



Papers to be laid on the table of  
Lok Sabha/Rajya Sabha

AUTHENTICATED

**RAKSHA RAJYA MANTRI**



## **VISION**

To become Global leader in Warship building

## **MISSION**

- To be self-reliant in design capability and deploy state-of-the-art manufacturing process.
- To build quality Warship at competitive prices, exceeding customer's expectation in terms of delivery time and product support.
- To achieve sustained growth through customer satisfaction, product innovation, capturing export potential and employee satisfaction.

## **OBJECTIVES**

- Establish a self-reliant design house
- Productivity Improvement
- Quality Improvement
- QMS & ISO 9001 Certification for Ship Division
- Ship repair as a Business Venture & Profit Centre
- Business Development through concerted marketing efforts
- Marketing Deck Machinery items, Portable steel bridges and Diesel engines
- Vendor development & building long term partnership
- Building GRSE Brand
- Material Management / Supply Chain Management
- Human Resource Development
- CSR & Sustainability



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## BOARD OF DIRECTORS

### Chairman & Managing Director



Rear Admiral A K Verma, VSM, IN (Retd)

### Government Directors



Vice Admiral A V Subhedar  
AVSM, VSM, IN  
(From 18 Jun 14)



Shri Ashok K K Meena  
IAS

### Independent Directors



Shri Swapan Kumar Mukherjee  
Ex-C&MD, Balmer Lawrie & Co. Ltd.  
(From 23 Jul 14)



Cmde (Retd) M Jitendran  
Ex-C&MD, Cochin Shipyard Ltd.  
(From 23 Jul 14)



Shri Ajay Bhattacharya  
IAS (Retd)  
(From 20 Aug 14)

### Whole Time Directors



Shri Kallol Kumar Rai  
Director (Finance)



Cmde (Retd) R Ghosh  
Director (Shipbuilding)



Shri R C Nautiyal  
Director (Personnel)  
(From 01 Jul 13)

### Former Directors



Prof. Shekhar Chaudhari  
Ex-Director, IIM, CAL  
(Upto 01 Feb 14)



Shri P. C. Sharma  
IAS (Retd.)  
(Upto 01 Feb 14)



Shri Amarjit Chopra  
Ex-President, ICAI  
(Upto 01 Feb 14)



Vice Admiral K R Nair  
AVSM, VSM, IN  
(Upto 18 Jun 14)

### Permanent Special Invitees

Shri P K Kataria, Addl FA (K) & JS  
Shri Rajnish Kumar, Addl FA (RK) & JS  
Dr. V Bhujanga Rao, CC (R&D) (NS),  
RAdmn A K Saxena, NM, DGND

### Special Invitees

VAdm A G Thapliyal, DGCG  
RAdm R K Shrawat, IN (Retd.), C&MD, MDL  
RAdm Sunil Mittal, IN (Retd.), C&MD, GSL

### Bankers

State Bank of India  
Indian Bank  
Allahabad Bank  
ICICI Bank  
HDFC Bank  
AXIS Bank

### Company Secretary

Shri Sandeep Mahapatra

### Auditors

G P Agrawal & Co.  
Chartered Accountants

### Registered Office

43/46, Garden Reach Road, Kolkata 700 024

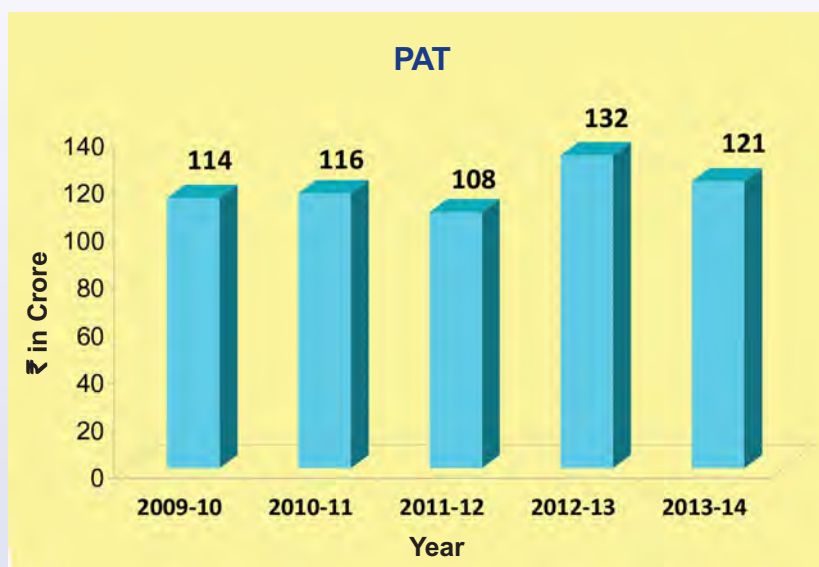
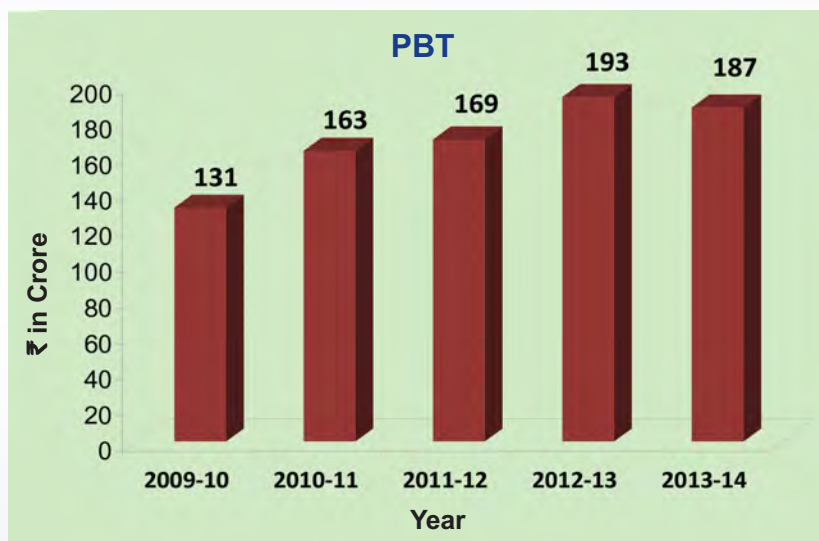
Branch Auditor  
Poddar & Jain.

Chartered Accountants



## **SENIOR MANAGEMENT**

|                                 |   |                                      |
|---------------------------------|---|--------------------------------------|
| RAdm. A K Verma, IN (Retd.)     | : | Chairman & Managing Director         |
| Shri Kallol Kumar Rai           | : | Director (Finance)                   |
| Cmde. R Ghosh, IN (Retd.)       | : | Director (Shipbuilding)              |
| Shri R C Nautiyal               | : | Director (Personnel)                 |
| Shri Gautam Mandal, IRS         | : | Chief Vigilance Officer              |
| Shri Arup Ratan Pal             | : | Chief General Manager (C&CP & ERP)   |
| Shri Samiran Basu               | : | Chief General Manager (Material)     |
| Cdr. Ajit Kumar Das, IN (Retd.) | : | Chief General Manager (FOJ)          |
| Cdr. S Bhaduri, IN (Retd.)      | : | Chief General Manager (QA)           |
| Shri Kanu Priya Chattoraj       | : | General Manager (HR)                 |
| Cmde. S Mathivanan, IN (Retd.)  | : | General Manager (MW)                 |
| Shri Pradip Kumar Mitra         | : | General Manager (Finance)            |
| Capt. SKS Kushwaha, IN (Retd.)  | : | General Manager (Planning, FIB & PS) |
| Cdr. N D Rao, IN (Retd.)        | : | General Manager (RBD)                |
| Shri Aparajita Bhattacharya     | : | General Manager (Design)             |
| Shri D Vijayam                  | : | General Manager (Engineering & DEP)  |
| Shri Rabin Gangopadhyay         | : | General Manager (Planning)           |

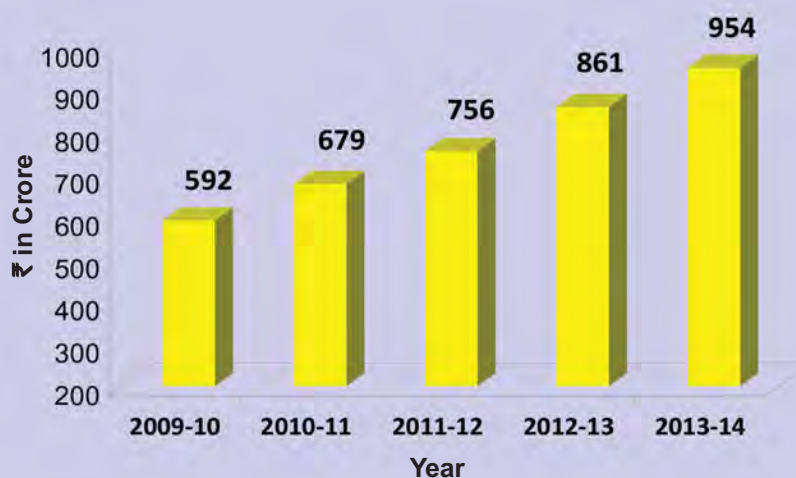




### Dividend



### Networth



### Manpower





## TEN YEARS AT A GLANCE

(₹ in lakh)

| Ten Years                          | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>FINANCIAL POSITION :</b>        |         |         |         |         |         |         |         |         |         |         |
| Equity Share Capital               | 12384   | 12384   | 12384   | 12384   | 12384   | 12384   | 12384   | 12384   | 12384   | 12384   |
| Preference Share Capital           | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Reserve & Surplus                  | 17519   | 22632   | 31862   | 36425   | 38692   | 47255   | 55947   | 63872   | 73948   | 83196   |
| Cumulative Loss                    | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Net Worth                          | 29590   | 34706   | 43816   | 48412   | 50685   | 59239   | 67932   | 75619   | 86094   | 95373   |
| Govt. Loan                         | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Capital Employed                   | 29516   | 34251   | 41670   | 46017   | 45284   | 47610   | 55911   | 60062   | 75907   | 91667   |
| Gross Block                        | 17590   | 17473   | 24128   | 24406   | 25812   | 26224   | 29612   | 30829   | 42732   | 53387   |
| Net Fixed Assets                   | 9359    | 9066    | 14883   | 14488   | 15144   | 14897   | 17402   | 17481   | 27979   | 36548   |
| Working Capital                    | 20157   | 25185   | 26787   | 31529   | 30140   | 32713   | 38509   | 42582   | 47928   | 55119   |
| <b>OPERATING RESULTS :</b>         |         |         |         |         |         |         |         |         |         |         |
| Sales                              | 88141   | 98599   | 71374   | 55665   | 74062   | 42427   | 54622   | 54506   | 46434   | 30819   |
| Cost of Production                 | 42829   | 56974   | 53567   | 47723   | 64325   | 80153   | 96405   | 110752  | 138105  | 146585  |
| Value of Production                | 47028   | 66218   | 64166   | 57347   | 67269   | 87074   | 105330  | 129253  | 152915  | 161167  |
| Value Added                        | 16767   | 25388   | 26021   | 28075   | 23353   | 30771   | 37868   | 49613   | 49609   | 50463   |
| Profit/(Loss) Before Tax           | 4856    | 10131   | 17504   | 11040   | 8898    | 13075   | 16276   | 16935   | 19315   | 18723   |
| Provision for Tax                  | 2104    | 3598    | 5490    | 3593    | 3733    | 1633    | 4705    | 6132    | 6161    | 6577    |
| Profit/(Loss) after Tax            | 2752    | 6533    | 12014   | 7447    | 5165    | 11441   | 11571   | 10803   | 13154   | 12146   |
| <b>APPROPRIATION</b>               |         |         |         |         |         |         |         |         |         |         |
| Investment Allowance Reserve       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Capital Redemption Reserve         | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| CSR Reserve                        | —       | —       | —       | —       | —       | —       | 228     | 10      | —       | —       |
| General Reserve                    | 275     | 653     | 1201    | 745     | 517     | 1144    | 1134    | 1079    | 1315    | 1215    |
| Proposed Dividend Equity           | 1102    | 1238    | 2477    | 2477    | 2477    | 2477    | 2477    | 2477    | 2631    | 2477    |
| Dividend Preference Share          | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Tax on Proposed Dividends          | 147     | 184     | 391     | 421     | 421     | 411     | 402     | 402     | 447     | 421     |
| <b>RATIOS</b>                      |         |         |         |         |         |         |         |         |         |         |
| Gross Profit/ Capital Employed     | 0.16    | 0.30    | 0.42    | 0.24    | 0.20    | 0.27    | 0.29    | 0.28    | 0.26    | 0.21    |
| PBT/ Production (VOP)              | 0.10    | 0.15    | 0.27    | 0.19    | 0.13    | 0.15    | 0.15    | 0.13    | 0.13    | 0.12    |
| Production (VOP)/ Capital Employed | 1.59    | 1.93    | 1.54    | 1.25    | 1.49    | 1.83    | 1.88    | 2.15    | 2.01    | 1.76    |
| Value Added/ Production (VOP)      | 0.36    | 0.38    | 0.41    | 0.49    | 0.36    | 0.35    | 0.36    | 0.38    | 0.32    | 0.31    |
| No. of Employees                   | 5524    | 5088    | 5126    | 4971    | 4768    | 4345    | 4117    | 3792    | 3491    | 3133    |



### CHAIRMAN'S STATEMENT

#### Ladies & Gentlemen,

1. On behalf of the Board of Directors, I have immense pleasure in welcoming all of you to the 98<sup>th</sup> "Annual General Meeting" of the Company and share with you all, some of the Company's significant achievements during the year 2013-14.
2. During the year 2013-14, the Company has achieved a **turnover of ₹ 1,612 crore**, which is a **growth of 5%** over the previous year 2012-13. The Company's **Profit Before Tax** recorded as **₹ 187.23 crore** and **Net Profit** as **₹ 121.46 crore**. The Company's **Net Worth** has also gone up by **11%** over the previous year.
3. During 2013-14, the Company has delivered **two (02) ships** (IPV Class) to the Indian Coast Guard and progressed the work on **seventeen (17) other ships** including four (04) ASW Corvettes, four (04) WJFACs, eight (08) LCUs and most prestigious order of MOPV for our neighboring country Mauritius. Overall, during the year the company has progressed the work on seventeen (17) ships which is a remarkable achievement. The Company also launched the first ship of Landing Craft Utility (LCU) MK-IV class during the year in the presence of Shri Ashok Kumar Gupta, IAS, Additional Secretary (Defence Production).
4. The first Anti-Submarine Warfare Corvette (ASWC), "INS Kamorta" was delivered to Indian Navy on 12<sup>th</sup> July 2014. The ASW Corvette is a frontline warship with anti-submarine warfare capability with advanced stealth features including very low signature radiated under water noise. The successful construction of ASWC by your company show cases the capability of the shipyard to build most complex and most advanced frontline warship for the nation. I am happy to inform that, the ship was commissioned on 23 Aug 2014 by Hon'ble Raksha Mantri Shri Arun Jaitley in the august presence of Admiral R K Dhowan, Chief of Naval Staff and other distinguished guests.

5. These accomplishments were possible only due to the guidance and unstinted support of the Government of India, especially the Department of Defence Production and I am extremely grateful to them. The active role of the members of the Board of Directors, especially the Independent Directors, the dedicated efforts put in by the Officers, Supervisors and Workers of the Company as well as the trust and confidence reposed by our valued customers, the Indian Navy, the Indian Coast Guard and the Ministry of Home Affairs.

#### Performance highlights of the year 2013-14

6. **Financial Parameters** : The Company has registered Profit Before Tax of **₹ 187.23 crore**.
7. **Turnover/Value of Production** : The Company has achieved a growth of **5%** in its turnover and recorded a turnover of **₹ 1,612 crore**. This turnover is so far the highest achieved by your company.
8. **Dividend** : For the year 2013-14, the Directors are pleased to recommend a dividend @ 20% (including 10% as interim dividend) on the Company's paid up equity capital amounting to **₹ 24.77 crore** (approx.).
9. **MOU Rating** : In terms of parameters contained in the Memorandum of Understanding signed with the Government for the year 2013-14, the Company is expected to be rated as **"Excellent"** in its performance. This would be the **fifth consecutive year** wherein your company would achieve **"Excellent"** grading in respect of the targets set in MoU.
10. **Awards & Recognition** : The Company during the year has received **"Best Performing Defence Shipyard Award"** for 2010-11 and 2011-12 from Hon'ble Raksha Mantri. The Company also received second prize (Region-C) of the prestigious **Indira Gandhi Rajbhasha Puraskar** for the year 2011-12 from **Honourable President of India** and **"PSE Excellence Award 2013"** from DPE-ICC in recognition to the **CSR & Sustainability efforts** of the Company. **GRSE** received a **Certificate of Appreciation for being a Model Total Quality Management Company by CII for 2013**. **GRSE**,



Director (Finance), Shri K. K. Rai won the **BT Star PSU Excellence Award 2014, "The Star PSU Director (Finance) for Outstanding Performance"** in the Category of Non Maharatna & Navratna PSUs. The Company was conferred the **IIIE Performance Excellence Award in the Golden Category (Financial & Operational Strength)**, for the year **2012-13**. The **QC Teams** of the Company also executed very well this year and won **three (3) "Par Excellence"** and **seven (7) "Excellent" Awards** in the National Convention Organised by the Quality Circle Forum of India.

11. **Certification** : GRSE is the **first Ship Building organisation in the country and the first DPSU** to get accreditation on **Integrated Management System** harmonizing ISO 14001:2004 (**Environment Management System**), BS OHSAS 18001:2007 (**Occupational Health & Safety Assessment Standard**), and EN ISO 50001:2011 (**Energy Management System**).
12. **Corporate Governance** : The Company's philosophy on Corporate Governance is based on the principles of honesty, integrity, accountability, adequate disclosures, legal compliances, transparency in decision making and avoiding conflicts of interest. The Company gives importance to adherence to adopted corporate values and objectives and discharging social responsibilities as a corporate citizen. The Company believes in customer satisfaction, financial prudence and commitment to values. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy.

#### Shipbuilding and Production Achievements

13. The Company's Shipbuilding and Engineering activities have registered a substantial growth due to greater thrust on enhanced productivity, improved quality control and dedicated human resource. The following are the main achievements for this year.

(a) **Infrastructure Up-gradation** : The new **"Integrated Shipbuilding Facility"** has been successfully completed and the same was inaugurated by Hon'ble Raksha Rajya Mantri, Shri Jittendra Singh, on 06 Jun 13. The 1<sup>st</sup> ship constructed at the new inclined berth was Offshore Patrol Vessel for Mauritius Government (MOPV) was successfully launched on 02 Aug 13. Subsequently, two Landing Craft Utility (LCU) ships are being concurrently constructed at the new Inclined Berth (keel laid on 30 Aug 13).

(b) **Delivery of Ships** : During the year, GRSE has

**delivered two (02) ships** to Indian Coast Guard, ICGS "Rajveer" and ICGS "Rajdhvaj".

(c) **Launching of Ships** : During the year GRSE has **launched** first ship of **Landing Craft Utility (LCU) MK-IV** class of ships.

(d) **Keel Laying** : During the year, GRSE laid the **Keel of the first two LCUs** and of the **first follow-on WJFACs for Indian Navy**.

(e) **Start Production** : The Company also **commenced the production of eight (08) ships** for the Indian Navy.

(f) **Portable Steel Bridges** : Your Company has supplied 33 Bridges during 2013-14 amounting to **₹ 36.56 crore**. During the year, your Company have entered in to an MOU with Govt of Odisha for supply of about 100 bridges a year on turnkey basis. A similar MOU was signed with the Govt of Chattisgarh too.

(g) **Deck Machinery** : Deck Machinery Unit has achieved a remarkable feat in this year by way of successful supply and carrying-out of HATs of Rail less Helo Traversing System to handle a helicopter on board ship for P28 ASW Corvettes. Being the only proven indigenous supplier of such systems, the company has bagged orders for 5-NOPVs and 3-CTSs from Pipavav & ABG Shipyards respectively. Good numbers of further offers are under process. You will be pleased to know that this has an indigenous content of about 72%. The Unit has supplied 58 Nos. – Equipment to various shipyards and also towards in-house consumptions and registered a value of production/turnover of ₹ 12.76 crore. The present order book position for various Deck Machinery items and Naval Pumps is about ₹ 63 crore.

(h) **Engine Department (Ranchi)** : The Value of Production achieved by Engine Department during the year under review amounted to ₹ 5.40 crore. This is mainly because of low order book and aging of assembly & test facilities. In order to expanding the business, modernisation of assembly & test facilities of marine engines has been undertaken. On completion of this up-gradation, Engine Division will enter in to an extended MOU with MTU Asia for production of Marine Engines at SKD level and this is likely to get business of about ₹ 428 crore in phased manner in next ten years.

(i) **Order Book Position** : The present order book position of the Company is **₹ 10,404 crore**. Out of these, **sales** of approximately **₹ 5,257 crore** have been completed and the **balance order book** is approximate **₹ 5,147 crore**.



(j) **Bench Marking** : Five Shipyards GRSE, MDL, GSL, CSL & HSL, jointly appointed M/s PWC to benchmark the performance. M/s PWC has already submitted their report which is under implementation.

#### **Future Outlook**

14. GRSE's stated vision is to become a world class shipbuilder. A road map is being evolved for achieving this objective based on performance review of GRSE for the preceding five years and findings of SWOT Analysis carried out during the year. From the SWOT it has emerged that there are great opportunities available for the Company to build Defence and Coastal Security Vessels. Accordingly, the Company's efforts are being focussed on exploiting such opportunities based on the Company's strength and on minimizing the adverse effect of its weaknesses. The strength of infrastructure and production facilities is being leveraged to have strategic alliances to address the emerging opportunities and reducing the impact of perceived threats.
15. The initiatives taken during the year 13-14 include:
  - a) Commissioning of the 2<sup>nd</sup> phase of Modernisation Program in July 2013.
  - b) Completion of a Benchmarking Study to understand ship production processes best in the world and plan to implement the good practises prevalent across the world.
  - c) Continual improvement in skill set of employees through various trainings and workshops.
  - d) Regular brainstorming sessions on formulation of immediate, short and long term business strategies and implementation of points discussed, with monitoring at appropriate levels.
16. GRSE is planning to use the land available at Raichak, West Bengal, for making blocks/panels for ships, over the next 6-10 years through PPP model in association with Indian Private Entity.
17. The Company has entered into a MoU with HSL on 19 Apr 14 intending to explore future co-operation opportunities in ship building & ship repair. The first project in consideration is 05 Nos Fleet Support Ship for Indian Navy for which a consortium is being formed between GRSE & HSL.
18. **Export Initiatives** : Over the last one year the GRSE Team has aggressively focussed on undertaking various Export Initiatives including **participation in prestigious exhibitions**. During this year, the GRSE

team has been actively pursuing for export orders from countries such as **Vietnam, Philippines, Venezuela and Peru** for products ranging from **Landing Ship Tanker Large, Light Frigates to Fast Patrol Boats and Bailey Bridges**.

19. **Industrial Relations** : Industrial relations situation during the period across all Units of the Company including DEP, Ranchi was generally peaceful and harmonious.
20. **Corporate Social Responsibility** : Corporate Social Responsibility (CSR) is an integral part of the Company's corporate philosophy. CSR activities aim to benefit the marginalized sections of the local community through different projects that enhance income through creation of sustainable livelihood opportunities and improving the quality of life. The GRSE CSR Policy focuses on the following thrust areas :
  - (i) Health Care.
  - (ii) Education & Skill Development.
  - (iii) Community Development.

#### **ACKNOWLEDGEMENTS**

21. I would like to conclude by thanking the Central and State Government Authorities, Naval and Coast Guard Authorities, and the Shareholders for their continued trust and confidence they have reposed in us. I would like to place on record our sincere thanks to the Comptroller & Auditor General of India, the Principal Director of Commercial Audit, the Statutory and Branch Auditors, and the Principal Controller of Defence Accounts (Navy) for their valuable suggestions and co-operation. I acknowledge the patronage of our Bankers, suppliers and Business Associates. I also acknowledge with gratitude the continual assistance and guidance received from Indian Navy and Indian Coast Guard. Last, but not the least, I appreciate the dedication and hard work put in by all the employees of the Company to achieve its goal and the Board of Directors who have supported and guided the Company to put it on a path of accelerated growth.

Thanking you all,

Sd/-  
A.K. Verma,  
Kolkata,  
25<sup>th</sup> August, 2014

Sd/-  
A.K. Verma,  
Rear Admiral (Retd.)  
Chairman & Managing Director



## NOTICE FOR ANNUAL GENERAL MEETING

NOTICE is hereby given that the 98<sup>th</sup> Annual General Meeting of the Shareholders of Garden Reach Shipbuilders & Engineers Ltd. will be held on **Monday, the 25th August 2014 at 1330 hours at Registered Office at 43/46, Garden Reach Road, Kolkata-700024** to transact the following business :

### ORDINARY BUSINESS :

- (a) To receive, consider and adopt the Directors' Report and the Audited Accounts for the year ended 31st March 2014 along with the Auditors' Report thereon.
- (b) To declare Dividend.
- (c) To fix the remuneration of Auditors to be appointed by the Comptroller & Auditor General of India for the financial year 2014-15.

### SPECIAL BUSINESS :

- (d) To approve the remuneration of the Cost Auditors for the financial year ending 31st March 2015 and in this regard 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 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company, for the financial year ending 31st March 2015, be paid the remuneration as set out in the Statement annexed to the Notice convening this Meeting.***

***RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."***

By Order of the Board  
Garden Reach Shipbuilders & Engineers Limited

Sd/-  
(Sandeep Mahapatra)  
Company Secretary

Date : 15<sup>th</sup> July, 2014  
Place : Kolkata

### Notes :

1. A member entitled to attend and vote at the Annual General Meeting ( the "Meeting") is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the Members at the Registered Office of the Company on all working days, during business hours up to the date of the meeting.
4. The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of the Company have not been received so far. These are expected to be received shortly and will be placed before the Meeting.



**STATEMENT PURSUANT TO SECTION 102(1) OF  
THE COMPANIES ACT, 2013 (“the Act”)**

**Item No. (d)**

The Board has approved the appointment of M/s Chatterjee & Co., Cost Accountants as Cost Auditor to conduct the audit of the cost records of the Company for the financial year ending 31st March 2015 at an audit fees of ₹ 40,000/- plus taxes and out of pocket expenses.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No. (d) of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March 2015.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No.(d) of the Notice.

The Board recommends the Ordinary Resolution set out at Item No.(d) of the Notice for approval by the shareholders.

By Order of the Board  
Garden Reach Shipbuilders & Engineers Limited

Sd/-  
(Sandeep Mahapatra)  
Company Secretary

Date : 15<sup>th</sup> July, 2014  
Place : Kolkata

**DIRECTORS' REPORT – 2013-14**

To  
The Members,  
Garden Reach Shipbuilders & Engineers Limited

1. Your Directors have great pleasure in presenting the 98<sup>th</sup> Annual Report on the working of the Company for the financial year 2013-14.
2. The audited Profit & Loss Account for the financial year 2013-14 and the Balance Sheet, as on 31 Mar 14, together with the Report of the Auditors of the Company, and the comments of the Comptroller & Auditor General of India on the Auditors' Report under Section 619(4) of the Companies Act, 1956, are appended to this Report.

**PERFORMANCE HIGHLIGHTS**

3. **Turnover/Value of Production :** The Company has achieved a growth of 5% in its turnover and rendered a turnover of ₹ 1611.67 crore as against ₹ 1529.15 crore. This turnover is so far the highest achieved by your company.
4. **Profit Before Tax :** The Directors are delighted to inform that the Company has recorded Profit Before Tax of ₹ 187.23 crore.

**Grading vide Memorandum of Understanding with DPE:**

5. The Company has been rated **"Excellent"** in the MoU 2012-13 by the Department of Public Enterprises. The composite score for the year 2012-13 was **1.17**.
6. The assessment for the year 2013-14 will be done by DPE on the basis of the Annual Report to be submitted after the Annual General Meeting. As per internal assessment, it is expected that the Company will be rated **"Excellent"** during this year also. This will be the fifth consecutive year when your Company will be rated "Excellent".

**Awards & Recognitions :**

7. The Company has received the following awards/recognitions during the year:

(i) **Best Performing Defence Shipyard :** The company has been adjudged the **"Best Performing Defence Shipyard"** in the Country for the two consecutive years 2010-11 and 2011-12. The trophy for **"Best Performing Shipyard"** for the year 2011-12 was handed over by the Hon'ble Raksha Mantri on 25<sup>th</sup> Nov 2013.

(ii) **Rajbhasha Puraskar :** GRSE has been awarded the Second Prize (Region-C) of the **Prestigious Indira Gandhi Rajbhasha Puraskar** for the year

2011-12. The trophy was handed over by the Honourable President of India on 14 Sep 2013.

(iii) **CSR Award :** In recognition to the CSR & Sustainability efforts of the company, GRSE has been conferred **PSE Excellence Award 2013 for CSR & Sustainability** by DPE-ICC.



(iv) **QA Award :** GRSE has been awarded the **"Certificate of Appreciation"** in the "Large & Medium Scale Industries Section", under the category of **"Model TQM Company"**, in the CII Eastern Region Quality Awards 2013.

8. **DELIVERY :** During the year under review the company has effected following deliveries :

**Ship Division :**

| Sl. No. | Type                        | Nos. |
|---------|-----------------------------|------|
| (i)     | Inshore Patrol Vessel (IPV) | 2    |

**Engineering Division :**

| Sl. No. | Product               | Nos. |
|---------|-----------------------|------|
| (i)     | Bailey Bridge         | 33   |
| (ii)    | Deck Machinery & Pump | 57   |

**Engine Division:**

| Sl. No. | Product             | Nos. |
|---------|---------------------|------|
| (i)     | Engines & Machinery | 5    |

**SIGNIFICANT ACHIEVEMENTS DURING FY 2013-14:**

9. During the year, GRSE has delivered last 02 Inshore Patrol Vessels of "Rajshree" class of ships to Indian Coast Guard. ICGS "Rajveer" & ICGS "Rajdhvaj" the seventh & eighth ships have been delivered on 16 Jul 13 & 30 Oct 13 respectively. With this delivery GRSE has completed all the deliveries under the IPV project of Coast Guard.

10. Successful completion of sea trials of yard 3017 in Feb 14 is a great achievement for GRSE, being the first ship of Anti Submarine Warfare Corvette (ASWC) class being made first time in the country.
11. GRSE is currently building its first ever export order of OPV for Government of Mauritius. During the year, the ship was launched with a grand ceremony from newly built Inclined Berth of the Main Unit facilitated with modern technologies by Mrs. K O Fong Weng – Poorun, Senior Chief Executive, PMO, Govt. of Mauritius on 02 Aug 13.



12. First ship of Landing Craft Utility (LCU) MK-IV class of ships, Yard 2092 was launched from Inclined Berth of the Main Unit on 12 Mar 14 by Dr.Priti Gupta, wife of Shri Ashok Kumar Gupta, IAS, Additional Secretary (Defence Production) in the august presence of distinguish dignitaries.
13. Keel of first two LCUs for Indian Navy was laid on 24 Apr 13 at the old Inclined Berth whereas Keel for the next two was laid on 30 Aug 13 at newly built Inclined Berth facilitated with modern technologies. Keel laying of the first Follow-On Water Jet Fast Attack Craft (FO-WJ FAC) for Indian Navy was also done in this Financial Year (FY) at Building Berth-2 in Raja Bagan Dockyard Unit.



14. This year GRSE has started production of 08 ships. Production (Plate cutting) of 4<sup>th</sup> & 5<sup>th</sup> ships of LCU MK-IV series commenced in 1<sup>st</sup> quarter where as 1<sup>st</sup> two Follow-On WJFACs & last two LCUs commenced in 2<sup>nd</sup> quarter for Indian Navy of this Financial Year Last two FO-WJFACs commenced in last quarter of this financial year.

#### OPERTATING RESULTS :

15. The summarized operating results for the year 2013-14 and 2012-13 are given below :

(₹ in crore)

|                                              | 2013-14 | 2012-13 |
|----------------------------------------------|---------|---------|
| Value of Production                          | 1611.67 | 1529.15 |
| Sales                                        | 308.19  | 464.21  |
| Profit Before Depreciation, Interest and Tax | 209.93  | 208.04  |
| Interest                                     | 0.63    | 0.98    |
| Depreciation                                 | 22.07   | 13.91   |
| Profit Before Tax                            | 187.23  | 193.15  |
| Provision for Tax                            | 65.77   | 61.61   |
| Profit After Tax                             | 121.46  | 131.54  |

16. The financial position of the Company as on 31 March, 2014 and that of the previous year is shown below :

(₹ in crore)

|                                                       | 2013-14 | 2012-13 |
|-------------------------------------------------------|---------|---------|
| Capital Employed                                      | 916.67  | 759.07  |
| Gross Block                                           | 533.87  | 427.32  |
| Net Block                                             | 365.48  | 279.79  |
| Working Capital                                       | 551.19  | 479.28  |
| Net Worth                                             | 953.73  | 860.94  |
| Value Added                                           | 504.63  | 496.00  |
| Ratios : (%)                                          |         |         |
| Profit before interest and tax : Capital Employed (%) | 20.49   | 25.57   |
| Profit after tax : Net Worth (%)                      | 12.74   | 15.28   |

#### Value of Production & Sales - (VOP Up by 5% as compared to previous year) :

17. During the financial year under review, the Company achieved the highest ever Value of Production of ₹ 1611.67crore as against ₹ 1529.15crore during the previous year. The Sales for the year amounted to ₹ 308.19 crore as against ₹ 464.21 crore during the previous year.



18. The comparative VOP for the three main Divisions is as follows :

(₹ in crore)

| Year    | Ship Division | Engineering Division | Engine Division | Total   |
|---------|---------------|----------------------|-----------------|---------|
| 2013-14 | 1560.44       | 47.40                | 3.83            | 1611.67 |
| 2012-13 | 1346.69       | 54.37                | 128.09          | 1529.15 |
| 2011-12 | 1189.79       | 55.20                | 47.54           | 1292.53 |

19. The comparative Sales for three main Divisions is as follows :

(₹ in crore)

| Year    | Ship Division | Engineering Division | Engine Division | Total  |
|---------|---------------|----------------------|-----------------|--------|
| 2013-14 | 263.69        | 41.94                | 2.56            | 308.19 |
| 2012-13 | 356.14        | 86.06                | 22.01           | 464.21 |
| 2011-12 | 442.32        | 55.20                | 47.54           | 545.06 |

**Profit Before Tax :**

20. The Company earned a Profit Before Tax of ₹ 187.23 crore and recorded Net Profit of ₹ 121.46 crore.

**Net Worth - (Increase by 11% as compared to previous year) :**

21. The year under review witnessed a leap forward with the Company's Net Worth going up to ₹ 953.74 crore from ₹ 860.94 crore in 2012-13, representing an increase of 11% over the previous year.

**Value Addition :**

22. The Value Added during the financial year under review was ₹ 504.63 crore as against ₹ 496.00 crore during the previous year. The Value Added per Employee was ₹ 16.11 lakh as compared to ₹ 14.21 lakh during the previous year registering a growth of 13%.

**Appropriations & Dividend :**

23. Considering the financial performance of the Company in the year 2013-14, the Directors are pleased to recommend the following appropriations from the disposable surplus :

(₹ in crore)

|                                           |        |
|-------------------------------------------|--------|
| Net Profit After Tax                      | 121.46 |
| <b>Less :</b>                             |        |
| Transfer to General Reserve               | 12.15  |
| Dividend of 20% on the Paid-up Capital    | 24.77  |
| Dividend Tax                              | 4.21   |
| Balance retained in Profit & Loss Account | 80.33  |

The Dividend of 20% on paid up capital includes an interim dividend of 10% on the paid-up capital amounting to ₹ 12.38 crore which was declared by the Board at its Meeting held on 29 Jan 14.

**Contribution to Exchequer :**

24. Your Company has made a contribution of ₹ 80.96 crore to the national exchequer during the financial year 2013-14 as detailed below :

(₹ in crore)

|     |                                 |              |
|-----|---------------------------------|--------------|
| (a) | Income Tax & Wealth Tax.        | 50.51        |
| (b) | Customs Duty                    | 0.12         |
| (c) | Excise Duty                     | 2.33         |
| (d) | Sales Tax (Including Entry Tax) | 24.57        |
| (e) | Service Tax                     | 3.43         |
|     | <b>TOTAL</b>                    | <b>80.96</b> |

Note : The above figures are inclusive of Education Cess, but exclusive of the Excise Duty & Taxes included in the purchase prices of the inputs.

**Capital Structure :**

25. The Authorised Capital of the Company as on 31 Mar 14 was ₹ 125 crore. During the year under review, the Government of India did not make any fresh investment in the Share Capital of the Company. The Paid-up Capital as on 31 Mar 14, therefore, remained at ₹ 123.84 crore.

**Bonus Share :**

26. The Board of Directors at their meeting held on 12 Dec 12 resolved that bonus shares will be issued to the Government of India capitalizing an amount of ₹ 61,92,00,000/- (61,92,000 equity shares of ₹ 100/- each) from free reserves in the ratio of 1:2 and accordingly approval was sought from the MoD. The MoD accorded approval on 25 Oct 13.
27. The Company meanwhile reviewed the projected profitability and capital expenditure position of future years based on changing business perspectives and Board was requested to review its decision for issue of bonus shares.
28. The Board reviewed the matter at its meeting held on 23 Apr 13 and decided that the Government be approached for consideration of postponement of said bonus issue of shares for two years, after which the matter would be reviewed again.

**Loans from the Government :**

29. Company neither had any outstanding loan to the Government at the beginning of the year nor did it take any fresh loan during the current year.



**Expenditure on entertainment and foreign Travel :**

30. Expenditure on business promotion during the year was ₹ 42 lakh. An amount of ₹ 24 lakh was spent on foreign travel by the Company's Executives for export promotion and for business visits.

**Foreign Exchange Earnings & Outgo :**

31. The information in respect of Foreign Exchange Outgo is contained in Note 29.23 of the Annual Accounts. There is no Foreign Exchange earnings during the year.

**ICD to Hindustan Cables Ltd :**

32. An amount of ₹ 4.58 crore (₹ 2.00 crore as Principal and ₹ 2.58 crore as interest) was outstanding as on 31 Mar 02 from Hindustan Cables Ltd. (HCL), which is a sick PSU. As the case was registered by BIFR, full provision was made in the Accounts of 2003-04. As per directive of BRPSE, the revival scheme as prepared by HCL's consultants was put up before Dept of Heavy Industries, BRPSE & BIFR. Dept of Heavy Industries (DHI), made advertisement inviting expression of interest from interested PSUs for joint venture formation. In response, Rashtriya Sapat Nigam Ltd. (RINL) had shown interest in HCL's Hyderabad Unit. HCL has informed that recently Ordinance Factory Board (OFB) has shown keen interest for taking over all units of HCL and discussions are currently in progress both with OFB and RINL. No modalities however, have been decided yet. HCL has confirmed that GRSE's dues will be taken care of in the Restructuring Scheme.

**Micro, Small and Medium Enterprises :**

33. The Company has been providing increased thrust on enhancing procurement from MICRO, Small and Medium Enterprises (MSMEs) and has implemented the Public Procurement Policy for MSMEs issued by the Ministry of MSMEs. The Company extends technical guidance and requisite support to these industries wherever required. The Company is regularly conducting MSME Vendor Development programmes in association with CII and MSME Ministry, Govt. of West Bengal. Our quality control personnel visit the industries to assist and ensure that the quality of the products meet the requisite standards.

34. During 2013-14, the Company procured items worth ₹ 125.91 crore from the MSMEs. Which is over 18% of the total annual procurement value. List of items reserved for MSMEs procurement already uploaded in our Website.

**Auditors :**

35. The Comptroller & Auditor General of India, under Section 619(2) of the Companies Act, 1956, have appointed M/s. G P Agrawal & Co., Chartered Accountants, Kolkata, as the Statutory Auditors for the Company and M/s. Jain Poddar & Co., Chartered Accountants, Ranchi as Branch Auditors for the Diesel Engine Plant, Ranchi, for the year 2013-14.

**Cost Auditors :**

36. Pursuant to the direction of the Central Government for audit of Cost Accounts. M/s. Chatterjee & Co., Kolkata, Cost Accountants, has been appointed as Cost Auditors for the Company for the financial year 2013-14.

**37. Manpower :**

(a) The total Manpower strength under permanent category in the Company as on 31 Mar 14 was 3125 including 460 Officers. A total of 8 employees including 3 officers are working in the Company under contractual service. However, as on 31 Dec 13, a total of 3206 employees were born in the roll of the Company including 8 employees on contractual service. Statements showing the representation of SC/ST/Women etc. as on 31 Dec 13 as well as the total recruitment made during the period from Jan to Dec 13 are given at **Appendices - "A & B"**.

(b) The Company has no employee covered under Section 217(2A) of the Companies Act, 1956.

**Corporate Governance and Management Discussion & Analysis Report :**

38. The Company has implemented the Guidelines on Corporate Governance for CPSEs 2010 issued by Department of Public Enterprises (DPE) vide OM No. 18(8)/2005-GM dated 14 May 2010. The Company has already laid down Code of Business Conduct & Ethics for all Board Members and Senior Management. The Report on Corporate Governance along with Compliance



Certificate from the Auditors of the Company and Management Discussion & Analysis Report as required under the said Guidelines, are placed at **Appendix "C" and "D"** hereto, respectively.

#### Board of Directors :

39. The following Directors ceased to be Members of the Board of the Company :
  - (i) VAdm K R Nair, AVSM, VSM, IN  
Controller of Warship Production & Acquisition
  - (ii) Shri P C Sharma, IAS  
Part time Non-official Director
  - (iii) Shri Amarjit Chopra,  
Part time Non-official Director
  - (iv) Prof. Shekhar Chaudhuri,  
Part time Non-official Director
40. The Board placed on record its deep appreciations for the valuable contributions made by the outgoing Directors during the tenure of their association with the Company.
41. The Board welcomed the appointment of the following new Director :
  - (i) Shri A V Subhedar, AVSM, VSM, IN  
Controller of Warship Production & Acquisition

#### Directors' Responsibility Statement :

42. Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, following is hereby confirmed :
  - (a) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
  - (b) That 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 31 Mar 14 and the profit of the Company for the year ended 31 Mar 14.
  - (c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
  - (d) That the Directors have prepared the annual accounts on a going concern basis.

#### Performance of Ship Division :

43. The Value of Production of the Ship Division in the financial year 2013-14 has increased to ₹ 1605 crore from ₹ 1346.72 crore in the last year, a growth of more than 19%.
44. It is a great honour for GRSE to launch the first ever export ship of OPV for Government of Mauritius successfully in time. This prestigious export order is the first ship launched from newly built Inclined Berth at main works with the continuous dedication and expertise of GRSE personnel.
45. With the commissioning of modernisation facilities at Main Yard, shipbuilding capacity of the Company has been doubled. MOPV, Yard 3021 has already been launched from the new Inclined Berth and undocked from new Dry Dock after successful completion of post launch out-fitting work. New Dry Dock is now being used for post launch out-fitting work of the first LCU.
46. GRSE has achieved this improvement in performance of ship division primarily because of introduction of various productivity improvement tools and continuous effort by all categories of employees. Pre-outfitting at block stage, analysis of detail work package, unremitting monitoring on material status & project activities, continuous interaction with sub-contractors, yard modernization, constant dedication of all employees are the key reasons behind this achievement.
47. Following major cardinal events were achieved during the financial year 2013-14 :

#### Delivery of Ships :

| SI No. | Ship                | Yard | Date      |
|--------|---------------------|------|-----------|
| 1      | 7 <sup>th</sup> IPV | 2078 | 16 Jul 13 |
| 2      | 8 <sup>th</sup> IPV | 2079 | 30 Oct 13 |

#### Ship ready for Delivery :

| SI. No. | Ship                 | Yard |
|---------|----------------------|------|
| 1       | 1 <sup>st</sup> ASWC | 3017 |

#### Launching :

| SI No. | Ship                | Yard | Date      |
|--------|---------------------|------|-----------|
| 1      | MOPV                | 3021 | 02 Aug 13 |
| 2      | 1 <sup>st</sup> LCU | 2092 | 12 Mar 14 |



**Keel laying :**

| SI No. | Ship                                    | Yard    | Date      |
|--------|-----------------------------------------|---------|-----------|
| 1      | 1 <sup>st</sup> & 2 <sup>nd</sup> LCU's | 2092-93 | 24 Apr 13 |
| 2      | 3 <sup>rd</sup> & 4 <sup>th</sup> LCU's | 2094-95 | 30 Aug 13 |
| 3      | 1 <sup>st</sup> FO-WJFAC                | 2109    | 31 Mar 14 |

**Start Production :**

| SI No. | Ship                                        | Yard    | Date      |
|--------|---------------------------------------------|---------|-----------|
| 1      | 5 <sup>th</sup> & 6 <sup>th</sup> LCU's     | 2096-97 | 26 Jun 13 |
| 2      | 7 <sup>th</sup> & 8 <sup>th</sup> LCU's     | 2098-99 | 30 Aug 13 |
| 3      | 1 <sup>st</sup> & 2 <sup>nd</sup> FO-WJFACs | 2109-10 | 16 Jul 13 |
| 4      | 3 <sup>rd</sup> & 4 <sup>th</sup> FO-WJFACs | 2111-12 | 24 Jan 14 |

**Future Outlook :**

48. Modernisation facilities at Main Yard have enhanced facilities for Integrated Construction which will result in considerable reduction in build period of ships. GRSE intends to adopt Integrated Construction Technology for construction of last 04 ships of LCU project using in-house know how. Contract for P-17A ships is being finalised with the concept of Integrated Construction technology in order to improve quality and reduction in build period for future warships.
49. GRSE is fully committed to build quality ships for Indian Navy, Coast Guard & export orders. With takeover of Rajabagan Dockyard (RBD), the company has become the biggest Defence Shipyard in India. RBD has been refurbished / converted into a full fledged shipyard from where number of ships had already been delivered to Indian Navy & Indian Coast Guard and more ships will roll out in future. In RBD, the production line for construction of IPV / WJFAC class of ships have been streamlined and fine-tuned with an aim of delivering one ship at every two months interval. With this, GRSE is the only DPSU shipyard established with two independent production lines for big ships as well as small ships.
50. At the same time, the Shipyard is also developing the outsourcing base with adequate quality assurance coverage for hull fabrication, plumbing, cabling, hull outfit etc, to strengthen the Company's efforts for meeting demand delivery schedules and customer satisfaction. To meet the demand of P-17A ships, steel throughput needs to be increased considerably. Accordingly, new sub-contractors for fabrication and erection of hull blocks are being developed to meet the demand. Use of latest technology for in-house fabrication

and erection of blocks is being adopted to increase productivity.

51. To facilitate construction of future project including of P-17A by Integrated Construction technology and also to cater to significant increased demand of steel through put, the Company is considering a proposal of creation of a new Hull Block fabrication facility with suitable EOT cranes and other infrastructure facilities for fabricating atleast 04 blocks (each weighing up to 65 tons) at a time. The facility will also cater to all needs pertaining to outfitting jobs in these blocks. The facility may be set up at Raichak site and adoption of PPP model is being considered at ship stands. The fabricated & outfitted blocks will be transported through river route to Main Yard.
52. The Company has started induction of fresh blood for revamping the aging man power base. The Company has also embarked upon new measures for modernisation, not only for layout of plant, machinery, dock & berth facilities, but also for technology up-gradation in planning software, design tools, Networking & e-mailing software etc. to achieve higher productivity in the coming year.
53. Consistent with the acquisition of the additional facilities, the Company is endeavouring to obtain further orders for Naval and Coast Guard Ships for optimization of capacity utilization. The company is also targeting Export Order for light Frigates LSTs, FACs & FIBs etc. The Company has participated in a tender of Philippines for delivery of 2 Nos. Light Frigate for Philippines Navy and has been shortlisted on the basis of capability. Further discussions are being proposed and efforts are being made to bag the order.
54. The Company has entered into an MoU with Hindustan Shipyard Limited (HSL) has been signed between HSL & GRSE on 19 Apr14 intending to explore future co-operation opportunities in ship building & ship repair. The first project in consideration is 05 Nos Fleet Support Ship for Indian Navy for which a consortium is being formed between GRSE & HSL.
55. Considering the increase in requirement of owners with respect to more definitive validations of new designs at tender stage, and as well as to cope up with the requirement of various specialized design analysis for the on-going



projects viz. LCU, MOPV and future projects including P17A, ASW-SWC, Fleet Support Ship etc. The Company has entered into an MoU on 14 Dec 2012 to undertake specialized analysis / validation with IIT Kharagpur, being a premier institute in the country and is reckoned with as the most prolific centre for developmental research in Naval Architecture. The MoU will facilitate development of R&D projects, generation of in-house design data and strengthen in-house capability for design of advanced shipbuilding projects.



#### Yard Modernisation :

56. The new "Interated Shipbuilding Facility" was inaugurated by Hon'ble RRM Shri Jitendra Singh on 06 Jun 13. The shipbuilding infrastructure with following major facilities created under Phase-II modernization will provide the adequate base in implementation of Integrated Construction of ships, using advanced Modular Shipbuilding technology. Overall, this modernisation is facilitating in reduction of 'build period' of ship with improvement in quality of ship construction.

(i) **Dry Dock** and **Inclined Berth** for building large ships.

(ii) **Module Hall** (99x30 M) with telescopic sliding roof arrangement, to facilitate integration of Mega-Hull blocks weighing up to 225 Tons.

(iii) **Goliath Crane** of 250 Tons capacity, covering above Dry Dock, Inclined Berth and Module Hall, for handling of Mega-Hull blocks weighing up to 225 Tons, to enable Modular Shipbuilding.

(iv) **Paint Cell** for blasting and painting of hull blocks at controlled conditions of temperature and humidity.

(v) **Portable Shelters** for Dry Dock and Inclined Berth, to provide protection during inclement weather.

57. The 1<sup>st</sup> ship constructed at the new Inclined Berth was Offshore Patrol Vessel for Mauritius Government (MOPV) with keel laying in Apr 12 and successful launching of ship on 02 Aug 13. Subsequently, two Landing Craft Utility (LCU) ships are being concurrently constructed at the new Inclined Berth (keel laid on 30 Aug 13).

58. Utilization of the new Dry Dock was commenced with underwater outfitting work of 1<sup>st</sup> Anti-Submarine Warfare Corvette (ASWC) with successful docking and un-docking of the ship. Thereafter, underwater work of MOPV was carried out. Currently, another Landing Craft Utility (LCU) ship is being constructed at new Dry Dock.

#### Engineering Division :

59. The Value of Production achieved by the Engineering Division during the financial year 2013-14 amounted to ₹ 49.32 crore.

#### Portable Steel Bridge Unit :

60. This Unit has supplied 33 - Bridges during 2013-14 amounting to ₹ 36.56 crore supplied to Army, NRRDA (National Rural Road Development Agency), various state PWDs, export to Bhutan and many other private customers.

61. In view of stiff competition, the Company has decided to cut down the delivery period from normal 6 months to 2-3 months and in good number of cases, supplies have been affected on ex-stock basis. Benefitting from this your Company supplied 16 Bridges within 35 days during Jul - Aug 2013, to meet Uttarakhand landslide disaster management.

62. During this year, supplied 7 Bridges to Army have been delivered towards the road connectivity between Imphal and Myanmar. This year the Company has executed export orders worth ₹ 4.69 crore to Bhutan.





63. The sustained efforts initiated during last year to expand business potential and search for new customers have yielded results now. During Nov 2013 we have entered in to an MOU with Govt of Odisha for supply of about 100 bridges on turnkey basis. A similar MOU was signed with the Govt of Chattisgarh too.
64. Now, our order book is about ₹ 65 crore and good many orders are in final stages of awarding.
65. Our in-house R&D team is in the final stages of live load testing of an upgraded version of Portable Steel Bridges with the use of improved "Panel 10'x7' size". Design of this upgraded version of bridges was verified by CSIR-Structural Engineering Research Centre, Chennai.

**Deck Machinery and Naval Pump Unit :**

66. Deck Machinery Unit has achieved a remarkable feat in this year by way of successful supply and carrying-out of HATs of Rail less Helo Traversing System to handle a helicopter on board ship. Being the only proven indigenous supplier of such systems, the company has bagged orders for 5-NOPVs and 3-CTSS from Pipavav & ABG Shipyards respectively. Good numbers of further offers are under process. You will be pleased to know that this has an indigenous content of about 72%.
67. The Unit has supplied 58 Nos. – Equipment to various shipyards and also towards in-house consumptions and registered a value of production/turnover of ₹ 12.76 crore. The present order book position for various Deck Machinery items and Naval Pumps is about ₹ 63 crore.
68. **Engine Department (Ranchi) :** The VOP achieved by this Division stood at ₹ 5.40 crore during 2013-14. This is mainly because of low order book and aging of assembly & test facilities.
69. Moving in the direction of expanding the business, an order has been placed on M/s Triveni Infratech to modernize the assembly & test facilities of Marine Engines. This includes setting-up of dust & sound proof work area and other related facilities. On completion of this up-gradation, Engine Division will enter in to an extended MOU with MTU Asia for production of Marine Engines at SKD level and this is likely to get business of about ₹ 428 crore in phased manner in next ten years.

**Conservation of Energy :**

70. The shipyard continued its endeavour towards optimum utilization of various energy inputs. GRSE became the first Ship Building Industry in the country and the first DPSU to get accreditation on Integrated Management System harmonizing ISO 14001:2004 (Environment Management System), BS OHSAS 18001:2007 (Occupational Health & Safety Assessment Standard), and EN ISO 50001:2011 (Energy Management System) by world renowned certification body TUV NORD, Germany.
71. Energy audit is conducted in all the units of shipyard to optimize consumption of all type of energies in use i.e. coal, electricity, petroleum etc. Real time Power factor correction of the power distribution system is consistently maintained in the shipyard through implementation of thyristor based automatic power factor correction mechanism with intelligent reactive power management system in the substation.
72. In accordance with the recommendation of energy audit report the shipyard implemented the followings energy conservation measures:
  - (i) The luminous efficacy and colour rendering index of metal halide lamp being much better than the conventional HPMV lamp, 250 watt metal halide luminaries are introduced in the yard replacing 400 watt HPMV luminaries resulting energy conservation to the tune of 22% approximately.
  - (ii) The shipyard is increasingly replacing T<sub>8</sub> (36 watt) lamp by energy efficient T<sub>5</sub> (28 watt) lamp as the luminous efficacy of the later is almost double compared to T<sub>8</sub> lamps ensuring 23% reduction in energy consumption.
  - (iii) The shipyard has replaced conventional energy inefficient pumps by energy efficient mono-block pumps resulting 34% reduction in energy consumption without compromising the demand of existing fresh water requirement of the yard.
73. Use of Bureau of Energy Efficiency accredited star rated window air conditioners have extensively been adopted in the yard. Renewable energy in the form of solar is constantly being used by the yard for general illumination which resultantly ensures ecologically sustainable growth of India's energy security challenge.



74. Consistent effort to minimize distribution loss in compressed air and water supply system has been adopted as part of conservation of energy. Use of aluminium, termed as eco-friendly green metal, as roofing and cladding sheets, in shops replacing asbestos has been adopted which reduces direct greenhouse gas emission to the extent of 14%.
75. Holistic approach like introduction of battery operated material handling equipment, ensuring proper voltage profile at every level in lighting distribution network, extensive use of translucent sheets in shop floors to allow plenty of natural light in shop floor etc have been adopted as part of energy conservation initiatives. The cost of energy input during the year under review was 0.60% of the total value of production as against 0.71% that of last year, despite 9% increases in the power tariff in the intervening period. During financial year 2013-14, a reduction of 17.49% in energy consumption has been recorded in the shipyard.
76. This shipyard has been rated as excellent in MoU criteria in financial year 2012-13 under "Sustainable Development" category.

#### Technology Adoption, Absorption and Innovation:

77. Lighting energy saver has been introduced in the shipyard as a pilot project to limit excess voltage build up across gas discharge lamps which resultantly reduced energy consumed by the lamps. Thus the energy conservation to the tune of 25% has been achieved and a recurring saving of ₹ 4.4 lakhs per annum of the energy bill. This initiative prevented premature failure of lamps & ballasts also considerably.
78. Advanced energy saver for air conditioners has been introduced in the shipyard also as another pilot project to ensure reduction of energy consumption by 26.66% approximately and a recurring saving of ₹ 73 lakhs per annum of the energy bill.

#### ERP & IT in GRSE :

79. The highlights of the year in the area of ERP & IT are as follows :
- (i) **Implementation of SAP** in Provident Fund accounting and administration is in advanced stage and under trial in 2013-14 and has gone live w.e.f. Apr 2014.

(ii) 8 Nos. of **interactive Kiosks** have been set up in Main, FOJ, RBD, Taratala, 61 Park, DEP Ranchi Units.

(iii) To maintain business continuity in case of any **unforeseen natural or man-made disaster** in the main Data Centre, the Company has established a DR System through '**Co-located Managed Solution**' methods at Mumbai.

(iv) To track movement of physical files, a **file tracking system** has been implemented.

(v) **Structured Training on ERP** has been imparted to RBD, Material, Security and Maintenance departments.

80. A drive has been taken to leverage IT for maximum benefit in the production area at docks & berths. Following initiatives are in process to make **Production area more IT enabled** :

(i) **View Drawing in Production area** : The final drawings released by the Design department are being viewed by the production team through shop floor computers. This facility is enabling production team to view the drawings in 2-D and 3-D mode and getting real time updates of the drawings. They do not have to wait for paper copy of the drawings.

(ii) **Network Availability at the dock and berth area** : Both Wired and Wireless Network connectivity are being provided to the nearest point of the docks and berths. This is facilitating production team to view different status report and updates in SAP, project progress, labour booking and many more.

(iii) **Handheld for Production personnel**: Production personnel will be given 10.5" Tab Handheld to access their email, documents, MIS dashboard and many more on the go. This mobile facility will provide better communication and updates on their day to day activities and control.

(iv) **Enterprise Level Project Monitoring System (PMS)** : The PMS project for LCU is in progress. This enterprise level software facility will provide project progress and PERT chart at any point of time during execution.

#### e-Procurement & Reverse Auction :

81. e-Procurement is the key component of Mission Mode Project under national e-governance plan. It has several advantages such as cost saving, saving in time, safety, security, speed and above

all, transparency in achieving efficiency in procurement. Following Milestone were achieved during the year :

(i) Value of materials procured through e-mode has been ₹ 710.24 crore in 2013-14 compared to ₹ 467.99 crore in 2012-13 and increase of 51%. From Apr 13 to Mar 14, GRSE Material Department achieved average 97% through e-procurement mode.

(ii) Wider participation of vendors in e-procurement has been achieved. Number of Vendors registered with GRSE e-procurement system has risen from 1400 to 1660 during 2013-14, an increase of nearly 18%.

(iii) 779 nos. of tenders floated through e-procurement mode for the FY 2013- 14 compared to 578 nos. of tenders in FY-2012-13.

(iv) Approximately 300 nos. of vendors obtained on-line training on e-procurement procedure in FY 2013-14.

### e-Auction :

82. In order to leverage the technology resources in achieving speed, efficiency, transparency and higher market value, the Company opted for e-Auction platform for transaction of its disposal activities. Total sale through e-Auction in 2013-14 was ₹ 2.73 crore.

### Quality Assurance :

83. The year 2013-14 has been declared year of quality by the Hon'ble Defence Minister. To take quality to greater heights the following was undertaken :

(i) ISO 9001-2008 was implemented in Plate Preparation Shop.

(ii) GRSE set target for controlling Welding Defect within 3.8% and achieved the same by concerted effort.

(iii) Achieving Speed of a Vessel during Sea Trial is the most crucial Quality Parameter of a War Ship and the Ships delivered by GRSE have achieved the required speed. This was achieved by intense monitoring at each stage of construction and control by using Laser Tools.

(iv) In the year 2013-14, GRSE has registered 87 new permanent vendors. This could be achieved by giving special thrust in way of Visiting Exhibition and encouraging the vendors to register with GRSE. GRSE has 974 Vendors as on 31 Mar 14 after segregation of dormant vendors.

(v) **GRSE was Awarded Certificate of Appreciation for being a Model TQM Company by CII (Eastern Region).**

84. **Development of Vendors for Outsourced Jobs:** The Company has, during the year, put growth thrust in developing new quality vendors to carry out various outsourced jobs by way of originally "Vendor Mela" and interactive session with capable vendors. In this endeavor online vendor registration process has also been started.

### Quality Circle Activities :



### Quality Circle :

85. Implementation of Quality Circle concepts has taken place in almost all the departments of GRSE. This year 10 (Ten) Quality Circle Teams from GRSE have participated in Chapter Convention on Quality Circles 2013 organised by QCFC Kolkata Chapter. Nine teams were Ranked GOLD Category and One team was Ranked SILVER Category.

86. National Convention on Quality Concepts 2013 organised by QCFC Head Quarter was held at Techno India College of Technology, Kolkata from 20-23 Dec 2013 where 10 (Ten) Quality Circle Teams from GRSE have participated. Performances of Three teams were judged in PAR EXCELLENCE Category and rest Seven teams were judged in EXCELLENT Category. The details are given below :

| Level of Convention / Presentation | No. of QC teams participated | Performance Grade achieved by QC teams |        |        |
|------------------------------------|------------------------------|----------------------------------------|--------|--------|
|                                    |                              | Gold                                   | Silver | Bronze |
| CCQC - 2013 (Chapter Convention)   | 10                           | 9                                      | 1      | -      |



| Level of Convention / Presentation | No. of QC teams participated | Performance Grade achieved by QC teams |           |               |
|------------------------------------|------------------------------|----------------------------------------|-----------|---------------|
|                                    |                              | Par Excellence                         | Excellent | Distinguished |
| NCQC- 2013 (National Convention)   | 10                           | 3                                      | 7         | -             |

87. For effective implementation of Quality Concept in the organization, the CMD of GRSE has been awarded "QCFI AWARD FOR BEST CEO OF THE YEAR – 2013" in the 27<sup>th</sup> National Convention on Quality Concepts on 20<sup>th</sup> December 2013.

#### "5-S" Activities :

88. Work place management under the concept of "5-S" techniques are being maintained in GRSE and Three Best shops in each area of Production, Production support and Service sector considering all the units including DEP unit, Ranchi are awarded the Prizes on GRSE DAY based on their performances. This year Two stage Audit has been planned and First phase of Audit has been completed in the month of Nov13 with suggestions recommended for further improvement.

#### TPM Activities :

89. As far as maintenance of machines and other facilities are concerned, the calculation and monitoring of machine availability vis-à-vis the quality of work performed by them is very important. TPM initiative has started by IE&P Department in large three shops - Ship Building Shop, Plate Preparation Shop and Modern Hull Shop of Main unit of the organization. Calculation of Overall Equipment Effectiveness (OEE) of certain vital work stations have been under taken, which may serve as the main purpose of a Quality Index for the Organization.

#### Implementation of Six-Sigma Concepts :

90. For implementation of "Six-Sigma Methodologies" in the organization a pilot project in service area has been under taken as Replacement of existing Tube Light Sets by improved LED Lighting Sets. Variables for Tube Light Sets and LED Lighting Sets are analyzed. In primary study, it is observed that due to reduced variables in LED lighting system compared to traditional Tube lights, the Reliability of continuous lighting hours have been

improved i.e. Sigma level have been increased.

#### Safety at Work :

91. National Safety Week was observed in all the Units of the Shipyard from 4<sup>th</sup> to 10<sup>th</sup> March 2014, when safety banners were displayed. Safety Shield was awarded to the best performing unit for adherence to safety norms and procedures during GRSE Day Celebration on 19 Apr 14.
92. The shipyard has maintained accident frequency rate 2013-14 in line with that of the MoU target and achieved "Excellent" grading. The yard continued its endeavour to maintain high standard of safety all around the yard. Fire and safety training programmes are conducted regularly in the yard for all categories of employees including business associates to revoke safety awareness.

#### HUMAN RESOURCE & ADMINISTRATION

##### 93. Industrial Relations :

- (i) Industrial Relations during the period under report across all the units were peaceful and harmonious.
- (ii) The wage settlement in respect of Operatives and Office Assistants have since expired on 31 Dec 11. Fresh wage settlement is due from 01 Jan 12 and negotiation is in progress.
- (iii) GRSE Ltd. Workmen's Union staged demonstration / dharna claiming employment for dependents of died-in-harness cases.

##### 94. Welfare Activities :

- (i) **Celebration of GRSE Day** : The 55<sup>th</sup> GRSE Day was celebrated on 19 Apr 14. The main function was held in front of Administrative Building of GRSE Main Unit. The function started with welcome song, lighting of lamp by CMD, Directors, CVO and Presidents of Associations and Unions, followed by musical soiree by GRSE employees. The retired employees of GRSE who had served the Company for 40 years or more were felicitated on this occasion. Chairman's Safety Shield was presented to Main Unit. As in every year, the GRSE Excellence/Exemplary Awards for individual achievement and group activities were conferred on employees for their excellent performance during 2013. GRSE Shri was conferred on 05 employees. On this auspicious occasion, a High Tea was organized at Ordnance Club on 19 April 14. The event was graced by His Excellency Hon'ble Governor of West Bengal, Shri M. K. Narayanan. The Governor praised GRSE's achievement in

bagging the prestigious 'Best Performing Shipyard' Trophy for two years in a row, awarded by Raksha Mantri, in 2010 – 11 and 2011 – 12 and encouraged the young officers to continue their endeavour in pursuit of excellence in shipbuilding strengthen indigenization and defence preparedness of the country.

(ii) **Merit Awards** : GRSE Merit Awards were conferred on 19 Apr 14 by CMD and Directors to 45 employees' children for their outstanding academic performance in 2013.

(iii) **Sports** :

(a) **Annual Sports Meet** : Participation in sports was actively encouraged to ensure healthy work-life balance as well as relieve stress and monotony of everyday life. Annual Sports Meet was conducted for the employees of our Company in following five events :

- (i) Football
- (ii) Volleyball
- (iii) Chess
- (iv) Table Tennis
- (v) Musical Chair (Exclusively for lady employees)

(b) **Participation in National and State Tournaments** :

(i) **Football** : The GRSE Football Team had put up a commendable performance in the All India Public Sector Football Tournament and were runners-up in the tournament conceding defeat to Air India. The team also participated in Corporate Games and Kolkata Office League Tournament.



(ii) In addition to football, the employees also participated in the following events in Corporate Games – 2013 held in New Delhi :

- (a) Volley Ball
- (b) Table Tennis
- (c) Chess

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

95. Corporate Social Responsibility (CSR) is an integral part of Garden Reach Shipbuilders and Engineers Ltd. (GRSE) corporate philosophy. GRSE CSR activities aim to benefit the marginalized sections of the local community through different projects that enhance income through creation of sustainable livelihood opportunities and improving the quality of life. The GRSE CSR Policy focuses on the following thrust areas :

- (i) Health Care.
- (ii) Education & Skill Development.
- (iii) Community Development.

96. **Modalities/Mechanism of CSR implementation:**

Baseline Surveys are conducted in the vicinity of our factories to identify the needs and areas of concern of the local community and other stakeholders primarily in the surrounding areas of the factories. A Board Level Committee on CSR & Sustainability headed by an Independent Director monitors the progress of various CSR & Sustainability projects.

97. **Towards creating CSR awareness among employees :**

- (i) CSR training is imparted to executives entrusted with implementing CSR and Sustainability projects.
- (ii) In house training programmes are organized for the employees in association with National CSR Hub.
- (iii) CSR initiatives and events are highlighted in the Company's House Magazine.

98. **Major CSR Projects Undertaken :**

(i) **Skill Development / Vocational training – An initiative for harnessing human resource and empowering youth :**

GRSE has entered into Tripartite MoU on 09 Jan 14, with Indian Institute of Engineering Science and Technology (IIST, formerly Bengal Engineering and Science University (BESU) and Kolkata Police to provide vocational training. Vocational training has been imparted to about 755 local unemployed youths during the year. During the training period, the trainees were given an amount of ₹ 70 for each day of attendance to defray their travelling and Tiffin expenses. Placement assistance is provided to all trainees



on completion of training. Vocational training was imparted in various modules which included (a) AC Repair & Maintenance, (b) Food & Beverage, (c) Plumbing, (d) Electrical, (e) Carpentry, (f) Media & Entertainment & (g) Automobile Service Technician. Event on signing of Tripartite MoU on Vocational Training between GRSE, IEST and Kolkata Police on 09 Jan 14 .

#### (ii) Women Empowerment through Vocational Training :

(a) GRSE has made a humble beginning towards empowerment of women by partnering with Sri Sarada Math – Rasik Bhita in setting up a computer laboratory and theory room and sponsoring vocational training of 35 girl students from economically disadvantaged families. This facility will be used for imparting special carrier oriented training to the girl students.



(b) GRSE has supported annual expenditure for 6 nuns of Ladakh Nun's Association (LNA) for school education, tutoring where required, training in traditional Tibetan medicine, food, school fees etc. which will enable the young nuns

not only to improve their quality of life but also to provide basic health services to the local community where they reside.

#### (iii) Cataract surgery for the poor and needy people of Metiabruz, Kolkata :

131 numbers of cataract surgeries were conducted conforming with the All India Ophthalmology Society (AIOS) Guidelines. Pre-operative check-up with investigations and post-operative check-up with medicines, consumables were provided upto 6 weeks from the date of surgery. Spectacles were provided after proper binocular refractive correction.



(iv) **Monthly Health Camp :** GRSE is working towards providing basic health care facilities to the local community who are unable to bear medical expenses. Monthly health check-up camps/ clinics are held in our 61 Park Unit on the last Saturday of every month in which on an average, 190– 200 patients were examined and provided medicines.



**(v) Improvement in infrastructural facilities in local high schools :**

(a) **Construction of Toilet Blocks** : Lack of toilet facilities was identified as one of the reasons for lower participation of girl students in school education particularly at upper primary level. GRSE has facilitated construction of toilet blocks in 9 local High Schools to mitigate this problem.

(b) **Providing Fire Extinguishers** : 100 standard fire extinguishers were provided to 20 local schools as a fire prevention mechanism and to improve the safety standard in the schools.

(c) **Construction of Shed for Sports Gallery at Matiaburj High School (HS)** : GRSE had facilitated construction of a concrete sports gallery in the playground of Matiaburj High School (HS) which is extensively used by the school children and the people.

(vi) **Empowering Differently Abled Children** : Rehabilitation and support to differently-abled children was also a major area of intervention. GRSE supports 3 classes of the Indian Institute of Cerebral Palsy's (IICP) in their Centre for Special Education which comprise of approx 40 children who have severe multiple impairments. These children do not have functional speech and use augmented communication methods. Students aged between 14 – 18 years are imparted pre-vocational skill training. The vocational training in addition to empowerment and income generation also increases self esteem and confidence of these students and thereby helps in mainstreaming these children.



(vii) **Relief and support to Uttarakhand flood victims** : The unprecedented floods in Uttarakhand resulted in enormous damage to life and property. GRSE as a part of CSR initiative contributed ₹ 1 crore to the Chief Minister's Relief Fund, Uttarakhand for relief and rehabilitation activities in the flood affected areas of Uttarakhand. GRSE has always come forward in support of the people of the nation in time of need.

99. **CSR Accolade** : GRSE has been conferred PSE Excellence Award 2013 for Corporate Social Responsibility & Sustainability under Mini Ratna & Others Category by Department of Public Enterprises, Government of India and Indian Chamber Of Commerce on 16 Dec 13.

100. **Training & Development :**

(i) Training & Development activities of Human Resource Department is designed with an aim to develop and nurture the most valuable assets of the company i.e. the Human Resource, keeping pace with the changing industrial environment-nationally and globally. HRD interventions through training programmes, workshops and awareness programmes were conducted during the year 2013-14 with a view to nurture core competencies commensurate with Corporate Strategy & organizational Objectives.

(ii) A brief of some of the HRD interventions conducted during the year is enumerated below:

(a) **HR as "Heart of Change"** : HRD intervention on building culture, team work and belongingness has been initiated through Diagnostic Dialogue between external consultant and members of top management. Based on the Diagnostic Report, a Workshop "HR as a heart of change" has been organised so that HR Department can steer the process of culture change throughout the organization.

(b) **Effective Management of Contractor Labour** : A two day residential workshop on Labour Laws at XLRI was conducted with participation of executives from Defence shipyard including GRSE for effective contractor labour management. HR officers as well as Line Managers from various departments deliberated on practical issues and challenges.



(c) **Human Values & Ethics for professional excellence** : In order to motivate our executives for high performance and sustained commitment to ethical conduct, workshops on Human Value and Ethics for Professional Excellence were conducted for senior executives of GRSE.

(d) **Nutritional Awareness programme for employees** : In order to provide guidance and counselling on healthy life-style and proper diet, nutrition awareness programme by noted dietician and nutrition expert was conducted for employees across the units. Around 200 employees attended the programme.

(iii) A brief of some of the training & development programmes conducted for GRSE employees is enumerated below:

(a) **Technical Training programmes** : To keep pace with the evolving technological changes, Skill Development training programmes were organized for operatives in Welding, Electrical, Fitting, Pipe Fitting and Machinist trades at Advance Training Institute, Kolkata. Supervisors from Ship Division were sent for Advanced Welding courses at Trichy. Officers were sent to NIRDESH, SODET and other reputed institutes/ organizations for courses on Warship Design, Non-Destructive Examination, Advanced Welding, EMI/EMC in Defence Systems, role of Classification Agencies, corrosion control, SAP, cyber security.

(b) **Management Development programmes** : To equip officers and supervisors with functional and leadership skills so that they can administer the organization in the right direction, professional development programmes on HR, Finance, Material Management disciplines were conducted both in-house by reputed experts of the subject as well as outside institutes. A two day programme on Risk Management for senior officers which was one of the HRM MOU (2013-14) target was organized at IIM Calcutta in December 2013. Training programmes on Lead Auditors, QMS Documentation for ISO 9001:2008 implementation in the shipyard were conducted for employees. Also, workshops on Reservation and Labour Laws were also conducted for officers.

(c) **Employee Development programmes** : During the year 2013-14, a six day Induction training programme for newly joined officers and a Mid-Career Development programme on building and leading high performance teams for Managers and Senior Managers were organized at management institutes. Also, Supervisor Development Programmes for non-unionized supervisors and motivational and attitudinal transformation workshops for operative category of employees were conducted during the year with a view to prepare them for changing organizational and business environment.

(d) **Awareness programmes on Health, Safety and SAP/DMS** : A series of monthly awareness programmes on Health, Safety and Firefighting issues were conducted for all employees. 10 day Yoga training by experts from Ramakrishna Yogashram has been conducted for all categories of employees. In-house SAP/DMS hands-on training for employees were also organised department-wise during the year.

(iv) During the year 2013-14, GRSE personnel have participated in CII Workskills Competition in various trades. In the 25<sup>th</sup> National Workskills Competition held in June 2013, GRSE participants have won first prize in COPA (below 22 yrs.), Carpentry (below 22 yrs.) and Carpentry (above 22 yrs.) trade events. In the 26<sup>th</sup> Regional Workskills Competition held in Feb 2014, GRSE participants have won first prize in Carpentry (below 22 yrs.) and both first and second prize in Carpentry (above 22 yrs.) trade events.

(v) As a whole, HR Department through various training programmes and HRD interventions conducted during the year 2013-14 facilitated growth opportunities of employees and fostering of team spirit and commitment of employees towards the organizational goals. All these efforts culminated in achievements of MOU targets for the year 2013 – 14 and development achievement “Excellent” rating for the shipyard.

#### **Official Language Implementation Committee :**

101. Official Language work has increased considerably during the period under review. Quarterly meetings of Official Language

Implementation Committee were held regularly on 21 Jun 13, 25 Sep 13, 27 Dec 13 and 28 Mar 14 under the chairmanship of Chairman & Managing Director, to review the progress made by various departments.

#### 102. **Rajbhasha Awards**

(i) GRSE has been awarded prestigious **Indira Gandhi Rajbhasha Puraskar** (2<sup>nd</sup> Prize) for the year 2011-12 for Implementation of Official Language in the company. The Award presented by Hon'ble President of India, Shri Pranab Mukherjee was received by our C&MD at a ceremony held at Vigyan Bhawan, New Delhi on 14 Sep 13.

(ii) GRSE has been awarded **Rajbhasha Shield** for the year 2012-13 for excellent performance in Implementation of Official Language by Town Official Language Implementation Committee (PSU's), Kolkata at a ceremony held on 30 Aug 2013.



(iii) **1<sup>st</sup> prize has been awarded to GRSE's Hindi Magazine 'Rajbhasha Jagriti'** (7<sup>th</sup> edition) by Town Official Language Implementation Committee (TOLIC) at a ceremony held on 30 Aug 13.

(iv) DGM (OL) has also been awarded appreciation letters by TOLIC for:

(a) Excellent performance in Implementation of Official Language and Editing of RajbhashaJagriti Magazine.

(b) Theme/Cover Story of GRSE's Hindi Magazine by DGM (OL) was appreciated, selected, adopted and printed by TOLIC in their Hindi Magazine during the year.

#### 103. **Hindi Day / Fortnight Celebrations :**

Period from 1-14 Sep 2013 was observed as Hindi Fortnight and 19 Sep 2013 as Hindi Day. During the period various competitions i.e., Hindi Essay, Hindi Noting-Drafting, Hindi Quiz, Hindi Translation, Self composed Hindi poem, Hindi skits and Picture Composition were organized. Cash Awards and certificates were distributed to winners by C&MD on the occasion of Hindi Day function.

#### 104. **Hindi Publication :**

(i) 8<sup>th</sup> Edition of Hindi Magazine "Rajbhasha Jagriti" was released by C&MD on the occasion of Hindi Day Ceremony.

(ii) Hindi Posters were prepared to encourage employees towards use of Hindi.

(iii) Apart from this Company's House Journal 'GRSE Barta' and 'Vigilance Newsletter' were published in trilingual form.

#### 105. **Rajbhasha Sangoshthi :**

RajbhashaSangoshthi was organized on 19 Mar 14 under the chairmanship of Chairman & Managing Director, wherein all Nodal Officers (Official Language) of GRSE, officers from Regional Implementation Office, Central Translation Bureau and representative of Town Official Language participated.

#### 106. **Hindi Workshops :**

In order to acquaint the employees with Official Language Policies and to train them to work on Computers in Hindi, in-house Hindi as well as Computer Workshops were conducted on 07 Jun 13, 26 Sep 13, 27 Sep 13, 26 Nov 13, 17 Feb 14, 18 Feb 14 and 27 Feb 14.

#### 107. **In-House arrangement for Hindi Training :**

Four batches of In-house arrangement for Hindi Training (Praveen/Pragya) have already been completed. Therefore Hindi Training of Employees is being completed in a time bound manner as stipulated by Ministry of Home Affairs, Deptt. of Official Language. With this arrangement we are not only saving productive time but it has also reduced the expenditure in terms of TA/DA to employees.

#### 108. **Incentive Schemes :**

To enhance the use of Hindi and to motivate the employees towards its use, following incentive



schemes are in vogue and employees as well as departments were given cash prizes on Hindi Day ceremony.

(i) **Incentive for doing original work in Hindi** - 22 employees were given cash awards, during the year.

(ii) **Inter Unit Rajbhasha Shield** - Inter Unit Rajbhasha Shield for the year was awarded to TTC Baranagar unit for doing maximum work in Hindi during the year.

(iii) **Inter Departmental Annual Incentive Scheme to encourage Hindi correspondence/Hindi Noting/Drafting** - Cash awards were given to Security, Medical, Finance and Yard Modernization Departments.

(iv) **Incentive to encourage Hindi writing** - 08 Cash prizes for best entries in Rajbhasha Jagriti were given.

(v) **Incentive Scheme for English Steno-Typists for doing Hindi Typing work** - As per the directives of Ministry of Home Affairs, Department of Official Language, incentive scheme has been introduced.

(vi) **Inter departmental incentive to encourage Hindi correspondence/Hindi Noting/Drafting** - Under Inter departmental quarterly incentive scheme to encourage Hindi correspondence/Hindi Noting/Drafting, cash awards to 03 Service Departments, 03 Production Departments and 03 Production support Departments were given on the basis of their quarterly reports regarding progressive use of Hindi in the Official Language Implementation Committee meetings.

(vii) **Hindi competitions in local schools to encourage the use of Hindi** : Use of Official Language is promoted by GRSE not only in yard but also in the adjoining areas/localities. Under which Hindi Essay competitions were conducted on 15 Jul13, 04 Dec13 and 26 Mar 14 in local schools and prizes distributed to three successful students from each school.

#### **Publicity & Public Relations :**

109. GRSE's trust worthy brand equity has enriched while the Shipyard again received The Best Performing Defence Shipyard award 2013 by Hon'ble Raksha Mantri. Regional and National Media support has been increased in terms of quantity and quality during various events

happened in and around the nation. Participation in foreign Exhibitions was appreciated across the continent. In National and International Scenario, consistent productivity news turned the Company's image to a greater height. The most remarkable publicity took place while first prestigious order of Offshore Patrol Vessel for Government of Mauritius was launched during the month of Aug13. Strategic participation in the regional exhibition like Disha 2013 in Bhubaneswar did also help the shipyard to not only showcasing its product spectrum, but also to connect with neighbouring states in a business relationship. Strategic publicity steps thus accelerate the growth path of the company.

#### **Implementation of RTI Act :**

110. Implementation of RTI is being complied in line with the RTI Act, 2005. During the year 2013-14 a total of fifty seven RTI requests were received and fifty two were replied. Three nos. First Appeals to FFA were received and one no. was replied. CIC sent one notices for hearing against Second Appeal and the Company had attended the same and complied. After hearing CIC passed order which was fully complied. Annual Return for year (2013-14) has already been uploaded in RTI MIS Updating System developed by NIC.

#### **Vigilance Activities :**

111. The primary role of the Vigilance Department is to achieve a corruption-free organization, by ensuring compliance of different orders/guidelines issued from time to time by CVC, MOD, CTE and DPE. CVO is authorized to decided vigilance angle in a complaint or disciplinary case. The Department's role is mainly advisory in nature.

112. Vigilance has several aspects; Predictive Vigilance, Preventive Vigilance, and Punitive etc. To achieve the goal of vigilance activities, wide publicity of the orders of CVC, MOD, CTE and DPE were given. Besides, different files pertaining to procurement/disposal of different items, various contracts were scrutinized to ascertain adherence to the promulgated guidelines. Further, to ensure proper observation of "Integrity Pact", meeting with IEMs were held at regular intervals. Property returns submitted by officers were scrutinized. Complaints received from various sources were thoroughly investigated.



113. Several system improvement works were taken up during this period. Complaint policy has been prepared and promulgated to the officers of this organization.
114. Rules were amended requiring DGM and above level officers to give intimation on accepting employment within one year of separation in organizations
115. Publication of vigilance newsletter 'v-GRSE' published on 19 April 14 and in the eve of GRSE Day. It will be semi annual publication. A vigilance corner was also made in the homepage of GRSE intranet (employee portal).
116. Structured meeting between C&MD GRSE and CVO GRSE took place regularly. Also CVO GRSE made presentation to the Board during the vigilance review by the Board. Also the ODI List (list of officers' doubtful integrity) was finalized.
117. GRSE took active part in the vigilance study circle (Kolkata Chapter) in its 4<sup>th</sup> Anniversary Celebration held on 10 Jun 13.
118. A seminar on awareness among the officers and supervisors was conducted at Taratala Unit of GRSE on 17 Jul 13.
119. Shri Sunil Abraham, Executive Director, Centre for Internet and Society, addressed GRSE officers in a half day seminar on the topic of open source software and open standards for National Security. The seminar was held on 15 May 13 at main unit.
120. Several activities were organized during the 'Vigilance Awareness Week' (28 Oct 13 to 02 Nov 13). An essay competition was conducted by GRSE in Garden Nut Behari Das Girl's High School located in local area on 29 Oct 13 on the eve of Vigilance Awareness Week 2013. Prizes were distributed to five participants. During the period of Vigilance Awareness Week - 2013, two vigilance facilitation programs were held on 28 Oct 13 and 30 Oct 13 at FOJ unit and Main unit of this shipyard respectively. Management game on vigilance was demonstrated and certain vigilances cases and articles were discussed with the employees by CVO, GRSE.
121. A film entitled "Sicko" was screened from You Tube on the valediction function of Vigilance Awareness Week 2013.

**Acknowledgements :**

122. Your Directors express their deep appreciation and place on record their gratitude to the Department of Defence Production and other Departments in the Ministry of Defence for their continued support, assistance and guidance. The Directors also express their sincere thanks to the Ministry of Surface Transport, Govt. of India as also the Governments of West Bengal, Jharkhand and various other States, for their continued co-operation and valuable support. Your Directors are particularly grateful to the Indian Navy and Coast Guard Headquarters, Ministry of Home Affairs, Ordnance Factory Board, Kolkata Port Trust, Public Works Departments of various State Governments, Police Department of West Bengal & Kolkata and other valued customers as well as business associates for the confidence reposed by them in the Company. We will fail in our duty if we do not acknowledge the cooperation and positive approach of the Warships Production Superintendent and his dedicated Team under whose watchful eyes our ships are being built. Also, we thank all classification societies, in particular, IRS & ABS, who have ensured quality and adherence to the standards.
123. The Directors acknowledge with thanks the valuable advice rendered by, and co-operation received from the Principal Director, Commercial Audit as also the Officers of the Comptroller & Auditor General of India, Controller of Defence. Accounts (Navy), Registrar of Companies, Company Law Board and the Department of Public Enterprises.
124. The Directors wish to place on record their appreciation to all officers and employees at various levels for their hard work, dedication and commitment. The enthusiasm and unstinted efforts of the employees have enabled the Company to remain at the forefront of the industry despite increased competition from several existing and new players.

For and on behalf of the  
Board of Directors  
Sd/-

(A K Verma )

Rear Admiral(Retd.)

Kolkata,

Dated : 15th July, 2014

Chairman & Managing Director

**APPENDIX – A****STATEMENT SHOWING REPRESENTATION OF SC/ST/OBC, EX-SERVICEMEN,  
PHYSICALLY CHALLENGED AND WOMEN EMPLOYEES AS ON 31 DEC 13  
UNDER PERMANENT & CONTRACT CATEGORIES**

| Group / Category                    | Total Strength | SCs        | STs        | OBCs       | Ex-Servicemen | Physically Challenged | Women Employees |
|-------------------------------------|----------------|------------|------------|------------|---------------|-----------------------|-----------------|
| Group “A”                           | 460            | 81         | 20         | 74         | 63            | 7                     | 27              |
| Group “B”                           | 15             | 1          | 1          | 5          | -             | 1                     | 1               |
| Group “C”                           | 2203           | 430        | 113        | 111        | 55            | 22                    | 37              |
| Group “D”<br>(Excluding Safaiwalas) | 468            | 113        | 27         | 48         | 60            | 20                    | 67              |
| Group “D” (Safaiwalas)              | 60             | 55         | -          | -          | -             | -                     | -               |
| <b>Total</b>                        | <b>3206</b>    | <b>680</b> | <b>161</b> | <b>238</b> | <b>178</b>    | <b>50</b>             | <b>132</b>      |

**APPENDIX – B****DETAILS OF RECRUITMENT MADE DURING 2013  
UNDER PERMANENT & CONTRACT CATEGORIES**

| Group / Category                    | Total Strength | SCs      | STs      | OBCs     | Ex-Servicemen | Physically Challenged | Women Employees |
|-------------------------------------|----------------|----------|----------|----------|---------------|-----------------------|-----------------|
| Group “A”                           | 22             | 6        | 1        | 7        | 3             | -                     | -               |
| Group “B”                           | -              | -        | -        | -        | -             | -                     | -               |
| Group “C”                           | 1              | -        | -        | -        | -             | -                     | -               |
| Group “D”<br>(Excluding Safaiwalas) | -              | -        | -        | -        | -             | -                     | -               |
| Group “D” (Safaiwalas)              | -              | -        | -        | -        | -             | -                     | -               |
| <b>Total</b>                        | <b>23</b>      | <b>6</b> | <b>1</b> | <b>7</b> | <b>3</b>      | <b>-</b>              | <b>-</b>        |



## APPENDIX – “C”

CORPORATE GOVERNANCE REPORT  
(For the Year 2013-14)**Philosophy on Corporate Governance :**

1. The Company's philosophy on Corporate Governance is based on the principles of honesty, integrity, accountability, adequate disclosures, legal compliances, transparency in decision making and avoiding conflicts of interest. The Company gives importance to adherence to adopted corporate values and objectives and discharging social responsibilities as a corporate citizen. The Company believes in customer satisfaction, financial prudence and commitment to values. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy.
2. The Company has implemented the guidelines enunciated by the Department of Public Enterprises, Govt. of India, on Corporate Governance. The Company believes that good Corporate Governance is a continuous exercise and reiterates its commitment to pursue highest standard of Corporate Governance in the overall interest of all its stakeholders. It has a strong and well laid down administrative set up to facilitate decentralized and transparent decision making. For effective implementation, the following good governance practices have been put in place :-
  - Code of Conduct for Senior Management and Board of Directors
  - Integrity Pact
  - Compliance of Applicable Laws, Rules & Regulations
  - Conduct, Discipline and Appeal Rules for Employees

8. The details of the Members of the Board during the year ended 31 Mar 14 are given below :

| Name of the Directors                                  | Period               | No. of other Directorship | No. of Committee position held in other Companies |        |
|--------------------------------------------------------|----------------------|---------------------------|---------------------------------------------------|--------|
|                                                        |                      |                           | Chairman                                          | Member |
| Whole Time Directors                                   |                      |                           |                                                   |        |
| RAdm A K Verma, IN (Retd), Chairman & Mg. Director     | 01.04.13 to 31.03.14 | -                         | -                                                 | -      |
| Shri K K Rai, Director (Finance)                       | 01.04.13 to 31.03.14 | -                         | -                                                 | -      |
| Cmde Ratnakar Ghosh, IN (Retd) Director (Shipbuilding) | 01.04.13 to 31.03.14 | -                         | -                                                 | -      |
| Shri R C Nautiyal, Director (Personnel)                | 01.07.13 to 31.03.14 | -                         | -                                                 | -      |

**Board of Directors :**

3. The Board of Directors headed by Chairman & Managing Director is the apex body which oversees functioning of the Company. The Board has set goals in terms of Long Term Perspective Plan in order to achieve its "Vision" statement.
4. The Board defines the policies and programmes and oversees its implementation. It has constituted Six Sub-Committees to facilitate the smooth and efficient flow of decision-making process.

**Composition :**

5. The composition of the Board of Directors of the Company is in line with the Guidelines on Corporate Governance issued by the Department of Public Enterprises, Govt. of India. The Board of Directors consists of 9 Directors, i.e. 4 Whole time Directors, including the Chairman & Managing Director, 2 Part-Time Official Directors and 3 Part-Time Non-Official/ Independent Directors.
6. All three Independent Directors position were vacant consequent to completion of tenure of Directors as on 31 March 2014.
7. Addl. FA (K) & Joint Secretary, MoD, Director General Naval Design, Indian Navy, Chief Controller (R&D) (NS), DRDO and Addl. FA (RK) & Joint Secretary, MoD are Permanent Special Invitees and Director General Coast Guard, Chairman & Managing Director, Mazagon Dock Ltd. and Goa Shipyard Ltd. are Special Invitees to all the Board Meetings of the Company.



| Part time Government Directors  |                      |   |   |   |
|---------------------------------|----------------------|---|---|---|
| VAdm K R Nair, AVSM, VSM, IN    | 01.04.13 to 31.03.14 | 1 | - | - |
| Shi Ashok K K Meena, IAS        | 01.04.13 to 31.03.14 | 2 | - | - |
| Part time Independent Directors |                      |   |   |   |
| Shri P C Sharma, IAS (Retd)     | 01.04.13 to 01.02.14 | 2 | 1 | 1 |
| Prof. Shekhar Chaudhuri         | 01.04.13 to 01.02.14 | 4 | 1 | 4 |
| Shri Amarjit Chopra             | 01.04.13 to 01.02.14 | 2 | 2 | 2 |

9. Brief Resume of the Directors appointed during the year, nature of their functional areas etc. are furnished below :

#### Shri R C Nautiyal

Shri.R.C.Nautiyal has completed 34 distinguished years of service in Bharat Electronics Limited (BEL). He is an alumni of NIT, Allahabad and completed his BE (Mechanical) in 1976. He did M.Tech (Design of Mechanical Equipment) at IIT, Delhi in 1979.

Shri R C Nautiyal has worked in senior positions in different functional areas in various Units of BEL. The first 24 years of his career was spent in BEL, Ghaziabad Unit and Kotdwara Unit, wherein at different points of time he has headed D&E, Manufacturing Transmission & Switching equipment and HR. He played an instrumental role in setting up the BEL Unit in Kotdwara. He headed the HR function in Kotdwara Unit for many years, prior to his transfer to Corporate Office, Bangalore in 2003.

In July 2007, he was promoted as General Manager of BEL, Pune Unit. During his tenure, there was substantial increase in the volume of business and in the profits of BEL, Pune Unit.

In view of his vast experience and understanding of the Organisation, he was transferred to the HR Division of Corporate Office in December 2008 as General Manager (HR). By virtue of his long experience in different functions and different units of BEL, he could play an effective and unique role in guiding the HR functions in BEL.

Shri R C Nautiyal was also the General Manager of BEL- Machilipatnam Unit and under his leadership, the unit was attained highest ever turnover and business.

Shri R C Nautiyal was appointed as Director (Personnel) of the Company by the Ministry of

Defence, Department of Defence Production and assumed charge from 01 Jul 2013.

#### Board Procedure :

10. Board meetings are held at least once in every quarter, and more often if considered necessary, focusing on formulation of policies, strategies, exercising control, delegation of powers, reviewing performance of the Company, approving contracts for high value items, half yearly/periodical results, annual accounts, annual operating plan and budgets and also for considering statutorily required matters. The Company believes that a carefully planned agenda note is pivotal for effective Board Meetings. The agenda notes are backed by comprehensive background information to enable the Board to take decisions. Agenda Notes are generally circulated well in advance to the members of the Board. The Board Members, in consultation with the Chairman, may bring up any important issue for the consideration of the Board. As and when required, Senior Executives of the Company are also invited to attend Board Meetings and provide clarifications. The Part Time Directors play an important role in the deliberations at the Board Meetings and bring to the Company their wide experience in the fields of technology, finance, marketing, public policy and operations.

#### Meetings and Attendance :

11. During the year 2013-14 (7) (Seven) Board Meetings were held on 09 May 13, 29 Jun 13, 24 Aug 13, 06 Nov 13, 14 Dec 13, 02 Jan 14 and 29 Jan 14. The maximum interval between any two Board Meetings was 73 days. Details of Directors' attendance at the Board Meetings and Annual General Meetings held during the F.Y. 2013-14 are given below :



| Name of the Directors                                       | Board Meetings                                             |                          | Attendance at the last Annual General Meeting |
|-------------------------------------------------------------|------------------------------------------------------------|--------------------------|-----------------------------------------------|
|                                                             | No. of Meetings held during respective Tenure of Directors | No. of Meetings attended |                                               |
| Whole Time Directors                                        |                                                            |                          |                                               |
| RAdm A K Verma, IN (Retd),<br>Chairman & Managing. Director | 7                                                          | 7                        | Attended                                      |
| Shri Kallol Kumar Rai,<br>Director (Finance)                | 7                                                          | 7                        | Attended                                      |
| Cmde Ratnakar Ghosh, IN (Retd),<br>Director (Shipbuilding)  | 7                                                          | 7                        | Attended                                      |
| Shri R C Nautiyal,<br>Director (Personnel)                  | 5                                                          | 5                        | Attended                                      |
| Part-Time Government Directors                              |                                                            |                          |                                               |
| VAdm K R Nair                                               | 7                                                          | 6                        | Not Attended                                  |
| Shri Ashok K K Meena, IAS                                   | 7                                                          | 6                        | Not Attended                                  |
| Part-Time Independent Directors                             |                                                            |                          |                                               |
| Shri Prafulla Chandra Sharma                                | 7                                                          | 6                        | Attended                                      |
| Shri Amarjit Chopra                                         | 7                                                          | 6                        | Attended                                      |
| Prof. Shekhar Chaudhuri                                     | 7                                                          | 7                        | Not Attended                                  |

**Audit Committee :**

12. The Composition of the Audit Committee is in the line with Section 292A of the Companies Act, 1956 and the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises (DPE Guidelines).
13. The composition of the Audit Committee from 01 Apr 13 to 01 Feb 14 is as under :

|     |                                |                                 |          |
|-----|--------------------------------|---------------------------------|----------|
| (a) | Shri Amarjit Chopra            | Part time Non-official Director | Chairman |
| (b) | Shri P C Sharma, IAS (Retd)    | Part time Non-official Director | Member   |
| (c) | Prof. Shekhar Chaudhuri        | Part time Non-official Director | Member   |
| (d) | Cmde (Retd) R Ghosh, IN (Retd) | Director (Shipbuilding)         | Member   |

14. All three Independent Directors were completed their tenure of appointment on 01 Feb 2014. Due to non-availability of Independent Director on the Board of the Company, the Audit Committee could not be reconstituted during the remaining period of the year.
15. Director (Finance) and Statutory Auditors of the

Company are permanent special invitees to the Audit Committee. Company Secretary is the Secretary of the Audit Committee.

16. General Manager (Finance) and Dy. General Manager (Internal Audit) also attends the Meeting of the Audit Committee regularly.
17. The terms of reference of the Audit Committee are as specified in Sec. 292A of the Companies Act, 1956 and the guidelines issued by the Department of Public Enterprises. The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.
18. The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors and discusses their findings, suggestions and other related matters and reviews major accounting policies followed by the Company. The Audit Committee reviews the half yearly and annual financial statements before their submission to the Board.



19. The Chairman of the Audit Committee apprises the Board about the observations of the Audit Committee during the Board Meetings. The Minutes of the Audit Committee Meetings are placed before the Board in their subsequent meetings for information.
20. During the financial year 2013-14, eight meetings of the Audit Committee were held on 18 Apr 13, 16 Jun 13, 12 Jul 13, 23 Aug 13, 11 Sep 13, 06 Nov 13, 23 Dec 13 and 24 Jan 14. The attendance of the members of the Audit Committee during the financial year 2013-14 is given below :

| Name of the Directors          | Meeting held during respective Tenure of Directors | No. of Meetings Attended |
|--------------------------------|----------------------------------------------------|--------------------------|
| Shri Amarjit Chopra            | 8                                                  | 8                        |
| Shri P C Sharma                | 8                                                  | 7                        |
| Prof. Shekhar Chaudhuri        | 8                                                  | 7                        |
| Cmde Ratnakar Ghosh, IN (Retd) | 8                                                  | 8                        |

21. The Chairman of the Audit Committee was present at the last Annual General Meeting.

#### HR & Remuneration Committee :

22. The Composition of the HR & Remuneration Committee is in line with the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises (DPE Guidelines)
23. The HR & Remuneration Committee consists of three Independent Directors. The composition of the HR & Remuneration Committee from 01 Apr 13 to 01 Feb 14 is as under :

|     |                               |                                    |          |
|-----|-------------------------------|------------------------------------|----------|
| (a) | Shri P C Sharma<br>IAS (Retd) | Part time<br>Non-official Director | Chairman |
| (b) | Shri Amarjit<br>Chopra        | Part time<br>Non-official Director | Member   |
| (c) | Prof. Shekhar<br>Chaudhuri    | Part time<br>Non-official Director | Member   |

24. Director (Personnel) is the Permanent Special Invitee to the Committee. Company Secretary is the Secretary to the Committee.
25. The terms of reference of HR & Remuneration Committee as follows :

(a) To decide the annual bonus / variable pay pool Performance Related Pay (PRP) and policy for its distribution across the executives (including Board Level executives) and non-unionised supervisors within the prescribed limits for each financial year.

(b) To examine all the proposals related to HR issue and give its recommendations.

(c) The recommendations of the "HR & Remuneration Committee" is placed before the Board of Directors for approval.

26. During the financial year 2013-14, 4 (Four) Meetings of the HR & Remuneration Committee were held on 12 Jul 13, 17 Aug 13, 06 Nov 13 and 19 Jan 14. The attendance of the Members of the HR & Remuneration Committee during the financial year 2013-14 is given below :

| Name of the Directors   | Meeting held during respective Tenure of Directors | No. of Meetings Attended |
|-------------------------|----------------------------------------------------|--------------------------|
| Shri P C Sharma         | 4                                                  | 4                        |
| Shri Amarjit Chopra     | 4                                                  | 4                        |
| Prof. Shekhar Chaudhuri | 4                                                  | 4                        |

#### Procurement Committee :

27. The Procurement Committee of the Board of Directors consists of the following Members :-

|     |                               |                                    |                                  |
|-----|-------------------------------|------------------------------------|----------------------------------|
| (a) | RAdm A K Verma                | Chairman &<br>Managing Director    | Chairman                         |
| (b) | Shri PC Sharma,<br>IAS (Retd) | Part time<br>Non-Official Director | Member                           |
| (c) | Shri Kallol Kumar<br>Rai      | Director<br>(Finance)              | Member                           |
| (d) | Cmde (Retd)<br>R Ghosh        | Director<br>(Shipbuilding)         | Member                           |
| (e) | Shri Sandeep<br>Mahapatra     | Company<br>Secretary               | Secretary<br>to the<br>Committee |

28. The Procurement Committee has been delegated full powers of the Board in respect of :

(i) Approval of proposals in excess of ₹ 30 crore for placement of orders for procurement of materials, equipment, tools, stores and spares, imports including from Russian Sources, approval of works,



sub-contracts and facility hire etc. for sanctioned projects.

(ii) Approval of proposals for capital expenditure in excess of ₹ 5 crore in respect of the items provided for in the Capital Budget approved by the Board / Government.

(iii) The Procurement Committee examines all the procurement proposals in conformity with and compliance of the Purchase Manual of the Company, CVC Guidelines, Govt. Regulations etc and approve the proposals. In the event of any deviations of procedures, the proposal with the recommendations of the Committee, is placed before the Board for approval. However, if the Committee feels that a particular proposal requires consideration by the Board, same is submitted to the Board with recommendation(s) of the Committee.

(iv) All the procurement proposals approved by Procurement Committee are placed before the Board for information.

29. The Chairman of the Procurement Committee appraises the Board about the observations of the Procurement Committee during the Board Meeting.

30. During the financial year 2013-14, four meetings of the Procurement Committee were held on 18 Apr 13, 28 Jun 13, 03 Aug 13, 24 Aug 13, 01 Nov 13, 23 Dec 13, 20 Jan 14 and 12 Mar 14. The attendance of the Member of the Procurement Committee during the financial year 2013-14 is given below :

| Name of the Directors          | Meeting held during respective Tenure of Directors | No. of Meetings Attended |
|--------------------------------|----------------------------------------------------|--------------------------|
| RAdm A K Verma, IN (Retd)      | 8                                                  | 7                        |
| Shri P C Sharma                | 8                                                  | 8                        |
| Shri K K Rai                   | 8                                                  | 7                        |
| Cmde Ratnakar Ghosh, IN (Retd) | 8                                                  | 8                        |

#### **Business Strategy and Capacity Augmentation Committee :**

31. To formulate future business strategy of the company to expand its spheres of activities, explore possibilities of export, identifying new product which company can manufacture and market, imbibe new

technologies, identify partners for possible collaboration, identify state-of-the-art equipment and machineries from India and abroad to improve the quality of ships and other products etc. the Board constituted a Business Strategy and Capacity Augmentation Committee of the Board to look into aforesaid aspects and advise the Board on aspects beneficial for Company's business.

32. The Committee consists of the following members:

|     |                            |                                 |          |
|-----|----------------------------|---------------------------------|----------|
| (a) | RAdm A K Verma             | Chairman & Managing Director    | Chairman |
| (b) | Prof. Shekhar Chaudhuri    | Part time Non-official Director | Member   |
| (c) | Shri PC Sharma, IAS (Retd) | Part time Non-Official Director | Member   |
| (d) | Shri Kallol Kumar Rai      | Director (Finance)              | Member   |
| (e) | Cmde (Retd) R Ghosh        | Director (Shipbuilding)         | Member   |

33. The Committee has been tasked with :

- (a) Business Strategy formulation for future growth
- (b) Infusion of new technologies
- (c) Identify Schemes for Productivity improvement
- (d) Finalise the Infrastructure Augmentation / Capacity Enhancement to meet future business strategy and to improve shipbuilding efficiency.

34. The recommendation of the Committee is placed to the Board for consideration and approval.

#### **Project Review Sub-Committee :**

35. The Project Review Sub-Committee of the Board of Directors has been constituted to review the Project in a Structured manner and to focus on the improvement of the system and augmentation of the infrastructure. The Committee while reviewing analyse the reasons for delay and find out the ways and means to rectify the same.

36. The Committee submits the report to C&MD and the Board from time to time.

37. The Committee constituted with following Members:

|     |                         |                                 |        |
|-----|-------------------------|---------------------------------|--------|
| (a) | Prof. Shekhar Chaudhuri | Part time Non-official Director | Member |
| (b) | Shri Kallol Kumar Rai   | Director (Finance)              | Member |
| (c) | Cmde (Retd) R Ghosh     | Director (Shipbuilding)         | Member |



38. During the financial year 2013-14, the Committee met once on 04 May 13. All the Members of the Committee were present at the Meeting.

#### Corporate Social Responsibility and Sustainable Development (CSR & SD) Committee :

39. The Board of Directors of the Company has approved the CSR Policy formulated as per the Guidelines of the Department of Public Enterprises (DPE). A CSR & SD committee under the Chairmanship of an Independent Director has been constituted for planning, implementation and monitoring the CSR & SD activities of the Company.
40. During the financial year 2013-14, the Committee met 31 Oct 13, 26 Dec 13 and 25 Jan 14. All the Members of the Committee were present at all the Meeting.

#### Annual General Meetings :

41. The details of the last three Annual General Meetings of the Company are given below :

| Year    | Date      | Time     | Venue                                                          |
|---------|-----------|----------|----------------------------------------------------------------|
| 2010-11 | 17 Aug 11 | 1230 hrs | CII-Suresh Neotia Centre of Excellence for Leadership, Kolkata |
| 2011-12 | 24 Aug 12 | 1330 hrs | Palladian Lounge, BCCI, Kolkata                                |
| 2012-13 | 24 Aug 13 | 1330 hrs | Palladian Lounge, BCCI, Kolkata                                |

#### Remuneration of Whole Time Directors :

42. Being a Central Public Enterprise, the appointments of Chairman & Managing Director and Whole Time Directors are made by the Government of India indicating the tenure, remuneration package and other terms and conditions of appointment.
43. The details of remuneration of Whole Time Directors during the year 2013-14 are given below :-

(₹ in lakh)

| Name of Director               | Salary* | Company Contribution to PF & Gratuity | Commission | Total |
|--------------------------------|---------|---------------------------------------|------------|-------|
| RAdm (Retd)<br>A K Verma, C&MD | 38.14   | 2.38                                  | Nil        | 40.52 |
| Shri K K Rai, D(F)             | 35.04   | 1.91                                  | Nil        | 36.95 |
| Cmde (Retd)<br>R Ghosh, D(S)   | 34.66   | 1.99                                  | Nil        | 36.65 |
| Shri R C Nautiyal, D(P)**      | 14.46   | 1.30                                  | Nil        | 15.76 |

\* Salary includes Perquisites, arrears.

\*\* Salary for part of the year.

#### Remuneration of Part-time Directors :

44. The Independent Directors are not paid any remuneration except the sitting fee for the Board and Committee Meetings. The Part Time Government Directors are neither paid any remuneration nor any sitting fees.
45. The sitting fee paid to the Independent Directors during the year 2013-14 is as follows:-

(Amount in ₹)

| Sl No. | Name of Independent Director | Board Meetings | Committee Meetings | Total Remuneration |
|--------|------------------------------|----------------|--------------------|--------------------|
| 1      | Shri P C Sharma              | 120000         | 285000             | 405000             |
| 2      | Shri Amarjit Chopra          | 120000         | 180000             | 300000             |
| 3      | Prof. Shekhar Chaudhuri      | 140000         | 210000             | 350000             |

#### Code of Business Conduct and Ethics for Board Members and Senior Management :

46. The Board of Directors of the Company has formulated "Code of Business Conduct and Ethics for Board Members and Senior Management" for better Corporate Governance and fair / transparent practices as per guidelines issued by the Department of Public Enterprises. A copy of the same has been circulated to all concerned and posted at Company's website. The Board members and senior management personnel to whom the said Code is applicable have affirmed compliance of the same for the year ended 31 Mar 14. A declaration to this effect signed by the Chairman & Managing Director of the Company is appended at the end of this report.

#### 47. Disclosures :

(a) **Conflict of Interest** : During the year 2013-14, the Company has not entered into any transactions with the Directors that may have potential conflict with the interests of the Company at large. The members of the Board, apart from receiving Directors' remuneration (wherever applicable), do not have any material pecuniary relationship or transaction with the Company which, in the judgment of the Board, may affect independence of judgment of the Directors.

(b) **Related Party Transactions** : The Company does not have any materially significant related party transactions, which may have potential conflict with its interest at large.



(c) **Whistle Blower Policy** : The Whistle Blower mechanism, inter alia, contains a provision enabling any Personnel to approach the Chairman of the Audit Committee in exceptional cases. The Company is promulgating a Whistle Blower Policy with a view to establish a mechanism for the employees to report to the management about their concerns on unethical behavior or the cases of suspected fraud, violation of Company's general guidelines to conduct and ethics.

(d) **Integrity Pact** : The Central Vigilance Commission (CVC) issued a circular on 04 Dec 07 recommending adoption and implementation of the Integrity Pact (IP) in respect of all major procurements of the Government Organisations. Accordingly, the Company adopted Integrity Pact in procurement of material and / or service for a value above ₹ 100 crore initially. Subsequently, the value has been reduced to ₹ 20 crore and further reduced to ₹ 2 crore from 01 Jan 14. The Pact essentially envisages an agreement between the prospective vendors / bidders and the Principal (GRSE), committing the Persons/officials of both sides, not to resort to any corrupt practices in any aspect/stage of the contract. Only those vendors/bidders, who commit themselves to such a Pact with the Principal, would be considered competent to participate in the bidding process. Integrity Pact, in respect of a particular contract, would be operative from the stage of invitation of bids till the final completion of the contract. Any violation of the same would entail disqualification of the bidders and exclusion from future business dealings.

As recommended by the CVC, the Company has appointed Shri Samar Ray, IA & AS (Retd.) Ex-Deputy Comptroller and Auditor General of India, and Ms. Bulbul Sen, Ex-Chief Commissioner of Income Tax as the Independent External Monitor (IEM) for monitoring implementation of Integrity Pact in the Company. The IEM would review Independently and objectively, whether and to what extent parties have complied with their obligations under the Pact. IEM will take stock of the on-going tendering process on quarterly basis. The IEM conducts this review once in every quarter. In case of complaint arising out of tendering process, the matter shall be examine by the IEM, who would

look into the records, conduct an investigation, and submit recommendations to the management. During his visit to the Corporate Office every quarter, the IEM holds structured meetings with Chairman & Managing Director. So far, 35 Orders/ Contracts are covered under Integrity Pact.

**(e) Expenses incurred, which are personal in nature and incurred for the Board of Directors:**

The Company has not incurred any expenditure which is not for the purpose of the Company's business, nor has the Company incurred any expenditure which are personal in nature for the Board of Directors and top management.

Details of Administrative and Office expenses as a percentage of total expenses vis-à-vis financial expenses are furnished below :

(₹ in crore)

| Sl. | Particulars                              | 2013-14 | 2012-13 |
|-----|------------------------------------------|---------|---------|
| (a) | Total Expenditure (Other than materials) | 498.63  | 454.01  |
| (b) | Administrative & Office Expenses         | 10.11   | 8.44    |
| (c) | Percentage of (b) on (a)                 | 2.03    | 1.86    |

(f) **Means of Communication** : The Company's communication system with its Shareholders, Directors and other stakeholders is through all means of communication channels including correspondence and the official website of the Company. The Company has a Website ([www.grse.nic.in](http://www.grse.nic.in)) which provides information on GRSE management, Chairman's Statement, Director's Report, Financial Status, Corporate Governance, Product Spectrum, Vendor registration procedure, details of tenders, payment status of suppliers' bills etc. The performances of the Company, including unaudited / provisional financial results are communicated to the Administrative Ministry every month. The results are not required to be published in any newspaper.

(g) **Compliance of Accounting Principles** : The Company continuously strives to maintain accounts in transparent, true and fair manner in conformity with the accounting principles generally accepted in India. During the last thirteen years (1999-2000 to 2012-13) there have been no audit qualifications. The Company has also received "Nil" comments from the CAG during these years.



(h) **Training of Directors** : The Directors were sponsored for training programmes on Corporate Governance.

(i) **Compliance** : During the last three years, there has been no instance of non-compliance by the Company on any matters related to Companies Act, 1956 or any Industrial Law. The guidelines issued by the Department of Public Enterprises, Government of India have been complied with.

The Company has complied with the Guidelines Corporate Governance for CPSEs issued by the Department of Public Enterprises, Government of India. The Company is also submitting Quarterly Compliance Report regularly to the Ministry of Defence, Government of India. Certificate on compliance of the DPE guidelines on Corporate Governance by the Company Secretary in practice is enclosed to this Report.

### **DECLARATION**

Pursuant to the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises as contained in the DPE OM No. 18(8)/2005-GM dated 14 May 2010, it is hereby declared that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct & Ethics for Board Members and Senior Management Personnel of Garden Reach Shipbuilders & Engineers Limited for the year ended 31<sup>st</sup> March, 2014.

For Garden Reach Shipbuilders & Engineers Limited

Sd/-

A K Verma

Rear Admiral (Retd.)

Chairman & Managing Director

Kolkata

Dated : 15th July, 2014



**Maheshwari R & Associates**  
Company Secretaries

“Delta House”  
1<sup>st</sup> Floor , Room No- 1D  
4 Government Place (North)  
Kolkata-700 001  
Ph. 22316640 ( O ) 26389129( R )  
Mobile : 9432232757  
Email : rashmi3309@rediffmail.com

## **CORPORATE GOVERNANCE**

To  
The Members of  
Garden Reach Shipbuilders & Engineers Limited  
43/46, Garden Reach Road,  
Kolkata – 700024

We have examined the Compliance of the guidelines issued by the Department of Public Enterprises, Government of India on Corporate Governance by Garden Reach Shipbuilders & Engineers Limited, Kolkata, a Government Company within the meaning of Sec 617 of the Companies Act, 1956 for the year ended 31<sup>st</sup> March 2014.

Garden Reach Shipbuilders & Engineers Limited is not a listed Company.

The Compliance of the guidelines on Corporate Governance is the responsibility of the management of the Company. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the guidelines on Corporate Governance.

In our opinion, and to the best of our information and according to explanations given to us, the Company has complied with the said guidelines on Corporate Governance except the following :

1. There were three (3) Independent Directors on the Board of Directors appointed by the Government of India, who have retired on completion of their respective terms as follows :

| <b>Name</b>                   | <b>Date of Cessation</b>      |
|-------------------------------|-------------------------------|
| (i) Shri P.C. Sharma          | 2 <sup>nd</sup> February 2014 |
| (ii) Shri Amarjit Chopra      | 2 <sup>nd</sup> February 2014 |
| (iii) Prof. Shekhar Choudhary | 2 <sup>nd</sup> February 2014 |

Thereafter no Independent Directors have been appointed by the Government. At the end of the Financial Year there were no Independent Directors on the Board of the Company.

2. Shri P.C. Sharma, Shri Amarjit Chopra and Prof. Shekhar Choudhary were members of the Audit Committee till 1<sup>st</sup> February'2014. On Completion of their tenure of appointment, they ceased to be members of the Audit Committee. Subsequently, since no Independent Directors were appointed by the Government, the Audit Committee could not be re-constituted.

For Maheshwari R & Associates  
Company Secretaries

Place: Kolkata  
Date: 15<sup>th</sup> July'2014

Sd/-  
Rashmi Maheshwari  
C.P.No.: 3309 of ICSI



## APPENDIX – “D”

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### A. Industry structure and developments, strengths, weaknesses, opportunities and threats, major initiatives undertaken and planned to ensure sustained performance and growth :

##### Industry Structure & Development :

1. Survey of global shipbuilding industry revealed that, some of the top European shipyards building warships for Navies of the world are DCNS (France), Fincantieri (Italy), Kockums AB (Sweden), Navantia (Spain), TKMS (Germany) etc. The main advantages these shipyards offer are latest technology, top quality in construction and quick delivery due to shorter build periods. This is primarily due to the modern shipbuilding infrastructure available and modern shipbuilding processes followed in these yards, besides the ship design & build procedures and work culture prevalent there. Further, the fact that ship design is frozen prior to commencement of construction is one of the most important factor that contributes to reduced build periods, abroad.
2. The global economic and industrial scene has gone through turbulent changes since the onset of Global Liquidity Crisis (GLC) in the second half of 2008. The economic downturn and consequent reduction in international cargo traffic has seriously impacted the global shipbuilding industry.
3. Further, the Policy of Liberalisation, opening of economy and private sector participation in defence contracts are issues which have a direct bearing on the market environment, performance imperatives and bottom line of GRSE. The situation is demanding GRSE to step-up performance in terms of productivity, cost competitiveness, quality, timely delivery etc. GRSE would also be required to upgrade processes and products in line with latest technology.
4. The ambitious modernization project in its Main Yard, with an outlay of approximately ₹ 530 crore has been completed. With completion of this Integrated Shipbuilding Facility, the Company is now in a position to meet the challenges and be

competitive in domestic and global markets. The Raja Bagan Dock (RBD) Unit, acquired from CIWTC in Jul 2006, is also being renovated and upgraded. Acquisition of this Unit has led to considerable enhancement of the Company's shipbuilding capacity.

##### SWOT Analysis :

5. In the changing environment, your Company has carried out SWOT analysis and identified following strengths, weaknesses, opportunities and threats:

##### Strengths

6. (a) Good infrastructure for shipbuilding facilitating simultaneous construction of several large and small ships.  
(b) Excellent in-house capability for ship design, system integration and Project Management.  
(c) Competent and highly skilled human resource at all levels.  
(d) Fully computerized network encompassing the entire gamut of operations. This is enabling us to monitor production activities closely and process other activities faster.  
(e) e-procurement and e-auction system  
(f) Financially strong Company  
(g) Long standing relationships with main customers like Indian Navy and Indian Coast Guard.

##### Weaknesses

7. (a) Shortage of space in the Main Works of the Company, shortage of manpower in some Units / Departments / Categories and high average age of employees, which is around 52 years.  
(b) Location of GRSE in thickly populated residential areas having narrow roads.  
(c) Constraints of a riverine shipyard due to limitations in the depth and width of navigable channel.

##### Opportunities

8. (a) Acquisition plan of Indian Navy and Coast Guard for significant increase in fleet size.  
(b) Export potential of small and medium size



warships and patrol vessels to Latin America, South East Asia, West Asia and African countries.

(c) AMC, LTSA, ARC, Repair and Refit of Ships have got significant business potential.

(d) Offset policy implemented by Govt. in Defence Import Contracts & consequent TOT/new product opportunities.

#### **Threats, Challenges, Risks and Concerns**

9. (a) Increased competition from other players in the field.  
(b) Non-availability of qualified and reliable vendors for outsourced services /works.  
(c) Geographical location and political environment [HP, HS].  
(d) Competition for Engineering Products.  
(e) Serious efforts by private shipyards to enter Naval Shipbuilding and Ship repair market.  
(f) Low profit margins in construction of small ships and boats.  
(g) Prospects of commercial shipbuilding industry are significantly affected.
10. From the above SWOT analysis it emerges that there are great opportunities available for the Company to build Defence and Coastal Security Vessels. Accordingly, Company's efforts are being focused on exploiting such opportunities based on the Company's strength and on minimizing the adverse effect of its weaknesses. The strength of infrastructure and production facilities are leveraged to have strategic alliances to address the emerging opportunities and reducing the impact of perceived threats.

#### **Major initiatives undertaken and planned to ensure sustained performance and growth :**

11. Various initiatives have been undertaken by the Company to ensure sustained growth in the years to come. The initiatives taken are in the areas as enumerated in succeeding paragraphs.

#### **Research & Development and Technology Absorption, Adaptation & Innovation :**

12. The Company continues its efforts in the field of development of design of warships as also development of its engineering products. The core strength of the Company lies in its own in-house design capability. Recently the Company has given

an impetus to Research and Development (R & D) activities in indigenous shipbuilding by successfully inducting Water Jet Fast Attack Crafts in the service of Indian Navy. In the area of Ship Design, the Company has made major contribution to the design of ASW Corvettes being built for the Indian Navy.

13. The Company have successfully got verified the design of our in-house developed Portable Steel Bridge for Single & Double Lane with a higher load carrying capacity. This would be the launch pad for new segment of GRSE Bridges on proprietary basis.

#### **Infrastructure Modernisation and Diversification :**

14. In order to construct warships of larger size, your company has embarked upon a modernisation programme in its main unit at a cost of ₹ 530 crore. The modernisation is completed in May 2013 and inaugurated in June 13. Availability of such modernisation infrastructure facilities enable the shipyard to undertake construction of large-size ships with modular construction concept in a shorter time frame with more accuracy.

#### **IT Initiatives – ERP System :**

15. GRSE in its modernisation drive has fully made operational the state of the Art Information and Communication System in the company. The hardware and software are in place and GRSE is already started deriving rich benefit out of this drive.
16. To maintain business continuity in case of any **unforeseen natural or man-made disaster** in the main Data Centre, the Company has established a DR System through '**Co-located Managed Solution**' methods at Mumbai.
17. To track movement of physical files, a **file tracking system** has been implemented.
18. With a view to consolidate the progress made on the IT front, users are being given training on continuous basis.

#### **Marketing & Business Development :**

19. GRSE for the past few years has been expanding both internally and externally. Both these developments have been possible because of increased productivity. It has resulted in the healthy order Book. Accordingly, GRSE has been in the process of formulating a strong and magnified marketing policy based on design, promotion and price line.



20. The Central Design Office in GRSE has been the core area of all round shipbuilding activities and GRSE has, over the years, been in a constant process of upgrading the technology. This up-gradation of technology through design efforts has brought laurels as well as capturing order from Navy with sole design efforts. Our input design for LCU submitted to Navy has received wide recognition and acceptance, as a result of which we have been awarded with the orders of LCU.
21. GRSE with a view to expand the horizon of shipbuilding activities has also embarked upon business promotion through direct correspondence with foreign countries for acquiring orders from overseas market as well as by participation in various exhibitions occurring at different places of the world.
22. In fact, we have received enquiries from overseas about our products. We are executing order from Govt. of Mauritius for OPV. The ongoing support services coupled with timely delivery of materials has also encouraged the existing customers to place new orders on GRSE. We have received order for delivery of WJFAC to Indian Navy during 2012-13.
23. GRSE has also established a separate department for looking after business development and marketing activities and the main thrust areas of the said department are as follows :
  - (a) Development of business opportunities in India and abroad, including Market Survey for assessing business prospect in India and abroad.
  - (b) Interaction with customers, including broadening of customer base and relation management.
  - (c) Selection and Appointment of Marketing Representatives in India and abroad to explore new market for launching the products of GRSE.
  - (d) Publicity and advertisement for projecting entity profile and product profile of the company.

**Customer Satisfaction :**

24. The Company has received Excellent Grading on Customer Satisfaction in Design Segment of Ship and Very Good in Delivery Segment of Ship conducted by an external agency for the financial year 2013-14.

**Quality Assurance :**

25. The Company continues to accord utmost importance to Quality Assurance activities, reflecting its strong commitment for Product quality and customer satisfaction. The Yard has an established Quality Assurance Department with well experienced QC Inspection team, who are continuously trained in adopting updated inspection methodologies and best practices. The team undertakes inspection checks at every stage of the construction as per detailed Quality Assurance plans (QAP) so as to ensure that right from the initial receipt inspection of raw materials, all fabrication processes upto the final Ship acceptance trials are monitored both by internal and external Inspection agencies. In addition to defect identification, the yard has focused on defect avoidance, through awareness training, alongwith on the job monitoring. The yard personnel are constantly encouraged to carryout self-inspection and root cause analysis in order to identify appropriate corrective and preventive measures for achieving continual improvement in quality of products.

**Specific Measures with regard to Risk Management, Cost Reduction, Indigenisation, etc. :**

**Risk Management :**

26. Over the years, the Company has evolved adequate risk management measures. These are internally reviewed from time to time to identify new risks associated with different areas of its operations and to evolve suitable mitigation measures.

**Cost Reduction :**

27. The Company has initiated measures for cost reduction in production and other areas, viz. in the areas of inventory control, labour productivity, outsourcing, energy conservation, support services and design and progress monitoring.

**Import Substitution / Indigenisation :**

28. The Company continues to encourage indigenous manufacturers for production and supply of critical items required for ship construction and manufacture of engineering products.
29. The Deck Machinery Unit of the Company has achieved a remarkable task during this year by way of carrying out successful Factory Acceptance Trials of Rail less Helo Traversing System to handle a



helicopter on board ships of P-28 Class ASWC. This is the 'first of its class design' built by GRSE in tie-up with M/s Mac Taggart Scott, UK, who is the pioneer in Helicopter Handling System in the world. This is a simple, safe and full proof system capable of handling any type of helicopter irrespective of its design. This has an indigenous content of about 72%.

30. During the year, the company have supplied the first in-house developed Telescopic Boat Davit for P-28 Ships. The system feature of this davit is the capability of auto-tensioning the boat during launching & recovery at high seas. This innovative effort enabled us to exploit market opportunities for different capacities of electro-hydraulic telescopic davits for Coast Guard / Naval Ships.

**Internal Control System and their adequacy :**

31. The Company has an effective internal control system supported by Enterprise Resource Planning (ERP) platform i.e. SAP for its main business processes. The internal control system of the Company has withstood the test scrutiny of the Internal Auditors as well as the Statutory Auditors. These cover various important aspects of the business processes pertaining to financial propriety, safety and utilization of the resources of the Company, accurate reporting and compliance with applicable statutes as also the policies laid down by the Audit Committee and Board of Directors from time to time.
32. The Company prepares an Internal Audit Plan every year, duly approved by the Audit Committee, and conducts reviews covering financial, operational and risk mitigation areas.
33. The Internal Control System in vogue in the Company ensures that the resources of the Company are optimally used for the business purpose and are safeguarded from loss, misuse and physical impairment. It also ensures that the accounting records reflect the true picture and that the financial information are reliable.
34. The role and scope of the Internal Audit is reviewed by the Audit Committee of the Board of Directors. All findings and suggestions are reported to the Audit Committee and to the Board periodically and corrective actions, wherever required, are initiated.

35. The Company, being a Government Company, is also subject to audit by Comptroller & Auditor General of India.

**Financial / Operational Performance Strategy & Objectives :**

36. The main objectives of the financing strategy of the Company are as follows :
- (a) To make available funds through effective cash flow management without resorting to borrowing.
  - (b) To maintain highest credit rating to be able to raise funds at most economical rates.
  - (c) To meet the expectations of various stakeholders.
  - (d) To effectively do tax planning thereby improving the post tax yield to the shareholders.
  - (e) To prudently invest the surplus funds of the Company.
37. The Company continues to accord the highest priority to each of the objectives listed above.
38. During the year, the funding of incremental working capital requirement and the additional capital expenditure were met entirely from the Company's own resources without resorting to any external borrowing, besides improving the earnings on deployment of short term surplus funds.

**Performance Highlights :**

39. The Performance Highlights of the Company during the year ended 31 Mar 14 are as follows :

(₹ in crore)

|                                         | <b>As on<br/>31 Mar 14</b> | <b>As on<br/>31 Mar 13</b> |
|-----------------------------------------|----------------------------|----------------------------|
| Capital Employed                        | 916.67                     | 759.07                     |
| Gross Block                             | 533.87                     | 427.32                     |
| Net Block                               | 365.48                     | 279.79                     |
| Working Capital                         | 551.19                     | 479.28                     |
| Net Worth                               | 953.73                     | 860.94                     |
| Value Added                             | 504.63                     | 496.00                     |
| Ratios :                                | %                          | %                          |
| Gross Profit : Capital Employed         | 20.71                      | 25.57                      |
| Profit Before Tax : Value of Production | 11.62                      | 12.63                      |
| Value of Production : Capital Employed  | 1.76                       | 2.01                       |
| Sundry Debtors : Sales                  | 17.06                      | 21.24                      |



## **Development in Human Resources**

### **Industrial Relations :**

40. During the period Industrial Relations situation across all units of the Company including DEP, Ranchi has been generally peaceful and harmonious. There has been no major incident influencing Industrial Relations of the Company reported during the period. The Company initiated proactive action to address conflict situation thereby reducing the threat of Industrial unrest.

### **Environmental aspects and abatement of Pollution :**

41. GRSE is committed to prevent pollution and comply relevant environmental legislations and regulations. The shipyard is also committed to provide a healthy and safe workplace for our employees, business partners, visitors and to ensure a neutral or positive environmental impact from our operations. Our vision is to continue to be an environmentally responsible organisation through an Integrated Environment Management approach making continuous improvements in the management of the environmental impact of our operations.
42. The Company has taken following actions in this direction :-
- (a) Effluent treatment plants of combined capacity 6.5 Cu Mtrs per day installed in the yard to prevent water pollution is in operation round the clock to treat the automobile waste.
  - (b) Fume filtration system for CNC air plasma plate cutting machine have been introduced to reduce air pollution in an effort to provide a healthy and safe working environment for our employees, business associates, personnel visiting the yard and neighbours.
  - (c) Fume extraction system for extraction of fumes generated during welding process is instituted in structural shops as well as on board ships.
  - (d) Open blasting that used to cause air pollution has been discontinued, instead vacuum blasting process has been adopted.
  - (e) Chipping operation that generates high level of noise is being carried out during off working hours and ear plugs are provided to the all the employees who are involved in this activities. Arc

gouging is being carried out to the extent possible in lieu of chipping.

(f) Afforestation activity in the shipyard is vigorously followed to provide green and clean environment. A lush green belt in and around the factory is an example of Company's commitment to pollution control, Safety, Health Protection and Environment. At an average 300 saplings are planted every year in the yard.

(g) Guard walls and diaphragm walls along the bank of river Hooghly have been constructed to prevent land erosion. Trees are also planted in a systematic, planned and organised manner along the coast line to reduce soil erosion.

(h) Operation of foundry has been discontinued to reduce air pollution.

(i) Galvanising operation has been discontinued.

(j) Battery operated material handling equipments are introduced to reduce noise and air pollution as also for fuel conservation.

(k) Translucent sheets in workshops are extensively used as a routine activity to utilize natural lighting to the maximum extent possible to reduce energy consumption and in turn CO<sub>2</sub> emission indirectly.

(l) Aluminium roofing and cladding sheets recognized worldwide as green material is used as roofing material in shops.

(m) The average power factor of this yard has so far been recorded as 99.70, the maximum and minimum being 99.87 and 99.04 respectively during the present financial year. Performance is being constantly monitored to maintain the optimum power factor and consumption of power to reduce demand and emission of GHG indirectly.

(n) Other energy conservation measures like installation of electronic ballasts, compact fluorescent lamps, TL<sub>5</sub> luminaires, LED luminaires, Solar powered street lighting system, VVVF type control systems, Bureau of Energy Efficiency accredited star rated window AC machines, solid state control system and energy efficient compressors, solar water heating system etc have been taken in the yard to reduce CO<sub>2</sub> emission indirectly.



43. GRSE has obtained consent to emit gaseous effluent and to discharge liquid effluent under the provisions of the Air (Prevention and Control of Pollution) Act, 1981, Environmental (Protection) Act, 1986 and Water (Prevention and Control of Pollution) Act, 1974 respectively from West Bengal Pollution Control Board.
44. GRSE has also obtained authorization from West Bengal Pollution Control Board for storage, transport and disposal of hazardous waste under the purview of Hazardous Wastes (Management, Handling & Transboundary Movement) Rules, 2008 and in accordance with Environment (Protection) Act, 1986.

**Conservation of Energy :**

45. The yard continued its endeavor to conserve the energy. Through energy audit conducted in all the units of the shipyard in Kolkata, we continue to optimize consumption of energy i.e. coal, electricity, petroleum etc.. Power factor of the system is consistently maintained at optimal level.
46. In accordance with the recommendation of energy audit the shipyard has introduced energy saving 250 Watt metal luminaries replacing conventional 400 Watt HPMV/HPSV Luminaries.
47. Use of Bureau of Energy Efficiency accredited star rated window air conditioners have extensively been adopted in the yard. Renewable energy in the form of solar is constantly being used by the yard for general illumination which resultantly ensures ecologically sustainable growth of India's energy security challenge.
48. Consistent effort to minimize distribution loss in compressed air and water supply system has

been adopted as part of conservation of energy. Use of aluminum, termed as eco friendly green metal, as roofing and cladding sheets, in shops replacing asbestos has been adopted which reduces direct green house gas emission to the extent of 14%.

49. The Shipyard has been rated as excellent in MoU criteria in 2012-13 under the category sustainable development.

**Corporate Social Responsibility :**

50. Corporate Social Responsibility (CSR) is an integral part of GRSE's corporate philosophy, integrating business processes with social processes. Garden Reach Shipbuilders and Engineers Ltd. (GRSE) is committed towards CSR and has a CSR Policy in place to guide its CSR activities. In terms of the policy, GRSE focuses on the following thrust areas for its CSR projects:
  - (i) Health Care.
  - (ii) Education & Skill Development.
  - (iii) Community Development.
51. In accordance with the Guidelines on Corporate Social Responsibility for CPSEs 2010 issued by Government of India, Ministry of Heavy Industries & Public Enterprises, Department of Public Enterprises, New Delhi, the Company has incorporated its CSR activities in the MOU for FY 2013-14 and budgetary provision has been made for enhanced CSR activities.
52. Details of CSR activities undertaken by the Company during the year are furnished in the Directors' Report.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

### Report on the Financial Statements

**We have audited the accompanying financial statements of GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.**

**Management's responsibility for the financial statements**  
Management is responsible for 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 Standards notified under the Companies Act, 1956 ("the Act") read with General Circular No. 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting

principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) We have 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the Ranchi Branch not visited by us;
  - c) The report on the accounts of the Ranchi branch audited by the branch auditor appointed under section 228 of the Act has been forwarded to us and have been dealt with by us in preparing this report in the manner considered necessary by us;
  - d) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the audited returns received from Ranchi Branch not visited by us;
  - e) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular No. 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
  - f) Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required for Government Companies as per Notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.

**For G.P. AGRAWAL & CO.**

Chartered Accountants  
Firm's Registration No. - 302082E

Sd/-  
(CA. Ajay Agrawal)  
Partner

Place : Kolkata  
Date : 15th July, 2014

Membership No. 17643



## **ANNEXURE TO THE AUDITOR'S REPORT**

### **Statement referred to in our Report of even date to the members of Garden Reach Shipbuilders & Engineers Limited on the Financial Statements for the year ended 31st March, 2014.**

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - b) The fixed assets of the Company have been physically verified by the management at reasonable interval. The discrepancies noticed on such verification, which were not material, have been dealt with in the books of account.
  - c) During the year, the Company has not disposed off substantial part of its fixed assets.
  - (ii) a) The inventories (excluding stocks lying with third parties) have been physically verified during the year by the management at reasonable intervals. In respect of inventories lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - c) On the basis of our examination, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies between physical stocks and book records arising out of physical verification, which were not material, have been dealt with in the books of account.
  - (iii) a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act.
  - b) As the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act, clauses (iii) (b) to (iii)(d) of paragraph 4 of the said order are not applicable to the Company.
  - c) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.
  - d) As the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act, clauses (iii) (f) and (iii) (g) of paragraph 4 of the said order are not applicable to the Company.
  - (iv) On the basis of the information and explanation given to us, we are of the opinion that the Company has an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
  - (v) a) According to the information and explanations given to us, there is no contract or arrangement that needs to be entered in the register required to be maintained under section 301 of the Act.
  - b) As the Company has not entered into any contract or arrangement that needs to be entered in the register required to be maintained under section 301 of the Act, clause (v)(b) of paragraph 4 of the said order is not applicable to the Company.
  - (vi) The Company has not accepted any deposit within the meaning of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under.
  - (vii) In our opinion, the internal audit system of the Company is commensurate with the size of the Company and the nature of its business.
  - (viii) We have broadly reviewed the books of account maintained by the Company in respect of products where pursuant to the rules made by the Central Government, the maintenance of Cost records has been prescribed under section 209(1)(d) of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We, however, as not required, have not made a detailed examination of such records.
  - (ix) a) On the basis of our examination, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with appropriate authorities and no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2014 for a period of more than six months from the date of becoming payable.
- The disputed statutory dues aggregating to Rs. 2,561.42 lakh that have not been deposited on account of matters pending before appropriate authorities are as under:



| Sl. No. | Name of the Statute                   | Nature of dues            | Period to which pertain       | Amount (₹ in Lakh)        | Forum (Where the dispute is pending)              |
|---------|---------------------------------------|---------------------------|-------------------------------|---------------------------|---------------------------------------------------|
| 1       | Bengal Finance (Sales Tax) Act, 1941  | Sales tax                 | 1988-89                       | 96.38                     | West Bengal Commercial Taxes & Revisional Board   |
| 2       | West Bengal Value Added Tax Act, 2003 | Value Added Tax           | 2007-08                       | 506.83                    | West Bengal Taxation Tribunal                     |
| 3       | West Bengal Value Added Tax Act, 2003 | Value Added Tax           | 2010-11                       | 106.94                    | Additional Commissioner of Commercial Taxes       |
| 4       | Central Sales Tax Act, 1956           | Central Sales Tax         | 2010-11                       | 75.69                     | Additional Commissioner of Commercial Taxes       |
| 5       | Central Excise Act, 1944              | Central Excise            | 2001-02 to 2005-06            | 17.90                     | Central Excise and Service Tax Appellate Tribunal |
| 6       | Finance Act, 1994                     | Service Tax               | 2003-04 to 2007-08            | 121.30                    | Central Excise and Service Tax Appellate Tribunal |
| 7       | Income Tax Act, 1961                  | Income Tax                | 2007-08                       | 515.68                    | Commissioner of Income Tax (Appeal)               |
|         |                                       | Dividend Distribution Tax | 2009-10                       | 18.56                     | Rectification u/s 154                             |
|         |                                       | Income Tax                | 2010-11                       | 120.15                    | Commissioner of Income Tax (Appeal)               |
| 8       | Employees' State Insurance Act, 1948  | ESI                       | 1980-84<br>1986-91<br>2004-05 | 59.25<br>208.30<br>714.44 | Employees' Insurance Court                        |
|         |                                       | <b>Total</b>              |                               | <b>2,561.42</b>           |                                                   |

- (x) The Company does not have accumulated losses and has not incurred any cash loss during the year covered by our audit or in the immediately preceding financial year.
- (xi) The Company has not defaulted in payment of dues to banks. The Company has no dues to financial institutions and has not issued any debentures.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in securities. Therefore, the provisions of clause (xiv) of paragraph 4 of the order are not applicable to the Company.
- (xv) On the basis of our examination and according to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions.
- (xvi) On the basis of our examination and according to the information and explanations given to us, the Company has not obtained any term loan during the year.

- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential issue of shares.
- (xix) The Company has not issued any debentures. Therefore, the provisions of clause (xix) of paragraph 4 of the order are not applicable to the Company.
- (xx) The Company has not raised any moneys by public issue during the year covered by our audit report.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements materially misstated.

**For G.P. AGRAWAL & CO.**

Chartered Accountants  
Firm's Registration No. - 302082E  
Sd/-  
(CA. Ajay Agrawal)  
Partner  
Membership No. 17643

Place : Kolkata  
Date : 15th July, 2014



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON  
THE ACCOUNTS OF GARDEN REACH SHIPBUILDERS & ENGINEERS  
LIMITED, KOLKATA FOR THE YEAR ENDED 31 MARCH 2014.**

The preparation of financial statements of **Garden Reach Shipbuilders & Engineers Limited, Kolkata** for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 15 July 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Garden Reach Shipbuilders & Engineers Limited, Kolkata for the year ended 31 March, 2014. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the  
Comptroller & Auditor General of India

Sd/-

(V K Girjavallabhan)

Pr. Director of Commercial Audit  
& ex-officio Member, Audit Board, Bangalore

Bangalore  
Dated :18.08.2014



**BALANCE SHEET AS AT 31ST MARCH 2014**

(₹ in lakh)

| Particulars                        | Note No. | As at 31st<br>March 2014 | As at 31st<br>March 2013 |
|------------------------------------|----------|--------------------------|--------------------------|
| <b>I. EQUITY AND LIABILITIES</b>   |          |                          |                          |
| <b>(1) Shareholders' Funds</b>     |          |                          |                          |
| (a) Share capital                  | 2        | 12,384.00                | 12,384.00                |
| (b) Reserves and surplus           | 3        | 83,196.46                | 73,947.98                |
| <b>(2) Non-Current Liabilities</b> |          |                          |                          |
| (a) Long-term borrowings           | 4        | 2,402.86                 | 2,199.85                 |
| (b) Deferred tax liabilities (Net) | 5        | 1,404.24                 | 505.96                   |
| (c) Long term provisions           | 6        | 333.04                   | 398.47                   |
| <b>(3) Current Liabilities</b>     |          |                          |                          |
| (a) Trade payables                 | 7        | 37,026.89                | 24,624.94                |
| (b) Other current liabilities      | 8        | 493,896.96               | 470,050.26               |
| (c) Short-term provisions          | 9        | 12,411.76                | 9,775.12                 |
| <b>Total</b>                       |          | <b>643,056.21</b>        | <b>593,886.58</b>        |
| <b>II. Assets</b>                  |          |                          |                          |
| <b>(1) Non-current assets</b>      |          |                          |                          |
| (a) Fixed assets                   | 10       |                          |                          |
| (i) Tangible assets                |          | 35,760.43                | 27,263.07                |
| (ii) Intangible assets             |          | 787.69                   | 715.93                   |
| (iii) Capital work-in-progress     |          | 1,770.92                 | 7,676.21                 |
|                                    |          | 38,319.04                | 35,655.21                |
| (b) Non-current investments        | 11       | 0.44                     | 0.44                     |
| (c) Long term loans and advances   | 12       | 3,276.83                 | 2,977.88                 |
| (d) Other non-current assets       | 13       | 3,005.53                 | 2,874.63                 |
| <b>(2) Current assets</b>          |          |                          |                          |
| (a) Inventories                    | 14       | 524,099.26               | 409,696.36               |
| (b) Trade receivables              | 15       | 4,655.50                 | 9,182.84                 |
| (c) Cash and bank balances         | 16       | 44,795.51                | 105,855.61               |
| (d) Short-term loans and advances  | 17       | 22,268.15                | 24,646.94                |
| (e) Other current assets           | 18       | 2,635.95                 | 2,996.67                 |
| <b>Total</b>                       |          | <b>643,056.21</b>        | <b>593,886.58</b>        |

Significant Accounting Policies

1

Other Notes to Financial Statements

29

The notes 1 to 29 referred to above form an integral part of these financial statements.

**As per our report of even date attached.**

For and on behalf of the Board of Directors

For G. P. AGRAWAL & CO.

Chartered Accountants

Firm's Registration No. - 302082E

Sd/-  
CA. Ajay Agrawal  
Partner

Membership No. 17643

Sd/-  
S. Mahapatra  
Company Secretary

Sd/-  
Rear Admiral A. K. Verma IN (Retd.)  
Chairman & Managing Director

Sd/-  
K.K.Rai  
Director (Finance)

Place : Kolkata

Date : 15th July, 2014



**Statement of Profit and Loss for the year ended 31st March 2014**

(₹ in lakh)

|       | Particulars                                                        | Note No. | For the year ended<br>31st March 2014 | For the year ended<br>31st March 2013 |
|-------|--------------------------------------------------------------------|----------|---------------------------------------|---------------------------------------|
| I.    | Revenue from Operations (Gross)                                    | 19       | 161,535.13                            | 153,114.05                            |
|       | Less : Excise duty                                                 |          | 470.56                                | 429.27                                |
|       |                                                                    |          | 161,064.57                            | 152,684.78                            |
| II.   | Other Income                                                       | 20       | 8,370.38                              | 7,587.66                              |
| III.  | <b>Total Revenue (I +II)</b>                                       |          | <b>169,434.95</b>                     | <b>160,272.44</b>                     |
| IV.   | Expenditure :                                                      |          |                                       |                                       |
|       | Cost of materials consumed                                         | 21       | 89,551.02                             | 87,782.88                             |
|       | Purchase of Products for resale                                    | 22       | 10,743.19                             | 8,894.39                              |
|       | Changes in inventories of work in progress                         | 23       | (923.93)                              | (1,074.27)                            |
|       | Sub-contracting charges                                            |          | 7,790.04                              | 7,568.86                              |
|       | Other Expenses - project related                                   | 24       | 4,245.30                              | 1,067.10                              |
|       | Employee benefits expense                                          | 25       | 31,257.33                             | 29,016.10                             |
|       | Finance costs                                                      | 26       | 62.77                                 | 97.70                                 |
|       | Depreciation and amortization expense                              |          | 2,207.07                              | 1,391.01                              |
|       | Other expenses                                                     | 27       | 6,009.28                              | 6,260.37                              |
|       | <b>Total Expenses</b>                                              |          | <b>150,942.07</b>                     | <b>141,004.14</b>                     |
| V.    | Profit before exceptional and extraordinary items and tax (III-IV) |          | 18,492.88                             | 19,268.30                             |
| VI.   | Exceptional Items                                                  | 28       | 230.53                                | 46.37                                 |
| VII.  | Profit before extraordinary items and tax (V-VI)                   |          | 18,723.41                             | 19,314.67                             |
| VIII. | Extraordinary Items                                                |          | -                                     | -                                     |
| IX.   | Profit before tax (VII-VIII)                                       |          | <b>18,723.41</b>                      | <b>19,314.67</b>                      |
| X.    | Tax expense:                                                       |          |                                       |                                       |
|       | (1) Current tax                                                    |          | 5,670.43                              | 5,586.99                              |
|       | (2) Adjustment relating to prior years                             |          | 8.48                                  | 127.76                                |
|       | (3) Deferred tax                                                   |          | 898.28                                | 445.68                                |
| XI.   | Profit/(Loss) for the year                                         |          | <b>12,146.22</b>                      | <b>13,154.24</b>                      |
| XII.  | Earning per equity share<br>(Nominal value per share Rs.100/-):    |          |                                       |                                       |
|       | Basic and Diluted [Refer Note No. 29 (18)]                         |          | 98.08                                 | 106.22                                |

Significant Accounting Policies

1

Other Notes to Financial Statements

29

The notes 1 to 29 referred to above form an integral part of these financial statements.

**As per our report of even date attached.**

For and on behalf of the Board of Directors

For G. P. AGRAWAL & CO.

Chartered Accountants

Firm's Registration No. - 302082E

Sd/-  
CA. Ajay Agrawal  
Partner  
Membership No. 17643

Sd/-  
S. Mahapatra  
Company Secretary

Sd/-  
Rear Admiral A. K. Verma IN (Retd.)  
Chairman & Managing Director

Sd/-  
K.K.Rai  
Director (Finance)

Place : Kolkata

Date : 15th July, 2014



Cash Flow Statement for the year ended 31st March 2014

(₹ in lakh)

|                                                                       |             | For the year ended<br>31st March 2014 |            | For the year ended<br>31st March 2013 |
|-----------------------------------------------------------------------|-------------|---------------------------------------|------------|---------------------------------------|
| <b>A. Cash flow from operating activities:</b>                        |             |                                       |            |                                       |
| Profit before exceptional items,<br>extra-ordinary items and taxation |             | 18723.41                              |            | 19314.67                              |
| Adjustments for -                                                     |             |                                       |            |                                       |
| Profit on sale of fixed assets                                        |             | -                                     |            | (0.45)                                |
| Interest income                                                       |             | (7847.69)                             |            | (6996.91)                             |
| Depreciation & amortisation expense                                   |             | 2207.07                               |            | 1391.01                               |
| Retirement of Assets - (Profit) / Loss                                |             | 10.26                                 |            | 0.17                                  |
| Finance cost                                                          |             | 62.77                                 |            | 97.70                                 |
| Unrealized loss/ (gain) on foreign exchange<br>fluctuation            |             | 464.92                                |            | (28.22)                               |
| Liability no longer required written back                             |             | (187.69)                              |            | (113.89)                              |
| <b>Operating profit before working capital changes</b>                |             | 13433.05                              |            | 13664.08                              |
| <b>Adjustments for changes in working capital :</b>                   |             |                                       |            |                                       |
| (Increase)/Decrease in Trade Receivables                              | 4599.45     |                                       | 1984.89    |                                       |
| (Increase)/Decrease in Loans & Advances                               | 2468.49     |                                       | 13517.58   |                                       |
| (Increase)/Decrease in Current &<br>Non Current Assets                | 61141.40    |                                       | (37697.33) |                                       |
| (Increase)/Decrease in Inventories                                    | (114402.90) |                                       | (77989.90) |                                       |
| Increase/(Decrease) in Trade ,<br>Other Payables & Provisions         | 40154.90    |                                       | 101255.37  |                                       |
|                                                                       |             | (6038.66)                             |            | 1070.61                               |
| <b>Cash generated from/ (used in) operations</b>                      |             | 7394.39                               |            | 14734.69                              |
| Taxes paid (net of refunds))                                          |             | (6067.56)                             |            | (5528.47)                             |
| <b>Net cash from operating activities</b>                             |             | 1326.83                               |            | 9206.22                               |
| <b>B. Cash flow from investing activities</b>                         |             |                                       |            |                                       |
| Purchase of fixed assets (including intangibles)                      |             | (4887.45)                             |            | (13475.34)                            |
| Proceeds from Sale of fixed assets                                    |             | -                                     |            | 0.56                                  |
| Proceeds from Sale of retired fixed assets                            |             | -                                     |            | 0.02                                  |
| Interest received                                                     |             | 8382.49                               |            | 6918.23                               |
| <b>Net cash used in investing activities</b>                          |             | 3495.04                               |            | (6556.53)                             |
| <b>C. Cash flow from financing activities:</b>                        |             |                                       |            |                                       |
| Repayment of Long term Borrowings                                     |             | (109.22)                              |            | (95.65)                               |
| Interest and other borrowing cost paid                                |             | (59.52)                               |            | (52.51)                               |
| Dividend paid                                                         |             | (3869.25)                             |            | (2476.80)                             |
| Dividend tax paid                                                     |             | (657.58)                              |            | (401.80)                              |
| <b>Net cash used in financing activities</b>                          |             | (4695.57)                             |            | (3026.76)                             |
| <b>Net Increase/(Decrease) in cash &amp; cash<br/>Equivalents</b>     |             | 126.30                                |            | (377.07)                              |
| <b>Opening cash and &amp; cash equivalents</b>                        |             | 1569.21                               |            | 1946.28                               |
| <b>Closing cash &amp; cash equivalents ( Refer note 16)</b>           |             | 1695.51                               |            | 1569.21                               |



**Notes :**

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement as notified under the Companies ( Accounting Standards ) Rules,2006.
2. Cash and cash equivalents as at the Balance sheet date consists of :

(₹ in lakh)

|                                                  |  | <b>For the year ended<br/>31st March 2014</b> |  | <b>For the year ended<br/>31st March 2013</b> |
|--------------------------------------------------|--|-----------------------------------------------|--|-----------------------------------------------|
| Balances with banks                              |  |                                               |  |                                               |
| Current accounts                                 |  | 1590.73                                       |  | 1491.91                                       |
| Fixed deposits (Original maturity upto 3 months) |  | 100.00                                        |  | 71.00                                         |
| Cash on hand                                     |  | 4.78                                          |  | 6.30                                          |
| Cash & cash equivalents                          |  | 1695.51                                       |  | 1569.21                                       |

3. Figures in brackets represent cash outflow from respective activities.
4. As break up of cash and cash equivalent is also available in Note 16 , reconciliation of items of cash & cash equivalents as per Cash Flow Statement with the respective items reported in the Balance Sheet is not required and hence not provided.
5. Cash and cash equivalents do not include any amount which is not available to the company for its use.
6. Additions to fixed assets include movement of Capital work -in progress during the year.

Significant Accounting Policies -Refer Note 1

Other Notes to Financial Statements -Refer Note 29

The notes 1 to 29 referred to above form an integral part of these financial statements.

**As per our report of even date attached.**

For and on behalf of the Board of Directors

For G. P. AGRAWAL & CO.  
Chartered Accountants  
Firm's Registration No. - 302082E

Sd/-  
CA. Ajay Agrawal  
Partner  
Membership No. 17643

Sd/-  
S. Mahapatra  
Company Secretary

Sd/-  
Rear Admiral A. K. Verma IN (Retd.)  
Chairman & Managing Director

Sd/-  
K.K.Rai  
Director (Finance)

Place : Kolkata  
Date : 15th July, 2014



## NOTES TO ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### I. BASIS OF ACCOUNTING :

- i) The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the Generally Accepted Accounting Principles (GAAP). GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, as applicable, the relevant provisions of the Companies Act, 1956 and the provisions of the Companies Act, 2013 (to the extent notified and applicable).
- ii) In preparing the financial statements in conformity with accounting principles generally accepted in India, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and the accounts of revenue and expenses during the reported period. Actual result could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

#### II. FIXED ASSETS :

- i) Fixed Assets procured by the Company are shown at Cost. Capital Works executed internally are valued at prime cost plus appropriate overheads. No charges for supervision are levied on civil capital projects.

Cost means cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs, if any.

- ii) Software cost is capitalized where it is expected to provide future enduring economic benefits. Capitalization costs include license fees and costs of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.
- iii) Retirement of Assets: Unserviceable fixed assets are valued at the net realisable value. In case

the net realisable value is not available, the same is considered at 5% of original cost as scrap value.

- iv) Fixed Assets acquired with financial assistance from outside agency either wholly or partially are capitalised at net cost to the company.

#### III. DEPRECIATION :

##### A. Depreciation on Fixed Assets

- (i) Depreciation on Fixed Assets, not being assets mentioned in (ii) to (iv) below, is charged on straight-line method based on Schedule XIV to the Companies Act, 1956 as amended from time to time.
- (ii) Depreciation on software, computer hardware & accessories
  - a) For assets acquired up to 31 Mar 2001, depreciation is charged on straight-line method @ 16.21%.
  - b) In respect of assets acquired after 31 Mar 2001, depreciation is charged on straight-line method @ 19% so as to write off 95 % of the original cost on the expiry of 5 years.
- (iii) The rates of depreciation of Furniture, Fixture and office equipment have been applied on straight line method at @19% w.e.f 1st April, 2010.
- (iv) Depreciation on second hand assets -

Depreciation on second hand assets is charged on straight-line method to write off 95% of the cost on the basis of estimated life of asset.
- (v) Pro-rata depreciation / amortization is charged from / upto date on which the assets are ready to be put to use / are deleted or discarded.

##### B. Leasehold properties

Leasehold properties are amortized evenly over the period of the lease.

#### IV. IMPAIRMENT OF ASSETS :

On the basis of annual assessment, impairment loss, if any, is provided. Impairment loss is the shortfall of the recoverable amount vis-à-vis the carrying amount. The recoverable amount is determined for defined Cash Generating Units (CGU).



## **V. VALUE OF INVENTORIES :**

Inventories other than Work in Progress arising under Construction contract are valued at the lower of cost and net realisable value. The cost is determined as under :

- i) (a) Raw materials, stores and spares : Valued at weighted average rates.
- (b) Inplant items : Valued at standard cost.
- ii) Equipment for specific projects : Valued at cost.
- iii) Stores in transit and non-stock items : Valued at cost.

### **Note :**

- a) Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location. Cost includes taxes and duties and is net of credit under CENVAT and VAT, where applicable.
- b) Inplant items are valued at standard cost for convenience taking into account normal level of activity and regularly reviewed.
- iv) Obsolete, slow-moving and defective inventories are identified at the time of physical verification and where necessary provision is made for such inventories. Project specific stores not moving for 4 years and more from the date of delivery of a vessel are valued at 50% on review. Such valuation at 50% on review is also made in respect of materials not for any specific project which do not move for 4 years or more from the date of receipt.
- v) Scrap : Valued at estimated net realisable value.
- vi) Inter-transfer items (Pending final transfer) : At cost, limited to transfer price.
- vii) Work-in-progress : Valuation of work-in-progress is done on the following basis and the term cost includes all overheads.

### **1. Recognition of revenue - Valuation of Work in Progress**

#### **a) Cost Plus Contracts :**

"At cost incurred plus profits accrued up to the reporting date as per Contract / Letter of Intent."

#### **b) Fixed Price Contracts :**

##### **(i) Where profit can be reliably measured :**

"At costs incurred up to the reporting date plus profits recognized under percentage completion method in the proportion the actual costs incurred bear to the estimated total cost to completion as on that date".

##### **(ii) Where loss is anticipated :**

"When it is probable that total contract costs will exceed the total contract revenue, the expected loss is fully recognized as an expense immediately, irrespective of physical progress achieved on the reporting date."

#### **c) Ship Repair Contracts :**

- (i) Work done against contracts extending up to 12 months is valued at cost or realizable value, whichever is lower. Profit, if any, is recognized in the year in which the repair is completed.
- (ii) For contracts extending beyond 12 months, the valuation is done as per policy for construction contracts as stated above.

#### **d) Others :**

All items other than the above have been valued at lower of cost and net realisable value.

## **VI. REVENUE RECOGNITION :**

Revenue is recognized and accounted for if there is no significant uncertainty in collection of the amount of consideration.

### **(A) SALES :**

#### **1. Sales other than Turnkey Projects :**

- a) Sales against contracts are reflected in the accounts of the year in which the deliveries are made to the customer.
- b) Sale values are ascertained in accordance with contractual provisions.
- c) Where the contract prices are not finalized, sales are accounted for on provisional basis.
- d) Additional revenue, in respect of contracts completed in earlier years, is accounted for as sales in the year in which such revenue materializes.
- e) Credit notes issued to customers and deductions accepted are reduced from sales in the year in which they are effected.
- f) Sales include Excise duty and Service Tax,



wherever applicable, and excludes Value Added Tax, Central Sales Tax, Works Contract Tax etc.

- g) Revenue Recognition in respect of ongoing construction contracts is done using percentage completion method as stated in para V(vii)(1) above.

**2. Sales in case of Turnkey Projects :**

- a) If part delivery and payment is provided in the contract, sales on part delivery are accounted for.
- b) In case of an indivisible contract, or specific items thereof, sales are considered on completion and handing over of the project.

**(B) INTEREST INCOME :**

Interest Income is accounted for on accrual basis in time proportion inclusive of related tax deducted at source.

**VII. GRANTS/SUBSIDY :**

- (i) Capital Grants / Subsidies

Capital grants/Subsidies relating to specific assets are reduced from the gross value of the assets and capital grants for project capital subsidy are credited to Capital Reserve and retained till the requisite conditions are fulfilled.

- (ii) Revenue Grants / Subsidies

Government grants related to revenue items are adjusted with the related expenditure. If not related to a specific expenditure, it is taken as income.

**VIII. BORROWING COST :**

Borrowing costs are capitalized as part of qualifying assets. Other borrowing costs are considered as revenue expenditure.

**IX. INSURANCE CLAIMS :**

Amounts due against insurance claims are accounted for on accrual basis; in respect of claims not finally settled by the underwriter, credits are reckoned, based on the company's estimate of the realisable value.

**X. TAXES ON INCOME :**

Current tax is determined as the amount of tax payable in respect of taxable income for the period in accordance with the Income Tax Act, 1961.

Deferred tax is recognized on timing difference

between taxable income and accounting income subject to consideration of prudence and provided for as per the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets on unabsorbed depreciation and carrying-forward of losses are not recognized unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

**XI. RETIREMENT BENEFITS :**

- (i) **Provident Fund and Pension :**

Retirement benefits in the form of Provident Fund and Family Pension Funds are defined contribution schemes and the contribution is charged to profit and loss of the year when the contributions to the respective funds are due in accordance with the relevant statute.

- (ii) **Gratuity :**

Gratuity Fund, a defined benefit scheme, is administered through duly constituted independent Trust and yearly contributions based on actuarial valuation as determined by LIC are charged to revenue. Any additional provision as may be required, is provided for on the basis of actuarial valuation as per Accounting Standard - 15 on Employee Benefits. Actuarial gains and losses in respect of such benefits are recognised in the Statement of Profit and Loss.

- (iii) **Leave Liability :**

Liability towards Earned Leave in respect of all employees is provided based on actuarial valuation as per Accounting Standard -15 on Employee Benefits using Projected Unit Credit method for the unused entitlements that has accumulated at the Balance Sheet date. Actuarial gains and losses in respect of such benefits are recognised in the Statement of Profit and Loss.

- (iv) **Voluntary Retirement Scheme :**

Actual disbursement made under Voluntary Retirement Scheme is charged to revenue.

- (v) **Post Retirement Medical Scheme**

- a) The post retirement medical benefits scheme to the existing employees is a defined benefit scheme and are determined based on actuarial valuation as per Accounting Standard -15 on Employee Benefits using



Projected Unit Credit method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses in respect of such benefits are recognised in the Statement of Profit and Loss.

- b) Post retirement medical benefits in the case of the super annuated employees are defined contribution schemes and premium paid to an Insurance company is charged to profit and loss of the year.

## **XII. VARIATION IN FOREIGN EXCHANGE RATES :**

### **(1) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### **(2) Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using exchange rate at the date of the transaction. Advances paid to foreign suppliers for material / services are treated as non-monetary assets and consequently are reported using exchange rate on the date of transaction.

### **(3) Exchange Difference**

Exchanges Differences arising on the settlement of monetary items or on reporting a company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

## **XIII. LICENCE FEE :**

Licence Fee for manufacturing right for a specified period is amortised over the said specified period.

## **XIV. RESEARCH AND DEVELOPMENT :**

Capital expenditure on research and development is included in fixed assets and revenue expenditure on research and development is charged as expenditure in the year in which it is incurred.

## **XV. MISCELLANEOUS :**

### **i) Loose Tools and Tackles :**

- a) Loose Tools and Tackles are charged to revenue, on issue from stores, if the cost of the individual items does not exceed Rs. 5000/-.
- b) Cost of such tools & tackles individually costing over Rs. 5000/- is written off evenly over a period of five years commencing from the year of purchase.

### **ii) Materials with contractors :**

Materials, if any, held by the contractors for processing are treated as part of work-in-progress.

### **iii) Liquidated Damages :**

Provision for liquidated damages is made in the accounts separately as per the contractual provision/proportionate liability basis keeping in view the delay caused by the factors beyond the control of the Company.

### **iv) Guarantee repair :**

Provision for guarantee liability in respect of delivered ships is made on the basis of actuarial estimates. Such provision for all other products is made, as applicable, on the basis of management estimates.

Values of free supply items are not booked to job/work-in-progress except in the cases permitted by the contracts. However, value added thereon is taken to value of Production and in Sales.

### **v) Advance from customers :**

Advances from customers are after adjusting dues, if any under sales accounts, and include advances received against placement of order and stage payments.

## **XVI. CLAIMS :**

Claims against the company are assessed on the basis of evaluation of facts and legal aspects of the matter involved. Where such assessment indicate probable obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, adequate provision is made otherwise claims against the company are disclosed as claims not acknowledged as debts.



A Contingent Asset is neither recognised nor disclosed in the Financial Statements.

#### **XVII. SEGMENT REPORTING :**

Segments are identified having regard to the dominant source and nature of risk and returns and the internal organization and management structure. The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparing and presenting the Financial Statements of the Company as a whole. Inter-segment revenue are accounted for on the basis of transfer price acceptable to the final customer. Assets pertaining to Corporate Office or not specific to segment activities are separately indicated.

#### **XVIII. PROPOSED DIVIDEND :**

Dividends (including income tax thereon) are provided as proposed by the Directors in the Books of Accounts on accrual basis pending approval at the Annual General Meeting.

#### **XIX. TRADE RECEIVABLES :**

Debts from Government / Government departments/ Government Companies are generally not treated as doubtful. However, provisions are made in the Accounts on a case to case review basis excepting those which are not contractually due.

#### **XX. CASH FLOW STATEMENT**

Cash flows are reported using the indirect method, whereby profit/loss before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing flows. The cash flows from operating, investing and financing activities of the Company are segregated.

#### **XXI. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, cheques in hand, balance with banks in current accounts and short term, highly liquid investments with an original maturity of three months or less and which carry insignificant risk of changes in value.

#### **XXII. PROVISIONS IN THE ACCOUNTS AGAINST CONTINGENT LIABILITY**

##### **(1) In non-tax civil cases :**

In the case of non-tax civil cases, creation of accounting provisions will be considered on a

review of status of each case as on the reporting date and provisions may be made in the Accounts on the basis given below:

- (a) In the Arbitration cases where the Company has not contested or does not intend to contest the adverse outcome of arbitral award, the liability will not be treated as contingent and full provision may be considered.
- (b) Where an adverse award / decision is given by the Arbitrator or by the trial court and an appeal is preferred by the Company or intended to be preferred, provision may be made as follows :
  - i) After the claim is disposed of by the Arbitrator - 25% of the amount in dispute.
  - ii) After the claim is disposed of by Higher Appeal Court - 50% of the amount in dispute, until disposal by the final appeal court. Revision petition, larger bench of the same court will be considered as part of the relevant appeal process in the said court.
- (c) Full provision of the disputed claim may be considered in the case of an award / decision where the Company does not proceed to contest the appellate award.
- (d) No provision may be made in case of demands raised by Govt. Dept. / Statutory Authority/ by Commissioner or Tribunal set up by such Govt. Dept. / Statutory Authority if the said demand is contested within the set-up of such Govt. Dept. / Statutory Authority.

##### **(2) In taxation cases :**

In the matter of taxation cases the claimed amount may be considered as contingent liability and no provision may be considered if the decision up to Appeal stage goes against the company and if the Company has contested or intends to contest such decision before the Appellate Tribunal.

However where the decision of Appellate Tribunal is against the Company, full provision of the amount in dispute may be made irrespective of whether the Company contests such decision at any higher forum.



**Notes to accounts**

|                                                  | Particulars                   | As at 31st March 2014 |                  | As at 31st March 2013 |                  |
|--------------------------------------------------|-------------------------------|-----------------------|------------------|-----------------------|------------------|
|                                                  |                               | No. of shares         | (₹ in lakh)      | No. of shares         | (₹ in lakh)      |
| <b>2. Share Capital</b>                          |                               |                       |                  |                       |                  |
| (i) <b>Authorised</b>                            |                               |                       |                  |                       |                  |
|                                                  | Equity shares of ₹ 100/- each | 12,500,000            | 12,500.00        | 12,500,000            | 12,500.00        |
| (ii) <b>Issued, subscribed and fully paid up</b> |                               |                       |                  |                       |                  |
|                                                  | Equity shares of ₹100/- each  | 12,384,000            | 12,384.00        | 12,384,000            | 12,384.00        |
| <b>Total</b>                                     |                               |                       | <b>12,384.00</b> |                       | <b>12,384.00</b> |

**(iii) Shareholders holding more than 5 % of the equity shares in the Company :**

| Shareholder                               | 2013-14       |            | 2012-13       |            |
|-------------------------------------------|---------------|------------|---------------|------------|
|                                           | No. of Shares | Percentage | No. of Shares | Percentage |
| President of India including his nominees | 12,384,000    | 100%       | 12,384,000    | 100%       |

**(iv)** The Company has only one class of equity shares. The holders of equity shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share.

**(v)** In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential dues. The distribution will be in proportion to the number of equity shares held by the shareholders.



Notes to accounts

(₹ in lakh)

| Particulars                                                       |     | As at<br>31st March 2014 | As at<br>31st March 2013 |
|-------------------------------------------------------------------|-----|--------------------------|--------------------------|
| <b>3. Reserves and Surplus</b>                                    |     |                          |                          |
| <b>Capital Reserves</b>                                           |     |                          |                          |
| Balance at the beginning and end of the year                      | (a) | 399.24                   | 399.24                   |
| <b>Contract Contingency Reserve</b>                               |     |                          |                          |
| Balance at the beginning of the year                              |     | 2,100.00                 | 2,100.00                 |
| Less Transfer to General Reserve                                  |     | (2,100.00)               | —                        |
| Balance at the year end                                           | (b) | —                        | 2,100.00                 |
| <b>Corporate Social Responsibility (CSR) Reserve</b>              |     |                          |                          |
| Balance at the beginning of the year                              |     | 237.86                   | 237.86                   |
| Less Transfer to General Reserve                                  |     | (30.60)                  | —                        |
| Balance at the year end                                           | (c) | 207.26                   | 237.86                   |
| <b>General Reserve</b>                                            |     |                          |                          |
| Balance at the beginning of the year                              |     | 10,401.70                | 9,086.28                 |
| Add: Transferred from Surplus in the Statement of Profit and loss |     | 1,214.62                 | 1,315.42                 |
| Add: Transferred from Contract Contingency Reserve                |     | 2,100.00                 | —                        |
| Add: Transferred from CSR Reserve                                 |     | 30.60                    | —                        |
| Balance at the year end                                           | (d) | 13,746.92                | 10,401.70                |
| <b>Surplus in the Statement of Profit and Loss</b>                |     |                          |                          |
| Balance at the beginning of the year                              |     | 60,809.18                | 52,048.32                |
| Add: Profit for the year                                          |     | 12,146.22                | 13,154.24                |
| Amount available for appropriation                                |     | 72,955.40                | 65,202.56                |
| Less: Appropriations                                              |     |                          |                          |
| General Reserve                                                   |     | 1,214.62                 | 1,315.42                 |
| Interim Dividend                                                  |     | 1,238.40                 | —                        |
| Tax on Interim Dividend                                           |     | 210.47                   | —                        |
| Proposed Dividend                                                 |     | 1,238.40                 | 2,630.85                 |
| Tax on Proposed Dividend                                          |     | 210.47                   | 447.11                   |
| Balance at the year end                                           | (e) | 68,843.04                | 60,809.18                |
| <b>Total a+b+c+d+e</b>                                            |     | <b>83,196.46</b>         | <b>73,947.98</b>         |

Notes:

- Contract Contingency Reserve had been created towards future liability for delayed delivery of ships under cost plus contracts which has now been transferred to General Reserve since the same is not required. (Refer 3(b) above).
- CSR Reserve had been created for unspent amount in the CSR Budget to be utilised exclusively for CSR activities. (Refer 3 (c) above).
- General reserve is primarily created to comply with the requirements of section 205(2A) of the Companies Act, 1956. This is a free reserve and can be utilised for any general purpose like issue of bonus shares, payment of dividend, buy back of shares etc. (Refer 3 (d) above).
- During the year ended 31st March, 2014, the Board of Directors has declared an interim dividend of ₹ 10 (Previous year Nil) per equity share. Further, the Board of Directors has proposed a final dividend of ₹ 10 (Previous year ₹ 21.24) per equity share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The total dividend appropriation (including tax on dividend) for the year ended March 31, 2014 amounted to ₹ 2,897.74 lakh (Previous year ₹ 3,077.96 lakh) (Refer 3 (e) above).



**Notes to accounts**

(₹ in lakh)

| Particulars                       | As at<br>31st March 2014 |  | As at<br>31st March 2013 |
|-----------------------------------|--------------------------|--|--------------------------|
| <b>4. Long Term borrowings</b>    |                          |  |                          |
| <b>Deferred Credit -Unsecured</b> |                          |  |                          |
| Foreign Suppliers                 | 2,402.86                 |  | 2,199.85                 |
| <b>Total</b>                      | <b>2,402.86</b>          |  | <b>2,199.85</b>          |

The outstanding amount is repayable by 01.04.2037 in 23 annual instalments of ₹ 109.22 lakhs. (Refer Note No. 29.4). A revaluation of the outstanding deferred credit as on 31.03.2014 has been done in terms of an Reserve Bank of India (RBI) advice received in March 2014 wherein the manner of future SDR indexation has been revised. The yearly instalment amount has been determined on the basis of the SDR rate as advised by RBI being applicable w.e.f. 01.04.2014. Such revalued deferred credit has also been shown as recoverable from Indian Navy. (Refer Note no. 13).

|                                              |                 |  |               |
|----------------------------------------------|-----------------|--|---------------|
| <b>5. Deferred Tax Liabilities (Net)</b>     |                 |  |               |
| <b>Deferred Tax Liability</b>                |                 |  |               |
| Depreciation on Fixed Assets                 | 3,720.50        |  | 2,591.60      |
| <b>Deferred Tax Assets</b>                   |                 |  |               |
| i) Provision for Bad & Doubtful Debts        | 317.30          |  | 320.04        |
| ii) Voluntary Retirement Scheme              | -               |  | 20.10         |
| iii) Provision for Leave encashment          | 1,659.92        |  | 1,542.13      |
| iv) Provision for Guarantee period liability | 168.97          |  | 203.37        |
| v) Provision for Gratuity liability          | 170.07          |  | -             |
|                                              | 2,316.26        |  | 2,085.64      |
| <b>Net Deferred Tax</b>                      | <b>1,404.24</b> |  | <b>505.96</b> |

Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

|                                                            |           |               |           |               |
|------------------------------------------------------------|-----------|---------------|-----------|---------------|
| <b>6. Long-term provisions</b>                             |           |               |           |               |
| Provisions for employee benefits<br>(Refer Note No. 29.15) |           |               |           |               |
| Accrued leave                                              | 3,885.72  |               | 3,712.92  |               |
| Less : Leave fund with LIC                                 | -3,885.72 | -             | -3,712.92 | -             |
| Post retirement medical benefits                           |           | 333.04        |           | 398.47        |
| <b>Total</b>                                               |           | <b>333.04</b> |           | <b>398.47</b> |



## Notes to accounts

(₹ in lakh)

| Particulars                                          |  | As at<br>31st March 2014 |  | As at<br>31st March 2013 |
|------------------------------------------------------|--|--------------------------|--|--------------------------|
| <b>7. Trade payable</b>                              |  |                          |  |                          |
| Micro and small enterprises<br>[Refer Note No.29.14] |  | 220.66                   |  | 66.04                    |
| Others                                               |  | 36,806.23                |  | 24,558.90                |
| <b>Total</b>                                         |  | <b>37,026.89</b>         |  | <b>24,624.94</b>         |

|                                                                               |  |                    |  |                    |
|-------------------------------------------------------------------------------|--|--------------------|--|--------------------|
| <b>8. Other current liabilities</b>                                           |  |                    |  |                    |
| Current maturities of long -term deferred credit<br>(Refer Note No. 4 & 29.4) |  | 109.22             |  | 95.65              |
| Interest accrued and due on borrowings                                        |  | 48.57              |  | 45.32              |
| Other payables :                                                              |  |                    |  |                    |
| Advance received from Customers                                               |  | 489,195.41         |  | 465,357.77         |
| Security Deposit                                                              |  | 447.69             |  | 421.10             |
| Accrued salaries and benefits                                                 |  | 91.06              |  | 172.15             |
| Accrued expenses :                                                            |  |                    |  |                    |
| Power & Fuel                                                                  |  | 83.39              |  | 90.28              |
| Rent                                                                          |  | 141.94             |  | 100.85             |
| Liquidated damages                                                            |  | 1,807.65           |  | 2,394.64           |
| Others                                                                        |  | 661.30             |  | 575.46             |
| Statutory liabilities :                                                       |  |                    |  |                    |
| Sales Tax                                                                     |  | 904.05             |  | 139.47             |
| Service Tax, Provident Fund, TDS and Works<br>Contract tax etc.               |  | 406.68             |  | 657.57             |
| <b>Total</b>                                                                  |  | <b>4,93,896.96</b> |  | <b>4,70,050.26</b> |

|                                                                                |          |                  |          |                 |
|--------------------------------------------------------------------------------|----------|------------------|----------|-----------------|
| <b>9. Short-term provisions</b>                                                |          |                  |          |                 |
| Provisions for employee benefits<br>(Refer Note No. 29.15)                     |          |                  |          |                 |
| Accrued leave                                                                  | 997.81   |                  | 824.09   |                 |
| Less : Leave fund with LIC                                                     | (858.48) | 139.33           | (637.57) | 186.52          |
| Post retirement medical benefit                                                |          | 131.69           |          | 120.78          |
| Other provisions                                                               |          |                  |          |                 |
| Wealth Tax [Net of Advance tax Rs. 0.99 lakh<br>Previous Year - Rs. 0.95 lakh] |          | 0.46             |          | 0.53            |
| Guarantee Repair (Refer Note No. 29.20 (c))                                    |          | 497.12           |          | 598.33          |
| Proposed dividend                                                              |          | 1,238.40         |          | 2,630.85        |
| Tax on proposed dividend                                                       |          | 210.47           |          | 447.11          |
| Other provisions (Refer Note No. 29.20 (c))                                    |          | 10,194.29        |          | 5,791.00        |
| <b>Total</b>                                                                   |          | <b>12,411.76</b> |          | <b>9,775.12</b> |



10. Fixed assets

(₹ in lakh)

| Description                                            | GROSS BLOCK          |                                        |                         |                       | DEPRECIATION AND AMMORTISATION |                |                         |                      | NET BLOCK             |                       |
|--------------------------------------------------------|----------------------|----------------------------------------|-------------------------|-----------------------|--------------------------------|----------------|-------------------------|----------------------|-----------------------|-----------------------|
|                                                        | a                    | b                                      | c                       | d=a+b-c               | e                              | f              | g                       | h=e+f-g              | i=d-h                 | j=a-e                 |
|                                                        | As at 1st April 2013 | Additions during the year /Adjustments | Deductions/ Adjustments | As at 31st March 2014 | Upto 31st March 2013           | For the Year   | Deductions/ Adjustments | Upto 31st March 2014 | As at 31st March 2014 | As at 31st March 2013 |
| <b>A. TANGIBLE ASSETS</b>                              |                      |                                        |                         |                       |                                |                |                         |                      |                       |                       |
| Land - Freehold                                        | 5125.71              | -                                      | -                       | 5125.71               | -                              | -              | -                       | -                    | 5125.71               | 5125.71               |
| Building                                               | 3872.45              | 16.77                                  | -                       | 3889.22               | 1966.86                        | 77.86          | -                       | 2044.72              | 1844.50               | 1905.59               |
| Plant & Equipment                                      | 22446.67             | 311.84                                 | 71.17                   | 22687.34              | 6238.90                        | 918.20         | 58.00                   | 7099.10              | 15588.24              | 16207.77              |
| Docks & Jetties                                        | 3387.05              | 34.98                                  | -                       | 3422.03               | 1826.61                        | 98.73          | -                       | 1925.34              | 1496.69               | 1560.44               |
| Furniture & Fixtures                                   | 1415.62              | 31.90                                  | 0.68                    | 1446.84               | 1099.44                        | 115.68         | 0.65                    | 1214.47              | 232.37                | 316.17                |
| Office Equipments                                      | 291.63               | 19.54                                  | 2.60                    | 308.57                | 194.92                         | 31.16          | 2.42                    | 223.66               | 84.91                 | 96.72                 |
| Computer                                               | 1998.90              | 451.99                                 | -                       | 2450.89               | 1379.20                        | 202.15         | -                       | 1581.35              | 869.54                | 619.70                |
| Launches, Barges & Boats                               | 75.87                | -                                      | 0.52                    | 75.35                 | 64.23                          | 5.27           | 0.50                    | 69.00                | 6.35                  | 11.64                 |
| Motor Car                                              | 78.95                | -                                      | 47.88                   | 31.07                 | 56.88                          | 2.71           | 45.48                   | 14.11                | 16.96                 | 22.07                 |
| Motor Lorries, Trailers, Mobile Cranes etc             | 1068.23              | 30.64                                  | 14.98                   | 1083.89               | 565.17                         | 80.27          | 14.23                   | 631.21               | 452.68                | 503.06                |
| <b>Sub-total (1)</b>                                   | <b>39761.08</b>      | <b>897.66</b>                          | <b>137.83</b>           | <b>40520.91</b>       | <b>13392.21</b>                | <b>1532.03</b> | <b>121.28</b>           | <b>14802.96</b>      | <b>25717.95</b>       | <b>26368.87</b>       |
| <b>Assets jointly funded by GRSE &amp; Indian Navy</b> |                      |                                        |                         |                       |                                |                |                         |                      |                       |                       |
| Building                                               | 2680.46              | 6873.00                                | -                       | 9553.46               | -                              | -              | -                       | -                    | -                     | -                     |
| Less : Funded by Navy                                  | (1441.69)            | (4889.00)                              | -                       | (6330.69)             | -                              | -              | -                       | -                    | -                     | -                     |
| Funded by GRSE                                         | 1238.77              | 1984.00                                | -                       | 3222.77               | 344.57                         | 96.44          | -                       | 441.01               | 2781.76               | 894.20                |
| Plant & Equipment                                      | -                    | 3629.31                                | -                       | 3629.31               | -                              | -              | -                       | -                    | -                     | -                     |
| Less : Funded by Navy                                  | -                    | (861.00)                               | -                       | (861.00)              | -                              | -              | -                       | -                    | -                     | -                     |
| Funded by GRSE                                         | -                    | 2768.31                                | -                       | 2768.31               | -                              | 114.90         | -                       | 114.90               | 2653.41               | -                     |
| Docks & Jetties                                        | -                    | 29956.00                               | -                       | 29956.00              | -                              | -              | -                       | -                    | -                     | -                     |
| Less : Funded by Navy                                  | -                    | (25134.08)                             | -                       | (25134.08)            | -                              | -              | -                       | -                    | -                     | -                     |
| Funded by GRSE                                         | -                    | 4821.92                                | -                       | 4821.92               | -                              | 214.61         | -                       | 214.61               | 4607.31               | -                     |
| <b>Sub-Total (2)</b>                                   | <b>1238.77</b>       | <b>9574.23</b>                         | <b>-</b>                | <b>10813.00</b>       | <b>344.57</b>                  | <b>425.95</b>  | <b>-</b>                | <b>770.52</b>        | <b>10042.48</b>       | <b>894.20</b>         |
| <b>Total Tangible Assets (a)</b>                       | <b>40999.85</b>      | <b>10471.89</b>                        | <b>137.83</b>           | <b>51333.91</b>       | <b>13736.78</b>                | <b>1957.98</b> | <b>121.28</b>           | <b>15573.48</b>      | <b>35760.43</b>       | <b>27263.07</b>       |
| <b>B. INTANGIBLE ASSETS</b>                            |                      |                                        |                         |                       |                                |                |                         |                      |                       |                       |
| Software (Acquired)                                    | 1732.15              | 320.85                                 | -                       | 2053.00               | 1016.22                        | 249.09         | -                       | 1265.31              | 787.69                | 715.93                |
| <b>GRAND TOTAL (a+b)</b>                               | <b>42732.00</b>      | <b>10792.74</b>                        | <b>137.83</b>           | <b>53366.91</b>       | <b>14753.00</b>                | <b>2207.07</b> | <b>121.28</b>           | <b>16838.79</b>      | <b>36548.12</b>       | <b>27979.00</b>       |
| <b>Previous Year</b>                                   | <b>30829.47</b>      | <b>11904.62</b>                        | <b>2.09</b>             | <b>42732.00</b>       | <b>13348.88</b>                | <b>1391.01</b> | <b>(13.11)</b>          | <b>14753.00</b>      | <b>27979.00</b>       |                       |



## Notes to accounts

## A] Capital Work-in-Progress

(₹ in lakh)

| Description                            | As at 31st March 2014 | As at 31st March 2013 |
|----------------------------------------|-----------------------|-----------------------|
| Building                               | 19.44                 | -                     |
| Plant & equipments                     | 591.56                | 45.77                 |
| Docks & Jetties                        | 360.03                | 213.04                |
| Furniture, Fixtures, Office Equipments | 0.33                  | 0.53                  |
| Softwares                              | 3.48                  | -                     |
| Consultancy Charges                    | 7.69                  | -                     |
| <b>TOTAL (A)</b>                       | <b>982.53</b>         | <b>259.34</b>         |

## B] Capital Work-in-Progress (Under Phase II Yard Modernisation - A/C GRSE)

(₹ in lakh)

| Description              | As at 31st March 2014 | As at 31st March 2013 |
|--------------------------|-----------------------|-----------------------|
| Building                 | -                     | 2849.15               |
| Docks & Jetties          | 788.39                | 4186.51               |
| Consultancy Charges      | -                     | 381.21                |
| <b>TOTAL (B)</b>         | <b>788.39</b>         | <b>7416.87</b>        |
| <b>Grand Total (A+B)</b> | <b>1770.92</b>        | <b>7676.21</b>        |

## Notes :

- 1 Current year additions includes adjustment nil ( Previous year ₹ 56.29 lakhs ) towards certain flats reclassified as fixed assets from other current assets- assets held for sale.
- 2 Current year deductions includes adjustment for Retired Assets. Retired Asset as on 31.03.2014 comprise of ₹ 35.71 Lakh, Original Cost ₹ 730.17 Lakh ( Previous year ₹ 29.43 Lakh, original cost ₹604.10 Lakh ), valued at estimated scrap value being 5% of original cost .
3. Depreciation includes amortisation in case of software.
- 4 The Fixed Asset include Modern Hull Shop, the creation of which has been partly funded by Indian Navy as part of modernisation of infrastructure. The original cost of Modern Hull shop capitalised under the head building ₹ 1238.77 Lakh and WDV as on 31st March 2014 is ₹ 852.82 Lakh (Previous year ₹ 894.20 Lakh). The Modern Hull shop was jointly funded by Indian Navy for an amount of ₹ 1441.69 Lakh.
- 5 A new Dry Dock, Inclined Berth, Paint Cell and other miscellaneous facilities under modernisation of infrastructure development have been completed and capitalised in 2013-14 . Such assets have been capitalised in current year from Capital Work in Progress. These assets have been jointly funded by Indian Navy to the tune of Original Cost of ₹ 30884.08 Lakh.



**Notes to accounts**

**6 Capital Work in Progress Funded by Navy**

(₹ in lakh)

| Description                          | As at 31st March 2014 | As at 31st March 2013 |
|--------------------------------------|-----------------------|-----------------------|
|                                      | Funded by Navy        | Funded by Navy        |
| Building                             | —                     | 2073.19               |
| Docks & Jetties                      | —                     | 25234.69              |
| Plant & Equipment                    | —                     | 694.56                |
| Consultancy Chargs for Modernisation | —                     | 2042.32               |
| <b>Total</b>                         | <b>—</b>              | <b>30044.76</b>       |

**7 . Assets exclusively Funded by Navy (Original Cost) not included in note 10 - Fixed Assets**

(₹ in lakh)

| Description         | As at 31st March 2014 | As at 31st March 2013 |
|---------------------|-----------------------|-----------------------|
| Building            | 483.10                | 483.10                |
| Computer & Software | 318.13                | 318.13                |
| <b>Total</b>        | <b>801.23</b>         | <b>801.23</b>         |

8 Building include ₹ 67.29 Lakh (Original Cost) for Delhi Shipyard House being one third share in the property jointly held by the Company, Mazagon Dock Limited and Goa Shipyard Limited.

9 Depreciation /Amortization for the year includes Depreciation for earlier years - ₹ Nil (Previous year ₹ 0.02 lakh).

(₹ in lakh)

| Particulars                                           | As at 31st March 2014 | As at 31st March 2013 |
|-------------------------------------------------------|-----------------------|-----------------------|
| <b>11. Non-current investments (At cost)</b>          |                       |                       |
| <b>Long term (Other than trade)</b>                   |                       |                       |
| Woodlands Multispeciality Hospital Ltd.               |                       |                       |
| (unquoted, fully paid up) :                           |                       |                       |
| 6,145 (Previous year 6,145) Equity Share of ₹10/-each | 0.44                  | 0.44                  |
| (Following a scheme of re-arrangement and conversion) |                       |                       |
| <b>Total</b>                                          | <b>0.44</b>           | <b>0.44</b>           |



Notes to accounts

(₹ in lakh)

| Particulars                                                                                                  |         | As at 31st<br>March 2014 |         | As at 31st<br>March 2013 |
|--------------------------------------------------------------------------------------------------------------|---------|--------------------------|---------|--------------------------|
| <b>12. Long Term Loan and Advances</b><br>(Unsecured, considered good unless stated otherwise)               |         |                          |         |                          |
| Capital Advances                                                                                             |         | 868.70                   |         | 972.74                   |
| Deposits with Electricity Board and others                                                                   |         | 450.93                   |         | 423.25                   |
| Inter corporate deposits [Refer Note No.29.5]                                                                |         |                          |         |                          |
| Unsecured, considered doubtful                                                                               | 200.00  |                          | 200.00  |                          |
| Less : Provision for doubtful deposits                                                                       | -200.00 | -                        | -200.00 | -                        |
| Advance Income Tax and TDS<br>[Net of Provisions Rs. 16739.74 lakhs<br>(Previous Year - Rs. 15159.56 lakhs)] |         | 1885.36                  |         | 1496.71                  |
| Prepaid Expenses<br>(Refer Note No. 29.13)                                                                   |         | 71.84                    |         | 85.18                    |
| <b>Total</b>                                                                                                 |         | <b>3276.83</b>           |         | <b>2977.88</b>           |

|                                                                |          |                |          |                |
|----------------------------------------------------------------|----------|----------------|----------|----------------|
| <b>13. Other Non-current assets</b>                            |          |                |          |                |
| Long term trade receivables                                    |          |                |          |                |
| Unsecured, considered good                                     | 602.67   |                | 674.78   |                |
| Doubtful                                                       | 933.52   |                | 941.58   |                |
|                                                                | 1,536.19 |                | 1,616.36 |                |
| Less : Provision for doubtful debts                            | 933.52   | 602.67         | 941.58   | 674.78         |
| Interest accrued and due on deposits<br>[Refer Note No.29.5]   |          |                |          |                |
| Unsecured, considered doubtful                                 | 257.75   |                | 257.75   |                |
| Less:Provision for doubtful interest                           | 257.75   | -              | 257.75   | -              |
| Deferred credit recoverable                                    |          |                |          |                |
| Unsecured, considered good<br>(Refer Note Nos. 4, 13 and 29.4) |          | 2402.86        |          | 2199.85        |
| <b>Total</b>                                                   |          | <b>3005.53</b> |          | <b>2874.63</b> |

|                                                                   |           |                   |           |                   |
|-------------------------------------------------------------------|-----------|-------------------|-----------|-------------------|
| <b>14. Inventories</b><br>(Valued as per accounting policy 1 (V)) |           |                   |           |                   |
| Raw materials                                                     | 67,888.35 |                   | 83,964.63 |                   |
| Less: Provision for obsolescence                                  | 112.12    | 67,776.23         | 173.18    | 83,791.45         |
| Add: In transit                                                   |           | 1,065.47          |           | 1,912.65          |
|                                                                   |           | 68,841.70         |           | 85,704.10         |
| Work in progress                                                  |           | 454,562.67        |           | 323,290.51        |
| Stores and spares                                                 |           | 459.59            |           | 464.13            |
| Loose tools                                                       |           | 235.30            |           | 237.62            |
| <b>Total</b>                                                      |           | <b>524,099.26</b> |           | <b>409,696.36</b> |



**Notes to accounts**

(₹ in lakh)

| Particulars                                                                   |           | As at 31st<br>March 2014 |           | As at 31st<br>March 2013 |
|-------------------------------------------------------------------------------|-----------|--------------------------|-----------|--------------------------|
| <b>15. Trade receivables</b>                                                  |           |                          |           |                          |
| (Unsecured, considered good)                                                  |           |                          |           |                          |
| a) Outstanding for a period exceeding six months from due date                |           | 3,293.71                 |           | 2,827.21                 |
| b) Others                                                                     |           | 1,361.79                 |           | 6,355.63                 |
| <b>Total</b>                                                                  |           | <b>4,655.50</b>          |           | <b>9,182.84</b>          |
| <b>16. Cash and bank balances</b>                                             |           |                          |           |                          |
| <b>Cash and cash equivalents</b>                                              |           |                          |           |                          |
| Balances with banks                                                           |           |                          |           |                          |
| Current accounts                                                              |           | 1,590.73                 |           | 1,491.91                 |
| Fixed deposits (Original maturity upto 3 months)                              |           | 100.00                   |           | 71.00                    |
| Cash on hand                                                                  |           | 4.78                     |           | 6.30                     |
|                                                                               |           | 1,695.51                 |           | 1,569.21                 |
| <b>Other Bank Balances</b>                                                    |           |                          |           |                          |
| Fixed deposits (Original maturity more than 3 months and upto 12 months)      |           | 43,100.00                |           | 104,229.00               |
| Fixed deposits (Pledged as margin money)                                      |           | -                        |           | 57.40                    |
| <b>Total</b>                                                                  |           | <b>44,795.51</b>         |           | <b>105,855.61</b>        |
| <b>17. Short term loans and advances</b>                                      |           |                          |           |                          |
| (Unsecured, considered good unless stated otherwise)                          |           |                          |           |                          |
| Deposit with Customs, Port Trust                                              |           | 4.17                     |           | 3.95                     |
| Advances recoverable in cash or in kind or for value to be received Suppliers |           |                          |           |                          |
| Unsecured, considered good                                                    | 21,033.52 |                          | 23,421.68 |                          |
| Doubtful                                                                      | 0.31      |                          | 0.31      |                          |
|                                                                               | 21,033.83 |                          | 23,421.99 |                          |
| Less: Provision for doubtful advances                                         | 0.31      | 21,033.52                | 0.31      | 23,421.68                |
| Employees                                                                     |           | 144.54                   |           | 156.16                   |
| Excise                                                                        |           | 250.54                   |           | 221.71                   |
| Sales Tax                                                                     |           | 212.09                   |           | 190.55                   |
| Prepaid expenses (Refer Note No. 29.13)                                       |           | 623.29                   |           | 652.89                   |
| <b>Total</b>                                                                  |           | <b>22,268.15</b>         |           | <b>24,646.94</b>         |
| <b>18. Other Current Assets</b>                                               |           |                          |           |                          |
| (Unsecured, considered good)                                                  |           |                          |           |                          |
| Interest accrued but not due on deposits                                      |           | 1,743.38                 |           | 2,278.18                 |
| Current portion of long term deferred credit recoverables                     |           | 109.22                   |           | 95.65                    |
| Assets held for sale                                                          |           | 35.72                    |           | 29.43                    |
| Other receivables                                                             |           | 747.63                   |           | 593.41                   |
| <b>Total</b>                                                                  |           | <b>2,635.95</b>          |           | <b>2,996.67</b>          |



## Notes to accounts

(₹ in lakh)

| Particulars                                                | for the year ended<br>31st March 2014 | for the year ended<br>31st March 2013 |
|------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>19. Revenue from Operations</b>                         |                                       |                                       |
| <b>Sale of Products :</b>                                  |                                       |                                       |
| Ship construction                                          | 12,434.94                             | 23,954.83                             |
| Ship repair                                                | 741.63                                | 313.01                                |
| B & D spares                                               | 11,548.90                             | 9,561.41                              |
| General engineering                                        | 4,188.18                              | 8,562.40                              |
| Diesel engines                                             | 175.33                                | 2,144.35                              |
| <b>Sale of Services :</b>                                  |                                       |                                       |
| Ship repair                                                | 1,643.16                              | 1,783.97                              |
| General engineering                                        | 5.55                                  | 43.53                                 |
| Diesel engines                                             | 80.85                                 | 57.07                                 |
|                                                            | 30,818.54                             | 46,420.57                             |
| Add/Less :                                                 |                                       |                                       |
| Accretion/ (Decretion) to WIP - Ship construction & Repair | 130,348.23                            | 106,494.44                            |
|                                                            | 161,166.77                            | 152,915.01                            |
| <b>Other Operating Revenue :</b>                           |                                       |                                       |
| Scrap sales                                                | 368.36                                | 199.04                                |
| <b>Total</b>                                               | <b>161,535.13</b>                     | <b>153,114.05</b>                     |

|                              |                 |                 |
|------------------------------|-----------------|-----------------|
| <b>20. Other Income</b>      |                 |                 |
| Interest on deposits         | 7,847.69        | 6,996.91        |
| Other non-operating income : |                 |                 |
| Rent                         | 8.19            | 30.77           |
| Liquidated damages           | 353.48          | 227.74          |
| Insurance claims             | 18.86           | 1.19            |
| Other miscellaneous income   | 142.16          | 331.05          |
| <b>Total</b>                 | <b>8,370.38</b> | <b>7,587.66</b> |

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| <b>21. Cost of materials consumed</b> |                  |                  |
| Raw materials                         | 15,469.19        | 16,373.57        |
| Components                            | 74,081.83        | 71,409.31        |
| <b>Total</b>                          | <b>89,551.02</b> | <b>87,782.88</b> |

Note: As none of individual raw materials mentioned above is more than 10% of the value of the consumption made during the year, itemwise break up of the raw materials and components have not been provided.

|                                            |                  |                 |
|--------------------------------------------|------------------|-----------------|
| <b>22. Purchase of Products for resale</b> |                  |                 |
| B & D spares                               | 10,743.19        | 8,894.39        |
| <b>Total</b>                               | <b>10,743.19</b> | <b>8,894.39</b> |



**Notes to accounts**

(₹ in lakh)

| Particulars                                           | for the year ended<br>31st March 2014 | for the year ended<br>31st March 2013 |
|-------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>23. Changes in inventories of work-in-progress</b> |                                       |                                       |
| <b>Opening stock</b>                                  |                                       |                                       |
| Bailey Bridge unit                                    | 3592.27                               | 2526.35                               |
| Engine unit                                           | 49.08                                 | 40.73                                 |
|                                                       | 3641.35                               | 2567.08                               |
| <b>Closing stock</b>                                  |                                       |                                       |
| Bailey Bridge unit                                    | 4348.21                               | 3592.27                               |
| Engine unit                                           | 217.07                                | 49.08                                 |
|                                                       | 4565.28                               | 3641.35                               |
| <b>Increase / (decrease ) in Work-in-progress</b>     | <b>(923.93)</b>                       | <b>(1,074.27)</b>                     |

|                                             |                 |                 |
|---------------------------------------------|-----------------|-----------------|
| <b>24. Other expenses - Project related</b> |                 |                 |
| Facility Hire                               | 173.99          | 605.45          |
| Insurance                                   | 93.68           | 96.52           |
| Travelling Expenses                         | 143.93          | 149.64          |
| Technicians' Fees                           | 3,621.05        | 14.05           |
| Launching & Commissioning Expenses          | 54.29           | 81.35           |
| Miscellaneous Expenses                      | 158.36          | 120.09          |
| <b>Total</b>                                | <b>4,245.30</b> | <b>1,067.10</b> |

|                                                |                  |                  |
|------------------------------------------------|------------------|------------------|
| <b>25. Employee benefits expense</b>           |                  |                  |
| (Refer Note No. 29.15)                         |                  |                  |
| Salaries and wages                             | 24,976.24        | 23,042.25        |
| Contribution to provident fund and Other Funds | 3,181.41         | 3,037.48         |
| Staff welfare expenses                         | 3,099.68         | 2,936.37         |
| <b>Total</b>                                   | <b>31,257.33</b> | <b>29,016.10</b> |

|                                 |              |              |
|---------------------------------|--------------|--------------|
| <b>26. Finance costs</b>        |              |              |
| <b>Interest expenses :</b>      |              |              |
| Bank borrowings                 | -            | 6.84         |
| Interest liability to customers | 30.12        | 45.18        |
| Others                          | 18.31        | 0.14         |
| <b>Other Borrowing cost :</b>   |              |              |
| Bank charges & Commission       | 14.34        | 45.54        |
| <b>Total</b>                    | <b>62.77</b> | <b>97.70</b> |



Notes to accounts

(₹ in lakh)

| Particulars                            | for the year ended<br>31st March 2014 | for the year ended<br>31st March 2013 |
|----------------------------------------|---------------------------------------|---------------------------------------|
| <b>27. Other expenses</b>              |                                       |                                       |
| Consumption of stores and spares parts | 210.09                                | 217.45                                |
| Power and fuel                         | 989.03                                | 1,092.29                              |
| Rent                                   | 195.37                                | 151.49                                |
| Repair to buildings                    | 520.97                                | 615.30                                |
| Repair to plant & equipments           | 291.84                                | 302.87                                |
| Other repairs                          | 627.17                                | 553.95                                |
| Insurance                              | 135.19                                | 106.14                                |
| Rates and taxes                        | 136.96                                | 119.69                                |
| Marketing expenses                     | 56.56                                 | 124.88                                |
| Guarantee repair expenses              | 14.79                                 | -                                     |
| Stores clearing & despatch expenses    | 163.47                                | 100.18                                |
| Liquidated damages                     | 323.14                                | 1,470.79                              |
| Travelling expenses                    | 315.09                                | 300.44                                |
| Advertisement & publicity              | 381.68                                | 249.03                                |
| Printing & stationary                  | 11.77                                 | 10.09                                 |
| Postage & courier                      | 9.60                                  | 7.87                                  |
| Telephone & fax                        | 83.35                                 | 79.10                                 |
| Loss in exchange rate fluctuations     | 491.73                                | 39.88                                 |
| Legal expenses                         | 40.08                                 | 34.77                                 |
| Corporate social responsibility        | 242.74                                | 300.54                                |
| Auditors' remuneration :               |                                       |                                       |
| (a) Statutory audit                    | 3.00                                  | 2.00                                  |
| (b) Tax audit                          | 0.40                                  | 0.40                                  |
| Prior period adjustment*               | 199.65                                | -                                     |
| Provision for bad debt                 | 13.51                                 | 50.33                                 |
| Service tax                            | 40.31                                 | 95.07                                 |
| R & D expenses                         | 291.69                                | 56.90                                 |
| Other miscellaneous expenses           | 220.10                                | 178.92                                |
| <b>Total</b>                           | <b>6,009.28</b>                       | <b>6,260.37</b>                       |

\*Includes

|                                                          |               |          |
|----------------------------------------------------------|---------------|----------|
| i) Sales reversal of earlier year                        | 179.10        | -        |
| ii) Value of Material supplied/consumed in earlier years | 20.55         | -        |
| <b>Total</b>                                             | <b>199.65</b> | <b>-</b> |

|                                         |               |              |
|-----------------------------------------|---------------|--------------|
| <b>28. Exceptional Items</b>            |               |              |
| Written down value of Inventories       | 53.10         | (67.80)      |
| Profit /(Loss) on sale of fixed assets  | -             | 0.45         |
| Profit /(Loss) on Retired Assets ( net) | (9.68)        | (0.17)       |
| Fixed Assets written off                | (0.58)        | -            |
| Liability/Provision written back        | 187.69        | 113.89       |
| <b>Total</b>                            | <b>230.53</b> | <b>46.37</b> |



## 29. Other Notes to the Financial Statements

**29.1** The classification of assets and liabilities, wherever applicable, are based on normal operating cycles of different business activities of the Company, which are as under :

- (a) In case of Shipbuilding and Ship repair and Refit activities, normal operating cycle is considered vessel wise, as the time period from the effective date of contract/ Letter of Intent to the date of expiry of guarantee period.
- (b) In case of other business activities, normal operating cycle is 12 months.

**29.2** The estimated cost to completion of an un-delivered ship is comprised of costs incurred till the reporting date as also further costs to be incurred till the projected date of delivery. Such further costs to be incurred are computed on an estimated basis for all elements of costs including for guarantee repair obligations after delivery.

### 29.3. Disclosure pertaining to Accounting Standard (AS-7) (Construction Contract)

(₹ in lakh)

|       |                                                                                                                                                       | <b>For the year ended/<br/>As at 31.03.2014</b> | <b>For the year ended/<br/>As at 31.03.2013</b> |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| (i)   | Contract revenue recognized for the year ended 31st March 2014                                                                                        | 1,44,510.63                                     | 1,33,807.45                                     |
| (ii)  | Aggregate amount of costs incurred and recognized profit (less recognized losses) upto 31st March 2014 for all contracts in progress as at that date. | 4,50,049.34                                     | 3,19,689.90                                     |
| (iii) | Amount of customer advances outstanding for contracts in progress as at 31st March 2014                                                               | 4,78,141.51                                     | 4,37,004.99                                     |
| (iv)  | Amounts retained by customers for contracts in progress as at 31st March 2014                                                                         | Nil                                             | Nil                                             |

### 29.4 Russian (USSR) deferred State Credit :

An inter-governmental agreement between Russian Federation and Government of India was reached for restructuring of Russian deferred state credit in Rouble in connection with procurement of weapon systems for cost-plus P25 ships built and delivered by the Company to Indian Navy. As per the said agreement, the outstanding debt in Rouble as on 01.04.1992 was converted to Indian Rupees at the difference in Rupee-Rouble exchange rate between 01.04.90 and 01.04.1992 and such amount of exchange rate difference was rescheduled by Government Of India under a deferred rupee payment arrangement payable over 45 years till 2037. These rescheduled payments are also reimbursable by Indian Navy. Such amount is accordingly held as Foreign Suppliers Deferred Credit as at 31.03.2014 and aggregated to ₹ 2512.08 lakhs (Previous year ₹ 2295.50 lakhs).

**29.5 ICD to Hindustan Cables Ltd. :** An amount of ₹ 457.75 lakhs (₹ 200 lakhs as Principal and ₹ 257.75 lakhs as interest) was outstanding as on 31<sup>st</sup> March, 2002 from Hindustan Cables Ltd. (HCL), which is a sick PSU. As the case was registered by BIFR, full provision was made in the Accounts of 2003-04. As per directive of BRPSE, the revival scheme as prepared by HCL's consultants was put up before Dept. of Heavy Industry, BRPSE & BIFR. Dept. of Heavy Industries (DHI) made advertisement inviting expression of interest from interested PSUs for joint venture formation. In response, Rashtriya Ispat Nigam Ltd. (RINL) had shown interest in HCL's Hyderabad Unit. HCL has informed that recently Ordnance Factory Board (OFB) has shown keen interest for taking over all units of HCL and discussions are currently in progress both with OFB and RINL. No modalities however, have been decided yet. HCL has confirmed that the company's dues will be taken care of in the Restructuring Scheme.

**29.6** a) The Company follows a general practice of undertaking physical verification of fixed assets in every 3 years. Such physical verification is carried out in a phased manner following verification programme. In the current year, such physical verification has been done in the Main, FOJ and 61, Park units. Discrepancies found have been dealt with in the Accounts. Physical verification of fixed assets in remaining locations have been completed and the same is under reconciliation.

b) Out of three docks and two slipways taken over from CIWTC Ltd. on 1st July 2006, Dry Dock No.2 has been capitalized. Dry dock No. 1 although technically operational cannot be exploited for production until the rectification of leaking valves gets completed, hence the expenditure incurred in Dry dock No. 1 have been carried in Capital Work-in-progress. Other facilities are still under repair and have remained non-operational, due to which cost of acquisition of these assets and subsequent capital expenditure have continued to be carried forward as capital work-in progress.



c) The land for setting up the Diesel Engine Plant at Ranchi was obtained free of cost from Heavy Engineering Corporation Ltd., Ranchi (HEC) in 1966 as a part of industrialization drive at the behest of MoD, Govt. of India and Govt. of Bihar. Deed for transfer of land is yet to be executed. Later HEC had vide a letter of 07 Aug 1999 raised a claim for a 30 year lease effective from 01.04.1996 of ₹1488 lakhs as one-time premium and a sum of ₹148.8 lakhs p.a. being 10% of the said premium as annual lease rent which GRSE had repudiated. HEC has now in April 2013 referred the issue to PMA of Govt. of India for arbitration with a claim including the one-time premium and annual lease rent till 30.09.2013 contemplated through their letter of 07 Aug 1999, as mentioned above. GRSE, apart from having submitted a letter of facts disputing such claim to PMA has also filed a Civil Suit to a competent Civil Court at Ranchi with prayer for permanent injunction of restraining HEC from interfering with GRSE's irrevocable right to the use of the land. The hearing of the case is in progress. Accordingly, a sum of ₹ 4092.00 lakhs has been shown as contingent liability being not acknowledged as debt. {Refer Note 29.20 (a) (i)}

29.7 Total expenditure on sustainable development of ₹ 50.94 lakhs (Previous year ₹ 31.20 lakh), which includes capital expenditure of ₹ 15.53 lakhs (Previous year ₹ Nil).

29.8 Modernisation of infrastructure project is completed in current year which have been co-funded by Indian Navy. The status of fund given by Indian Navy is given below :

(₹ in lakh)

| Sl. No. | Particulars                      | As on 31.03.2014 | As on 31.03.2013 |
|---------|----------------------------------|------------------|------------------|
| 1.      | Expenses incurred                | 33,127           | 32,288           |
| 2.      | Amount received from Indian Navy | 33,127           | 33,127           |

29.9 Post dated cheques, in favour of Kolkata Port Trust (KOPT) for rent for 13 years as per Estate Rules of KOPT were issued earlier and are pending on 31.3.2014 as under :

a) In respect of lease of land of Taratalla Unit (each cheque dated 1st January due for presentation starting from the year 2009 and ending in the year 2021 aggregating to ₹ 312.25 lakhs (Previous Year ₹ 312.25 lakhs);

b) In respect of lease of open land (each cheque dated 1st December and 17th November due for presentation starting from the year 2008 and ending in the year 2020 aggregating to ₹ 164.18 lakhs and ₹ 58.29 lakhs respectively (Previous year ₹ 164.18 lakhs and ₹ 58.24 lakhs respectively).

29.10 Letters seeking confirmation of balances in the accounts of sundry creditors were sent to vendors constituting about 70% in value. On the basis of replies received from certain vendors, adjustments wherever necessary have been made in the accounts.

29.11 The operating scrap of steel is generated in the plate preparation shop of the Company. The process of plate-cutting goes through several steps of generation of cut pieces as well as off-cuts. Such off-cuts are non-standard and also re-used depending on reusability as per design. Efforts are always made to re use such off-cuts to the extent possible. Accordingly, the Company does not inventories such scraps. These scraps are accounted for on actual sales taking place.

29.12 a) The Company has sent letters seeking confirmations of balances in respect of its Debtors. Requisite actions and adjustments have been made in the books of accounts arising out of responses received. In the opinion of the Company, the balances have realizable values equal to the amount as stated in the books in the ordinary course of business, unless otherwise stated.

b) The amount received from customers are mainly received in respect of ship division, customers being Indian Navy and Coast Guards. In respect of other divisions, advance from customers are received mainly from Government departments. Balance Confirmations are not sought from such departments as they are Government organizations.

29.13 Rent under Other expenses includes Amortisation of Leasehold Land (under operating Lease) ₹ 13.34 lakhs (Previous year ₹ 13.34 lakhs). Accordingly, Prepaid expenses under Note no. 12 represents unamortised amount of Leasehold Land. Also Prepaid expenses under Note no. 17 includes unamortised amount of Leasehold Land of ₹ 13.34 lakhs (Previous year ₹ 13.34 lakhs).

29.14 Based on the information/documents available with the Company, information as per the requirement of section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as follows:



(₹ in lakh)

| Sl. No. | Description                                                                                                                                                                                                   | 2013-14 | 2012-13 |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| a)      | The principal amount remaining unpaid to suppliers as at the end of accounting year *                                                                                                                         | 220.66  | 66.04   |
| b)      | The interest due thereon remaining unpaid to suppliers as at the end of accounting year                                                                                                                       | -       | -       |
| c)      | The amount of interest paid in terms of section 16, along with the amount of payment made to the suppliers beyond the appointed day during the year                                                           | -       | -       |
| d)      | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | 18.32   | 0.14    |
| e)      | The amount of interest accrued during the year/period and remaining unpaid at the end of the accounting year*                                                                                                 | 18.46   | 0.14    |
| f)      | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid                                                      | -       | -       |

\* Included in the line item "Total outstanding dues of micro and small enterprises" under Note No. 7. Such outstanding as at year end represents 10% balance amount in terms of individual purchase order which are payable on extinguishment of guarantee or upon submission of equivalent Bank Guarantee valid till the guarantee period based on tender conditions.

**29.15 As per Accounting Standard 15 "Employee Benefits", the disclosure on employee benefits is given below :**

**Defined Contribution Plans**

Employee benefits in the form of Provident Fund and Family Pension Funds are defined contribution schemes and the contribution is charged to profit and loss of the the year when the contributions to the respective funds are due in accordance with the relevant statute . There are no obligations other than the contribution payable to the respective funds.

(₹ in lakh)

| Defined Contribution Plan                                         | Year ended<br>31st March, 2014 | Year ended<br>31st March, 2013 |
|-------------------------------------------------------------------|--------------------------------|--------------------------------|
| Employers' Contribution to Provident Fund and Family Pension Fund | 1539.41                        | 1502.06                        |

Apart from above, post retirement medical benefits to the super annuated employees are defined contribution schemes and premium of ₹ 490.40 lakh (Previous year ₹ 371.57 lakh) paid to an Insurance company is charged to profit and loss of the year. There are no other obligations to employees other than the contribution payable to the Insurance Company.

**Defined Benefit Plans:**

The present value of the obligations under defined benefit plan comprising of gratuity, leave encashment and post retirement medical benefits to exsiting employees are determined based on actuarial valuation using Projected Unit Credit method , which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.



The amount recognised in the Accounts in respect of Employees Benefit Schemes based on actuarial reports are as follows:

(₹ in lakh)

| Particulars                                                                                                                                |                                                                                 | 2013-14   |                  |                                  | 2012-13   |                  |                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------|------------------|----------------------------------|-----------|------------------|----------------------------------|
|                                                                                                                                            |                                                                                 | Gratuity  | Leave Encashment | Post Retirement Medical Benefits | Gratuity  | Leave Encashment | Post Retirement Medical Benefits |
|                                                                                                                                            |                                                                                 | Funded    | Non Funded       | Non Funded                       | Funded    | Non Funded       | Non Funded                       |
| <b>I</b>                                                                                                                                   | <b>Components of Employer Expenses :</b>                                        |           |                  |                                  |           |                  |                                  |
| 1                                                                                                                                          | Current Service Cost                                                            | 437.63    | 283.55           | 142.01                           | 385.33    | 269.71           | 159.90                           |
| 2                                                                                                                                          | Past Service Cost                                                               | -         | -                | -                                | -         | -                | -                                |
| 3                                                                                                                                          | Interest Cost                                                                   | 860.43    | 350.14           | 44.13                            | 801.55    | 314.82           | 45.79                            |
| 4                                                                                                                                          | Expected return on Plan Assets                                                  | (914.08)  | -                | -                                | (918.28)  | -                | -                                |
| 5                                                                                                                                          | Actuarial (Gain)/Loss recognised in the year                                    | 700.60    | 548.19           | (240.66)                         | 1177.68   | 395.34           | (258.75)                         |
| 6                                                                                                                                          | Expense recognised in the Statement of Profit and Loss                          | 1100.18 # | 788.16@          | (54.52)                          | 1482.55#  | 602.76@          | (53.06)                          |
| # Expense recognized in the statement of Profit and Loss towards Gratuity Scheme is based on the actual contributions made by Company.     |                                                                                 |           |                  |                                  |           |                  |                                  |
| @ Expense recognized in the statement of Profit and Loss towards Leave Encashment is net of interest earned from the earmarked investment. |                                                                                 |           |                  |                                  |           |                  |                                  |
| <b>II</b>                                                                                                                                  | <b>Change in Present Value of Defined Benefit Obligation :</b>                  |           |                  |                                  |           |                  |                                  |
| 1                                                                                                                                          | Present value of Defined Benefit Obligation at the beginning of the year        | 10755.46  | 4537.01          | 519.25                           | 10208.04  | 4313.36          | 572.31                           |
| 2                                                                                                                                          | Acquisition Adjustment                                                          | -         | -                | -                                | -         | -                | -                                |
| 3                                                                                                                                          | Interest Cost                                                                   | 860.43    | 350.14           | 44.13                            | 801.55    | 314.82           | 45.78                            |
| 4                                                                                                                                          | Past Service Cost                                                               | -         | -                | -                                | -         | -                | -                                |
| 5                                                                                                                                          | Current Service Cost                                                            | 437.63    | 283.55           | 142.01                           | 385.33    | 269.71           | 159.90                           |
| 6                                                                                                                                          | Employees Contribution                                                          | -         | -                | -                                | -         | -                | -                                |
| 7                                                                                                                                          | Benefits Paid                                                                   | (2123.42) | (835.36)         | 0.00                             | (1817.14) | (756.22)         | 0.00                             |
| 8                                                                                                                                          | Actuarial (Gain) / Loss                                                         | 700.60    | 548.19           | (240.66)                         | 1177.68   | 395.34           | (258.75)                         |
| 9                                                                                                                                          | Present value of Defined Benefit Obligation at the end of the year              | 10630.70  | 4883.53          | 464.73                           | 10755.46  | 4537.01          | 519.24                           |
| <b>III.</b>                                                                                                                                | <b>Change in Fair Value of Plan Assets during the year :</b>                    |           |                  |                                  |           |                  |                                  |
| 1                                                                                                                                          | Plan Assets at the beginning of the year                                        | 11193.04  | -                | -                                | 10609.35  | -                | -                                |
| 2                                                                                                                                          | Acquisition Adjustment                                                          | -         | -                | -                                | -         | -                | -                                |
| 3                                                                                                                                          | Expected return on Plan Assets                                                  | 914.08    | -                | -                                | 918.28    | -                | -                                |
| 4                                                                                                                                          | Contributions paid                                                              | 1100.18   | -                | -                                | 1482.55   | -                | -                                |
| 5                                                                                                                                          | Benefits paid                                                                   | (2123.42) | -                | -                                | (1817.14) | -                | -                                |
| 6                                                                                                                                          | Actuarial Gain / (Loss)                                                         | Nil       | -                | -                                | Nil       | -                | -                                |
| 7                                                                                                                                          | Plan Assets at the end of the year                                              | 11083.88  | -                | -                                | 11193.04  | -                | -                                |
| <b>IV.</b>                                                                                                                                 | <b>Net Asset / (Liability) recognised in the Balance Sheet as at year end :</b> |           |                  |                                  |           |                  |                                  |
| 1                                                                                                                                          | Present value of Defined Benefit Obligation                                     | 10630.70  | 4883.53          | 464.73                           | 10755.46  | 4537.01          | 519.24                           |
| 2                                                                                                                                          | Fair value of Plan Assets                                                       | 11083.88  | 0.00             | 0.00                             | 11193.04  | 0.00             | 0.00                             |
| 3                                                                                                                                          | Funded Status [Surplus/(Deficit)]                                               | 453.18    | (4883.53)        | (464.73)                         | 437.58    | (4537.01)        | (519.24)                         |
| 4                                                                                                                                          | Net Asset / (Liability) recognised in Balance Sheet                             | 453.18    | (4883.53)        | (464.73)                         | 437.58    | (4537.01)        | (519.24)                         |
|                                                                                                                                            | - Current                                                                       | -         | (997.81)         | (131.69)                         | -         | (824.09)         | (120.78)                         |
|                                                                                                                                            | -Non Current                                                                    | -         | (3885.72)        | (333.04)                         | -         | (3712.92)        | (398.47)                         |



(₹ in lakh)

| Particulars                                                                                                                                                                                                                                                                              | 2013-14                                                                                                                                                                                                   |                           |                                  | 2012-13  |                  |                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------|----------|------------------|----------------------------------|
|                                                                                                                                                                                                                                                                                          | Gratuity                                                                                                                                                                                                  | Leave Encashment          | Post Retirement Medical Benefits | Gratuity | Leave Encashment | Post Retirement Medical Benefits |
|                                                                                                                                                                                                                                                                                          | Funded                                                                                                                                                                                                    | Non Funded                | Non Funded                       | Funded   | Non Funded       | Non Funded                       |
| <b>V. Actuarial Assumptions :</b>                                                                                                                                                                                                                                                        |                                                                                                                                                                                                           |                           |                                  |          |                  |                                  |
| 1 Discount Rate (per annum) %                                                                                                                                                                                                                                                            | 8.00%                                                                                                                                                                                                     | 8.50%                     | 8.50%                            | 8.00%    | 8.00%            | 8.00%                            |
| 2 Expected return on Plan Assets (per annum) %                                                                                                                                                                                                                                           | 9.05%                                                                                                                                                                                                     | NA                        | NA                               | 9.50%    | NA               | NA                               |
| 3 Expected Rate of Salary increase %                                                                                                                                                                                                                                                     | 6.50%                                                                                                                                                                                                     | 6.00%                     | NA                               | 6.50%    | 5.00%            | NA                               |
| 4 Retirement/Superannuation Age (Year)                                                                                                                                                                                                                                                   | 60                                                                                                                                                                                                        | 60                        | 60                               | 60       | 60               | 60                               |
| 5 Mortality Rates                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                           | IALM (2006-2008) Ultimate | IALM (2006-2008) Ultimate        | -        | LICI 1994/96     | LICI 1994/96                     |
| <b>VI. Major Category of Plan Assets as a % of the Total Plan Assets as at year end :</b>                                                                                                                                                                                                |                                                                                                                                                                                                           |                           |                                  |          |                  |                                  |
| 1 Administered by Insurance Companies                                                                                                                                                                                                                                                    | See Note                                                                                                                                                                                                  | NA                        | NA                               | See Note | NA               | NA                               |
| 2 Public Financial Institutions / Public Sector Companies bonds                                                                                                                                                                                                                          | NA                                                                                                                                                                                                        | NA                        | NA                               | NA       | NA               | NA                               |
| 3 Central / State Government Securities                                                                                                                                                                                                                                                  | NA                                                                                                                                                                                                        | NA                        | NA                               | NA       | NA               | NA                               |
| 4 Private sector bonds                                                                                                                                                                                                                                                                   | NA                                                                                                                                                                                                        | NA                        | NA                               | NA       | NA               | NA                               |
| 5 Others (Cash and Cash Equivalents)                                                                                                                                                                                                                                                     | NA                                                                                                                                                                                                        | NA                        | NA                               | NA       | NA               | NA                               |
| Note : In the absence of detailed information regarding plan assets which is funded with the Insurance Companies, the composition of each major category of plan assets, the percentage or amount of each category to the fair value of plan assets has not been disclosed for Gratuity. |                                                                                                                                                                                                           |                           |                                  |          |                  |                                  |
| <b>VII. Basis used to determine the expected Rate of return on Plan Assets :</b>                                                                                                                                                                                                         |                                                                                                                                                                                                           |                           |                                  |          |                  |                                  |
|                                                                                                                                                                                                                                                                                          | In the absence of detailed information regarding plan assets which is funded with the Insurance Companies, the basis used by them to determine the expected return of Plan Assets has not been disclosed. |                           |                                  |          |                  |                                  |

**VIII. Net Assets / (Liability) recognised in Balance Sheet(Including experience impact)**

(₹ in lakh)

| Particulars                                          | As at 31st March 2014 | As at 31st March 2013 | As at 31st March 2012 | As at 31st March 2011 | As at 31st March 2010 |
|------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Gratuity (Funded)</b>                             |                       |                       |                       |                       |                       |
| Present value of defined benefit obligation          | 10,630.70             | 10,755.46             | 10,208.04             | 9,560.22              | 8,759.50              |
| Fair value of plan assets                            | 11,083.88             | 11,193.04             | 10,609.35             | 9,980.06              | 8,994.38              |
| (Deficit)/Surplus                                    | 453.18                | 437.58                | 401.31                | 419.84                | 234.88                |
| <b>Leave encashment (Non Funded)</b>                 |                       |                       |                       |                       |                       |
| Present value of defined benefit obligation          | 4,883.53              | 4,537.01              | 4,313.37              | 3,964.09              | 3,575.53              |
| Fair value of plan assets                            | -                     | -                     | -                     | -                     | -                     |
| (Deficit)/Surplus                                    | - 4,883.53            | - 4,537.01            | - 4,313.37            | - 3,964.09            | - 3,575.53            |
| <b>Post Retirement Medical Benefits (Non Funded)</b> |                       |                       |                       |                       |                       |
| Present value of defined benefit obligation          | 464.73                | 519.25                | 572.32                | 651.95                | -                     |
| Fair value of plan assets                            | -                     | -                     | -                     | -                     | -                     |
| (Deficit)/Surplus                                    | - 464.73              | - 519.25              | - 572.32              | - 651.95              | -                     |



**IX. Other disclosures :**

- i) The estimates of rate of escalation in salary, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.
- ii) The Gratuity liability is a defined benefit obligation and is being administered by a Trust. Such liability is determined on the basis of actuarial valuation done by the Life Insurance Corporation of India (LIC). Gratuity fund is maintained with India First Life with a contribution of 20 % and balance with LIC by the Trust.
- iii) Leave Liability fund is maintained with Life Insurance Corporation of India (LIC) based on the actuarial valuation done by a actuary.
- iv) The Gratuity and Provident Fund Expenses have been recognised under “Contribution to Provident and Other Funds” and Leave Encashment under “Salaries and Wages” under Note No. 25.
- v) The following disclosures as required by AS-15 could not be made as the relevant information is not available in the actuarial valuation report :
  - (i) Expected Employer’s contribution for next year
  - (ii) Experience adjustments of plan assets Gain/(Loss)
  - (iii) Experience adjustments of Obligation (Gain)/Loss

**29.16 Information given in accordance with the requirements of Accounting Standard 17 on Segment Reporting:**

The Company has identified four primary business segments viz. Ship, Base and Depot Spares (B & D Spares), Engineering and Engine. Segments have been identified and reported taking into account the nature of the products, the differing risks and returns, the organisational structure and internal business reporting system.

- a) Revenue and Expenses have been identified to a segment on the basis of direct relationship to operating activities of the segment. Expenditure which are not directly identifiable but has a relationship to the operating activities of the segment are allocated on a reasonable basis.
- b) Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as “Unallocable”.
- c) Segment assets and segment liabilities represent assets and liabilities of respective segment. Investments, tax related assets/ liabilities and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as “Unallocable”.
- d) Inter segment transfer consists of material, labour and overhead which are recorded at cost.

## e) Information about Primary Business Segments :

(₹ in lakh)

| Particulars                                                             | Ship             |                  | B & D Spares    |                | Engineering    |                | Engine           |                 | Unallocable   |               | Total            |                  |
|-------------------------------------------------------------------------|------------------|------------------|-----------------|----------------|----------------|----------------|------------------|-----------------|---------------|---------------|------------------|------------------|
|                                                                         | 2013-14          | 2012-13          | 2013-14         | 2012-13        | 2013-14        | 2012-13        | 2013-14          | 2012-13         | 2013-14       | 2012-13       | 2013-14          | 2012-13          |
| <b>Revenue</b>                                                          |                  |                  |                 |                |                |                |                  |                 |               |               |                  |                  |
| Gross Turnover                                                          | 144524.32        | 125176.74        | 11548.90        | 9561.41        | 4730.98        | 5436.65        | 362.57           | 12740.20        | 368.36        | 199.05        | 161535.13        | 153114.05        |
| Less : Inter segment turnover                                           | (29.16)          | (69.18)          | -               | -              | 8.82           | -              | 20.34            | 69.18           | -             | -             | -                | -                |
| <b>External Turnover</b>                                                | <b>144495.16</b> | <b>125107.56</b> | <b>11548.90</b> | <b>9561.41</b> | <b>4739.80</b> | <b>5436.65</b> | <b>382.91</b>    | <b>12809.38</b> | <b>368.36</b> | <b>199.05</b> | <b>161535.13</b> | <b>153114.05</b> |
| Less : Excise duty turnover                                             | -                | -                | -               | -              | 431.44         | 420.19         | -                | 1.70            | 39.12         | 7.38          | 470.56           | 429.27           |
| <b>Net Turnover</b>                                                     | <b>144495.16</b> | <b>125107.56</b> | <b>11548.90</b> | <b>9561.41</b> | <b>4308.36</b> | <b>5016.46</b> | <b>382.91</b>    | <b>12807.68</b> | <b>329.24</b> | <b>191.67</b> | <b>161064.57</b> | <b>152684.78</b> |
| <b>Segment result</b>                                                   | <b>11246.51</b>  | <b>10972.82</b>  | <b>805.71</b>   | <b>667.02</b>  | <b>524.95</b>  | <b>143.06</b>  | <b>(1013.59)</b> | <b>95.58</b>    | <b>329.24</b> | <b>191.67</b> | <b>11892.82</b>  | <b>12070.15</b>  |
| Less : Unallocable expenditure net of unallocable/(Income)              | -                | -                | -               | -              | -              | -              | -                | -               | (6662.83)     | (7295.85)     | (6662.83)        | (7295.85)        |
| Operating Profit / (Loss)                                               | 11246.51         | 10972.82         | 805.71          | 667.02         | 524.95         | 143.06         | (1013.59)        | 95.58           | 6992.07       | 7487.52       | 18555.65         | 19366.00         |
| Interest and Financial Charges                                          |                  |                  |                 |                |                |                |                  |                 |               |               | 62.77            | 97.70            |
| <b>Profit / (Loss) before Exceptional Items and Extraordinary items</b> |                  |                  |                 |                |                |                |                  |                 |               |               | 18492.88         | 19268.30         |
| Exceptional Items                                                       |                  |                  |                 |                |                |                |                  |                 |               |               | (230.53)         | (46.37)          |
| <b>Profit / (Loss) before Extraordinary Items</b>                       |                  |                  |                 |                |                |                |                  |                 |               |               | 18723.41         | 19314.67         |
| Extraordinary Items                                                     |                  |                  |                 |                |                |                |                  |                 |               |               | -                | -                |
| <b>Profit / (Loss) before tax</b>                                       |                  |                  |                 |                |                |                |                  |                 |               |               | 18723.41         | 19314.67         |
| <b>Tax expenses</b>                                                     |                  |                  |                 |                |                |                |                  |                 |               |               |                  |                  |
| Current tax                                                             |                  |                  |                 |                |                |                |                  |                 |               |               | 5670.43          | 5586.99          |
| Deferred tax                                                            |                  |                  |                 |                |                |                |                  |                 |               |               | 898.28           | 445.68           |
| Adjustment relating to prior years                                      |                  |                  |                 |                |                |                |                  |                 |               |               | 8.48             | 127.76           |
| <b>Profit after tax</b>                                                 |                  |                  |                 |                |                |                |                  |                 |               |               | 12146.22         | 13154.24         |

## f) Other information

(₹ in lakh)

| Particulars                   | Ship      |           | B & D Spares |         | Engineering |          | Engine   |          | Unallocable |           | Total     |           |
|-------------------------------|-----------|-----------|--------------|---------|-------------|----------|----------|----------|-------------|-----------|-----------|-----------|
|                               | 2013-14   | 2012-13   | 2013-14      | 2012-13 | 2013-14     | 2012-13  | 2013-14  | 2012-13  | 2013-14     | 2012-13   | 2013-14   | 2012-13   |
| Segment assets                | 540138.10 | 422702.90 | 26.12        | 1443.84 | 8636.47     | 10631.86 | 12718.62 | 12737.90 | 81536.90    | 146370.08 | 643056.21 | 593886.58 |
| Segment liabilities           | 478139.43 | 455132.51 | -            | -       | 1257.23     | 965.90   | 12246.03 | 12070.89 | 55833.06    | 39385.30  | 547475.75 | 507554.60 |
| Capital expenditure           | 4450.21   | 13335.57  | -            | -       | 3.18        | 3.77     | 14.25    | 0.17     | 419.81      | 135.83    | 4887.45   | 13475.34  |
| Depreciation and amortisation | 1632.54   | 803.11    | -            | -       | 36.19       | 39.65    | 33.41    | 34.13    | 504.93      | 514.12    | 2207.07   | 1391.01   |

**Notes :**

Transactions between segments are primarily for materials which are transferred at cost. Common costs are apportioned on a reasonable basis.

g) **Information about Secondary Segments - Geographical Segments**

The Company considers Geographical segments- Sale within India and Sale Outside India as Secondary Segments. However information on Geographical segments have not reported since sale to external customers outside India is less than 10 per cent of the total revenue of the Company.



**29.17** As per Accounting Standard 18 “Related Party Disclosures”, the disclosures are given below :

**a) Name of the related party and description of relationship :**

|                          |                                                                      |
|--------------------------|----------------------------------------------------------------------|
| Key Managerial Personnel | Rear Admiral A.K.Verma IN (Retd.),<br>Chairman cum Managing Director |
|--------------------------|----------------------------------------------------------------------|

**b) Transactions with Related party :**

(₹ in lakh)

| Nature of transaction                              | Key Managerial Personnel |         |
|----------------------------------------------------|--------------------------|---------|
|                                                    | 2013-14                  | 2012-13 |
| Receiving of Services :<br>Managerial remuneration | 40.42                    | 20.68   |
| Balance Outstanding                                | -                        | -       |

**c)** No amount has been written back/written off during the year in respect of dues to related party.

**29.18** As per Accounting Standard 20 “Earnings per Share” - the numerators and denominators used to calculate Basic / Diluted Earnings per Share are computed as under:

(₹ in lakh)

| Particulars                                                                                                                                    |       | As at<br>31st March 2014 | As at<br>31st March 2013 |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------------|--------------------------|
| a) Profit after tax (₹ in lakh)                                                                                                                | A     | 12,146.22                | 13,154.24                |
| b) Weighted average number of Equity Shares outstanding used as the denominator for computing Basic and Diluted Earnings per Share - (In lakh) | B     | 123.84                   | 123.84                   |
| c) Nominal value per Equity Shares (₹)                                                                                                         |       | 100.00                   | 100.00                   |
| d) Basic & Diluted Earnings per Share (₹)                                                                                                      | (A/B) | 98.08                    | 106.22                   |

**29.19** In Note no. 8, statutory liabilities under Other current liabilities include an old provisional amount of ₹ 97.41 lakhs in respect of Sales Tax. In so far as all known and recorded positions of Sale Tax cases are concerned, there is no such liability. This appears to be a provision created in any past year, the settlement of which has already taken place and accounted for rendering the provision redundant. However, before this amount is finally adjusted for any write-back, more detailed scrutiny will be undertaken in the year 2014-15 and appropriate action will be taken. Pending such scrutiny such provision is being held as an abundant caution.

**29.20** As per Accounting Standard 29 “Provisions, Contingent Liabilities and Contingent Assets, the disclosure are given here under :

(₹ in lakh)

| a)   | Contingent Liabilities                                   | As at<br>31st March 2014 | As at<br>31st March 2013 |
|------|----------------------------------------------------------|--------------------------|--------------------------|
| i)   | Claims against the Company not acknowledged as debts     | 5,273.91                 | 2,042.75                 |
| ii)  | Guarantees                                               |                          |                          |
|      | a) Guarantees given by Banks                             | 1,615.75                 | 2,557.56                 |
|      | b) Indemnity Bonds for performance & Warranties          | 64,578.12                | 67,737.38                |
|      | c) Unexpired Letters of Credit                           | 6,341.17                 | 6,397.50                 |
| iii) | Liquidated damages                                       | 15,732.00                | 8,244.00                 |
| iv)  | Other Money for which the company is contingently liable |                          |                          |
|      | a) Sales Tax                                             | 785.84                   | 2,278.73                 |
|      | b) Excise Duty                                           | 17.90                    | 17.90                    |
|      | c) Service Tax                                           | 121.30                   | 121.30                   |
|      | d) Income Tax                                            | 654.39                   | 1,185.00                 |



- a) Contingent liability on account of Sales Tax amounts to ₹ 785.84 lakhs (Previous Year ₹ 2278.73 lakhs) towards assessment dues for the years 2007-08 and 2010-11. Besides, Sales Tax Authorities have considered certain sale made from DEP for the year 1988-89 as being sale from West Bengal for which a demand was raised for ₹ 96.38 lakhs. All these amounts have not been acknowledged as debts and accordingly not provided for in the accounts as all the demands are under different stages of appeal.
- b) Central Excise Authorities have raised a demand of ₹ 17.90 lakhs (Previous Year ₹ 17.90 lakhs) against clearance to goods to Naval Stores Dept of Indian Navy. Since the company has made appeal before CESTAT, EZB, and Kolkata against the impugned demand, the same has not been acknowledged as debt and accordingly not provided for in the accounts.
- c) Service Tax Authorities have raised a demand of ₹ 121.30 lakhs (Previous Year ₹ 121.30 lakhs) against imposition of Service Tax on technical fees paid to foreign technicians prior to 18.04.2006. Since the company has made appeal before the CESTAT, EZB, Kolkata against the impugned demand with due approval of CoD, the same has not been acknowledged as debt and accordingly not provided for in the accounts.
- d) Contingent liability on account of income tax amounts to ₹ 654.39 lakhs (Previous year ₹ 1185.00 lakhs) towards disallowance made by Income tax authority for the A.Y.2008-09 on account of addition of consumption of raw material (Rs.515.68 lakhs), excess dividend tax liability computed for AY 2011-12 (₹ 18.56 Lakhs) and addition for delayed deposit of P.F contribution for AY 2011-12 (₹ 120.15 lakhs). All disputes has not been acknowledged as debt and accordingly not provided for in the accounts as all the issues are under different stages of appeal.
- e) The contractual delivery date of yard 3017 was October 2012. Due to various reasons not attributable to and beyond the control of the company, including certain entirely extraneous factors to the contract guiding the construction of the said vessel, the delay in delivery of ships was experienced. The issue of such delay has been taken up with the Indian Navy for appropriately addressing and assisting in controlling such delay and re-fixing the date of delivery of the ship.

The Warship Overseeing Superintendent, on-site representative of the customer, Indian Navy has recommended for extension of delivery of the ship for further processing at IHQ (N). The IHQ (N) has also forwarded the same to Ministry of Defence for processing for delivery extension of the said ship. As there is no present obligation or any likelihood of any economic outflow taking place, no provision for

liquidated damages has been made in the Accounts in this regard. The contingent liability of ₹ 8244.00 lakhs, however, has been shown under (a)(iii) above.

- f) Similarly, the contractual delivery date of Yard 3018 was July 2013. The nature of ship construction is such that in case of a project involving warships to be constructed and delivered in series with contractual time schedule, the delay in delivery of 1st of Class of the series impacts cascadingly in delivery of the follow-on ships of the project. This is because of the fact that the construction of a warship is fundamentally design driven involving proving of the various hitherto unknown system platforms and their integration and connectisation to various control mechanisms.
- The company has taken up in right earnest with Indian Navy with regard to expected consequential delay in delivery of Yard 3018 which is now slated for in the last quarter of 2014-15. It is firmly believed that given the circumstances, Indian Navy will also favourably dispose of the issue by recommending extension of delivery of the said ship. As such there is no present obligation or any likelihood of any economic outflow taking place on account of any liquidated damages and therefore, no provision has been made in the Accounts in this regard. A contingent liability of ₹ 7488.00 lakh, however, has been shown under (a) (iii) above.
- g) The amounts shown under above contingent liabilities represent the best possible estimates arrived at on the basis of available information. The uncertainties and timing of the cash flows are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be estimated accurately. The Company does not expect any reimbursement in respect of above contingent liabilities.
  - h) In the opinion of the management no provisions is considered necessary for the disputes mentioned above on the grounds that there are fair chances of successful outcome of appeals.
  - i) There have been certain changes/modifications in the accounting policies on i) Basis of Accounting ii) Fixed Assets iii) Value of Inventories iv) Retirement Benefits v) Claims vi) Cash Flow Statement and vii) Cash & Cash Equivalents which have neither any financial effect in the current year nor in the previous year, being elaboration and enunciation of the actual basis followed. (Refer accounting policies I (i), II (iv), V, XI, XVI, XX, XXI of Note 1)
- However with respect to the change in the policy for Provisions in the Accounts against Contingent Liability with effect from the current year, provision has been made for ₹ 4.82 lacs in the current year. Had the policy been in place during previous year, the corresponding amount of provision would have been ₹ 1.48 lacs (Refer accounting policy XXII of Note 1)

**b) Commitments :**

(₹ in lakh)

| Particulars                                                                                    | As at<br>31st March 2014 | As at<br>31st March 2013 |
|------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 1,945.82                 | 3,410.19                 |

**c) Movement of Provisions :**

(₹ in lakh)

| Particulars                    | Guarantee<br>Repair | Others*          | Total            |
|--------------------------------|---------------------|------------------|------------------|
| Balance as at 1st April, 2013  | 598.33              | 5,791.00         | 6,389.33         |
| Provided during the year       | 14.79               | 6,499.29         | 6,514.08         |
| Amount used during the year    | -                   | 2,096.00         | 2096.00          |
| Reversed during the year       | 116.00              | -                | 116.00           |
| Balance as at 31st March, 2014 | <b>497.12</b>       | <b>10,194.29</b> | <b>10,691.41</b> |
| Balance as at 1st April, 2012  | 665.79              | 1,980.97         | 2,646.76         |
| Provided during the year       | 23.74               | 4,574.05         | 4,597.79         |
| Amount used during the year    | -                   | 764.00           | 764.00           |
| Reversed during the year       | 91.20               | -                | 91.20            |
| Balance as at 31st March, 2013 | <b>598.33</b>       | <b>5,791.00</b>  | <b>6,389.33</b>  |

\* Other provisions as referred to above represent employee related provisions based on the Management's assessment.

It is not possible to estimate the timing/uncertainties relating to the utilisation /reversal from the provisions. Future cash outflow in respect of the above is determinable only upon settlement/disposal of claims.

The Company does not expect any reimbursements in respect of the above provisions.

**29.21** The Board of Directors in the 308 meeting held on 12 December, 2012 approved capitalization of ₹ 61,92,00,000 out of Company's Free Reserves by issuing 61,92,000 bonus equity shares of ₹ 100 each in the ratio of 1:2 to the President of India. The Department of Defence Production, MoD also conveyed its approval of the said bonus shares through a letter dated 25 October, 2013.

Meanwhile, the projected profitability and capital expenditure position for future years based on changing business perspectives have been reviewed by the Board of Directors in its 317 th meeting held on 23 April, 2014.

After consideration of various aspects, the Board directed that the Company be approach the Government for consideration of postponement of said bonus issue of shares for 2 years after which the matter would be reviewed again.

Accordingly, Government is being approached for postponement of such bonus issue, as per Board's directive.



**29.22 Value of imports on CIF basis :**

(₹ in lakh)

| Particulars                     | Year ended<br>31st March, 2014 | Year ended<br>31st March, 2013 |
|---------------------------------|--------------------------------|--------------------------------|
| 1. Raw Materials and components | 9,249.89                       | 10,363.12                      |
| 2. Components                   | 20,389.49                      | 15,272.36                      |
| 3. Spare Parts                  | 2,136.86                       | 2,405.99                       |
| 4. Capital Goods                | 50.73                          | 169.85                         |
|                                 | <b>31,826.97</b>               | <b>28,211.32</b>               |

**29.23 Expenditure in Foreign currency**

(₹ in lakh)

| Particulars                              | Year ended<br>31st March, 2014 | Year ended<br>31st March, 2013 |
|------------------------------------------|--------------------------------|--------------------------------|
| 1. Consultation / Service Fees           | 2,113.49                       | 173.90                         |
| 2. Deferred payment to foreign suppliers | 109.22                         | 95.65                          |
|                                          | <b>2,222.71</b>                | <b>269.55</b>                  |

**29.24 Consumption of raw materials and components**

(₹ in lakh)

| Particulars   | Year ended<br>31st March, 2014 |                  | Year ended<br>31st March, 2013 |                  |
|---------------|--------------------------------|------------------|--------------------------------|------------------|
|               | Percentage                     | Amount           | Percentage                     | Amount           |
| a) Imported   | 32.35%                         | 28,972.95        | 39.08%                         | 34,304.08        |
| b) Indigenous | 67.65%                         | 60,578.07        | 60.92%                         | 53,478.80        |
| <b>Total</b>  | <b>100.00%</b>                 | <b>89,551.02</b> | <b>100.00%</b>                 | <b>87,782.88</b> |

**29.25 Consumption of spare parts\* :**

(₹ in lakh)

| Particulars   | Year ended<br>31st March, 2014 |               | Year ended<br>31st March, 2013 |               |
|---------------|--------------------------------|---------------|--------------------------------|---------------|
|               | Percentage                     | Amount        | Percentage                     | Amount        |
| a) Imported   | -                              | -             | -                              | -             |
| b) Indigenous | 100.00%                        | 210.09        | 100.00%                        | 217.45        |
| <b>Total</b>  | <b>100.00%</b>                 | <b>210.09</b> | <b>100.00%</b>                 | <b>217.45</b> |

\* Spare parts include store items also.



**29.26** DPE had issued a guideline for creation and contribution to a corpus fund to the extent of not more than 1.5% of PBT to cater to the medical and other emergency needs of employees retired prior to 01.01.2007. No provision has, however, been made in the Accounts as the related DPE guideline is subject to directive / guideline from the concerned Administrative Ministry, i.e. MoD and no guideline / directive for mechanism and operation of the scheme has been received from MoD

**29.27** Figures for the previous year have been re-grouped/re-arranged wherever necessary to correspond to those of the current year. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statement and are to be read in relation to the amounts and other disclosures relating to the current year.

**As per our report of even date attached.**

**For G. P. AGRAWAL & CO.**  
**Chartered Accountants**  
**Firm's Registration No. - 302082E**

For and on behalf of the Board of Directors  
Sd/-  
**Rear Admiral A. K. Verma IN (Retd.)**  
Chairman & Managing Director

Sd/-  
**(CA. Ajay Agrawal)**  
**Partner**  
**Membership No. 17643**

Sd/-  
**S.Mahapatra**  
Company Secretary

Sd/-  
**K.K.Rai**  
Director (Finance)

**Place : Kolkata**  
**Date : 15<sup>th</sup> July, 2014**