to Mr. O C John Includes Rs.35,00,000 appropriation towards advance for sale of Audi Car

31. DISCLOSURE IN ACCORDANCE WITH AS 15 ON EMPLOYEE BENEFITS

Particulars		
a) Defined Contribution Plans		
Contribution to Recognised Provident Fund	643	886
Contribution to Employee's State Insurance	585	672
Total	**1,228**	**1,558**
b) Defined Benefit Plan-Gratuity		
Present Value of Obligations at the Beginning	2,137	2,315
Current Service Cost	336	287
Interest Cost	148	-
Benefits paid	(238)	(573)
Actuarial (Gain)/Loss	368	109
Present Value of Obligations at the end of the year	**2,751**	**2,137**
c) The components of net gratuity costs are reflected below		
Service Cost	336	287
Interest Cost	148	-
Net Actuarial Gain/(Loss) recognised in the year	368	109
Net Gratuity Costs	**852**	**395**
d) Principal Actuarial Assumptions used at the balance sheet date:		
Discount Rate	7.09%	7.34%
Compensation Escalation Rate	4.00%	4.00%
Retirement Age	58 Years	58 Years
Mortality Rate	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)
Attrition Rate:		
For Ages 18-30 years	10.00%	10.00%
For Ages 31-40 years	5.00%	5.00%
For Ages 41-58 years	1.00%	1.00%

32. The details of Provisions as per AS 29 are given below:

Particulars	Opening Balance	Additions / Reversals	Closing Balance
Provision for Taxation	12,373	(12,373)	-
Provision for Gratuity	2,137	614	2,751

33. COMPONENTS OF DEFERRED TAX LIABILITY

Head of Account	31.03.2023	Current year		31.03.2024
	Asset/ (Liability)	Asset	Liability	Asset/ (Liability)
Depreciation	(3,845)	10,883		7,038
Provision for Gratuity	538	154		692
Unabsorbed Depreciation		506		506
Total	**(3,307)**	**11,543**		**8,236**
NET (DTL)/DTA	**(3,307)**	**11,543**		**8,236**

34.The Slipway was shown under 'Capital Work In progress' till the financial year 2021-22, in which it was capitalized. The Management reviewed the physical condition and quality of the slipway and felt that its realistic value is substantially less than the book value, the major reason being that it was put to use from 2011-12 with some additions in subsequent years though capitalization in books was done only in 2021-2022.

Accordingly, an external valuer Mr. Lakshmeesha S R , Partner Utkrusta Advisors LLP was appointed. He has issued a report dated 15.10.2024 wherein the realistic depreciated value of the slipways was stated as Rs.1,81,25,223/- only as against book value of Rs. 6,35,87,856/- as on 31.03.2023. It has therefore been decided to write off the differential amount of Rs.4,54,62,633/- as additional depreciation during the year.

35. ADDITIONAL INFORMATION

	Current Year	Previous Year
a) CIF Value of imports made during the year	778	2,401
b) Earnings in foreign exchange(FOB)	-	-
c) Expenditure in foreign currency	-	-
d) Amount remitted during the year in foreign currency	-	-

36. In the opinion of the management , the current assets, loans and advances, long term capital advances, shall realise the value as shown in the balance sheet, if realised in the normal course of business.

37. Balance of some of the debtors, creditors & loans and advances are subject to confirmation/reconciliation.

38. The management has a process of identifying vendors who fall under the definition of micro and small enterprises, as defined under MSME Act, 2006 based on the information provided by the vendors.

39. There are no transactions with struck off companies under section 248 or 560 of the Companies Act 2013/ 1956.

40. No charges or satisfaction is yet to be registered with Registrar of Companies beyond the statutory period.

41. The Company does not have any subsidiaries and hence it is in compliance with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.

42. There is no Scheme of Arrangements that has been approved in terms of sections 230 to 237 of the Companies Act 2013

43. The company has not advanced/loaned/invested or received funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

44. There are no transactions that are not recorded in the books of account to be surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.

45. The statements of current assets filed by the company with the bank are in agreement with the books of accounts.

46. The company is not covered under section 135 of the Companies Act 2013.

47. The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year

48. The Ministry of Corporate Affairs (MCA) has prescribed a new requirement for companies under the proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 inserted by the companies (Accounts) Amendment Rules 2021 requiring companies, which use accounting software for maintaining its books of accounts, to use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in the books of accounts along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

The Company uses accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility, and the same has operated throughout the year for all relevant transactions recorded in the accounting software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

49. Previous year figures have been regrouped /reclassified wherever necessary to suit the current year's layout.

50. Additional Regulatory Information

Financial Ratios:

	Numerator	Denominator	March 31, 2024	March 31, 2023	% of variance*	Reason for Variance
Liquidity Ratio						
Current Ratio (times)	Current Assets	Current Liabilities	1.26	2.50	-49.40%	A substantial decrease in Trade receivables and Cash and Cash Equivalents and Increase in advance from Customers.
Solvency Ratio						
Debt-Equity Ratio (times)	Long Term Debt	Shareholders Equity	0.09	0.05	-86.11%	1.A substantial decrease in reserves due to :Charging of Additional Depreciation of Previous years, Earlier EPF Demands, Bad Debts of 1 Cr written off 2.Increase in long term debt due to prizing of Chitty
Debt Service Coverage Ratio (times)	NPAT + Interest + Depreciation	Repayment, Interest + Principal	-0.64	1.95	-133.10%	1.A substantial decrease in sales due to Slipway work 2. A substantial decrease in EBITD due to :Charging of Additional Depreciation of Previous years, Earlier EPF Demands, Bad Debts of 1 Cr written off 3.Cash Credit Facility introduced
Profitability ratio						
EBITDA	EBITD	Sales	-10.67%	31.21%	-134.20%	1.A substantial decrease in sales due to Slipway work 2. A substantial decrease in EBITD due to :Charging of Additional Depreciation of Previous years, Earlier EPF Demands, Bad Debts of 1 Cr written off
Net Profit Ratio (%)	Net Profit(PAT)	Sales	-19.24%	15.56%	-223.68%	1.A substantial decrease in sales due to Slipway work 2. A substantial decrease in net profit due to :Charging of Additional Depreciation of Previous years, Earlier EPF Demands, Bad Debts of 1 Cr written off
Return on Equity Ratio (ROE) (%)	Net Profit(PAT)	Average Shareholders Equity	-8.55%	8.80%	-197.11%	1.A substantial decrease in sales due to Slipway work 2. A substantial decrease in net profit due to :Charging of Additional Depreciation of Previous years, Earlier EPF Demands, Bad Debts of 1 Cr written off
Return on capital employed(%)	EBIT	Capital Employed	-9.46%	11.69%	-180.97%	1.A substantial Increase in long term debt due to prizing of Chitty 2. A substantial decrease in net profit due to :Charging of Additional Depreciation of Previous years, earlier EPF Demands, Bad debts of 1 Cr written off
Return on Investment (%)	Net Profit(PAT)	Cost of investment	-8.46%	8.79%	-196.32%	1. A substantial decrease in net profit due to :Charging of Additional Depreciation of Previous years, earlier EPF Demands, Bad debts of 1 Cr written off

Utilization Ratio						
Trade Receivables turnover ratio (times)	Net Sales	Avg Receivables	4.52	3.14	44.00%	1.A substantial decrease in sales due to Slipway work 2.A substantial decrease in trade receivables
Inventory turnover ratio (times)	Net Sales	Avg Inventory	19.66	21.66	-9.22%	
Trade payables turnover ratio (times)	Net Credit Purchase	Avg Payables	2.31	2.36	-2.30%	
Net capital turnover ratio (times)	Net Sales	Working Capital	15.22	3.92	288.37%	1.A substantial decrease in sales due to Slipway work 2.A substantial decrease in Trade receivables and Cash and Cash Equivalents and Increase in advance from Customers.

Note on Financial Ratios : *(Explanation for change in the ratio by more than 25%)

For and on behalf of the Board of Directors

As per our report of even date attached

For JVR & ASSOCIATES
Chartered Accountants

Sd/-	Sd/-	Sd/-	Sd/-
Shaji Joseph	**Adv. P P Antony**	**Abdul Samad E S**	**Jomon K George**
Chairman	**Managing Director**	**Chief Financial Officer**	**Partner**
DIN: 07063210	DIN :10288144		M No:202144

Cochin, Dated October 21, 2024

11. PROPERTY, PLANT & EQUIPMENT

(₹ in Thousands)

	Gross Block				Accumulated Depreciation					Net Block	
						For The Year					
	As on 01-Apr-23	Additions during the period	Deletions during the period	As on 31-Mar-24	As on 01-Apr-23	Normal Depreciation	Additional Depreciation	Deletions during the period	As on 31-Mar-24	As on 31-Mar-24	As on 31-Mar-23
Land	1,95,884	-	-	1,95,884	-	-		-	-	1,95,884	1,95,884
Building	33,937	306	1,673	32,571	4,266	2,718		208	6,776	25,794	29,671
Plant & Machinery	1,73,115	10,891	1,819	1,82,187	36,757	13,751	45,463	593	95,378	86,809	1,36,358
Furniture & Fittings	4,146	141	-	4,287	2,780	354		-	3,134	1,154	1,366
Office Equipments	3,737	274	-	4,011	3,061	354		-	3,415	596	676
Computer	3,378	217	-	3,595	2,717	440		-	3,158	438	661
Electrical Installations & Equipments	16,396	1,561	-	17,957	13,455	766		-	14,222	3,736	2,941
Vehicles	1,899	3,607	156	5,349	1,801	1,093		120	2,774	2,575	98
Ships - Boat	6,948	-	-	6,948	5,198	170		-	5,368	1,580	1,750
Total of Tangible Asset	**4,39,441**	**16,996**	**3,648**	**4,52,789**	**70,036**	**19,646**	**45,463**	**920**	**1,34,224**	**3,18,565**	**3,69,405**
Previous Year	**3,95,295**	**44,191**	**45**	**4,39,441**	**52,782**	**17,291**		**38**	**70,036**	**3,69,405**	**3,42,513**

Note: a) The Property, Plant & Equipment & Intangible assets have not been revalued during the year

b) All the immovable properties listed above are held in the name of the Company.

c)There are no proceedings against the company under the Benami Transactions (Prohibition) Act, 1988

12. CAPITAL WORK-IN PROGRESS

	As on 01-Apr-23	Additions during the period	Capitalised during the period	As on 31-Mar-24
Dry Dock	111	-	-	111
Slipway	2,120	50,244	-	52,364
Mechanical Workshop & Office Building	-	8,194	-	8,194
Total	**2,231**	**58,438**	**-**	**60,670**

Capital-Work-in Progress Development Aging Schedule as on 31 March 2024

Amount in CWIP for a period of	**< 1 Year**	**1-2 Years**	**2-3 Years**	**> 3 Years**	**Total**
Projects in Progress	58,438	2,120	-	-	60,559
Projects temporarily suspended	-	-	-	111	111
Total	**58,438**	**2,120**	**-**	**111**	**60,670**

Capital-Work-in Progress Development Aging Schedule as on 31 March 2023

Amount in CWIP for a period of	**< 1 Year**	**1-2 Years**	**2-3 Years**	**> 3 Years**	**Total**
Projects in Progress	2,120	-	-	-	2,120
Projects temporarily suspended	-	-	-	111	111
Total	**2,120**	**-**	**-**	**111**	**2,231**

Special Audit Report

Sea Blue Shipyard Limited

Azheekal PO, 1/212, VP Road, Vypin, Kochi, Kerala 682501

Date: 16 October, 2024

Issued by:

Radhakrishnan K Nair and Associates
Cost and Management Accountants
Kakkanad- Kochi – 682 037

INDEX

Date: 16-10-2024

To

The Audit Committee
Sea Blue Shipyard Limited
1/212, VP Road, Azheekal PO, Vypin,
Kochi, Kerala- 682 508

Sub: Special Audit for the period 2018-2019 to 2022-2023

Ref: Engagement Letter issued by the company with scope of work

SPECIAL AUDIT REPORT

1. Background:

Further to the directions as per the Engagement Letter issued by the company, we commenced the work on the Special Audit of Sea Blue Shipyard Ltd with our on-site team.

2. The Team

We have deputed a team consisting of two senior veteran professionals, a semi qualified Accountant and two Audit Assistants. They have been on the job continuously doing their work till completion of the special audit.

3. Scope of the audit work as per the Letter of Engagement:

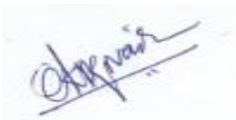
We were provided with a scope of audit work containing 14 Scope items spanning five Fiscal Years viz, 2018-19, 2019-20, 2020-21,2021-22 and 2022-23 as listed below;

1) Verify books of Accounts of the company to ascertain the existence of financial irregularities, if any.
2) Verify the investments in Infrastructure, mainly on Slipway and Wharfage construction.
3) Determine misappropriation or theft of the assets/inventories of the company.
4) Reasonability in Bad Debts written off in the past years.
5) Examining significant related party transactions
6) Movement in unsecured loan during the period
7) Detailed review on capital infusion by way of equity allotment and movement in register of members.
8) Critical analysis on transactions with major suppliers of the company.

9) Comment on high value, suspicious/ unusual transactions.
10) Analyze Revenue Leakages
11) Ascertain if turnover or profit of the company is manipulated during the periods.
12) Financial loss to the company on account of mismanagement, misappropriation of funds, and non- compliance.
13) Overall quality and effectiveness of Internal Controls.
14) Full Audit of the share register from the date of the private placement of shares for subscription with general public. One to One (Individual) verification each shareholder account against the actual payment received with documentary evidence and the matching number of actual shares issued. If any mismatch or anomalies (issued shares are more or lesser corresponding to actual payment received at the declared share price rate) found, the reason for anomalies should be investigated. Investigation of illegal discounts and premiums, if any, provided to shareholders. Investigation of the manipulation of the financial statements of the relevant periods to accommodate or adjust such discounts or premium. Recommendation of measures to recover the assets from the shareholders who obtained illegal discounts. Relevant period and duration of audit will be determined during the audit and approved by the audit committee.

In light of above we have conducted the special audit and submitted two interim reports previously and here by submit the third and final report for the kind perusal of the audit committee.

Yours Sincerely



Radhakrishnan K Nair

Encl: 1. Synopsys and opinion (Volume1)

2. Annexures (Volume 2)

Notice to the Reader / Client

Disclaimers

i. There are few important **queries STILL not replied by the Company**. Hence this report is a “Qualified” one.

ii. The report issued is to be read in totality, and not in parts, and in conjunction with the relevant sections referred to in this document.

iii. The scope of the transaction review is limited to the scope specified in the engagement letter.

iv. We have relied on the information and data supplied to us by SBSL representative, assuming the same to be correct and bona fide.

v. During our professional services, we were provided with both written and verbal information, which has been relied upon us to be accurate.

vi. Our findings are restricted to the information and explanations received by us during our review.

vii. The findings have not been disclosed or discussed with the parties / entities/ persons referred to in the report.

viii. The scope of our services is neither an audit conducted in accordance with generally accepted auditing standards, nor an examination of internal controls / procedures or other attestation or review services or services to perform agreed-upon procedure.

ix. The services also do not involve the expression of any opinion or any other form of assurance concerning any matters as a result of the performance of our services.

x. This Interim Report is prepared with the available information within limited time frame, assumptions and data limitations specifically mentioned in the report and the interpretations / findings of this report may undergo change(s), post receipt / discovery of any material information/fact which we may come across going forward.

xi. This report is confidential and in relation to the details contained in this document, we have not sought views of the any other statutory, regulatory, government, judicial or quasi-judicial authority and thus will not be responsible for any divergent view that may be taken by such authority and **consequently this report may not be used in a Court of Law.**

Special Comments -Potential Violations and their legal Implications – as applicable to BoD and KMPs

Scope/ Potential Wrong doings	Wrongdoings/Omissions	Applicable Provisions
Failure to Maintain Adequate Internal Controls and Financial Oversight	Improper journal vouchers, delayed capitalization, poor inventory control, inadequate documentation of related party transactions.	**Companies Act 2013:** Section 134(5)(e), 128, 143. **Fiduciary Duty Breach:** Failure to maintain internal controls. **Section 447:** Fraud if negligence or malpractices are proven.
Mismanagement of Capital Projects and Delayed Capitalization	Delayed capitalization of infrastructure projects like Slipway Wharfage and Dry Dock, leading to financial misrepresentation and lost depreciation.	**Companies Act 2013:** Section 134(5)(c), 129. **Fiduciary Duty Breach:** Negligence in asset management. **Section 447:** Fraud if delays were intended to manipulate financial results.
Lack of Proper Documentation and Oversight of Related Party Transactions	Inadequate documentation of loans and related party transactions, raising conflict of interest concerns.	**Companies Act 2013:** Section 188, 177. **Fiduciary Duty Breach:** Failure to ensure transparency. **Section 447:** Fraud if transactions benefited directors or related parties improperly.
Mismanagement of Company Funds through Improper Debt Write-offs	Improper write-offs of bad debts without sufficient justification or documentation, affecting financial reporting.	**Companies Act 2013:** Section 134(5), 128. **Fiduciary Duty Breach:** Negligence in handling bad debts. **Section 447:** Fraud if write-offs misrepresented financial position.
Failure to Address Revenue Leakages and Excessive Expenses	Discrepancies in revenue and expenses, excessive costs leading to financial losses.	**Companies Act 2013:** Section 134(5). **Fiduciary Duty Breach:** Failing to control costs and manage revenue. **Section 447:** Fraud if discrepancies were used to misrepresent profitability.
Lack of Governance in Capital Infusion and Share Register Management	Missing documentation for share allotments, misuse of share application money, improper recording of capital movements.	**Companies Act 2013:** Section 42, 62. **Fiduciary Duty Breach:** Failure to ensure proper governance of share capital. **Section 447:** Fraud if shares were manipulated or funds misused.
Negligence in Ensuring Adequate Inventory and Supplier Management	Missing documentation for supplier transactions, potential misappropriation of inventory.	**Companies Act 2013:** Section 128, 134(5)(c). **Fiduciary Duty Breach:** Failing to manage inventory and suppliers properly. **Section 447:** Fraud if inventory or supplier contracts were mishandled.

Special Comments on potential 'Failures of the Board of Directors/ Managing Director, Executive Directors and KMPs and their (legal) implications

Please find below the summary of the Potential wrongdoings, omissions, and mistakes in each scope and the listing of the applicable provisions of the Companies Act 2013 (India) as well as relevant Indian Civil and Criminal Law, **If they are proven.**

Here's a breakdown based on each scope, along with the applicable legal provisions, if proved and if these can be established with more and complete evidences

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1. Failure to Maintain Adequate Internal Controls and Financial Oversight

- **Scope:** Across multiple areas, including improper journal vouchers (Scope 1), delayed capitalization (Scope 2), poor inventory control (Scope 3), and related party transactions (Scope 5).
- **Wrongdoing:** The BoD and the MD/ED failed to establish and maintain proper internal financial controls as required by law, resulting in financial misstatements, potential fraud, and irregularities.
- **Legal Implications:**
    - **Companies Act 2013**:
        - **Section 134(5)(e):** Responsibility for establishing adequate internal financial controls.
        - **Section 128:** Failure to ensure proper maintenance of books of accounts.
    - **Fiduciary Duty Breach**: The BoD's failure to maintain internal controls violates their fiduciary duty to act with due care and diligence in overseeing the company's financial affairs.
    - **Section 447 (Fraud):** If deliberate negligence or malpractices led to financial misstatements, the directors could be liable for fraud.

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2. Mismanagement of Capital Projects and Delayed Capitalization

- **Scope:** Delayed capitalization of key infrastructure projects, including the Slipway, Wharfage, and Dry Dock, leading to misrepresentation of assets and lost depreciation benefits (Scope 2).
- **Wrongdoing:** The Company neglected to ensure that capital projects were accounted for in a timely manner, violating Indian Accounting Standards (Ind AS 16) and resulting in financial mismanagement.
- **Legal Implications:**
  - **Companies Act 2013:**
    - **Section 134(5)(c):** Responsibility of directors for the accuracy of financial records, including ensuring that assets are capitalized appropriately.
    - **Section 129:** Failure to comply with accounting standards.
  - **Fiduciary Duty Breach**: Failure to capitalize assets and manage infrastructure projects amounts to negligence in asset management, impacting the company's financial position.
  - **Section 447 (Fraud):** If delays were intentional to conceal financial losses or manipulate profits, this could lead to allegations of fraud.

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3. Lack of Proper Documentation and Oversight of Related Party Transactions

- **Scope:** Inadequate documentation of loans, advances, and interest payments related to significant related-party transactions (Scope 5 and Scope 6).
- **Wrongdoing:** The Company did not ensure proper scrutiny and documentation of related party transactions, raising concerns of conflict of interest and financial mismanagement.
- **Legal Implications:**
  - **Companies Act 2013:**
    - **Section 188:** Related party transactions must be disclosed, and proper approvals are required. Failure to comply can result in fines and penalties.

        - **Section 177:** The Audit Committee must review related party transactions, and directors are responsible for ensuring that transactions occur on an arm's length basis.
    - **Fiduciary Duty Breach**: The directors are responsible for avoiding conflicts of interest and must ensure transparency in all related party dealings.
    - **Section 447 (Fraud):** If related party transactions were used to benefit directors or related parties at the expense of the company, this could be deemed fraudulent.

<u>4. Mismanagement of Company Funds through Improper Debt Write-offs</u>

- **Scope:** Significant bad debts were written off with inadequate provisions and documentation, affecting the company's financial position (Scope 4).
- **Wrongdoing:** The Company allowed improper debt write-offs without sufficient justification or proper record-keeping, which points to financial mismanagement.
- **Legal Implications:**
    - **Companies Act 2013:**
        - **Section 134(5):** Responsibility of directors for ensuring adequate provisions for bad debts and accurate financial reporting.
        - **Section 128:** Maintenance of proper financial records.
    - **Fiduciary Duty Breach**: Allowing bad debts to be written off without due diligence and proper documentation violates the duty to act in good faith and with due care in managing the company's finances.
    - **Section 447 (Fraud):** If the write-offs were intended to mislead or conceal the company's true financial position, it could be treated as fraud.

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5. Failure to Address Revenue Leakages and Excessive Expenses

- **Scope:** Discrepancies between revenue and expenses, especially excessive material costs and employee benefit costs, resulting in significant financial losses (Scope 10-12).
- **Wrongdoing:** The Company failed to exercise proper oversight over revenue management and cost control, leading to financial losses due to poor procurement practices, high employee costs, and operational inefficiencies.
- **Legal Implications:**
    - **Companies Act 2013:**
        - **Section 134(5):** Directors' responsibility to ensure accurate reporting of financial performance and efficient management of the company's resources.
    - **Fiduciary Duty Breach**: Failing to control costs and allowing significant revenue leakages constitute a breach of the directors' duty to protect the company's assets and maximize shareholder value.
    - **Section 447 (Fraud):** If the discrepancies were intended to misrepresent the company's profitability, it could amount to fraud.

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6. Lack of Governance in Capital Infusion and Share Register Management

- **Scope:** Missing documentation for share allotments, misuse of share application money, and improper recording of capital movements (Scope 7 and 14).
- **Wrongdoing:** The Company did not ensure proper governance of capital infusion and share-related transactions, violating shareholders' rights and transparency obligations.
- **Legal Implications:**
    - **Companies Act 2013:**

        - **Section 42:** Private placement of shares requires full transparency and adherence to legal guidelines.
        - **Section 62:** Allotment of shares must be properly recorded, and the use of share application money must be transparent.
    - **Fiduciary Duty Breach**: Directors are responsible for ensuring that share capital is managed appropriately and that shareholder interests are safeguarded. Failure to do so breaches the trust placed in them by shareholders.
    - **Section 447 (Fraud):** If share allotments were manipulated or funds were misused, it could lead to fraud charges.

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7. Negligence in Ensuring Adequate Inventory and Supplier Management

- **Scope:** Missing documentation for major supplier transactions and potential misappropriation of inventory (Scope 8).
- **Wrongdoing:** The Company failed to establish proper internal controls for managing suppliers and inventory, resulting in financial and operational risks.
- **Legal Implications:**
    - **Companies Act 2013:**
        - **Section 128:** Proper accounting for inventory and supplier transactions.
        - **Section 134(5)(c):** Directors must ensure internal controls are in place to safeguard company assets.
    - **Fiduciary Duty Breach**: Directors are responsible for managing suppliers and inventory in a way that protects the company's interests. Lapses in oversight constitute a breach of fiduciary duty.
    - **Section 447 (Fraud):** Misappropriation of inventory or manipulation of supplier contracts could lead to fraud charges.

Fiduciary Responsibilities of the Board of Directors, Managing Director/Executive Director & KMPs under Indian Companies Act 2013

The **Managing Director** (MD) and **Executive Director** (ED) hold significant fiduciary responsibilities under the **Companies Act 2013**:

1. **Duty of Care and Diligence (Section 166(3)):** MD/ED must act with due care, skill, and diligence in the management of the company's affairs.
2. **Duty to Act in Good Faith (Section 166(2)):** MD/ED must act in the best interests of the company, its employees, shareholders, and for the protection of its assets.
3. **Duty to Avoid Conflicts of Interest (Section 166(4)):** MD/ED must not engage in any transaction where there is a conflict between their personal interest and the company's interests.
4. **Duty to Ensure Compliance (Section 134(5)):** MD/ED must ensure that the company complies with applicable laws and maintains accurate financial records.
5. **Duty to Promote Transparency (Section 134(5)(f)):** MD/ED must ensure that all decisions are transparent and disclosed to shareholders, especially regarding financial matters and transactions.

In addition to the **Companies Act 2013** and **Indian Criminal Law**, the **Indian Civil Laws** also have **Potential** legal implications for the **Board of Directors** (BoD), **Managing Director (MD)**, and **Executive Directors (ED)** in cases of corporate mismanagement, financial irregularities, or breaches of fiduciary duties. Below is a list of relevant civil law implications for the identified wrongdoings, which have been included in this revised chapter:

Legal Implications under Indian Civil Laws

1. Breach of Fiduciary Duty

- **Wrongdoing:** Failure to uphold fiduciary duties such as acting in good faith, avoiding conflicts of interest, and exercising due care and diligence.
- **Civil Law Implications:**
  - **Indian Contract Act, 1872**: Section 73 – Compensation for loss or damage caused by a breach of fiduciary duty. If the directors act in

ways detrimental to the interests of shareholders, creditors, or other stakeholders, they could be held liable for damages.

  - **Indian Trusts Act, 1882**: Section 23 – Duty of trustees (directors) to protect and manage assets. A breach could lead to civil claims for compensation or injunctions.

---

2. Failure to Properly Manage Shareholder Funds and Capital Infusion

- **Wrongdoing:** Mismanagement of share capital and misuse of share application money.
  - **Indian Trusts Act, 1882**: Section 23 – Trustees (BoD and ED) must act in the best interests of shareholders. Any misuse of share application money could result in civil claims for compensation.

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3. Breach of Contractual Obligations in Supplier and Inventory Management

- **Wrongdoing:** Failure to maintain adequate records and ensure contractual compliance in transactions with suppliers.
- **Civil Law Implications:**
  - **Indian Contract Act, 1872**: Section 73 – Compensation for losses caused by failure to meet contractual obligations, particularly if improper supplier management leads to financial losses.

---

4. Mismanagement of Financial Resources and Bad Debt Write-offs

- **Wrongdoing:** Poor financial management, including writing off significant debts without proper justification or documentation.
- **Civil Law Implications:**
  - **Indian Contract Act, 1872**: Section 73 – Creditors can claim compensation if the company's mismanagement results in improper debt write-offs that impact their interests.

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5. Misrepresentation of Financial Position

- **Wrongdoing:** Misrepresentation of financial statements due to delayed capitalization of assets, manipulation of profits, or revenue leakages.
- **Civil Law Implications:**
    - **Indian Contract Act, 1872**: Section 17 – Misrepresentation of facts leading to financial loss or misled stakeholders can result in claims for damages.

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6. Improper Handling of Related Party Transactions

- **Wrongdoing:** Lack of transparency and improper documentation of loans and other transactions with related parties, potentially leading to conflicts of interest.
- **Civil Law Implications:**
    - **Indian Contract Act, 1872**: Section 16 – If undue influence or conflict of interest can be proven in related party transactions, civil damages may be claimed.
    - **Indian Trusts Act, 1882**: Section 23 – Breach of fiduciary duty in favoring related parties over company interests could lead to civil liability for directors.

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7. Lack of Adequate Oversight Leading to Financial Loss

- **Wrongdoing:** Failure to oversee financial controls leading to revenue leakages, excessive expenses, and overall financial mismanagement.
- **Civil Law Implications:**
    - **Indian Contract Act, 1872**: Section 73 – Stakeholders (shareholders, creditors) may claim compensation for financial losses caused by the BoD's failure to exercise proper oversight.

Summary of Civil Law Implications

In cases where the **Board of Directors**, **Managing Director**, or **Executive Directors** are found negligent in their fiduciary duties or responsible for mismanagement, they may face claims under **Indian Civil Laws**, which include:

1. **Compensation for Losses** – Stakeholders such as shareholders and creditors may claim compensation under the **Indian Contract Act, 1872** (Section 73) for losses caused by mismanagement, misrepresentation, or breaches of contractual obligations.
2. **Fiduciary Duty Breach Claims** – Directors, as trustees of the company's assets, could be held liable for breaches of fiduciary duty under the **Indian Trusts Act, 1882** (Section 23), resulting in civil claims.

COMPANIES ACT, 2013

Please find below the verbatim reproduction of the following Sections.

SEC (42)
SEC (62)
SEC (128)
SEC (129)
SEC (134)
SEC (134(5)(c))
SEC (134(5)(e))
SEC (177)
SEC (179)
SEC (188)
SEC (447)

42. Offer or invitation for subscription of securities on private placement.—(*1*) Without prejudice to the provisions of section 26, a company may, subject to the provisions of this section, make private placement through issue of a private placement offer letter.
(*2*) Subject to sub-section (*1*), the offer of securities or invitation to subscribe securities, shall be made to such number of persons not exceeding fifty or such higher number as may be prescribed, [excluding qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option as per provisions of clause (*b*) of sub-section (*1*) of section 62], in a financial year and on such conditions (including the form and manner of private placement) as may be prescribed.
Explanation I.—If a company, listed or unlisted, makes an offer to allot or invites subscription, or allots, or enters into an agreement to allot, securities to more than the prescribed number of persons, whether the payment for the securities has been received or not or whether the company intends to list its securities or not on any recognised stock exchange in or outside India, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions of Part I of this Chapter.
Explanation II.—For the purposes of this section, the expression—
(*i*) "qualified institutional buyer‘‘ means the qualified institutional buyer as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirments) Regulations, 2009 as amended from time to time.
(*ii) "*private placement" means any offer of securities or invitation to subscribe securities to a select group of persons by a company (other than by way of public offer) through issue of a private placement offer letter and which satisfies the conditions specified in this section.
(*3*) No fresh offer or invitation under this section shall be made unless the allotments with respect to any offer or invitation made earlier have been completed or that offer or invitation has been withdrawn or abandoned by the company.
(*4*) Any offer or invitation not in compliance with the provisions of this section shall be treated as a public offer and all provisions of this Act, and the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the Securities and Exchange Board of India Act, 1992 (15 of 1992) shall be required to be complied with.
(*5*) All monies payable towards subscription of securities under this section shall be paid through cheque or demand draft or other banking channels but not by cash.
(*6*) A company making an offer or invitation under this section shall allot its securities within sixty days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the date of completion of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent. per annum from the expiry of the sixtieth day: 43
Provided that monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than—
(*a*) for adjustment against allotment of securities; or
(*b*) for the repayment of monies where the company is unable to allot securities.
(*7*) All offers covered under this section shall be made only to such persons whose names are recorded by the company prior to the invitation to subscribe, and that such persons shall receive the offer by name, and

that a complete record of such offers shall be kept by the company in such manner as may be prescribed and complete information about such offer shall be filed with the Registrar within a period of thirty days of circulation of relevant private placement offer letter.
(*8*) No company offering securities under this section shall release any public advertisements or utilise any media, marketing or distribution channels or agents to inform the public at large about such an offer.
(*9*) Whenever a company makes any allotment of securities under this section, it shall file with the Registrar a return of allotment in such manner as may be prescribed, including the complete list of all security-holders, with their full names, addresses, number of securities allotted and such other relevant information as may be prescribed.
(*10*) If a company makes an offer or accepts monies in contravention of this section, the company, its promoters and directors shall be liable for a penalty which may extend to the amount involved in the offer or invitation or two crore rupees, whichever is higher, and the company shall also refund all monies to subscribers within a period of thirty days of the order imposing the penalty.

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62. Further issue of share capital.—(*1*) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—
(*a*) to persons who, at the date of the offer, are holders of equity shares of the company in proportion, as nearly as circumstances admit, to the paid-up share capital on those shares by sending a letter of offer subject to the following conditions, namely:—
(*i*) the offer shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined;
(*ii*) unless the articles of the company otherwise provide, the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person; and the notice referred to in clause (*i*) shall contain a statement of this right;
(*iii*) after the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner which is not dis-advantageous to the shareholders and the company;
(*b*) to employees under a scheme of employees‘ stock option, subject to special resolution passed by company and subject to such conditions as may be prescribed; or
(*c*) to any persons, if it is authorised by a special resolution, whether or not those persons include the persons referred to in clause (*a*) or clause (*b*), either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed.
(*2*) The notice referred to in sub-clause (*i*) of clause (*a*) of sub-section (*1*) shall be despatched through registered post or speed post or through electronic mode to all the existing shareholders at least three days before the opening of the issue.
(*3*) Nothing in this section shall apply to the increase of the subscribed capital of a company caused by the exercise of an option as a term attached to the debentures issued or loan raised by the company to convert such debentures or loans into shares in the company:
Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the company in general meeting.
(*4*) Notwithstanding anything contained in sub-section (*3*), where any debentures have been issued, or loan has been obtained from any Government by a company, and if that Government considers it necessary in the public interest so to do, it may, by order, direct that such debentures or loans or any part thereof shall be converted into shares in the company on such terms and conditions as appear to the Government to be reasonable in the circumstances of the case even if terms of the issue of such debentures or the raising of such loans do not include a term for providing for an option for such conversion:
Provided that where the terms and conditions of such conversion are not acceptable to the company, it may, within sixty days from the date of communication of such order, appeal to the Tribunal which shall after hearing the company and the Government pass such order as it deems fit.
(*5*) In determining the terms and conditions of conversion under sub-section (*4*), the Government shall have due regard to the financial position of the company, the terms of issue of debentures or loans, as the case

may be, the rate of interest payable on such debentures or loans and such other matters as it may consider necessary.
(*6*) Where the Government has, by an order made under sub-section (*4*), directed that any debenture or loan or any part thereof shall be converted into shares in a company and where no appeal has been preferred to the Tribunal under sub-section (*4*) or where such appeal has been dismissed, the memorandum of such company shall, where such order has the effect of increasing the authorised share capital of the company, stand altered and the authorised share capital of such company shall stand increased by an amount equal to the amount of the value of shares which such debentures or loans or part thereof has been converted into.

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128. Books of account, etc., to be kept by company.—(*1*) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting:
Provided that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place:
Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.
(*2*) Where a company has a branch office in India or outside India, it shall be deemed to have complied with the provisions of sub-section (*1*), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarized returns periodically are sent by the branch office to the company at its registered office or the other place referred to in sub-section (*1*).
(*3*) The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions as may be prescribed:
Provided that the inspection in respect of any subsidiary of the company shall be done only by the person authorised in this behalf by a resolution of the Board of Directors.
(*4*) Where an inspection is made under sub-section (*3*), the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.
(*5*) The books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order:
Provided that where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit.
(*6*) If the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, Chief Financial officer or such other person of the company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both.

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129. Financial statement.— (*1*) The financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III:
Provided that the items contained in such financial statements shall be in accordance with the accounting standards:

Provided further that nothing contained in this sub-section shall apply to any insurance or banking company or any company engaged in the generation or supply of electricity, or to any other class of company for which a form of financial statement has been specified in or under the Act governing such class of company:

Provided also that the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose—

(*a*) in the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938 (4 of 1938), or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

(*b*) in the case of a banking company, any matters which are not required to be disclosed by the Banking Regulation Act, 1949 (10 of 1949);

(*c*) in the case of a company engaged in the generation or supply of electricity, any matters which are not required to be disclosed by the Electricity Act, 2003 (36 of 2003);

(*d*) in the case of a company governed by any other law for the time being in force, any matters which are not required to be disclosed by that law.

(*2*) At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year.

(*3*) Where a company has one or more subsidiaries, it shall, in addition to financial statements provided under sub-section (*2*), prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under sub-section (*2*):

Provided that the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries in such form as may be prescribed:

Provided further that the Central Government may provide for the consolidation of accounts of companies in such manner as may be prescribed.

Explanation.—For the purposes of this sub-section, the word ―subsidiary‖ shall include associate company and joint venture.

(*4*) The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, *mutatis mutandis*, apply to the consolidated financial statements referred to in sub-section (*3*).

(*5*) Without prejudice to sub-section (*1*), where the financial statements of a company do not comply with the accounting standards referred to in sub-section (*1*), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

(*6*) The Central Government may, on its own or on an application by a class or classes of companies, by notification, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder, if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.

(*7*) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

Explanation.—For the purposes of this section, except where the context otherwise requires, any reference to the financial statement shall include any notes annexed to or forming part of such financial statement, giving information required to be given and allowed to be given in the form of such notes under this Act.

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134. Financial statement, Board‘s report, etc.— (*1*) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of a One Person Company, only by one director, for submission to the auditor for his report thereon.

(*2*) The auditors‘ report shall be attached to every financial statement.

(*3*) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include—
(*a*) the extract of the annual return as provided under sub-section (*3*) of section 92;
(*b*) number of meetings of the Board;
(*c*) Directors' Responsibility Statement;
1[(*ca*) details in respect of frauds reported by auditors under sub-section (*12*) of section 143 other than those which are reportable to the Central Government;]
(*d*) a statement on declaration given by independent directors under sub-section (*6*) of section 149;
(*e*) in case of a company covered under sub-section (*1*) of section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (*3*) of section 178;
(*f*) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—
(*i*) by the auditor in his report; and
(*ii*) by the company secretary in practice in his secretarial audit report;
(*g*) particulars of loans, guarantees or investments under section 186;
(*h*) particulars of contracts or arrangements with related parties referred to in sub-section (*1*) of section 188 in the prescribed form;
(*i*) the state of the company's affairs;
(*j*) the amounts, if any, which it proposes to carry to any reserves;
(*k*) the amount, if any, which it recommends should be paid by way of dividend;
(*l*) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;
(*m*) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;
(*n*) a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;
(*o*) the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;
(*p*) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors;
(*q*) such other matters as may be prescribed.
(*4*) The report of the Board of Directors to be attached to the financial statement under this section shall, in case of a One Person Company, mean a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report.
(*5*) The Directors' Responsibility Statement referred to in clause (*c*) of sub-section (*3*) shall state that—
(*a*) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
(*b*) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
(*c*) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
(*d*) the directors had prepared the annual accounts on a going concern basis; and
(*e*) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
Explanation.—For the purposes of this clause, the term ―internal financial controls‖ means the policies and procedures adopted by the company 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;
(*f*) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

(*6*) The Board's report and any annexures thereto under sub-section (*3*) shall be signed by its chairperson of the company if he is authorised by the Board and where he is not so authorised, shall be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director.
(*7*) A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy each of—
(*a*) any notes annexed to or forming part of such financial statement;
(*b*) the auditor's report; and
(*c*) the Board's report referred to in sub-section (*3*).
(*8*) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

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134 (*5*) (c). The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

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134 (*5*) (e). The directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

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177. Audit Committee.— (*1*) The Board of Directors of every listed company and such other class or classes of companies, as may be prescribed, shall constitute an Audit Committee.
(*2*) The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority:
Provided that majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.
(*3*) Every Audit Committee of a company existing immediately before the commencement of this Act shall, within one year of such commencement, be reconstituted in accordance with sub-section (*2*).
(*4*) Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, *inter alia,* include,—
(*i*) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
(*ii*) review and monitor the auditor's independence and performance, and effectiveness of audit process;
(*iii*) examination of the financial statement and the auditors' report thereon;
(*iv*) approval or any subsequent modification of transactions of the company with related parties:
1[Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed;]
(*v*) scrutiny of inter-corporate loans and investments;
(*vi*) valuation of undertakings or assets of the company, wherever it is necessary;
(*vii*) evaluation of internal financial controls and risk management systems;
(*viii*) monitoring the end use of funds raised through public offers and related matters.
(*5*) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.
(*6*) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (*4*) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company.
(*7*) The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

(*8*) The Board's report under sub-section (*3*) of section 134 shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefor.
(*9*) Every listed company or such class or classes of companies, as may be prescribed, shall establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed.
(*10*) The vigil mechanism under sub-section (*9*) shall provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases:
Provided that the details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's report.

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179. Powers of Board.— (*1*) The Board of Directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do:
Provided that in exercising such power or doing such act or thing, the Board shall be subject to the provisions contained in that behalf in this Act, or in the memorandum or articles, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the company in general meeting:
Provided further that the Board shall not exercise any power or do any act or thing which is directed or required, whether under this Act or by the memorandum or articles of the company or otherwise, to be exercised or done by the company in general meeting.
(*2*) No regulation made by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.
(*3*) The Board of Directors of a company shall exercise the following powers on behalf of the company by means of resolutions passed at meetings of the Board, namely:—
(*a*) to make calls on shareholders in respect of money unpaid on their shares;
(*b*) to authorise buy-back of securities under section 68;
(*c*) to issue securities, including debentures, whether in or outside India;
(*d*) to borrow monies;
(*e*) to invest the funds of the company;
(*f*) to grant loans or give guarantee or provide security in respect of loans;
(*g*) to approve financial statement and the Board's report;
(*h*) to diversify the business of the company;
(*i*) to approve amalgamation, merger or reconstruction;
(*j*) to take over a company or acquire a controlling or substantial stake in another company;
(*k*) any other matter which may be prescribed:
Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of directors, the managing director, the manager or any other principal officer of the company or in the case of a branch office of the company, the principal officer of the branch office, the powers specified in clauses (*d*) to (*f*) on such conditions as it may specify:
Provided further that the acceptance by a banking company in the ordinary course of its business of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise, or the placing of monies on deposit by a banking company with another banking company on such conditions as the Board may prescribe, shall not be deemed to be a borrowing of monies or, as the case may be, a making of loans by a banking company within the meaning of this section.
Explanation I.—Nothing in clause (*d*) shall apply to borrowings by a banking company from other banking companies or from the Reserve Bank of India, the State Bank of India or any other banks established by or under any Act.
Explanation II.—In respect of dealings between a company and its bankers, the exercise by the company of the power specified in clause (*d*) shall mean the arrangement made by the company with its bankers for the borrowing of money by way of overdraft or cash credit or otherwise and not the actual day-to-day operation on overdraft, cash credit or other accounts by means of which the arrangement so made is actually availed of.
(*4*) Nothing in this section shall be deemed to affect the right of the company in general meeting to impose restrictions and conditions on the exercise by the Board of any of the powers specified in this section.

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188. Related party transactions.— (*1*) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

(*a*) sale, purchase or supply of any goods or materials;

(*b*) selling or otherwise disposing of, or buying, property of any kind;

(*c*) leasing of property of any kind;

(*d*) availing or rendering of any services;

(*e*) appointment of any agent for purchase or sale of goods, materials, services or property;

(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

(*g*) underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a [1][resolution]:

Provided further that no member of the company shall vote on such [1][resolution], to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm‘s length basis:

2[Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.]

Explanation.— In this sub-section,—

(*a*) the expression ―office or place of profit‖ means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) the expression ―arm‘s length transaction‖ means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

(*2*) Every contract or arrangement entered into under sub-section (*1*) shall be referred to in the Board‘s report to the shareholders along with the justification for entering into such contract or arrangement.

(*3*) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a [1][resolution] in the general meeting under sub-section (*1*) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(*4*) Without prejudice to anything contained in sub-section (*3*), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(*5*) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,—

(*i*) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(*ii*) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

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447. Punishment for fraud.— Without prejudice to any liability including repayment of any debt under this Act or any other law for the time being in force, any person who is found to be guilty of fraud, shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to ten years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud:

Provided that where the fraud in question involves public interest, the term of imprisonment shall not be less than three years.

Explanation.—For the purposes of this section—

(*i*) ―fraud‖ in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss;

(*ii*) ―wrongful gain‖ means the gain by unlawful means of property to which the person gaining is not legally entitled;

(*iii*) ―wrongful loss‖ means the loss by unlawful means of property to which the person losing is legally entitled.

Potential Violations and their legal Implications- GENERAL

Scope	Wrongdoings/Omissions	Applicable Provisions
Scope 1: Verification of Books of Accounts **Scope 9: Suspicious & Unusual transactions**	Misuse of journal vouchers, lack of supporting vouchers, potential manipulation of financial statements.	**Companies Act 2013:** Section 128, 129, 143. **IPC:** Section 403, 409. **Indian Contract Act 1872:** Section 73.
Scope 2: Infrastructure Investment	Delayed capitalization, failure to adhere to Ind AS 16, potential asset impairment.	**Companies Act 2013:** Section 134(5)(c), 129, 447. **IPC:** Section 420.
Scope 3: Misappropriation of Assets	High material consumption, potential mismanagement.	**Companies Act 2013:** Section 128, 134. **IPC:** Section 405, 378. **Indian Contract Act 1872:** Section 73.
Scope 4: Bad Debts Write-offs	Significant write-offs, inadequate provisions for doubtful debts, lack of confirmation of receivables.	**Companies Act 2013:** Section 134, 447. **IPC:** Section 406. **Indian Contract Act 1872:** Section 73.
Scope 5: Related Party Transactions	Inadequate documentation of loans, potential conflicts of interest.	**Companies Act 2013:** Section 188, 177. **IPC:** Section 409. **Indian Contract Act 1872:** Section 73.
Scope 6: Unsecured Loans	High-interest payments on unsecured loans, non-compliance with documentation.	**Companies Act 2013:** Section 179, 447. **Indian Contract Act 1872:** Section 16. **Indian Trusts Act 1882:** Section 23.
Scope 7 & 14: Capital Infusion	Missing documentation for share allotments, potential misuse of share application money.	**Companies Act 2013:** Section 42, 62, 447. **Indian Trusts Act 1882:** Section 23.
Scope 8: Transactions with Major Suppliers	Inadequate documentation, suspicious financial transactions.	**Companies Act 2013:** Section 128, 447. **IPC:** Section 403.
Scope 10-12: Revenue Leakages & Financial Loss	Discrepancies in revenue and expenses, high costs, potential revenue leakage.	**Companies Act 2013:** Section 129, 128. **Income Tax Act 1961:** Misreporting of profits. **Indian Contract Act 1872:** Section 73.
Scope 13: Internal Controls	Weak internal controls, anomalies in vouchers, lack of proper documentation.	**Companies Act 2013:** Section 134(5)(e), 177. **Indian Trusts Act 1882:** Section 23.

Potential Violations and their legal Implications - General

Please find below the summary of the Potential wrongdoings, omissions, and mistakes in each scope and the listing of the applicable provisions of the Companies Act 2013 (India) as well as relevant Indian Civil and Criminal Law.

Here's a breakdown based on each scope, along with the applicable legal provisions, if proved and if these can be established with more and complete evidences

Scope 1: Verification of Books of Accounts & Scope 9 Suspicious and unusual transactions

Wrongdoings/Omissions:

- Journal vouchers used instead of receipt/payment vouchers value Rs. 6 Crores.
- Lack of supporting vouchers/documentation for cash and bank transactions.
- Poor internal controls over financial records, resulting in potential manipulation of financial statements.

Applicable Provisions:

- **Companies Act 2013:**
  - Section 128: Maintenance of Books of Accounts.
  - Section 129: Financial Statements to give a true and fair view.
  - Section 143: Powers and duties of auditors (failure to provide correct documentation can lead to auditing concerns).
- **Indian Penal Code (IPC): - Replaced by Bharatiya Nyaya Sanhita (BNS):**
  - Section 403: Dishonest misappropriation of property.
  - Section 409: Criminal breach of trust by an agent.

- **Indian Civil Laws:**
  - **Indian Contract Act, 1872**: Section 73 – Breach of contract and compensation for loss or damage caused by breach of contract. Mismanagement of funds and improper accounting practices could lead to contractual liabilities for the company's obligations to shareholders and creditors.

<u>Scope 2: Infrastructure Investment – Slipway and Wharfage Construction</u> (Value Rs…………………..)

Wrongdoings/Omissions:

- Delayed capitalization of key infrastructure projects (2013-2022).
- Failure to adhere to Ind AS 16 regarding asset reclassification and depreciation.
- Potential impairment of assets due to delays in capitalization.

Applicable Provisions:

- **Companies Act 2013:**
  - Section 134(5)(c): Directors' Responsibility Statement on financial records.
  - Section 129: Adherence to accounting standards (Ind AS 16).
  - Section 447: Punishment for fraud (misrepresentation of financial records).
- **Indian Penal Code (IPC): - Replaced by Bharatiya Nyaya Sanhita (BNS):**
  - Section 420: Cheating and dishonestly inducing delivery of property.

<u>Scope 3: Misappropriation of Assets/Inventory</u>

Wrongdoings/Omissions:

- High material consumption far exceeding revenue value Rs………………… (e.g., 141% in 2018-19).
- Potential mismanagement based on poor inventory turnover control and documentation.

Applicable Provisions:

- **Companies Act 2013:**
    - Section 128: Proper accounting for inventory and assets.
    - Section 134: Financial reporting.
- **Indian Penal Code (IPC): - Replaced by Bharatiya Nyaya Sanhita (BNS):**
    - Section 405: Criminal breach of trust.
- **Indian Civil Laws:**
    - **Indian Contract Act, 1872**: Section 73 – Compensation for losses incurred due to misappropriation.

<u>Scope 4: Bad Debts Write-offs</u> Value Rs………………. (for the 5 years)

Wrongdoings/Omissions:

- Significant write-offs with insufficient documentation and inadequate provisions for doubtful debts.
- Lack of confirmation of trade receivables, indicating weak internal controls over debt management. (Not obtaining year-end confirmation of balances, at least in high value balances, this lapse continued over the entire 5-year scope period.)

Applicable Provisions:

- **Companies Act 2013:**
    - Section 134: Financial statements must reflect accurate provisions for doubtful debts.

    - Section 447: Fraud (misrepresentation through bad debt write-offs).
- **Indian Penal Code (IPC): - Replaced by Bharatiya Nyaya Sanhita (BNS):**
    - Section 406: Criminal breach of trust (if debts were wrongfully written off).
- **Indian Civil Laws:**
    - **Indian Contract Act, 1872**: Section 73 – Breach of contract and compensation for loss. Creditors may seek compensation if improper debt write-offs affect their financial interests.

<u>Scope 5: Related Party Transactions</u> (Value Rs……………………………….)

Wrongdoings/Omissions:

- Inadequate documentation of related party transactions, especially loans.
- Potential conflicts of interest regarding high-value related-party loans.

Applicable Provisions:

- **Companies Act 2013:**
    - Section 188: Related Party Transactions (disclosure requirements).
    - Section 177: Audit Committee's role in approval of related party transactions.
- **Indian Penal Code (IPC): - Replaced by Bharatiya Nyaya Sanhita (BNS):**
    - Section 409: Criminal breach of trust by public servant (if directors are involved).
- **Indian Civil Laws:**
    - **Indian Contract Act, 1872**: Section 73 – Compensation for breach of fiduciary duty or conflict of interest.

Scope 6: Unsecured Loans (Value Rs……………………)

Wrongdoings/Omissions/Non - Compliance:

- Relatively high-interest payments on unsecured loans from directors & related parties , raising concerns over transparency
- Inadequate documentation for these loans.

Applicable Provisions:

- **Companies Act 2013:**
  - Section 179: Powers of Board (related to loan approvals).
  - Section 447: Fraud (if loans were inappropriately managed).
- **Indian Contract Act, 1872**: Section 16 – Undue influence (if high-interest loans were taken under inappropriate circumstances).
- **Indian Civil Laws:**
  - **Indian Trusts Act, 1882**: Section 23 – Trustee's duty to protect the trust property. Misuse of unsecured loans by directors could breach their fiduciary duties.

Scope 7 & 14: Capital Infusion & Share Register Audit

Wrongdoings/Omissions:

- Missing documentation for share allotments, especially for early years (2007-08).
- Accepting consideration for the issue of shares , by way of book entries & book adjustments *instead of accepting remittances into bank accounts*
- Potential misuse of share application money without proper documentation.

Applicable Provisions:

- **Companies Act 2013:**
  - Section 42: Issue of shares on a private placement basis.
  - Section 62: Further issue of share capital.

- **Indian Civil Laws:**
  - **Indian Trusts Act, 1882**: Section 23 – Trustee’s duty to act in good faith. Directors, acting as trustees of shareholders' interests, must ensure proper utilization of share application money.

Scope 8: Transactions with Major Suppliers (Value Rs…………………………..)

Wrongdoings/Omissions:

- Inadequate documentation (e.g., missing purchase orders and delivery notes).
- Suspicious financial transactions between the company and suppliers.

Applicable Provisions:

- **Companies Act 2013:**
  - Section 128: Maintenance of proper records of transactions.
  - Section 447: Fraud (if any transactions with suppliers are fraudulent).
- **Indian Penal Code (IPC): - Replaced by Bharatiya Nyaya Sanhita (BNS):**
  - Section 403: Dishonest misappropriation of property.

Scope 10-12: Revenue Leakages & Financial Loss (Value Rs…………………….)

Wrongdoings/Omissions:

- Discrepancies between revenue and expenses, especially in 2018-19, suggesting potential revenue leakage.

Applicable Provisions:

- **Companies Act 2013:**
  - Section 129: Financial statements to give a true and fair view.
  - Section 128: Proper recording of revenue and expenses.
- **Income Tax Act, 1961**: Misreporting of profits (if financial statements were manipulated).

- **Indian Civil Laws:**
    - **Indian Contract Act, 1872**: Section 73 – Compensation for losses caused by mismanagement or leakage of revenue.

Scope 13: Internal Controls

Wrongdoings/Omissions:

- Weak internal controls identified across multiple financial areas, such as poor inventory management, journal voucher anomalies, and lack of proper documentation for transactions.

Applicable Provisions:

- **Companies Act 2013:**
    - Section 134(5)(e): Directors must ensure adequate internal financial controls.
    - Section 177: Role of Audit Committee in ensuring strong internal control mechanisms.
- **Indian Civil Laws:**
    - **Indian Trusts Act, 1882**: Section 23 – Trustee's duty to protect the assets of the company, ensuring proper controls are in place to safeguard against financial irregularities.

SCOPE 1

SYNOPSIS and OPINION

Verification books of Accounts of the company to ascertain the existence of financial irregularities.

(i) INRODUCTION

The Special Audit team has spent quality time in scrutinising the information available in Tally software and the records submitted by the Accounting team in this connection.

On verification of cash and bank ledgers it was noted that several cash/ bank transactions were routed through journal vouchers instead of receipt and payment vouchers. Approximately, an amount equal to Rs.6 Crore has been debited and Rs. 0.93 Crore has been credited in the cash and bank account together as journal vouchers.

(ii) DATA ANALYSIS

Details of scrutiny conducted is attached as Annexure (1). Meanwhile, a summary of the data analysis is given below.

We have specially scrutinised the Main bank accounts and cash receipts and Payments. The summary of the verifications may be summed up as below:

Eight main Bank (accounts) statements for 5 years were reviewed.

We have specially checked certain transactions relating to Major Suppliers and Related Parties

Have reviewed the Bank Guarantee files

Have reviewed the payments related to Loans and advances collected from Related Parties including Directors and VendorsJournal Vouchers in Cash Books (2018-2023):

2018-19: 165 debit entries, 13 credit entries. Total Cash Receipts: ₹49, 52,722. Total Payments: ₹51,894.

2019-20: 209 debit entries, 5 credit entries. Total Cash Receipts: ₹57,46,239. Total Payments: ₹30,146.

2020-21: 50 debit entries, 2 credit entries. Total Cash Receipts: ₹29,45,896. Total Payments: ₹800.

2021-22: 38 debit entries, no credit entries. Total Cash Receipts: ₹6,30,505.

2022-23: 179 debit entries, 1 credit entry. Total Cash Receipts: ₹10, 29,908. Total Payments: ₹400

Journal Vouchers in Bank Books (2018-2023):

2018-19 (Account No. 37489908987): Bank Receipts: ₹1,91,783. Bank Payments: ₹30, 92,293, (Account No. 67094547058): Bank Receipts: ₹8, 59,700. Bank Payments: ₹1, 13,354.

2019-20 (Account No. 37489908987): 7 debit entries, 1 credit entry. Total Receipts: ₹24,02,530. Payments: ₹3, 99,981. (Account No. 67094547058): 46 debit entries, no credit entries. Total Receipts: ₹1, 48, 90,391

2020-21 (Account No. 13750200040454): 2 debit entries, no credit entries. Total Receipts: ₹75,000. (Account No. 37489908987): 6 debit entries, 2 credit entries. Total Receipts: ₹13, 74,856. Payments: ₹4,362.

2021-22 (Account No. 67151431630): 56 debit entries, 5 credit entries. Total Receipts: ₹14, 39,670. Payments: ₹60,290. (Account No. 37714402561): no debit entries, 2 credit entries.. Payments: ₹3, 00,649,(Account No. 37489908987): 16 debit entries, no credit entries. Total Receipts: ₹87,79,888

2022-23 (Account No. 37489908987): 5 debit entries, 4 credit entries. Total Receipts: ₹78,91,734. Payments: ₹50, 57,560. Account No. 37714402561):1 debit entries, no credit entries.. Total Receipts: ₹50, 00,000 (Account No. 67151431630): 76 debit entries, 12 credit entries. Total Receipts: ₹18, 78,227. Payments: ₹1,62,418.

High-Value Vendor Payments:

2018-19: National Timbers: ₹60,86,638.

2019-20: National Timbers: ₹1,16,54,926. Jotun India: ₹26,77,819.

2020-21: National Timbers: ₹1,12,11,079. Vypin Marine Engineering: ₹13,46,113.

2021-22: National Timbers: ₹48,68,838. Vypin Marine Engineering: ₹3,27,72,518.

2022-23: Vypin Marine Engineering: ₹1,21,10,396. Kummanchery Steels: ₹12,25,261.

Cash Withdrawals/Petty Cash:

2018-19: ₹16,03,018 (11 transactions).

2019-20: ₹38,89,200 (20 transactions).

2020-21: ₹46,09,375 (21 transactions).

2021-22: ₹87,65,000 (35 transactions).

2022-23: ₹65,35,000 (16 transactions).

(iii) FINDINGS

The report covers the financial scrutiny of the company's books between 2018 and 2023.

During the course of the scrutiny we have come across significant irregularities identified in journal voucher entries for cash and bank receipts/payments, instead of using traditional receipt and payment vouchers.

The audit reveals significant anomalies, with large amounts of cash and bank transactions being routed through journal vouchers, particularly in the years 2018-2023. Key observations include high-value vendor payments, significant cash withdrawals, and high-value inter-bank transfers, raising concerns about internal controls and adherence to standard accounting practices.

We have noticed inadequate record keeping in certain transactions and documentation, particularly for large vendor payments and inter-bank transfers.

The company has made use of journal vouchers in lieu of proper receipt/payment vouchers and for details about internal controls implemented to manage cash transactions.

The lack of proper voucher documentation raises potential risks related to financial irregularities and internal control failures.

As we were given no access to supporting vouchers (the accounts dept feigned 'non availability of records (!!!), we are unable to quantify the impact on the Profitability and in the Balance Sheet numbers, but strongly believes there are some missing links requiring further forensic scrutiny and confrontation of those staff member in charge of these responsibilities.

(iv) OPINION

Our opinion can be concluded as below:

These irregularities noticed could have resulted in the following :

Potential misappropriation of company's collections in CASH(Scope# 3)

Some of these transactions can be classified under " Unusual Transactions or transactions not in line with Accepted accounting practices (Scope # 9)

Lack of internal control / documentations manifest poor Internal Control (Scope # 13)

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

SCOPE 2

SYNPOSIS and OPINION

Verify the investments in Infrastructure, mainly on Slipway and Wharfage construction.

(i) INTRODUCTION

The Special Audit team has spent considerable time in scrutinizing the information available in Tally software, seeking inputs from Audited financials and the records submitted by the Accounting team in this connection and well as verbal inputs from Finance team.

We understand that there was a recent 'Valuation conducted by a qualified / Certified Valuer and have sought a copy of such Valuation report from the Management.

Our initial findings are listed below. This findings and opinion would be amended suitably after getting a copy of the Valuation Certificate indicated above.

(ii) DATA ANALYSIS

Details of scrutiny conducted is attached as Annexure (2). Meanwhile, a summary of the data analysis is given below.

Summary of Numbers and Tables:

Capital Work in Progress (CWIP) Overview (2018-2023): (Value Rs. 40, 84, 73,198)

There was a delay in capitalizing several assets including Slipway, Wharf, Dry Dock, and other infrastructure projects. These assets remained in CWIP from as far back as 2013-14, only being capitalized in 2021-22 and 2022-23.

2021-22: ₹13.73 crores were capitalized.

2022-23: ₹2.55 crores were capitalized.

Total CWIP value before capitalization: ₹16.49 crores.

Major Components of CWIP (2018-2023):

Slipway: ₹7.58 crores (45.98%)

Wharf: ₹3.23 crores (19.58%)

Central Winch for Balloon Hauling: ₹1.34 crores (8.13%)

Building Construction – Vypin Yard: ₹1.17 crores (7.13%)

New Store Building: ₹1.20 crores (7.31%)

Gantry Crane (60 Tonnes): ₹76.77 lakhs (4.65%)

Boat Jetty: ₹66.96 lakhs (4.06%)

Skid: ₹34.28 lakhs (2.08%)

Workshop: ₹16.72 lakhs (1.01%)

Dry Dock: ₹1.10 lakhs (0.07%)

Total: 16.49 Crores

Auditors' Comments on CWIP:

From 2013-14 to 2020-21, there was no capitalization of key CWIP items such as the Slipway and Dry Dock. Auditors expressed concern about delays and potential impairment of assets.

2021-22 and 2022-23 saw a major shift, with ₹13.73 crores and ₹2.55 crores capitalized respectively, addressing some backlog.

(iii) FINDINGS

The review identifies significant delays and inefficiencies in capitalizing infrastructure projects that were listed as Capital Work in Progress (CWIP) for multiple years. Critical assets like the Slipway, Wharf, Dry Dock, and Gantry Crane remained in CWIP from 2013-14 and were only capitalized in 2021-22 and 2022-23, without significant value additions during this period. This delay violates the principles of Ind AS 16, which mandates that assets be reclassified as fixed assets and depreciated once they are ready for use.

The failure to capitalize these assets in a timely manner resulted in lost depreciation benefits and potential misrepresentation of the company's financial position and WDV or depreciated value of assets

The review recommends further analysis of the reasons behind these delays, including reviewing budgets, quotations, and contractor selection processes. Additionally, the company should assess whether these assets have lost value due to obsolescence or inefficiencies caused by delayed commissioning.

For further examination, the Special Audit Team requests specific documents such as construction contracts, valuation certificates, and Board approvals to understand the background and reasons for the delay.

These inefficiencies highlight a potential internal control issue that could affect stakeholder confidence.

(iv) OPINION

Our opinion can be concluded as below:

Scope 2: Verify the investments in Infrastructure, mainly on Slipway and Wharfage construction

Wrongdoing: Delayed Capitalization of Assets such as Slipway, Wharf, and Dry Dock from 2013-14 to 2021-22. (Rs

Explanation: This delay violates Ind AS 16 and led to misrepresentation in the company's financial position, as assets were not capitalized in a timely manner.

Classification: Fits directly under Scope 2, as it deals with investments in infrastructure.

Scope 9: Comment on high-value suspicious/unusual transactions

Wrongdoing: Failure to follow proper accounting principles by keeping assets under CWIP for many years without capitalization.

Explanation: The delay in recognizing assets in CWIP can be categorized as unusual or suspicious, considering the long duration (2013-2021). This led to an improper reflection of the company's financial position, and potential misrepresentation could be deemed unusual.

Classification: Falls under Scope 9 as these are transactions not in line with accepted accounting principles and practices.

Scope 13: Overall quality and effectiveness of Internal Controls

Wrongdoing: Poor internal control and management oversight, particularly the lack of interim valuations and documentation during the infrastructure projects.

Explanation: The prolonged delay in capitalizing significant assets without adequate documentation points to a lack of strong internal control mechanisms and poor management of high-value projects.

Classification: This issue is classifiable under Scope 13, as it reflects poor internal controls and project management inefficiencies.

Scope 12: Financial loss to the company on account of mismanagement, misappropriation of funds, and non-compliance

Wrongdoing: Potential impairment of infrastructure assets due to delayed capitalization and failure to ensure timely commissioning of the Slipway, Wharf, and Dry Dock.

Explanation: The delay in capitalizing key assets could lead to financial losses for the company. The company might have suffered from depreciation losses, and assets may have lost value due to obsolescence.

Classification: This fits under Scope 12, as delayed asset capitalization could result in financial loss.

Scope 1: Verify books of Accounts of the company to ascertain the existence of financial irregularities, if any

Wrongdoing: Inconsistent accounting treatment related to delayed capitalization.

Explanation: The Company’s financial statements did not reflect the proper capitalization of assets over several years. This might have led to irregularities in the financial records.

Classification: This could also be categorized under Scope 1, as it involves verifying the company's accounts for potential financial irregularities.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a “Qualified” one (to the extent of the queries not replied)

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SCOPE 3:

SYNOPSIS and OPINION

Determine misappropriation or theft of the assets/inventories of the company

(i) INTRODUCTION

The Special Audit team has spent considerable time in scrutinizing the information available in Tally software and the records submitted by the Accounting team in this connection.

(ii) DATA ANALYSIS

Details of scrutiny conducted is attached as Annexure (3). Meanwhile, a summary of the data analysis is given below.

Summary of Observations:

Inventory Turnover Ratio:

From 2018-19 to 2022-23, the inventory turnover ratio increased, indicating faster movement of inventory:

2018-19: 1.95

2019-20: 2.72

2020-21: 2.75

2021-22: 2.82

2022-23: 3.68

Issue: While an increasing inventory turnover ratio indicates faster sales of inventory, an unusually high cost of material consumed relative to total revenue raises red flags about potential misappropriation or mismanagement of inventory.

Cost of Material Consumed vs. Revenue:

The cost of material consumed as a percentage of revenue is abnormal for 2018-19, standing at 123% of revenue (141% after adjusting work-in-progress inventories), and it normalized in subsequent years.

Breakdown of raw material consumption percentage relative to sales:

2018-19: 141%

2019-20: 19%

2020-21: 23%

2021-22: 17%

2022-23: 17%

Issue: The extremely high material consumption in 2018-19, far exceeding the revenue generated, suggests significant inefficiencies or possible misappropriation of inventory. A deeper investigation into this period is required to uncover the reasons for this anomaly.

P&L Overview for 2018-19:

Gross profit was negative, showing a gross loss of ₹4.22 crores, with total expenses amounting to ₹12.13 crores (288% of revenue).

Issue: The excessive material consumption and negative gross profit could point to misappropriation, wastage, or poor control over material usage, as the company spent more on materials than it earned in revenue.

Further Investigation:

The review highlights the need for additional scrutiny, especially regarding the 2018-19 fiscal year. This includes verifying whether the excessive material consumption was justified by specific jobs or projects or if it resulted from mismanagement, theft, or misappropriation.

(iii) FINDINGS

Identified Wrongdoings Under Scope Item 3:

1. Potential Misappropriation or Misstatement of Inventory: Rs

Observation: The unusually high cost of material consumed in 2018-19 relative to total revenue raises suspicion. The company consumed significantly more inventory than the revenue it generated.

Explanation: This disproportionate usage of materials suggests a potential for misappropriation or poor control over the company's inventory processes, especially since subsequent years showed more reasonable consumption levels.

Classification: Fits under Scope 3, which is focused on determining if there was misappropriation or theft of assets or inventories.

2. Weakness in Inventory Management:

Observation: The increasing inventory turnover ratio indicates that the company is selling inventory faster year after year, but the high inventory consumption in 2018-19 suggests inefficiencies or possible theft.

Explanation: The drastic fluctuation in material consumption (from 141% to 19% of revenue) points to inconsistencies in inventory management. There is a need to investigate whether the high consumption in 2018-19 was due to operational inefficiencies, theft, or mismanagement.

Classification: This issue directly correlates to Scope 3, as it deals with potential theft or mismanagement of inventory.

3. Financial Misrepresentation Due to Inventory Issues:

Observation: The P&L for 2018-19 reveals significant losses due to high material costs, which negatively impacted the company's financial performance.

Explanation: The inability to control material usage resulted in financial misrepresentation, with the cost of goods sold exceeding revenue. This could indicate underlying misappropriation or theft of inventory, which needs to be addressed.

Classification: Fits under Scope 3, as misappropriation or theft of assets/inventories could lead to financial misrepresentation.

4. Inadequate Documentation for Material Usage:

Observation: There is a need for further analysis of whether specific jobs or projects during 2018-19 justified the high material usage.

Explanation: The lack of clear documentation or explanation for the high cost of material in 2018-19 raises the possibility of inventory misappropriation. This points to weak internal controls over inventory and the need for verification of material usage records.

Classification: This falls under Scope 3, as inadequate documentation can conceal misappropriation or mismanagement of inventory.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not

SCOPE 4

SYNOPSIS AND OPINION

Reasonability in BAD DEBTS Written off in the past years

(i) INTRODUCTION

We have subjected the Bad Debts write off background, Customers and Jobs involved based on the Tally data provided, Audited accounts and information provided by the Accounts team of SBSL.

(ii) DATA ANALYSIS

A Summary of Numbers are as follows:

Bad Debts Written Off (2018-2023):

Total Bad Debts Written Off: ₹3,52,40,698.

Breakdown by Year:

2018-19: ₹1,23,57,688 (25% of debtors)

2019-20: ₹79,56,507 (13% of debtors)

2020-21: ₹34,00,815 (4% of debtors)

2021-22: ₹1,02,55,000 (10% of debtors)

2022-23: ₹12,71,165 (2% of debtors)

Percentage of Bad Debts as a % of Revenue from Operations:

2018-19: 31.16%

2019-20: 5.12%

2020-21: 2.67%

2021-22: 5.37%

2022-23: 0.51%

Party-Wise Breakdown of Bad Debts:

Major Write-Offs (2021-22): Kerala Electrical & Allied Engineering (₹21.23 lakhs), Cochin Shipyard (₹19.33 lakhs), Soma Enterprises (₹18.18 lakhs), and Meka Dredging (₹15.53 lakhs).

Major Write-Offs (2022-23): Sharan P-Few (₹3.60 lakhs), Soma (Security Deposit - ₹2.68 lakhs), Cylinder Deposit (₹1.63 lakhs), and Reneesh (₹1.38 lakhs).

(iii) FINDINGS

The report provides a comprehensive review of bad debts written off by the company between 2018 and 2023. A total of ₹3.52 crores in bad debts was written off over five years, with the highest amount (₹1.23 crores) being written off in 2018-19, representing 31.16% of that year's revenue. In 2022-23, the percentage of bad debts to revenue decreased significantly to 0.51%, indicating improvements in receivables management. However, the high level of bad debts in earlier years suggests inadequate credit control and debt collection practices.

The report raises concerns about the company's receivables management, particularly in 2018-19, when bad debts equaled 31% of revenue. Major customers such as ABC & Sons, Kerala Electrical, and Allied Engineering, and Soma Enterprises were significant contributors to bad debts over the years. Additionally, the write-off of advances paid to suppliers, such as ₹14 lakhs to MA Residency, also points to potential issues in procurement and supplier management.

Auditors consistently noted the lack of proper documentation, confirmation of balances, and delayed provisions for doubtful debts. These issues highlight deficiencies in internal controls over trade receivables. The recommendations include implementing stricter credit assessment, improving documentation for write-offs, and enhancing internal controls to prevent similar issues in the future.

Note :
Further analysis and clarification from management regarding the justification and approval of these write-offs are necessary to complete the review.

(IV) OPINION

Subject to the Note above, please find our opinion as below

1. Bad Debts Review (Scope 4)

Narrative Summary (Scope 4): The bad debts written off over the period 2018-2023 amounted to ₹3.52 crores. The report highlighted significant concerns regarding the company's credit control and receivables management. There were irregularities in documentation, inadequate provisions for doubtful debts, and a lack of confirmation of balances. Major bad debt write-offs were concentrated on a few customers, such as ABC & Sons, Kerala Electrical & Allied Engineering, and Soma Enterprises. Additionally, the timing and amounts of write-offs showed inconsistencies, and there were inadequate justifications for the write-offs.

Analysis of Special Audit Scope: The overall scope, as described in the SBSL Special Audit Scope, requires the identification of financial irregularities, misappropriation of assets, and reasonability in bad debts written off. The analysis of bad debts written off is directly relevant here, as it involves potential financial losses caused by mismanagement, insufficient internal controls, and a lack of transparent practices in trade receivables.

2. Wrongdoings Identified in Bad Debts Management:

Inadequate Provisions: The company failed to provide adequate provisions for doubtful debts, particularly in 2018-19, despite significant evidence of long-standing trade receivables. This suggests mismanagement of financial reporting, potentially leading to misleading financial statements and manipulation of profits.

Irregular Documentation: Throughout the years, auditors repeatedly noted that there was a lack of proper documentation supporting bad debt write-offs, such as confirmation of trade receivables. This points to serious deficiencies in internal controls and raises concerns about the validity of the write-offs, which may hide misappropriation or manipulation of funds.

Concentration of Write-Offs: The company's bad debts were concentrated among a few key customers, which implies inadequate credit risk management. Moreover, significant amounts were written off without sufficient evidence of recovery efforts. This could indicate either negligence or intentional mismanagement, possibly allowing related parties or preferred customers to benefit from lenient treatment.

Lack of Transparency: The report highlights that a substantial amount of debt from certain parties was written off without proper explanations or internal approvals. This lack of transparency suggests either a systemic failure in controls or deliberate attempts to conceal financial losses, which could point to financial irregularities or misappropriation.

3. Overall Wrongdoings Based on the Special Audit Scope:

Mismanagement of Receivables: The company’s failure to properly manage trade receivables, provide for doubtful debts, and document write-offs adequately is indicative of gross mismanagement. It has likely caused significant financial losses to the company and affected the accuracy of its financial statements.

Possible Financial Irregularities: The inconsistencies in the write-offs and the lack of proper documentation raise concerns about the existence of financial irregularities. Given the significant amounts involved, this could indicate manipulation of the company's financial position to misrepresent profitability or hide losses from stakeholders.

Weak Internal Controls: The lack of proper controls over trade receivables, including insufficient follow-up on overdue payments and improper provisioning for bad debts, points to poor internal controls. These control weaknesses could allow for the manipulation of turnover, profits, and possibly even asset misappropriation.

Potential Misappropriation: Given that large sums were written off without sufficient documentation or internal approvals, there is a possibility of misappropriation of funds. This is particularly concerning because the audit scope specifically highlights the need to review asset misappropriation and financial irregularities.

Conclusion:

The analysis of bad debts written off, as detailed in the Scope 4 document, reveals significant mismanagement, financial irregularities, and weak internal controls within the company. These findings align with the broader objectives of the special audit, which aims to uncover financial mismanagement and irregularities, misappropriation of assets, and potential manipulation of financial statements. The concentration of write-offs, inadequate provisions, and lack of proper documentation all indicate serious governance failures, leading to potential financial loss for the company and its stakeholders.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a “Qualified” one (to the extent of the queries not replied)

SCOPE 5

SYNOPSIS AND OPINION

Examining significant related party transactions (Value Rs.)

(i) INTRODUCTION

After conducting scrutiny of various Ledger accounts in Tally, viewing of Purchases Invoices, Accounting entries, Bank Statements and collecting verbal explanations we have arrived at to the following conclusions.

(ii) DATA ANALYSIS

Summary of Findings:

Identification of Related Parties:

The company has 21 identified related parties for the fiscal year 2022-23. Transactions between the company and these related parties were reviewed for the period 2018-19 to 2022-23.

The primary nature of these transactions involves loans, advances, and interest payments. As of 31.03.2023, the company owes ₹14,793,631 to various related parties.

Nature of Transactions:

The major transactions are primarily in the form of loans and advances from directors and other parties.

The largest individual transactions involved directors like Raju Varghese, O C John, and others, making up a substantial percentage of related party loans over the years (e.g., Raju Varghese accounted for 56% of related party transactions in 2022-23).

(iii) FINDINGS

Issues Identified:

Disclosure of Related Party Transactions: The audit flagged that disclosures for related party transactions must be checked in the financial statements, ensuring full transparency.

Arm's Length Basis: There is a need to evaluate whether these transactions were made at arm's length, i.e., under terms that would apply to unrelated parties.

Documentation Issues: The audit team has requested contracts, invoices, and documentation related to these transactions to ensure proper recording and approval.

Requested Information:

The audit team has asked for:

Contracts and documentation for related party transactions.

Ledger reviews and calculations of interest rates paid on unsecured loans.

Meeting minutes and resolutions involving related party transactions (RPT).

Information on any forex involvement or changes in accounting policy affecting these transactions.

Classification of Wrongdoings Under Various Scope Items:

1. Scope 5: Examining Significant Related Party Transactions

Wrongdoing: There may be insufficient disclosure and transparency regarding related party transactions in the financial statements.

Explanation: The audit raised concerns about whether these transactions were fully disclosed and conducted on an arm's length basis, in line with legal and accounting standards.

Classification: This directly falls under Scope 5, as it relates to ensuring related party transactions are handled appropriately and transparently.

2. Scope 9: Comment on High Value Suspicious/Unusual Transactions

Wrongdoing: Some related party transactions, particularly involving loans from directors, represent a substantial portion of the company's liabilities. This concentration of loans could indicate financial risks or possible conflicts of interest.

Explanation: Large loans from key directors, such as Raju Varghese and O C John, require further scrutiny to ensure that they are not being used to influence the company’s financial or operational decisions improperly. The audit needs to evaluate whether these are genuinely at arm's length or if they represent suspicious transactions.

Classification: These transactions could be classified under Scope 9, as they may be deemed unusual or suspicious due to their size and the involvement of key directors.

3. Scope 12: Financial Loss to the Company on Account of Mismanagement or Misappropriation

Wrongdoing: If the related party loans or transactions were not conducted on an arm's length basis or were inadequately documented, the company could face financial losses due to improper terms or lack of repayment.

Explanation: Mismanagement of related party transactions can lead to financial loss, particularly if loans are not repaid or if the terms favor the directors at the company's expense. This situation poses a financial risk to the company's stability.

Classification: This issue fits under Scope 12, as it involves potential financial loss due to improper handling or mismanagement of related party transactions.

4. Scope 13: Overall Quality and Effectiveness of Internal Controls

Wrongdoing: The company's internal controls regarding related party transactions may be weak, as indicated by the need for further documentation and verification of these transactions.

Explanation: The fact that the audit team had to request additional documentation and ledger reviews suggests that internal controls may not be sufficient to monitor and regulate related party transactions effectively.

Classification: This falls under Scope 13, as it reflects weaknesses in the internal control mechanisms related to related party transactions.

5. Scope 1: Verify Books of Accounts for Financial Irregularities

Wrongdoing: If the company's financial statements do not adequately disclose related party transactions or misrepresent the terms, this could lead to financial irregularities.

Explanation: Failure to properly disclose or record related party transactions in the financial statements could result in misleading financial reports and obscure the company's true financial position.

Classification: This issue can also be examined under Scope 1, as it pertains to the overall accuracy and integrity of the company's financial records.

(iv) OPINIONS & OR RECOMMENDATIONS:

Full Disclosure: Ensure that all related party transactions are fully disclosed in the financial statements, in line with the Companies Act 2013 and Ind AS 24.

Verify Arm's Length Transactions: Conduct a detailed review to confirm that all related party transactions were conducted on an arm's length basis, using appropriate market rates.

Improve Internal Controls: Strengthen internal controls to ensure related party transactions are properly documented and approved, reducing the risk of mismanagement.

Assess Financial Risks: Evaluate the financial impact of large loans from related parties and assess whether they present any undue financial risks or conflicts of interest.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

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SCOPE 6

SYNOPSIS AND OPINION

Movement in Unsecured Loans

(i) INTRODUCTION

The Special Audit team has spent quality time in scrutinising the information available in Tally software and the records submitted by the Accounting team in this connection.

(ii) DATA ANALYSIS

Details of scrutiny conducted is attached as Annexure (). Meanwhile, a summary of the data analysis is given below.

Statement showing Interest on Loan during the five years 2018-19 to 2022-23

Sl.No	Party	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Cumulative Total
1	OC John	-		15,51,729	27,41,379	26,03,155	68,96,263
2	R Jeyaraman	-	23,934	3,74,416	8,98,286	10,22,921	23,19,557
3	Raju C Varghese	-	10,78,755	19,46,815	29,60,594	22,25,317	82,11,481
4	Shaji Joseph	-	-	3,46,003	15,65,163	20,62,677	39,73,843
		0	**11,02,689**	**42,18,963**	**81,65,422**	**79,14,070**	**214,01,144**

(iii) FINDINGS & OPINIONS

Wrongdoing: Significant amounts of unsecured loans were taken from directors over the audit period. The audit raises concerns about documentation and compliance with regulations regarding these loans.

Explanation: The audit team has not received full documentation, including written agreements and director declarations, raising questions about the legality and transparency of these transactions. This incomplete compliance with the Companies Act 2013 represents a major risk.

Classification: Directly fits under Scope 6, as the scope item pertains to the movement of unsecured loans and their handling.

Comment on High Value Suspicious/Unusual Transactions

Wrongdoing: The interest rates applied to these unsecured loans (14% per annum) seem unusually high, particularly when compared to prevailing market rates, potentially raising suspicions about the fairness of these transactions.

Explanation: While the loans were documented as necessary for the company's financial needs, the high interest payments (totaling ₹2.14 Crores) suggest that these loans may not have been in the best interest of the company. This could be classified as an unusual transaction deserving further investigation.

Classification: These transactions could be classified under Scope 9, as the high interest rate and the significant sums borrowed could be considered suspicious.

3. Scope 12: Financial Loss Due to Mismanagement or Non-Compliance

Wrongdoing: The high interest payments made to directors, particularly in 2021-22 and 2022-23, could represent financial losses to the company, especially if lower-interest alternatives were available.

Explanation: Interest payments to directors accounted for a large portion of the company’s financial costs—reaching 98% of the total finance cost in 2020-21. This raises concerns about the company's financial management and whether better terms could have been negotiated. Failure to manage these loans appropriately could have resulted in unnecessary financial strain.

Classification: This issue aligns with Scope 12, which involves assessing financial losses due to mismanagement or non-compliance.

4. Scope 13: Quality and Effectiveness of Internal Controls

Wrongdoing: The lack of proper documentation and delays in receiving necessary information highlight weaknesses in the company's internal controls over unsecured loans from directors.

Explanation: If the loans were not properly authorized or if the necessary board resolutions and agreements were missing, it points to a failure in internal governance and control. This could result in regulatory non-compliance and mismanagement of financial obligations.

Classification: This issue falls under Scope 13, which assesses the overall effectiveness of the company's internal control systems.

5. Scope 1: Verify Books of Accounts for Financial Irregularities

Wrongdoing: The absence of proper documentation for these loans, combined with the high interest payments, raises concerns about potential financial irregularities.

Explanation: Without proper records and declarations, there may be discrepancies in how these transactions are reported in the company's financial statements, leading to possible financial irregularities. This must be scrutinized further to ensure compliance with financial reporting standards.

Classification: This could also be examined under Scope 1, as the lack of complete documentation could lead to errors or misrepresentation in the books of accounts.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

SCOPE 8

SYNPOSIS AND OPINION

Critical analysis of transactions with major suppliers of the company

(i) INTRODUCTION

Vypin Marine Engineering is a significant vendor, providing not only materials but also services, including capital work in progress (CWIP) and fabrication/maintenance services for the company's vessels.

(ii) DATA ANALYSIS

An amount of ₹25 lakhs was received from Vypin Marine Engineering on 06/05/2022, recorded as a loan or financial assistance, which raises concerns as these transactions go beyond a typical supplier-client relationship.

Several invoices related to Vypin Marine Engineering were scrutinized, but crucial documents, such as purchase orders (POs), delivery notes, goods received notes (GRNs), and quality control reports, were missing in the files provided, which poses issues regarding documentation and internal controls.

Transactions with National Timbers:

National Timbers has similarly provided financial assistance to the company from 2018-19 to 2020-21, totaling ₹2.94 crores. These funds were received for various projects, including Kallada, RORO, ALHW, Navy, and Pamba works.

Like with Vypin Marine Engineering, several critical documents, such as purchase orders, delivery notes, and goods received notes, were missing from the files provided. Furthermore, significant amounts were recorded in the accounts of OC John (a related party), raising concerns about the transparency of these transactions.

Missing Documentation:

Both vendors (Vypin Marine Engineering and National Timbers) are involved in high-value transactions, but there is a severe lack of supporting documentation for these transactions. No purchase orders, delivery notes, or quality control approvals were available in the provided files. This raises red flags about how these transactions were managed and accounted for.

The absence of competitive quotations and proper vendor selection processes adds to the concern that these transactions may not have been carried out at arm's length or in the best interest of the company.

Improper Recording of Financial Transactions:

Financial assistance from these suppliers was routed through the account of OC John, raising further questions about transparency and propriety. Ideally, these transactions should have been directly recorded in the company's books, crediting the suppliers rather than using an intermediary account.

Voucher inconsistencies were noted, with some financial transactions being recorded as journal entries instead of purchase vouchers. This irregularity was found in entries related to Vypin Marine Engineering and GMMCO.

(iii) FINDINGS & OPINIONS

Classification of Wrongdoings Under Various Scope Items:

1. Scope 8: Critical Analysis of Transactions with Major Suppliers

Wrongdoing: Missing documentation (purchase orders, delivery notes, GRNs, etc.) and financial assistance provided by vendors (Vypin Marine Engineering and National Timbers) without clear explanations or proper recording raise concerns about the transparency and accuracy of the transactions.

Explanation: The lack of supporting documentation and the involvement of suppliers in providing financial assistance to the company (especially through the account of OC John) suggest that these transactions may not have been handled properly. There are significant gaps in the documentation, and the propriety of these transactions is in question.

Classification: Directly falls under Scope 8, as it involves a critical analysis of the company's major suppliers.

2. Scope 9: High-Value Suspicious or Unusual Transactions

Wrongdoing: Financial assistance provided by major suppliers (especially routed through OC John's account) is highly unusual and raises suspicions about the nature of these transactions.

Explanation: The financial transactions between the company and its suppliers go beyond standard supplier-client relationships. The fact that these funds were routed through an individual’s account (OC John) without proper documentation indicates that these transactions could be classified as suspicious.

Classification: These transactions could be categorized under Scope 9 due to their unusual nature and lack of transparency.

3. Scope 12: Financial Loss Due to Mismanagement or Non-Compliance

Wrongdoing: Poor documentation and potentially non-compliant financial transactions (such as loans or advances from suppliers) could lead to financial losses or regulatory penalties for the company.

Explanation: The absence of proper documentation, combined with the irregularities in recording financial transactions, suggests that the company may have suffered financial losses or could face penalties for non-compliance with financial regulations. This could also indicate mismanagement in handling supplier transactions.

Classification: This issue fits under Scope 12, as it relates to potential financial loss due to mismanagement and non-compliance.

4. Scope 13: Quality and Effectiveness of Internal Controls

Wrongdoing: The absence of crucial documents (purchase orders, delivery notes, GRNs) and the lack of proper approval processes reflect weaknesses in the company's internal control mechanisms.

Explanation: The company’s internal controls appear to be inadequate, particularly regarding its dealings with major suppliers. The fact that high-value transactions were conducted without sufficient documentation or approvals suggests that internal controls are not functioning effectively.

Classification: This issue falls under Scope 13, as it highlights the deficiencies in the company's internal control systems.

(IV) OPINIONS & OR RECOMMENDATIONS:

Provide Complete Documentation: Ensure that all missing documentation, such as purchase orders, delivery notes, goods received notes, and quality control reports, is made available for all transactions with major suppliers.

Review Vendor Relationships: Reassess the relationships with major suppliers (Vypin Marine Engineering and National Timbers) to ensure that all transactions are conducted at arm's length and are properly documented.

Improve Internal Controls: Strengthen internal controls to ensure that all supplier transactions are properly documented, approved, and recorded. Implement regular audits to ensure compliance with these procedures.

Investigate Financial Assistance: Conduct a thorough investigation into the financial assistance provided by these suppliers, particularly the routing of funds through OC John's account. Ensure that all financial transactions are properly recorded in the company's books.

Clarify Transaction Recording: Address the inconsistencies in how financial transactions are recorded (e.g., journal vouchers instead of purchase vouchers). Ensure that all transactions are recorded accurately and in line with accounting standards.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

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Scope Item No. 9

Comment on highvalue, suspicious/unusual transactions

The Special Audit team has spent quality time in scrutinising the information available in Tally software and the records submitted by the Accounting team in this connection.

a). Very High and Unusual COGS (Cost of Consumption): It is to be noted that, during the year 2018-19, the cost of material consumed is 141% of total revenue of the company (It is at 141% after adjusting cost of inventories WIP). This indicates a significance imbalance in thecompany's material consumption. The ratio of raw material cost against revenue for the years from 2018-19 to 2022-23 isgiven below:

Year	2019	2020	2021	2022	2023
% of Raw Material Consumption to Sales	**141%**	19%	23%	17%	17%

b). Unusual write off of Bad debts in year 2018-19:
In the year 2018-19, an amount of Rs.1,23,57,688 had been Written off as bad debt. Detailed breakup enclosed below;

Year	Bad debts Written off	Debtors	% of Bad debts with debtors
2018-19	**1,23,57,688**	4,88,17,005	25%

c). Write off of Deposit with Suppliers: During the year 2021-22 an amount of Rs. 26,96,410, advance paid to suppliers, has been written off. Enclosed below is the breakdown of this amount.

Party	Amount (Rs)
MA Residency	14,00,000
Preetha Engineering	7,47,410
Sun Engineering	2,00,000
KM Habeeb	1,25,000

Naval Tech Marine	1,00,000
Ratheesh Kumar Nair	74,000
K Alvin	50,000
Total	**26,96,410**

These above entries also can be classified under Unusual Transactions as Deposits with “Supplier” is **seldom written off.**

d) Transaction Specific to Vendors is as Follows:

i). National Timbers A/c (Year 2018-19)

Sl. No	Date	A/c of Receipt	Amount (Rs)	Narration
1	13/04/2018	OC John A/c	5,00,000	Received from National Timber for Kallada project
2	18/04/18	OC John A/c	5,00,000	Received from National Timber for Kallada project
3	04/05/18	OC John A/c	5,00,000	Received from National Timber for RORO
4	11/05/18	OC John A/c	8,00,000	5L received from National Timber for RORO & 3L for ALHW
5	02/06/2018	OC John A/c	7,00,000	Received for ALHW
6	05/06/2018	OC John A/c	3,00,000	Received for ALHW
7	21/11/2018	OC John A/c	5,00,000	Received for Kallada
8	10/12/2018	OC John A/c	3,00,000	Received from National
	Total		**41,00,000**	

ii). National Timbers A/c (Year 2019-20)

Sl. No	Date	A/c of Receipt	Amount (Rs)	Narration
9	09/05/2019	OC John A/c	10,00,000	10 Lakh for Neelam works
10	23/05/2019	OC John A/c	10,00,000	10 Lakh for Neelam works
11	03/06/2019	OC John A/c	10,00,000	10 Lakh for Neelam works
12	6/07/2019	OC John A/c	15,00,000	Amount received from National for Navy projects
13	12/07/2019	OC John	15,00,000	Amount received from National for Navy projects
14	30/07/2019	SBT 7058	10,00,000	Received for Ambuda
15	3/08/2019	SBT 7058	5,00,000	For Ambuda Works
16	16/08/2019	SBT 7058	15,00,000	Received for Ambuda works
17	21/12/2019	SBT 7058	30,00,000	For Pamba works
18	09/01/2020	SBT 7058	10,00,000	Being the amount received
19	13/01/2020	SBT 7058	15,00,000	Being the amount received
20	27/01/2020	SBT 7058	15,00,000	Received for Pamba
21	03/02/2020	SBT 7058	10,00,000	For Pamba Works
22	04/02/2020	SBT 7058	5,00,000	For Pamba Works
	Total		**1,75,00,000**	

iii). National Timbers A/c (Year 2020-21)

Sl. No	Date	A/c of Receipt	Amount (Rs)	Narration
23	15/10/2020	OC John A/c	3,00,000	Being payment received from National Timber debited in OC John A/c
24	30/12/2020	SBI 8987	75,00,000	Amount Received
	Total		**78,00,000**	

e) Scope item 9- <u>Comment on high value, suspicious, unusual transactions</u>

<u>Ledger A/c: O.C. John-CMD</u>

Value of Transactions – For 5 Years

Year-wise Total of transactions in O.C.John's Account			
Sr.	Year	Debit Total	Credit Total
1	2018-2019	308,96,899	313,18,088
2	2018-2020	336,60,422	343,46,685
3	2018-2021	85,07,381	93,76,912
4	2018-2022	60,97,973	68,10,887
5	2018-2023	47,22,862	55,90,139
	Total Rs.	**838,85,538**	**874,42,710**

During the period 2018-2019 to 2022-2023, five years, it is observed that numerous transactions are reflected in the account of CMD with the company. On scrutiny of the ledger account, in Tally system provided to us, following broad types of transaction were found:

- Cash received by company from CMD
- Cash payments by company to CMD a/c
- Expenses met/paid through CMD a/c on behalf of the company
- Bank transfers made by CMD to Company's bank a/c (Multiple bank accounts of the company)
- Bank transfers made by company to CMD's account (Multiple bank accounts of the company)
- Receipts from outside parties in to CMD a/c on behalf of the company

Following queries are raised in this regard, **yet to be replied**

1. Q. What was the purpose of routing all above types of transactions through CMD a/c

Ans:

2. Q. Whether proper authorization or necessary approvals/resolutions passed for routing these transactions through CMD account

   Ans:

3. Q. Which are the bank accounts of SBSL used for to and fro fund transfer transactions during this period

   Ans:

4. Q. Nature of cash transactions routed thro CMD a/c during this period

   Ans:

5. Q. Who/Which are the outside parties from whom funds were received into CMD a/c (such as Suppliers, Customers, Money lenders etc)

   Ans:

6. Q. Whether such transactions were carried out in any other years other than those years as mentioned above (Years under reference)

Ans:

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f) Scope Item 1- <u>Verify the books of accounts of the company to ascertain the existence of financial irregularities.</u>

<u>Ledger A/c : (Accountant)</u>

Value of Transactions – For 5 Years

Year-wise Total of transactions in the A/C of Accountant			
Sr	Year	Debit Total	Credit Total
1	2018-2019	4,99,815	5,95,600
2	2018-2020	7,12,319	7,65,524
3	2018-2021	6,79,502	7,20,369
4	2018-2022	7,36,868	7,53,368
5	2018-2023	4,86,597	5,22,097
	TOTAL Rs	**31,15,101**	**33,56,959**

During the period 2018-2019 to 2022-2023, five years, it is observed that numerous transactions are reflected in the personal a/c of Accountant with the company. On scrutiny of this ledger account, in Tally system provided to us, following broad types of transaction were found during the five years:

- Bank transfers (payment& receipts) in Accountant's Personal a/c in Company GL
- Transfer entries (both debit & credit) between CMD's and Accountant's a/c

- Cash transactions in Accountant's GL a/c
- Other payments and expenses entries through Accountant's GL a/c

Following queries are raised in this regard, **yet to be replied**

7. Q. The reason and purpose of routing all above types of transactions through Personal a/c

Ans:

8. Q. Whether proper authorization or necessary approvals there for routing these transactions through personal account

Ans:

9. Q. Which are the bank accounts of the company through which transfers made with personal account.

Ans:

10. Q. Which are the outside parties whose transactions are accounted through personal a/c

Ans:

11. Reason of booking some specific expenses through personal account

Ans.

12. Are there transactions in personal a/c in any other years other than those years mentioned above.

Ans.

Conclusion

The above transactions a, b, c, d & e above reflect application of poor Accounting Principles, Raises question of Propriety & offers the potential of misstatement and manipulation of Books of Accounts. Using the Accounts of a KMP continuously for 5 Financial years is very "Unusual".

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

SCOPE 10, 11 AND 12

SYNOPSIS AND OPINION

Scope 10: Analyze Revenue Leakages

Scope 11: If turnover/ profit of the company is manipulated

Scope 12: Financial loss to the company on account of mismanagement, misappropriation of funds and non-compliance

(i) INTRODUCTION

The Special Audit team has spent quality time in scrutinising the information available in Tally software and the records submitted by the Accounting team in this connection.

(ii) DATA ANALYSIS

High Expenses Compared to Revenue: In the year 2018-19, the total expenses exceeded the revenue by a significant margin, with a total expense-to-revenue ratio of 288.24%. This suggests potential areas of revenue leakage due to excessive material costs, labor, and overheads.

Revenue Optimization: The company faced significant financial strain due to an imbalance between the cost of goods sold (COGS) and total revenue. Material costs alone were 123.44% of the revenue for the year, indicating that revenue leakages could be occurring due to poor cost management or inefficient pricing strategies.

Employee Costs: The employee costs are also quite high at 59.10% of revenue in 2018-19, which indicates a need for closer monitoring of employee-related expenses.

Understating of Expenses on account of Non Capitalisation of CWIP

We have noticed that CWIP has lost in substantial or complete value when subjected to new Valuation Recently. In actual reality, the CWIP should have been depreciated over an agreed period of time.

Tax on Income

This non charging of Depreciation has resulted in overstating of Profit and a consequent payment of Income taxes in years (2020-21 and 2022-23).

While the Income tax may be recovered in later years, when the Depreciation is booked (subject to favourable treatment by IT Department), the effect on financials would have been tremendous on account of this erraneous decision-making decision not to write off the CWIP on appropriate period(s).

Wrongdoing Classification:

Revenue Leakage: The imbalance between revenue and expenses, particularly with material and employee costs exceeding the revenue, suggests that the company may not have effectively managed its pricing, procurement, or other operational aspects. This could lead to significant revenue leakage.

Classification: This directly fits under Scope 10, which deals with identifying areas where revenue could be leaking due to poor cost management or inefficiencies in operations.

Scope 11: Ascertain if Turnover or Profit of the Company is Manipulated

Synopsis Findings:

Unusually High Costs in 2018-19: The company reported a negative gross profit margin (-100%) and a net profit margin of -188.24% in 2018-19. The disproportionate costs, particularly in material and employee expenses, raise concerns about potential manipulation or misrepresentation of financial performance.

Inconsistent Profits: Across the years reviewed (2018-2023), there are large swings in profitability. In 2019-20, the company reported a net profit margin of 37.82%, while in 2020-21, the margin dropped to 28.76%, and in 2022-23, it was 20.46%. These fluctuations warrant a deeper look into the revenue and cost recognition practices to ascertain whether the turnover or profit was manipulated.

Lack of Clear Explanation for Cost Overruns: The audit highlighted concerns about the justification of the high material costs and employee costs, raising suspicions that the company's financial reporting could have been manipulated to mask inefficiencies or losses.

Wrongdoing Classification:

Potential Manipulation of Financials: The inconsistencies in financial performance, particularly the swings in profitability and the unexplained high costs in certain years, suggest that there may have been efforts to manipulate or misrepresent the company’s financial health.

Classification: This fits under Scope 11, which seeks to determine if turnover or profit has been manipulated over the audited periods.

Scope 12: Financial Loss to the Company Due to Mismanagement, Misappropriation of Funds, and Non-Compliance

(iii) FINDINGS & OPINION

Significant Financial Losses in 2018-19: The Company reported substantial losses in 2018-19, with a negative profit before tax of ₹79.23 Crores. The primary driver of this loss was excessive material consumption and employee benefit expenses, which exceeded the revenue generated. This suggests potential mismanagement of funds or inefficiencies in operations.

High Employee Costs: The employee benefits in 2018-19 accounted for 59.10% of revenue, an unusually high figure that suggests mismanagement or overcompensation.

Improper Cost Management: The audit report points to high material costs that far exceed the revenue generated. This raises concerns about possible mismanagement in procurement, stock handling, or job costing, which led to financial losses for the company.

Wrongdoing Classification:

Mismanagement and Non-Compliance: The company incurred substantial financial losses due to mismanagement of resources, particularly in material consumption and employee costs. Additionally, there are concerns about whether these costs were appropriately managed and whether procurement practices complied with regulations.

Classification: This issue falls under Scope 12, as it deals with identifying financial losses due to mismanagement or non-compliance with proper financial practices.

(iv) CONCLUSION AND RECOMMENDATIONS:

For Scope 10 (Revenue Leakages): The company must revisit its pricing strategies and cost management practices to minimize revenue leakage. Implementing stricter controls over material consumption and employee costs could help mitigate this issue.

For Scope 11 (Turnover or Profit Manipulation): A detailed audit of the company's revenue recognition and cost management practices is needed to determine if there has been any manipulation of profits or turnover. The large fluctuations in profit margins over the years raise suspicions about the accuracy of financial reporting.

For Scope 12 (Financial Loss Due to Mismanagement): The company should conduct a full review of its procurement, labor, and material management practices to identify areas of mismanagement. Strengthening internal controls and ensuring compliance with accounting standards will help reduce future financial losses.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

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SCOPE 13

SYNPOSIS and OPINION

Overall Quality and Effectiveness of Internal Control"

(i) INTRODUCTION

Based on the comprehensive review of the sfindings across various scopes, the "Overall Quality and Effectiveness of Internal Control" presents several areas of concern that indicate weak or ineffective internal controls within the company. The following points substantiate this finding:

(ii) DATA ANALYSIS & FINDINGS

Journal Voucher Anomalies: The audit uncovered significant use of journal vouchers for cash and bank transactions instead of proper receipt and payment vouchers (Scope 1). This practice, which was prevalent between 2018 and 2023, raises serious concerns about the lack of appropriate documentation and the potential for financial irregularities. The absence of proper vouchers suggests weak internal controls over financial transactions, with the company potentially at risk for misappropriation of funds and inaccurate financial reporting.

Delayed Capitalization of Assets: The delayed capitalization of significant infrastructure assets, such as the Slipway, Wharf, and Dry Dock, highlights poor project management and control over capital investments (Scope 2). The prolonged delay resulted in financial misrepresentation and lost depreciation benefits, indicating a lack of internal control in managing large projects. These inefficiencies suggest that the internal oversight mechanisms for capital investments are inadequate, compromising the company's financial position.

Inventory Management Issues: The review of inventory turnover ratios and material consumption revealed inefficiencies and potential misappropriation of inventory (Scope 3). Specifically, in 2018-19, material costs far exceeded revenue, pointing to weak controls over inventory management. The audit noted inadequate documentation, such as the absence of job-specific material usage records, which raises concerns about possible theft or mismanagement of inventory. The failure to monitor material usage effectively is a key indicator of poor internal control mechanisms over physical assets.

Weak Receivables Management: The high level of bad debts written off over the years reflects inadequate credit control and receivables management (Scope 4). The audit consistently flagged deficiencies in the documentation and lack of confirmation of balances, highlighting poor internal controls over trade receivables. The company's failure to implement effective credit assessment and follow-up procedures has likely led to significant financial losses.

Related Party Transactions and Unsecured Loans: The handling of related party transactions and unsecured loans demonstrates weak governance and internal control (Scopes 5 and 6). Significant loans from directors were taken without sufficient documentation, and related party transactions were not always conducted at arm's length. The high interest payments on unsecured loans also indicate potential conflicts of interest and financial mismanagement. This raises concerns about the company's ability to regulate transactions involving key stakeholders, further underscoring the lack of strong internal controls.

Missing Documentation for Share Allotments: The absence of essential documentation for share allotments and capital infusions (Scope 7) highlights gaps in the company's internal controls over share capital management. The missing bank statements, reconciliation records, and resolutions indicate that internal control mechanisms for share-related transactions are weak. This raises the risk of financial misrepresentation and improper handling of shareholder funds.

Supplier Transactions and Financial Assistance: Transactions with major suppliers, such as Vypin Marine Engineering and National Timbers, lacked critical documentation, including purchase orders and delivery notes (Scope 8). The financial assistance provided by these suppliers, routed through related party accounts, raises questions about the transparency and propriety of these transactions. The absence of competitive bidding and the irregular recording of financial transactions suggest poor internal controls over vendor management and financial recording.

Revenue Leakages and Cost Mismanagement: The company's financial performance in certain years, particularly 2018-19, shows signs of revenue leakages due to poor cost management and pricing strategies (Scope 10). The audit noted a disproportionate ratio of expenses to revenue, particularly in material and employee costs, which indicates inefficiencies in operational and financial control. The company's failure to monitor and control these costs effectively points to weak internal controls over operational expenses.

(iii) OPINION

The audit findings collectively reveal that the company's internal controls are weak across several critical areas, including financial transactions, capital management, inventory control, receivables management, and related party transactions. These deficiencies have resulted in financial mismanagement, potential misappropriation of assets, and inaccurate financial reporting. Strengthening internal controls across these areas is essential to ensure compliance with regulatory standards, safeguard assets, and improve financial transparency.

(iv) RECOMMENDATIONS:

Implement stronger internal controls for documentation and approval of financial transactions.

Regularly audit and review capital projects to ensure timely capitalization and proper financial reporting.

Enhance inventory management systems with detailed material tracking and usage records.

Improve receivables management by enforcing stricter credit controls and follow-up procedures.

Strengthen governance over related party transactions and unsecured loans to prevent conflicts of interest and financial mismanagement.

Ensure full documentation for share allotments and capital infusions to comply with regulatory standards.

Reassess vendor relationships and ensure proper recording and approval of all supplier transactions.

These actions will enhance the quality and effectiveness of internal controls, mitigating the risks of financial losses, mismanagement, and regulatory non-compliance.

CONCLUSION:

The combined findings across various scopes reveals serious shortcomings and wrong-doings on the part of the Management and Leadership.

These wrongdoings some appears to be intentional, some appears due to loose Internal Control span across areas like financial transactions, asset capitalization, inventory management, receivables, and related party dealings.

The findings are a fit case for further investigations to exactly ascertain the losses, collect evidences to validate the provisional findings as most of the Special Audit has heavily relied on Tally Software, Audited Financials, other compilations and only few source documents.

We were given to view / review only some (not all) files and some specially asked for inputs and hence we could not do any physical vouching. The Accounts department was offered the excuse of no records.

Consequently, our opinion is subject to the disclaimers we have stated in the following paragraphs.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

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SCOPE 7 AND 14

SYNOPSIS AND OPINION

Scope 7: Detailed review on capital infusion by way of equity allotment and movement in the register of members

Scope 14: Full audit of the share register from the date of private placement of shares for subscription with general public

(i) INTRODUCTION

The Special Audit team has spent considerable time in scrutinizing the information available in Tally software and the records submitted by the Accounting team in this connection.

(ii) DATA ANALYSIS

Summary of Findings:

Year	*Opening Balance (Rs.)*		*Movements (Rs.)*		*Closing Balance (Rs)*	
	Authorised	*Issued*	*Authorised*	*Issued*	*Authorised*	*Issued*
2007-2008	*2,50,00,000*	*1,65,34,000*	*1,50,00,000*	***55,13,000***	*4,00,00,000*	*2,20,47,000*
2008-2009	*4,00,00,000*	*2,20,47,000*	-	***46,17,000***	*4,00,00,000*	*2,66,64,000*
2009-2010	*4,00,00,000*	*2,66,64,000*	*4,00,00,000*	***1,33,36,000***	*8,00,00,000*	*4,00,00,000*
2010-2011	*8,00,00,000*	*4,00,00,000*	*17,00,00,000*	***15,72,92,000***	*25,00,00,000*	*19,72,92,000*
2011-2012	*25,00,00,000*	*19,72,92,000*	*10,00,00,000*	***14,72,50,000***	*35,00,00,000*	*34,45,42,000*
2012-2013	*35,00,00,000*	*34,45,42,000*	-	***54,58,000***	*35,00,00,000*	*35,00,00,000*
2013-2014	*35,00,00,000*	*35,00,00,000*	-	-	*35,00,00,000*	*35,00,00,000*
2014-2015	*35,00,00,000*	*35,00,00,000*	-	-	*35,00,00,000*	*35,00,00,000*
2015-2016	*35,00,00,000*	*35,00,00,000*	-	-	*35,00,00,000*	*35,00,00,000*
2016-2017	*35,00,00,000*	*35,00,00,000*	-	-	*35,00,00,000*	*35,00,00,000*
2017-2018	*35,00,00,000*	*35,00,00,000*	-	-	*35,00,00,000*	*35,00,00,000*

Year	Opening Balance (Rs.)		Movements (Rs.)		Closing Balance (Rs)	
	Authorised	Issued	Authorised	Issued	Authorised	Issued
2018-2019	35,00,00,000	35,00,00,000	5,00,00,000	**69,89,470**	40,00,00,000	35,69,89,470
2019-2020	40,00,00,000	35,69,89,470	-	-	40,00,00,000	35,69,89,470
2020-2021	40,00,00,000	35,69,89,470	-	**1,68,79,850**	40,00,00,000	37,38,69,320
2021-2022	40,00,00,000	37,38,69,320	-	**2,61,30,680**	40,00,00,000	40,00,00,000
2022-2023	40,00,00,000	40,00,00,000	-	-	40,00,00,000	40,00,00,000

(iii) FINDINGS

Fresh Issues of Shares:

Multiple fresh share issues occurred between 2007-08 and 2022-23. The movement of shares and changes in share capital are well documented for most of these years, except for 2007-08 and 2008-09 due to the lack of accounting data for those years.

Several discrepancies in share application money were noted, where some amounts were unverified, adjusted against liabilities (e.g., guarantee commissions), or simply had missing documentation.

Share Application Money:

Significant portions of the share application money were either not received, unverified, or adjusted. For example, in 2009-10, 68.22% of share application money had no details found (NF).

The adjustments against liabilities like guarantee commissions raise concerns regarding the legitimacy of these transactions.

Unverified and Missing Documentation:

There are several instances where essential documentation, such as bank statements, reconciliation statements, and resolutions for share capital increases, were missing or unavailable.

The absence of records from the early years (2007-08 and 2008-09) renders the audit for those years incomplete, creating gaps in the verification process.

Non-Compliant Practices:

Share application money was often received in cash, which raises transparency issues. Additionally, these cash transactions complicate the audit trail.

The report suggests that there were no clear links between the funds raised through share issues and their subsequent utilization, potentially violating the disclosure requirements of the Companies Act 2013.

Loans and Share Adjustments:

There were recurrent mentions of "share loans" being adjusted against capital, which raises concerns about transparency and financial integrity.

The adjustment of share application money against liabilities, particularly in cases where there is no supporting documentation, violates standard accounting principles (Ind AS 32).

Delayed Documentation:

Many of the requested documents and information, including bank statements and reconciliation statements, have not yet been supplied to the audit team, limiting the ability to fully verify the movements of share capital.

Risk of Misuse of Funds:

Without proper documentation or a clear linkage between capital raised and its utilization, there is a risk that funds may have been misused or applied in a non-compliant manner.

(iv) OPINIONS

Classification of Wrongdoings Under Various Scope Items:

1. Scope 7: Detailed Review on Capital Infusion and Movement in Register of Members

Wrongdoing: Unverified share application money, adjustment of share application money against liabilities (such as guarantee commissions), and missing documentation for share allotments raise concerns about the transparency and accuracy of the capital infusion process.

Explanation: There is a substantial amount of share application money for which no details were found or which were adjusted against liabilities without adequate documentation. These practices compromise the integrity of the share issuance process.

Classification: Directly fits under Scope 7, which is focused on ensuring the accuracy of capital infusion and the movement of shares.

2. Scope 14: Full Audit of the Share Register and Verification of Shareholder Accounts

Wrongdoing: Incomplete documentation related to the share register, missing bank statements, and unverified share application money hinder the ability to fully audit the share register and verify the shareholder accounts.

Explanation: The lack of detailed records for share issuance, especially for certain years like 2009-10 and 2010-11, means that there could be discrepancies between the actual payments received and the number of shares issued. Additionally, the adjustments of share application money against liabilities raise suspicions of improper handling of shareholder funds.

Classification: This issue fits under Scope 14, as the scope involves a full audit of the share register and the reconciliation of share allotments with actual payments.

3. Scope 9: High-Value Suspicious/Unusual Transactions

Wrongdoing: The adjustment of share application money against liabilities without clear supporting documentation is unusual and raises concerns about the legitimacy of these transactions.

Explanation: The adjustment of share application money against guarantee commissions or other liabilities, particularly when no documentation is available, raises questions about whether these transactions were conducted in good faith.

Classification: These transactions could be categorized under Scope 9 as suspicious or unusual financial transactions.

4. Scope 12: Financial Loss Due to Mismanagement

Wrongdoing: The lack of documentation for share issuance, combined with the receipt of share application money in cash, could result in financial losses due to mismanagement or improper recording of funds.

Explanation: Failure to properly document share application money, coupled with the use of cash transactions, raises the possibility that funds may have been misappropriated or misused, leading to financial loss.

Classification: This issue aligns with Scope 12, as it involves the potential for financial loss due to the mismanagement of share-related transactions.

5. Scope 13: Quality and Effectiveness of Internal Controls

Wrongdoing: The absence of key documents, such as resolutions and bank statements, highlights deficiencies in the company's internal control mechanisms regarding the management of share capital and shareholder funds.

Explanation: Without proper internal controls, the company is at risk of violating regulations related to share capital management and could be misreporting financial transactions.

Classification: This issue falls under Scope 13, as it indicates a lack of robust internal controls over the company's share issuance and financial reporting processes.

(V) OPINIONS & OR RECOMMENDATIONS:

Full Documentation Compliance: The Company must provide all missing documents, including bank statements, reconciliation statements, and resolutions related to capital increases, to complete the audit and ensure compliance with the Companies Act 2013.

Minimize Cash Transactions: Implement policies to eliminate cash transactions for share application money and require that all such transactions be conducted via bank transfers for transparency and audit trail purposes.

Improve Shareholder Communication: Ensure that all share-related transactions are clearly communicated to shareholders and that any adjustments (such as those for guarantee commissions) are properly documented and authorized.

Strengthen Internal Controls: Enhance the company's internal controls to ensure that share application money is properly recorded and utilized, with detailed records maintained for every transaction.

Audit Review of Adjustments: Conduct a thorough audit review of all share application money adjustments against liabilities to determine whether these transactions were conducted in compliance with legal and accounting standards.

Note: There are few important **queries STILL not replied by the Company**. Hence the synopsis of this Scope item is a "Qualified" one (to the extent of the queries not replied)

Notice to the Reader / Client

Disclaimers

i. There are few important **queries STILL not replied by the Company**. Hence this report is a "Qualified" one.

ii. The report issued is to be read in totality, and not in parts, and in conjunction with the relevant sections referred to in this document.

iii. The scope of the transaction review is limited to the scope specified in the engagement letter.

iv. We have relied on the information and data supplied to us by SBSL representative, assuming the same to be correct and bona fide.

v. During our professional services, we were provided with both written and verbal information, which has been relied upon us to be accurate.

vi. Our findings are restricted to the information and explanations received by us during our review.

vii. The findings have not been disclosed or discussed with the parties / entities/ persons referred to in the report.

viii. The scope of our services is neither an audit conducted in accordance with generally accepted auditing standards, nor an examination of internal controls / procedures or other attestation or review services or services to perform agreed-upon procedure.

ix. The services also do not involve the expression of any opinion or any other form of assurance concerning any matters as a result of the performance of our services.

x. This Interim Report is prepared with the available information within limited time frame, assumptions and data limitations specifically mentioned in the report and the interpretations / findings of this report may undergo change(s), post receipt / discovery of any material information/fact which we may come across going forward.

xi. This report is confidential and in relation to the details contained in this document, we have not sought views of the any other statutory, regulatory, government, judicial or quasi-judicial authority and thus will not be responsible for any divergent view that may be taken by such authority and **consequently this report may not be used in a Court of Law.**