



वार्षिक रिपोर्ट  
ANNUAL REPORT  
| 2004 - 2005 |



गार्डन रीच शिपबिल्डर्स एण्ड इंजीनियर्स लिमिटेड  
**Garden Reach Shipbuilders  
& Engineers Ltd.**

# Commissioning of INS Beas, 11 July 2005



INS Beas at Sea



Commissioning of INS Beas with Admiral Arun Prakash as Chief Guest



On board INS Beas, Defence Secretary, Chief of the Naval Staff, CMD GRSE, CWP&A, IN:JS (SY) MoD



Hon'ble Defence Minister on board INS BEAS



Hon'ble Governor of West Bengal in OPS Room



Hon'ble Chief Minister of Govt. of West Bengal in Captain's Cab

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

AUTHENTICATED

**RAKSHA MANTRI**



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# BOARD OF DIRECTORS

Rear Admiral T.S Ganeshan, IN (Retd.)	Chairman & Managing Director (From 01 Apr 05)
Smt. Rita Menon	Director
Smt. Dipali Khanna	Director
Vice Admiral J.S Bedi, IN	Director
Rear Admiral Sampath Pillai, IN (Retd)	Director
Rear Admiral R.M. Bhatia, IN (Retd)	Director
Dr. Anup Kumar Chanda	Director
Dr. Sabyasachi Sen	Director
Commodore G.N. Sreekumar, IN (Retd)	Director (Shipbuilding)
Shri Humayun Ao	Director (Personnel)
Shri Ranjan Chakraborty	Director (Finance)
Rear Admiral R. Paralikar, IN (Retd.)	Chairman & Managing Director (Upto 31 Mar 05)

### Company Secretary

Shri S.R.Sahoo (From 01 Sep 05)  
Shri Subhasish Bose (Upto 31 Aug 05)

### Bankers

State Bank of India  
Indian Bank  
Allahabad Bank  
ICI CI Bank  
HDFC Bank

### Auditors

D.K. Basu & Co.  
Chartered Accountants  
  
Lodha Patel Wadhwa & Co.  
Chartered Accountants

### Registered Office

43/46, Garden Reach Road  
Kolkata 700 024



# SENIOR MANAGEMENT

Rear Admiral T.S Ganeshan, IN (Retd.)	Chairman & Managing Director
Commodore G.N Sreekumar, IN (Retd)	Director (Shipbuilding)
Shri Humayun Ao	Director (Personnel)
Shri Ranjan Chakraborty	Director (Finance)
Shri S. Mitra	Chief General Manager (S)(D&YM)
Commander R. Deb, IN (Retd)	Chief General Manager (Plg.& QA)
Shri V. Kumar	Chief General Manager (Material)
Shri S Maji	Chief General Manager (Engineering)
Commodore B S Sekhon, IN (Retd.)	General Manager (DEP)
Commodore H.K Verma, IN (Retd.)	General Manager (HR & Admin)
Shri Mahesh Ray	General Manager (S)(Design) / ASW (C)
Shri R Chattoraj	General Manager (T&RM)
Shri G.K. Chaudhuri	General Manager (S)(MW)
Shri Kallol Kumar Rai	General Manager (Finance)
Shri D.Bhattacharya	General Manager(IEP & CP&T)
Shri S.Banarjee	General Manager (ERP)
Shri S.Saha	General Manager(S)(FOJ)



## TEN YEARS AT A GLANCE

(Rs. in Lakhs)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Production at Cost	16816	28443	32539	38407	41327	48226	45982	49713	47347	42829
Value of Production	18615	30496	36189	42595	42730	49106	48879	52309	48690	47028
Value Added	9150	11711	13873	16403	16600	12831	15179	15238	15157	16767
Sale of Products and Services	8292	15939	14545	36352	88044	22917	49844	15369	39077	88141
Cost of Goods Sold	7578	15330	12501	32189	87059	22176	49575	14497	38276	86192
Depreciation	350	360	351	444	448	466	482	560	620	661
Operating Cost	7928	15690 *	12852	32633	87507	22642	50057	15057	38896	86853
Other Income	2285	3395	2556 \$	5289 \$	3723 \$	3839 \$	3501 \$	4527 \$	4621 \$	3618 \$
Interest on Govt. Loan	321	232	186	139	93	46	—	—	—	—
Interest on Others	62	4	9	136	59	4	48	49	—	—
Profit Before Tax & Prior period Adjustment	(+)2266	(+)2979	(+)3859	(+)8617	(+)4204	(+)4060	(+)3228	(+)4714	(+)4802	(+)4860
Prior Period adjustment (Net)	(+)13	(+)235	(-)183	(-)63	(-)1	(-)4	(+)9	(+)23	(+)509	(-)4
Profit (+) / Loss (-) before Tax	(+)2279	(+)3214	(+)3676	(+)8554	(+)4203	(+)4056	(+)3237	(+)4737	(+)5311	(+)4856
Provision for Tax	828	1616	2138	4297	2081	914	1596	2604	2381	2104
Net Profit (+) / Loss (-)	(+)1451	(+)1598	(+)1538	(+)4257	(+)2122	(+)3142	(+)1641	(+)2133	(+)2930	(+)2753
Dividend & CDT	290	352	341	937	487	887	509	845	1160	1249
Share Capital	12384	12384	12384	12384	12384	12384	12384	12384	12384	12384
Gross Block	9460	9730	10136	10912	11433	11837	12193	14205	15480	17590
Working Capital	13755	15159	15031 *	17242 *	17591 *	19037 *	18963 *	19002 *	19267 *	20157 *
Capital Employed	18587	19977	19993	22522	22975	24415	24252	26006	26991	29516
Loans from Govt.	1839	1471	1103	736	368	—	—	—	—	—
Loans from Bank	119	684	464	790	431	—	—	—	—	—
No. of Employees	8882	8518	8157	7996	7751	7350	6716	6323	5819	5524

\* Excluding Foreign Exchange Fluctuation Suspense and inclusive Short Term Investment.

\$ Other income includes VRS Grant & Service and Towing Charges (Yard 2040) (VRS Grant - Nil from 2000-01)



## NOTICE OF 89TH ANNUAL GENERAL MEETING

1. Notice is hereby given that the 89<sup>th</sup> Annual General Meeting of Garden Reach Shipbuilders & Engineers Ltd., will be held at Taj Bengal, 34-B, Belvedere Road, Alipore, Kolkata-700 027 at 1230 hours on Saturday, the 24th September, 2005 to transact the following Ordinary Business :
  - a) To receive, consider and adopt the Directors' Report and the audited Accounts for the year ended 31st March 2005, along with the Auditors' Report thereon.
  - b) To declare Dividend.
  - c) To fix the remuneration of Auditors pursuant to Article 168 of the Articles of the Association of the Company.
2. Kindly make it convenient to attend this meeting.

By Order of the Board

Garden Reach Shipbuilders & Engineers Limited

Registered Office :  
43/46, Garden Reach Road,  
Kolkata 700 024  
Dated : 1st September, 2005

Sd/-  
(S. R. Sahoo)  
Company Secretary

### Notes :

1. A member entitled to attend and vote at 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 proxies to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. 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.



# CHAIRMAN'S STATEMENT

Ladies & Gentlemen,

1. On behalf of all employees and the Directors of the Board. I have great pleasure in welcoming you to the 89<sup>th</sup> Annual General Meeting of the Company.

2. **Company's Performance.** During the year 2004-05, the Company achieved Value of Production (VOP) of Rs 470.28 crores as against Rs 486.90 crores during the previous year 2003-04. During the year, the Company earned a Net Profit of Rs 48.56 crores as compared to Rs 53.11 crores during the previous year.

3. **Dividend.** Considering the Profit margin for distribution and retention of profit for internal requirement of the Company, your Directors have recommended a final Dividend, of Rs 11.02 crores i.e., 40% of profit after tax as compared to Rs.10.28 crores paid in the previous year.

4. **Current Prospects.** Your Company is fully engaged in building warships for the Indian Navy. The Shipyard is going ahead full steam with the construction of three Landing Ship Tank (Large) – LST(L) and four Fast Attack Crafts (FAC). GRSE has already approached Navy for the order of follow-on FACs. The plate cutting for Antisubmarine Warfare Corvette has started in August 05 with indigenised steel. Work-load for fitting-out job on all these ships is continuing with full capacity utilization.

Your company has already embarked upon a Modernisation Plan, not only for Plant / Machinery / Dock & Berth but also for software Planning / Design Tools, to achieve higher productivity in the coming years. At the same time, outsourcing, with the local ancillary industries for hull fabrication, plumbing, cabling, hull outfit etc, has augmented the company's efforts to deliver the ships as per schedule at reduced cost.

5. **Activity Progress.** During the financial year 2004-05, the Ship Division of your Company achieved a Value of Production of Rs 403.59 crores. The Ship division continues to face material constraints at times by way of delayed supplies especially valves as well as sub optimal quality of indigenous material/systems. Notwithstanding above, the warship-building activities of existing projects continued to progress towards achieving the Cardinal Dates. During this period, CGS "Veera" the Coast Guard Ship, had completed the Short Refit work and

sailed out on 14 Feb 05 within the committed time frame.

The total order book position of the Ship Division excluding Base & Depot spares, resource augmentation and ship repair, works out to be Rs 4269.65 crores as on 31 Mar 2005 including the orders from the Indian Navy for four each of FACs and ASW (Corvettes). Vigorous marketing efforts are being made by the management to secure fresh orders and improve the overall order book position.

One of the main products in the Engineering Division i.e, Bailey Bridge is facing severe competition. This, alongwith the increase in steel price during the last financial year, had adversely affected the margin. The overall demand for this product also remains stagnant. Though your Company is trying to retain the market share, possibility of growth is marginal. In order to increase the business of this division, improvements in other products of this division, specially for Deck Machinery items, is being looked into. Efforts are on for foreign collaboration with market leader in this field along with improved product line.

The Engine Division has successfully assembled, tested and delivered four Nos. of MTU 16V4000M90 engines for the last two FACs Yard No. 2053 & 2054. The feasibility study report for replacement of the Russian Engines with MTU engines for Ajay Class ships has been accepted by Indian Navy. This is bound to improve the finance figures of the division.

6. **Productivity Improvement.** Continuous efforts are being made to bring improvement in productivity. In this direction, all new shipbuilding projects viz LST(L) Ships, FACs and ASW Corvettes are now on ERP (SAP) system (introduced in 2002) including the material management for the entire shipbuilding activities.

Design office is now integrated with the users and connectivity has been established with Integrated Headquarter of MoD (Navy)/Directorate of Naval Design and Ship Production in New Delhi through a dedicated leased line. Video conferencing facility has been commissioned and project monitoring of various projects is being carried out regularly.

Implementation of E-security measures, Disaster Recovery system and dovetailing of HR division to ERP System are being taken up progressively. Further, addition of



Engineering Division and Corporate Finance in SAP system is being contemplated next year, to have the SAP business solutions for the entire GRSE shipbuilding and engineering activities.

7. **Modernisation Plans.** The final plans for modernisation of building facilities is under discussion and is expected to be finalised soon. Modernisation of Hull Shop along with services, office building as well as additional stores facility in Fitting Out Jetty have been completed.

8. **Quality Assurance Measures.** Quality Circle Concept at grass root level of employees is being pursued vigorously to meet the challenge of global trends in quality management. Upto the year 2004-05, 160 Quality Circles have been formed. As per MOU 2004-05 target of QC coverage of 25% of borne strength, 26.5% has been achieved.

Our Q.C team has received appreciation for their presentation in the International convention of QC at Bangkok. GRSE QC teams were also awarded Excellent and Distinguished grading at various QC Conventions held within the country.

9. **Industrial Relations.** During the year 2004-05, your Company signed Memorandum of Settlement with the respective bargaining unions for medical scheme both for workmen and clerks and wage settlement in respect of the operative category of employees of West Bengal based Units. The overall Industrial Relations situation in all the Units of the Company including Diesel Engine Plant, Ranchi during the year was peaceful.

10. **Tsunami Relief.** The Company contributed Rs 1 crore to the Prime Minister National Relief Fund and one day wages as a voluntary contribution from employees was also donated.

The Bailey Bridge components for 14 Nos. Bridges were dispatched to Port Blair by sea route to re-establish damaged transportation linkages. Two Landing Craft Assault were also dispatched for movement of men & materials to remote islands for relief work. The Shipyard also rose to the occasion to supply 5 Nos. Bailey Bridges to Sri Lanka as part of Tsunami Relief work extended under the aegis of Ministry of External Affairs.

11. **Corporate Governance.** GRSE believes in and practices good corporate governance in all its operations and reiterates its commitment to achieve the highest standard of Governance. The financial year ahead is indeed a challenging one with about six ships to be delivered and four ships to be launched. Having taken over on the first day of the financial year, I am looking forward to an eventful and successful innings. With the help from my colleagues, co-operation of employees and guidance from the Board, we are engineering changes in the business practices to meet the emerging challenges and delivery schedules. We have every reason to hope that the results should be visible in the performance report of the next year.

12. **Acknowledgement.** I would like to conclude by thanking the Central Government, State Government Authorities, Naval and Coast Guard Authorities and the Shareholders for the trust they have reposed in us. I would like to place on record our thanks to the Comptroller & Auditor General of India and the Statutory Auditors of the Company for their valuable suggestions and co-operation. I also acknowledge with gratitude, the continued assistance and guidance received from the Company's clients. Last but not the least, I appreciate the vital role and hard work put in by the employees of the Company to achieve its goal as also the valuable guidance given by the Board.

Thanking you all.

Kolkata,  
24 September 2005

Sd/-  
Rear Admiral T.S Ganeshan. IN (Retd)  
Chairman & Managing Director



# DIRECTORS' REPORT

To  
The Members  
Garden Reach Shipbuilders & Engineers Limited

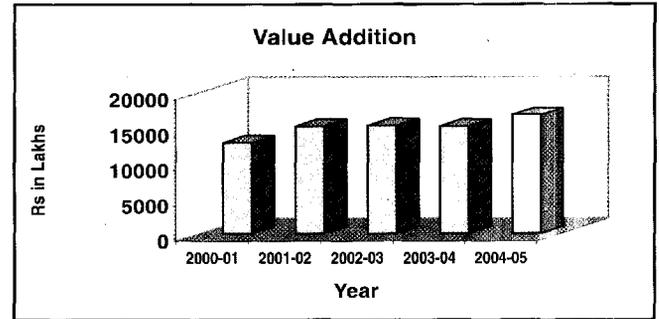
1. Your Directors have great pleasure in presenting the 89th Annual Report on the working of the Company for the financial year 2004-05.

2. The audited Profit & Loss Account for the financial year 2004-05 and the Balance Sheet, as on 31 Mar 05, 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.

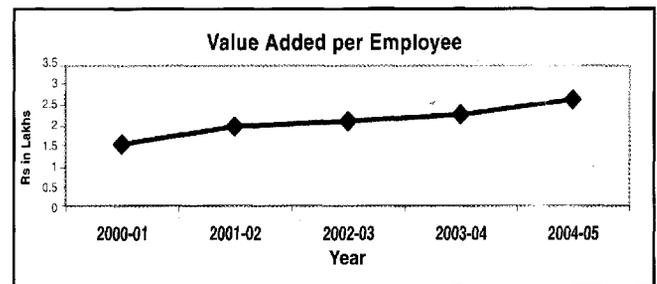
### Performance Parameters

3. **Value of Production.** During the Financial Year 2004-05, the Company achieved a Value of Production of Rs 470.28 crores as against Rs 486.90 crores during the previous year.

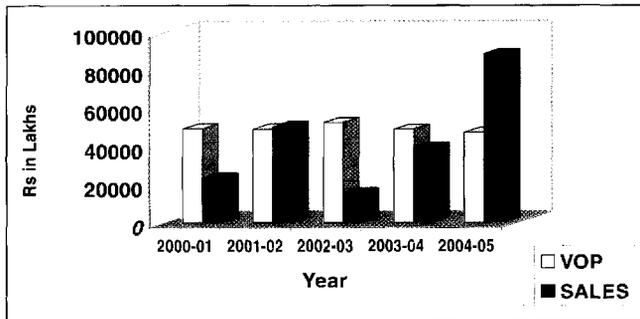
4. **Sales.** The Sales registered during the year 2004-05 amounted to Rs 881.41 crores as against Rs 390.77 crores during 2003-04.



Year	00-01	01-02	02-03	03-04	04-05
Value Addition (Rs in Lakhs)	12831	15179	15238	15157	16767



Year	00-01	01-02	02-03	03-04	04-05
VA Per Employee (Rs in Lakhs)	1.75	2.26	2.41	2.60	3.03



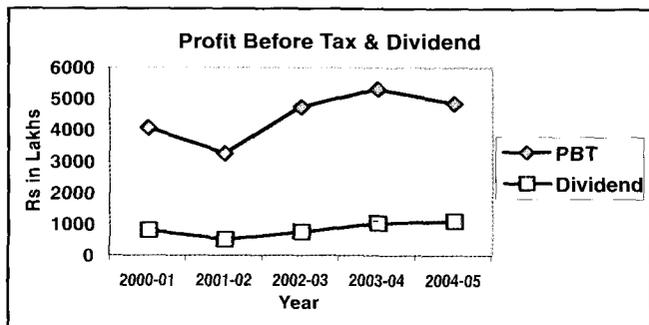
Year	00-01	01-02	02-03	03-04	04-05
VOP (Rs in Lakhs)	49106	48879	52309	48690	47028
SALES (Rs in Lakhs)	22917	49843	15369	39077	88141

5. **Value Addition.** The Value Added during the financial year under review was Rs 167.67 crores as against Rs 151.57 crores during the previous year. The Value Added per Employee was Rs 3.03 lakhs as compared to Rs 2.60 lakhs during the previous year.

### Financial Performance

6. **Profit.** Your Company earned a Net Profit of Rs 48.56 crores during the year under review as against Rs 53.11 crores during the previous year.

7. **Dividend.** Considering the financial performance of the Company in the year 2004-05, your Directors are pleased to recommend a final dividend of Rs 11.02 crores at 8.90% of the Paid-up Capital of Rs 123.84 crores and 40% on PAT as on 31 Mar 05 as compared to Rs 10.28 crores (8.30% of the Paid up Capital and 35% on PAT) paid in the previous year.



Year	00-01	01-02	02-03	03-04	04-05
PBT (Rs in Lakhs)	4056	3237	4737	5311	4856
Dividend (Rs in Lakhs)	805	509	749	1028	1102

8. **Contribution to Exchequer.** Your Company's contribution to the national exchequer during the financial year 2004-05 amounted to Rs 32.93 crores as detailed below :  
(Rs In Crores)

(a) Income Tax	:	22.45
(b) Customs Duty	:	1.27
(c) Excise Duty	:	5.09
(d) Sales Tax	:	3.32
(e) Service Tax	:	0.80

**Note** The above figures are inclusive of Education cess but exclusive of the Excise Duty included in the purchase price of the inputs and Tax on distributed profit.

9. **Capital Structure.** The Authorised Capital of the Company as on 31 Mar 05 was Rs 125 crores. 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 05, therefore, remained at Rs 123.84 crores.

10. **Loans from the Government.** Company neither had any outstanding loan to Government at the beginning of the year nor did it take any fresh loan during the year under review.

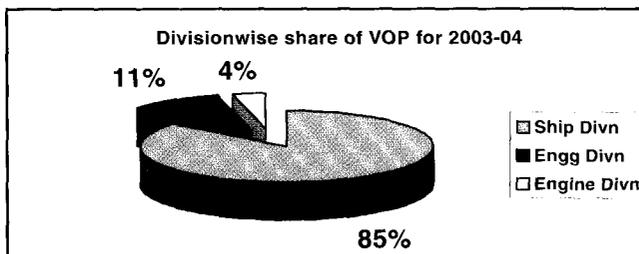
11. **ICD to Hindustan Cables Ltd.** An amount of Rs 457.75 lakhs consisting of principal (Rs 200 lakhs) and interest (Rs 257.75 lakhs) was outstanding from M/s. Hindustan Cables Limited (HCL) as on 31 Mar 02. Your Company had made a reference to the Committee of Disputes (COD) and M/s HCL had informed that their case has since been registered by BIFR. Accordingly, full provision

has been made in the Accounts 2003-04. Representatives of Department of Heavy Industries have since intimated before the COD that HCL is a sick PSU, presently before BIFR, which has since appointed SBI as operating agency and SBI Cap has prepared TEV report which is under consideration of the Department and it was also stated by the representatives of the Department of Heavy Industries that if it is decided to revive the Company, the settlement of dues of creditors will form a part of such package and the dues of GRSE will be incorporated.

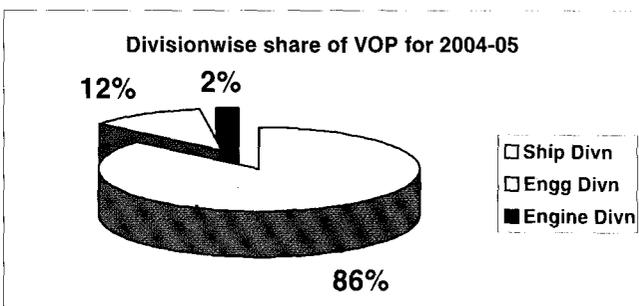
12. **Grading vide Memorandum of Understanding.** The numerical assessment of the performance of GRSE vide parameters enumerated in the MOU and the audited Annual Accounts works out to 2.01 (Prov). On the basis of this score the overall grading of the Company's performance is 'Very Good'.

**Performance of Ship Division.**

13. During the financial year 2004-05, the Ship Division of your Company achieved a Value of Production of Rs 403.59 crores as against Rs 416.74 crores in the previous financial year. The Ship Division continues to face the constraints of late / non-receipt of certain equipment / accessories, failure / delay of indigenously developed equipment for its on-going



Year (2003-04)	Ship Divn	Engg Divn	Engine Divn
(Rs in Lakhs)	41674	5129	1774



Year (2004-05)	Ship Divn	Engg Divn	Engine Divn
(Rs in Lakhs)	40359	5404	1100



shipbuilding activities. Repeated failure of accessories for various systems, particularly for Turbo-Alternator for third Frigate of Brahmaputra class, hampered Cardinal Schedule and has adversely affected VOP.

14. Notwithstanding the above, Warship-Building Activities of existing projects continued progress towards achieving the Cardinal Dates. The production of last two FACs started on 07 May 04 & 19 Jul 04 respectively and the third LST(L) on 01 Jul 04. Subsequently the keel of four FACs were laid on 16 Apr 04 (Yards 2051-52) & 28 Sep 04 (Yards 2053-54) and of third LST(L) on 16 Dec 04. The first LST(L) was launched on 03 Apr 04 and two FACs on 11 & 14 Dec 04 respectively. The Final Inspection Report of the First Reading of D-448 for the second



LST(L) construction in the slipway

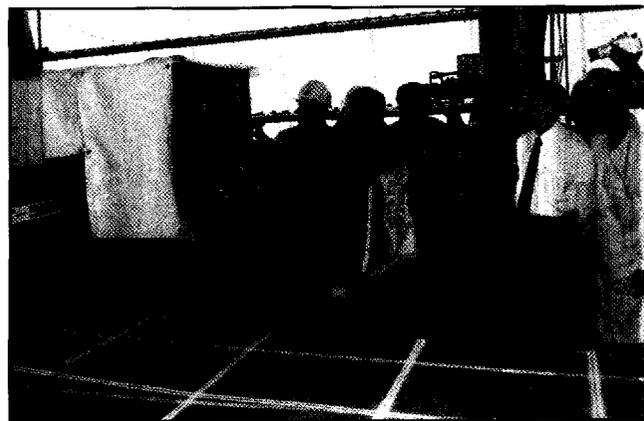
Brahmaputra class Frigate was satisfactorily executed on 03 Jul 04 with due liquidation of liabilities and formal commissioning was accomplished on 07 Jul 04.

15. During this period, CGS "Veera" the Coast Guard Ship, had completed the Short Refit work and sailed out on 14 Feb 05.

16. The total Order Book position of the Ship Division excluding Base & Depot Spares, Resource Augmentation and Ship Repair, works out to be Rs 4269.65 crores as on 31 Mar 05 including the orders from the Indian Navy for 4 Nos. each of FACs & ASW Corvettes.

#### Future Outlook :

17. **Ship Division.** Your Company is fully engaged in building ships for the Indian Navy. With the existing orders, there is delay in steel-availability vis-à-vis Design-finalisation of ASW Corvette and overall Hull Construction work-load are tapering down leading to tendency in near future for idling of fabrication capacity as already experienced by GRSE in the recent past. However, the plate cutting for ASW Corvette is scheduled in Aug 05. GRSE has already



Secretary (Defence) inaugurates plate cutting for ASWC project

approached Navy for order of Follow-on FACs to feed Hull Construction line. Work-load for fitting-out job is continuing with full capacity utilization for the existing orders.

18. It is reiterated that your company has already embarked upon an all-out effort on Modernisation Plan, not only for Plant / Machinery / Dock & Berth, but also for software Planning / Design Tools, to achieve higher productivity in the coming years. At the same time, outsourcing, with local ancillary industries, for Hull Fabrication, Plumbing, Cabling, Hull Outfit etc, has been strengthening the company-efforts to deliver the ships as per schedule.

#### Modernisation Plans :

#### 19. Modernisation of the Building Dock / Berths / Shops.

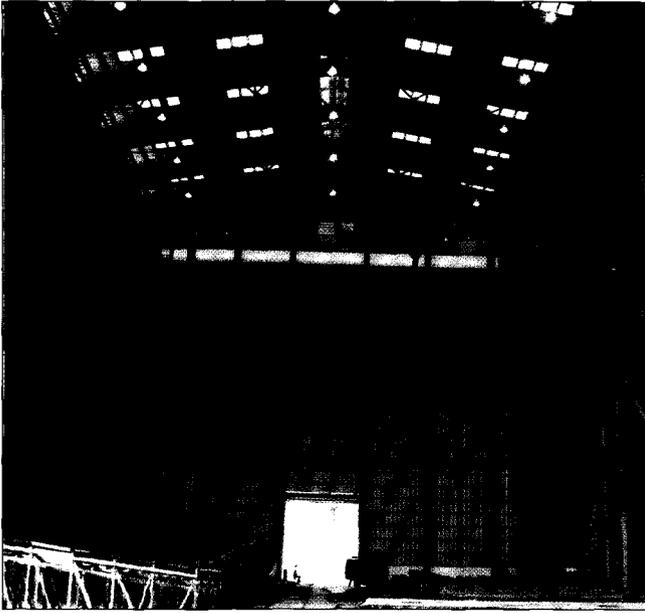
##### (a) Erection/Launching facilities in place of Slipway No 4.

(i) During presentation on final cost of Modernisation to the Board of Directors in 257 Board Meeting held on 12 May 05, Board, after detailed deliberation, directed to review the proposed modernization scheme particularly the Shiplift system since it was revealed as one of the highest cost item, in order to optimize the project cost. Moreover, the frequency of operation of Shiplift vis-à-vis its utilization may not be commensurate with the cost considering bulk of GRSE's business is from construction of new ships.

(ii) Revised modernisation scheme with Dry Dock & Inclined Berth system along with the project cost is under study and is expected to be placed before the Board in Jul 05.

##### (b) Hull Shop - II.

(i) Modernisation of Hull Shop II, Phase - I (68m\*64m) along with 4 nos. 40/10 Tons EOT



The New Hull Shop II

- Cranes, Electrical Sub-station, Services, Change Room cum Toilet Block etc. was completed in Jul 04.
- (ii) Modernisation of Hull Shop II, Phase – II (65m\*64m) along with Services, Office Building etc. which was funded by Navy has been completed.
- (c) **Store Shed at FOJ (Relocation of existing HS-II).** Store Shed along with Change Room cum Toilet Block which was funded by Navy has been completed on 15 May 05.
20. **CAD / CAM.** CAD System in DPO – II became operational from Oct 03. Additional hardware have been received.
21. **ERP System.** All new Shipbuilding projects viz LST(L) Ships, FACs and ASW Corvettes are now on ERP (SAP) system which was introduced in 2002 including the material management for the entire shipbuilding activities.
22. **Spread of Network.** Your Company has advanced further in the direction of technology up gradation and the Design office is now integrated with the production units at Main and FOJ through LAN/WAN and ISDN backup. The design office has also established the links with IHQ(N) and DND organisation in New Delhi through a dedicated leased line.
23. **Software up-gradation.** Implementation of E-security measures, Disaster Recovery system and Induction of Personnel Division to ERP System (HR Module of SAP) are in the process of study and being taken up progressively. Further induction of Engineering Division and Corporate

Finance in SAP system is being contemplated to have SAP business solutions for entire GRSE shipbuilding and engineering activities.

24. **Import Substitution.** As a matter of policy, the management of your Company continues to lay great stress on self reliance. Indigenisation in all areas of the Company's production activities especially in the Shipbuilding activities are being pursued vigorously. The Shareholders will be happy to know that indigenisation of complex systems such as the Helo Traversing System, Helo Hangars, Diesel Engines etc., is progressing as programmed.

**Performance of Engineering & Engine Division :**

25. **Engineering Division.**

(a) The Value of Production achieved by the Engineering Division of your Company during the year 2004-05 amounted to Rs 54.04 crores as compared to Rs 51.28 crores during the previous year. Sales registered during 2004-05 were Rs 42.52 crores.



Work in progress at Engineering Division

(b) GRSE promptly responded to the call of the Nation after Tsunami disaster on 26 Dec 04. The Company shipped 14 Nos. Bailey Bridges to Port Blair within three weeks of the calamity, for reconstruction of line of communication in Andaman and Nicobar Islands. GRSE also exported 5 Nos Bailey Bridges after Tsunami to Srilanka on a short notice, as a part of Government of India aid.

(c) Vigorous marketing efforts are being made by the management to secure fresh orders and improve the Order Book position of this Division. The Order Book position of this Division as on 31 Mar 05 stood at Rs 59.46 crores.

26. **Engine Division.** The Value of Production achieved



by the Engine Division during 2004-05 is Rs 11.00 crores as against Rs 17.75 crores during the previous financial year. The Order Book position of the Division as on 31 Mar 05 was Rs 46.93 crores as against Rs 69.96 crores on 31 Mar 04.

**Improvements in Engineering & Engine Division :**

**27. Engineering Division.**

(a) As a result of continuous effort for reduction of cost, as well as improvement of quality of Bailey Bridge, design of a cost effective improved version of Bailey Bridge has been finalized. Prototype is now under manufacture which will be subjected to test by six months time which will not only increase the span capacity but will also reduce the cost of the bridges.

(b) The work of Coal Handling Plant for Talcher Super Thermal Power Project, Stage - II (4x500 MW), is in advanced stage of completion. The GRSE make three Units are already under commercial exploitation and the commissioning of the conveyor for the last unit has also been completed and will be put to use shortly .

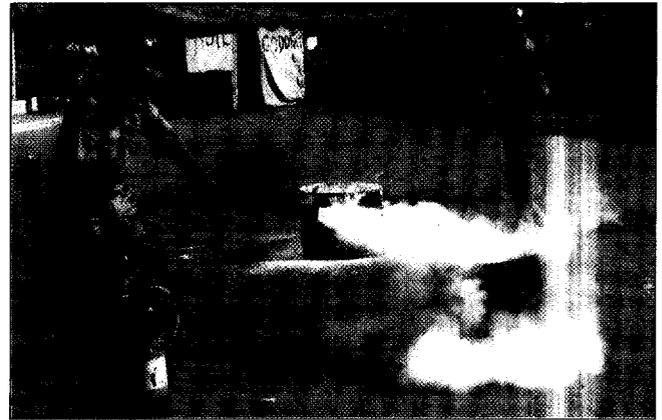
**28. Engine Division.** After conclusion of Licence Agreement with MTU for 4000 Series Engine on 11 June 04, Engine Division has successfully assembled, tested and delivered 4 Nos. of MTU 16V4000M90 Engines for last two FACs Yard No. 2053 & 2054. The feasibility Study Report for replacement of Russian Engine with MTU Engines for Ajoy Class Ships has been accepted by Indian Navy.

**29. Quality Circle Activities.**

(a) Quality Circle Concept at grass root level employees was adopted at GRSE since 2001 to meet the challenge of Globalised Competitive Market. There are 167 (as on 31.05.05) Quality Circle Groups covering 1025 men, who have been trained by expert Faculties of Quality Circle Forum of India.

(b) It is a matter of great pride that the best QC team of GRSE (Dishari, Structural Shop, FOJ) was invited at International Convention of QC at Bangkok in Dec 04 and their presentation was highly appreciated by the Foreign Dignitaries and participants. Besides four teams participated in National Convention held at Mumbai in Dec 04, one team was awarded Excellent and three as Distinguished. In Chapter Convention of QC at Kolkata held in Sep 04, 3 Teams were adjudged Outstanding and 4 Teams as Distinguished.

**30. Safety at Work.** The 34th National Safety Day



**Fire drill in 'Safety Week' Celebration**

was observed on 04 Mar 05 with a message to adopt safe practices at work. 'Safety Week 2005' was celebrated from 02 Mar to 08 Mar 05. On this occasion competition of Safety Posters, Safety Quiz and Safety Slogans in tri-language were held. 'National Fire Service week 2005' was also observed from 14 Apr to 20 Apr 05 with display of banners and posters depicting message of Fire prevention. Fire fighting live demonstration was organised in all units as a part of Fire services week.

**31. Industrial Relations.**

(a) Barring few incidences, overall Industrial Relations situation in all the Units of the Company including Diesel Engine Plant, Ranchi during the year was peaceful. On wage settlement issue for operative category of employees, the operating Unions of West Bengal Units took recourse to agitational means such as tool-down strike, taking out processions inside factory premises at the beginning and closing of the shift timings and shouting slogans. Notwithstanding the above, Industrial Relations situation was always under control. However, due to tool-down-strike calls given by the Unions of West Bengal Units 6682 mandays were lost during the period and for the strike/bandh 9338 mandays were lost.

(b) During the year 2004-05 your Company had signed Memorandum of Settlement with the respective bargaining unions for Medical Scheme both for workmen and clerks and wage settlement in respect of the operative category of employees of West Bengal based Units.

**32. Man Power.** The total manpower strength in the Company as on 31 Mar 05 was 5524 including 620 Officers. Statement showing the representation of SC/ST etc. as on 31 Dec 04 as well as the total



recruitment made during the calendar year 2004 is given at Appendices "A" & "B".

33. **Wage Settlement.** The Wage Settlement covers all the operatives' cadre of workmen of GRSE employed in the Units of West Bengal and Regional Offices, which shall remain in force from 01 Jan 02 to 31 Dec 06. Revised pay scales have been formulated after allowing 20% fitment on the existing Basic as on 01 Jan 02. Certain existing allowances like Hot Meal Allowance, Night Shift Allowance and Tiffin & Tea Allowance have been revised and the existing Attendance Bonus Scheme have been modified in order to reduce the rate of absenteeism.

34. Your Company has also introduced the Scheme for Assured Career Progression in which the workmen who have not got any promotion during their service career will be promoted to the next higher grade during their last year of service.

35. **Medical Benefit Scheme for Clerical Staff.** Your Company has entered into a Settlement with the Clerical Union for a comprehensive medical scheme in respect of the Clerical Staff of GRSE who are employed in the Units of West Bengal and Regional Offices with effect from 12 Mar 05 under the cover of Group Insurance Policy offered by United India Insurance Company Limited.

36. **Particulars of Employees.** The Company has no employee covered under Section 217(2A) of the Companies Act, 1956 and the Rules framed there under.

#### **Welfare Activities.**

37. In consonance with its tradition the welfare activities for the Company's employees were accorded prime importance. The Company's Canteens continued to give quality services in regard to meals, which is fully subsidized to the entire satisfaction of the employees. In promoting religious harmony, religious function like "Milad-un-Nabi" was held on Fateha-Doaz-Daham Day.

38. Your Company continued to encourage its employees in sports and adventure activities. The Company's Football Team participated in the First Division Inter Office League Tournament. Some of our employees took part in the Trekking/Mountaineering events.

39. The Company also continued to propagate and encourage external welfare activities as done in the past. To this effect following programme were organised by the Company with the help of local population :

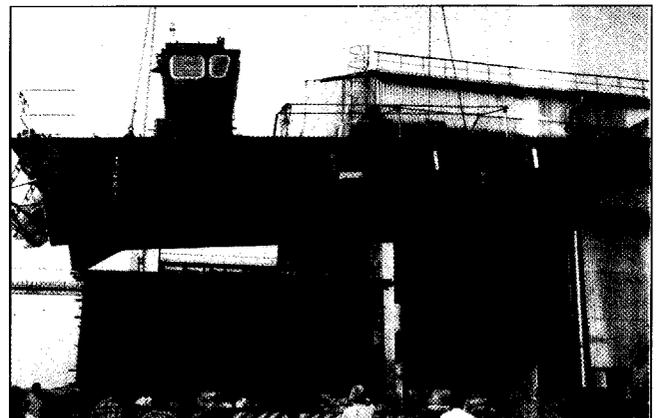
(a) Drawing competition for 228 girls of five local schools was organised on 12 Aug 04 at KMC Community Hall, Borough XV.

(b) 100 girls from four local schools were taken for an outing to place of interest like Nature Study Park and Britannia Industries on 12 Jan 05.

(c) Like previous years, the GRSE Ladies Association joined hands with Rotary Club of Calcutta, taking 65 slum children to Nicco Park on 21 Nov 04. The welfare programme benefited the local residents, belonging to the relatively weaker sections of society.

#### **Tsunami Relief Work.**

40. GRSE responded spontaneously to the verbal request received from Ministry of Home Affairs, Govt. of India to provide relief materials for Andaman & Nicobar administration soon after the devastating Tsunami which hit Indian sub continent on 26 Dec 04. Bailey Bridge components for 14 Nos. Bridges weighing approx 480 M/Tons were despatched within ten days of request from MHA (despatch commencing within two days) to Port Blair by sea route to re-establish broken transportation linkages. Two Landing Craft Assault originally built for Landing troops during Amphibious operations were diverted from the on-going LST(L) construction programme for movement of men & materials to remote islands for relief work. The shipyard also rose to occasion to supply 5 Nos. Bailey Bridges weighing approx 235 M/Tons, to Sri Lanka as part of Tsunami Relief work extended under the aegis of Ministry of External Affairs. The Shipyard also contributed Rs.1.07 crores including one day wages as a voluntary contribution from officers and staff to Prime Minister's National Relief Fund.



LCA Boat for Tsunami Relief

41. The efforts made towards Tsunami Relief by the Shipyard have been highly appreciated by the Government.



The Award Winners with the Directors

42. **'GRSE Day' Celebrations.** Your Company celebrated GRSE Day 2005 on 19 Apr 05 with great enthusiasm in every Unit. GRSE SHREE AWARDS were given to five employees for their outstanding dedication and innovative work. Every employee took the opportunity to refocus on the vision to make GRSE, India's leading Defence Shipyard.

#### **Human Resources Development.**

43. **Training.** In line with National Training Policy, your Company pursued its policy of imparting training to all categories of employees for acquiring knowledge/values, changing attitudes and development of skills. Special emphasis was given on methods and approaches commensurate with today's diversified workforce with all its evolving job demand and it's changing knowledge and skills.

44. During the period, your Company imparted training to 664 Officers, 210 Supervisors and clerical graded staff and 430 Operatives in various need based areas on different subjects. This year too, Officers were sent to IIM Joka, for leadership development programmes. As a whole, a total of 1304 employees were imparted training in the year 2004-05.

45. **Computer Training.** Computer Training was rigorously pursued. Besides need-based programmes on Windows & MS Office, workshops on Oracle and Primavera were also organized with an aim to upgrade the existing skills and knowledge of the employees.

#### 46. **Quality Circle Training.**

(a) During the year 2004-05, 151 workmen have been trained on Quality Circle concept and practice. Expert faculties from Quality Circle Forum of India, Kolkata Chapter, conducted the in-house training in the month of Aug 2004. As per MOU 2004-05, the target of QC coverage was 25%, which was ultimately

achieved to 26.5%.

(b) For the betterment of Quality Circles in case study presentation, 19 QC Members were trained on Power Point Presentation in the month of Dec 04. The training was conducted in house by DOEACC center, Kolkata.

47. **Award.** The Company continued its policy of encouraging deserving employees through recognition of exemplary performance in their respective fields of work.

48. **Progressive use of Hindi.** Efforts have been intensified to promote and encourage the use of the Official Language. The Company's Annual Report, MoU and documents under Section 3(3) of Official Language Act are being issued in bilingual. The Company's House Journal is also being published in trilingual form i.e Bengali, Hindi and English. Employees are being sponsored regularly for training in Hindi/Hindi Typing. To encourage the employees to perform their official work in Hindi, competitions were conducted in all the Units. For the first time an 'inter unit Rajbhasha Shield' has been introduced in GRSE, which will be given to the Unit whose contribution in the implementation of Official Language would be outstanding. Hindi Workshops are being conducted regularly in every quarter. A Workshop on Computer Training was conducted in Main Unit on 18.03.05, wherein 20 employees were trained. Hindi Day/Fortnight was observed from 01 to 15 Sep 04 wherein various competitions were organised and participants were given Cash Awards as per their performance. Town Official Language Implementation Committee, Kolkata awarded "Rajbhasha Shield" to the Company for its outstanding contribution in the Implementation of Official Language Policy. To facilitate the employees a number of Hindi books have been purchased for library which has been set up. An Incentive Scheme has also been introduced to increase the correspondence in Hindi. To expedite the implementation work and to assess it, monitoring was done at all units and they were given suggestions to overcome the difficulties. Meetings of Official Language Implementation Committee are held regularly.

#### **Publicity & Public Relations.**

49. During the year (2004-05) under review, your Company participated in the following Trade Fairs and Exhibitions :

(a) **"Buyer - Seller Meet of Defence and Paramilitary Forces in the North East"**, (organized



by the CII and MoD), held at Guwahati, Assam on 28 June 04.

(b) **"Africa Aerospace and Defence Exhibition - 2004 (AAD - 04)"** (Co-ord. Defence Exhibition Organisation) held at South Africa from 21 - 25 Sep 04.

(c) **"8th National Expo Exhibition - 2004"** (Organised by the Central Calcutta Science & Culture Organisation for Youth) held at Belghoria, Kolkata from 1 - 10 Oct 04.



GRSE Stall in 8th National Expo'04 at Kolkata

(d) **"IITF - 2004"** (organized by the ITPO) held at New Delhi from 14 - 27 Nov 04.

(e) **"IITF - 2004"** (organized by the Bengal National Chamber of Commerce & Industry, Govt. of West Bengal and India Trade Promotion Organisation) held at Kolkata from 20 - 31 Dec 04.

(f) **"EGRA FAIR 2005"** (organized by the Egra Fair Committee) held at Egra, Purba Midnapur from 31 Jan to 9 Feb 05.

(g) **"Conclave on India Africa Project Partnership - 2005"** (organised by the CII) held at Hotel Taj Palace, New Delhi from 2 - 4 Mar 05.

50. **In House Publication.** All significant activities of our Company were projected and published from time to time in various media. The trilingual In-house Journal "GRSE BARTA" continues to be popular among the employees.

51. **Expenditure on Entertainment & Foreign Travel.** Expenditure on business promotion and entertainment during the year were Rs 24.82 lakhs and Rs 6.49 lakhs

respectively. An amount of Rs.18.49 lakhs was spent on foreign travel by the Company's Executives for export promotion and for business visits.

52. **GRSE Website.** We have a Web site [www.grse.nic.in](http://www.grse.nic.in) developed by M/s National Informatics Center, which contain GRSE management, products, ten years Annual Reports/ Budgets, activities, vendor registration procedure, tenders etc.

53. **Auditors.** The Department of Company Affairs, Ministry of Law, Justice & Company Affairs, under Section 619(2) of the Companies Act, 1956, appointed M/s. D.K. Basu & Co., Chartered Accountants, Kolkata, as the Statutory Auditors for the Company and M/s. Lodha Patel Wadhwa & Co., Chartered Accountants, Ranchi (Jharkhand) as Branch Auditors for the Diesel Engine Plant, Ranchi, for the year 2004-05.

54. **Corporate Governance.** The Philosophy of the Company in relation to Corporate Governance is to ensure transparency, disclosures and reporting that confirms fully with laws, regulations and guidelines and to promote ethical conduct throughout the organisation, recognizing that the management is accountable to all the stakeholders, shareholders, employees, Government and Creditors. The same is being followed and continued.

55. **Audit Committee.**

(a) Pursuant to Section 292A of the Companies Act, 1956, the Company has constituted the Audit Committee. During the year four Committee Meetings were held.

(b) The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors and discuss their findings, suggestions and other related matters and reviews major accounting policies followed by the Company.

56. **Board of Directors.**

(a) The Directors acknowledge the valuable services rendered by RAdm R Paralikar, AVSM, VSM, IN (Retd.) Chairman & Managing Director, who ceased to be a Director on the Board of the Company upon his superannuation on 31 Mar 05. The Board placed on record its appreciation for the valuable contributions made by RAdm Paralikar.

(b) The Board also welcomed the appointment of Rear Admiral T.S Ganeshan, NM, VSM, IN (Retd.) as Chairman & Managing Director w.e.f. 01 Apr 05.

57. **Board Meeting/AGM.** Six Meetings of the Board of



Directors were held during the year. The 88<sup>th</sup> Annual General Meeting was held on 28 Sep 04.

58. **Directors' Responsibility Statement.** The Directors' Responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, is given below :

(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 05 and the profit of the Company for the year ended 31 Mar 05.

(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.

59. **Vigilance.**

(a) **Vigilance Activities.** Preventive vigilance was the thrust of the activities undertaken by this wing. Keeping in line with the policies of Central Vigilance Commission, the company has been able to keep the pendency of the cases to the barest minimum, thus instilling confidence in the vigilance machinery.

(b) **Vigilance Awareness.** Like previous years "Vigilance Awareness Week" from 01 Nov to 06 Nov 04 was modestly observed in GRSE. During the Vigilance Awareness Week, "Pledge" received

from the CVC, was administered to all employees of GRSE. Banner & Poster, showing ill effects of corruption, were displayed. Debate and snap talks were organised on the 'menace' and various ways of fighting corruption. Workshop for Clerks and Supervisors, working in the sensitive departments, was organised which was addressed by the Offg. CVO and CM (Vig). A short speech was delivered by the Offg. CVO to the officers up to the rank of Managers, in small groups, emphasizing the importance of Preventive Vigilance, respecting Rules/Orders, Probity in Public Life and maintaining Transparency in trade dealings.

**Acknowledgements.**

60. Your Directors express their deep appreciation and place on record their gratitude to the Ministry of Defence, Ministry of Defence Production & Supplies and its various Departments, for their continued assistance and guidance. The Directors also express their sincere thanks to the Ministry of Surface Transport, and to the Government of West Bengal and Jharkhand and various other States, for their continued co-operation and support. Your Directors are particularly grateful to the Naval and Coast Guard Headquarters, Naval Physical & Oceanographic Laboratory, Ordnance Factory Board, Kolkata Port Trust, Public Works Departments of various State Governments, Oil & Natural Gas Corporation Ltd., National Thermal Power Corporation Ltd. and other valued customers for the confidence reposed by them in the Company.

61. The Directors acknowledge with thanks the valuable advice rendered by, and co-operation received from the Principal Director, Commercial Audit, Govt. of India, as also Officers of the Comptroller & Auditor General of India, Controller of Defence Accounts (Navy), Registrar of Companies, Company Law Board and the DPE.

62. The Directors also take this opportunity to acknowledge the dedicated and sincere efforts put in by all the employees of the Company.

Kolkata,  
24th September, 2005.

For and on behalf of the Board of Directors

Sd/-

Rear Admiral T.S Ganeshan, IN (Retd.)  
Chairman & Managing Director



## APPENDIX - A

Statement showing representation of SC / ST, Ex- Servicemen and Physically Handicapped persons as on 31.12.2004

Group / Category	Total Strength	SCs	STs	Ex- Servicemen	Physically Handicapped
Group "A"	619	52	9	66	—
Group "B"	12	2	1	6	—
Group "C"	4316	666	258	11	23
Group "D" (Excluding Safaiwalas)	497	96	12	265	10
Group "D" (Safaiwalas)	128	122	5	—	—
<b>Total</b>	<b>5572</b>	<b>938</b>	<b>285</b>	<b>348</b>	<b>33</b>

## APPENDIX - B

Details of recruitment during 2004

Group / Category	Total Vacancies released	Total Recruitment made	Reservation made during the year				Recruitment made during the year			
			SC	ST	Ex- Service-men	Physically Handicapped	SC	ST	Ex- Service-men	Physically Handicapped
Group "A"	3	3	—	—	2	—	—	—	2	—
Group "B"	8	7	2	1	5	1	2	1	5	—
Group "C"	2	2	1	—	2	—	1	—	2	—
Group "D" (Excluding Safaiwalas)	33	33	9	5	30	1	9	5	30	1
Group "D" (Safaiwalas)	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>46</b>	<b>45</b>	<b>12</b>	<b>6</b>	<b>39</b>	<b>2</b>	<b>12</b>	<b>6</b>	<b>39</b>	<b>1</b>



**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 31st March 2005**

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I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619 (4) of the Companies Act 1956 on the accounts of Garden Reach Shipbuilders & Engineers Limited, Kolkata for the year ended 31st March 2005.

Dated : Kolkata  
The 14 September, 2005.

Sd/-  
**(Arijit Ganguly)**  
Principal Director of Commercial Audit  
& Ex-Officio Member, Audit Board-I,  
KOLKATA



REVIEW OF ACCOUNTS OF GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED, KOLKATA FOR THE YEAR ENDED 31ST MARCH 2005 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.

(Review of Accounts has been prepared without taking into account comments under section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditor's Report.)

1. FINANCIAL POSITION

	<u>2002-03</u>	<u>2003-04</u>	<i>(Rs. in Crore)</i> <u>2004-05</u>
<b>LIABILITIES</b>			
a) Paid up Capital-Government	123.84	123.84	123.84
b) Reserves and Surplus			
i) Free Reserves & Surplus	139.55	157.26	172.30
ii) Capital Reserve	2.69	2.79	2.89
c) Borrowings			
i) Foreign Suppliers Deferred Credit	28.89	28.14	27.31
ii) Interest accrued and due	0.01	0.02	—
d) Current liabilities & Provisions	2439.46	2317.19	2377.43
e) Deferred tax liability (Net)	—	1.56	0.35
<b>Total</b>	<u>2734.44</u>	<u>2630.80</u>	<u>2464.12</u>
<b>ASSETS</b>			
f) Gross Block	142.05	154.80	175.90
g) Less : depreciation	72.01	77.56	82.31
h) Net Block (f-g)	70.04	77.24	93.59
i) Capital Work in Progress	5.80	15.57	3.98
j) Investment	0.01	0.01	—
k) Current Assets, Loans & Advances (Including Retired fixed assets)	2658.34	2537.98	2466.31
l) Deferred tax assets	0.25	—	—
m) Misc. expenditure not written off	—	—	0.24
<b>Total :</b>	<u>2734.44</u>	<u>2630.80</u>	<u>2464.12</u>
n) Working Capital {k-d-c (ii)}	218.87	220.77	228.88
o) Capital employed (h+n)	288.91	298.01	322.47
p) Net Worth {a+b (i)}	263.39	281.10	296.14
q) Net Worth per rupee of paid up Capital (in Rupees)	2.13	2.27	2.39



2. WORKING RESULTS

	<u>2002-03</u>	<u>2003-04</u>	<u>(Rs. in Crore)</u> <u>2004-05</u>
i) Sales	153.69	390.77	881.41
ii) Less Excise duty	3.02	3.82	4.97
iii) Net sales	150.67	386.95	876.44
iv) Other income	45.26	46.21	36.18
v) Profit before tax & prior period adjustment	47.14	48.02	48.61
vi) Prior period adjustment	0.23	5.09	(-) 0.04
vii) Profit before tax	47.37	53.11	48.57
viii) Provision for taxation	26.04	23.80	21.04
ix) Profit after tax	21.33	29.31	27.53
x) Proposed dividend including tax on dividend	8.45	11.60	12.49

Profit of the Company may be viewed in the light of non-operational income from interest amounting to Rs. 31.81 crore in 2002-03, Rs. 38.71 crore in 2003-04 and Rs.31.43 crore in 2004-2005.

3. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last three years are as under :

	<u>2002-03</u>	<u>2003-04</u>	<u>(in percentage)</u> <u>2004-05</u>
<b>A. Liquidity Ratio</b>			
Current Ratio {k/d +c (ii)}	109	110	111
<b>B. Debt. Equity Ratio</b>			
Long term Debt to Equity {c(i)/ p }	11	10	9
<b>C. Profitability Ratio</b>			
a) Profit before tax to			
i) Capital employed	16	18	15
ii) Net worth	18	19	16
iii) Sales	31	14	6
b) Profit after tax to Equity Capital	17	24	22
c) Earning per share (in Rupees)	17	24	22

4. SOURCES & UTILISATION OF FUNDS

Funds amounting to Rs. 31.18 crore from internal and external sources were generated and utilised during the year as given below :

SOURCES OF FUNDS		(Rs. in crore)
a) Funds from operations :		
Net profit after tax	27.53	
Add : Depreciation	4.75	
Less : Deferred tax	<u>1.21</u>	31.07
b) Increase in capital reserve		0.10
c) Decrease in investment		<u>0.01</u>
Total funds inflow during the year		<u>31.18</u>



**UTILISATION OF FUNDS**

(Rs. in crore)

a) Addition to gross fixed assets & capital work-in-progress	9.51
b) Decrease in Borrowings	0.83
c) Dividend paid (including tax on dividend)	11.60
d) Release of working capital	9.00
e) Increase in Misc. expenditure	0.24
<b>Total funds outflow during the year</b>	<b>31.18</b>

**5. INVENTORY**

The inventory levels at the close of last three years are given below :

	<u>2002-03</u>	<u>2003-04</u>	<u>(Rs. in Crore)</u> <u>2004-05</u>
a) Raw materials & components	268.41	227.94	316.20
b) Stores & spares (including in transit and in bond)	13.04	14.59	12.19
c) Loose tools	0.29	0.35	0.34
d) Work in progress and finished goods	1212.74	1308.87	897.74

**6. SUNDRY DEBTORS**

The Sundry Debtors and sales in the last three years are given below :

(Rs. in crore)

As at the end of/during the Year	Sundry Debtors			Sales during the year	Percentage of total Debtors to sales
	Considered Good	Considered Doubtful	Total		
2002-2003	27.48	6.81	34.29	154.22	22 %
2003-2004	56.69	7.37	64.06	390.77	16 %
2004-2005	75.62	7.08	82.70	881.41	9%

Dated : Kolkata  
The 14 September 2005

Sd/-  
(Arijit Ganguly)  
Principal Director of Commercial Audit  
& Ex-Officio Member, Audit Board-I,  
KOLKATA



## AUDITORS' REPORT

### AUDITORS' REPORT TO THE MEMBERS OF M/S. GARDEN REACH SHIPBUILDERS & ENGINEERS LTD.

We have audited the attached Balance Sheet of M/s. Garden Reach Shipbuilders & Engineers Limited as at 31st March, 2005 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto, in which accounts of Diesel Engine Plant, Ranchi audited by the Branch Auditors M/s. Lodha Patel Wadhwa & Co have been incorporated which has not been visited by us. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis of our opinion.

1. We report that :-

- 1.1 Subject to our remark below, 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.
- 1.2 Subject to our observations below, in our opinion, proper books of account as required by law, have been kept by the Company in so far as it appears from our examination of the books.
- 1.3 The Balance Sheet and Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account. The Balance Sheet and the Profit and Loss Account and Cash Flow Statement have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- 1.4 The report on the accounts of Diesel Engine Plant, Ranchi audited by the Branch Auditors has been forwarded to us and the same has been dealt with in preparing our audit report.
- 1.5 On the basis of written representations received from the directors, as on 31st March, 2005 and taken on record by the Board of Directors, we report that none

of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-sec 274 of the Companies Act, 1956.

- 1.6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with :

a) Note No. 10 & 11 of the Explanatory Notes, regarding confirmation, reconciliation of balances of various parties in respect of assets and liabilities and consequential adjustment thereof and Note No. 16 & 17 of Explanatory Notes regarding reconciliation of fixed assets and retirement loss and impairment of assets, together with the schedules, Annexures, Accounting Policies and Notes forming part of the Accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005.
- ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.
- iii) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Deptt of Company Affairs in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) Based on the programme of physical verification of fixed assets, major items of assets have been physically verified by the management according to a phased programme which, in our opinion, is reasonable having regard to the size of the Company and the nature of business. As explained to us, material discrepancies which have been noticed on such physical verification has been properly dealt with in the accounts.
- c) Although some of the fixed assets have been disposed off during the year, they do not form a substantial part of the fixed assets of the Company.

- 2.2 a) The stock of finished goods, stores, spare parts,



- raw materials have been physically verified by the management at reasonable intervals during the year, except stocks lying with sub-contractors and customers for which reliance has been placed on the certificates issued by them.
- b) The procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records and situation of inventory. The discrepancies noticed on physical verification of stocks as compared to Book Records were not material and have been properly dealt with in the Books of Accounts.
- 2.3 The Company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. We have been informed that there are no Companies under the same Management as defined under Section 370 (1B) of the Companies Act, 1956.
- 2.4 In our opinion, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purpose of inventory, raw materials including components, fixed assets and for the sale of goods and services. There does not appear to be any continuing failure to correct major weaknesses in internal control.
- 2.5 The company does not have any transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act.
- 2.6 The Company has not accepted any deposits from the public.
- 2.7 In our opinion, the present internal audit system of the Company is commensurate with the size of the Company and nature of its business.
- 2.8. The Central Government has prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of Power Driven Pumps and Diesel Engines. Based on the Branch Auditor's Report of Ranchi Branch, we state that adequate cost accounts and records were made and maintained as required under the law in force.
- 2.9 The Company has generally been regular in depositing undisputed statutory dues including Provident Fund deduction from employees together with own contribution, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. According to the records of the Company and the information and explanations given to us, there are no undisputed arrears of outstanding statutory dues as on 31st March, 2005 for a period of more than six months from the date they became payable.
- 2.10 The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during this financial year nor during the preceding financial year.
- 2.11 The Company has not taken any loan from any bank or financial institution nor has the Company issued any debentures.
- 2.12 The Company has not granted any loans or advances on the basis of security by way of pledge or shares, debentures or other securities.
- 2.13 The provisions of any special statute applicable to chit fund are not applicable to the Company.
- 2.14 The Company does not deal or trade in shares, securities, debentures or other investments.
- 2.15 The Company has not taken any term loans.
- 2.16 The Company has neither raised any short term nor long term funds.
- 2.17 The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- 2.18 The Company has not issued any debentures.
- 2.19 The Company has not raised any money through public issue.
- 2.20 During the course of our audit, no fraud on or by the Company has been noticed or reported during the year.

Sd/-

**Dilip Basu**

Partner

For and on behalf of

**D. K. Basu & Company**

Chartered Accountants

Kolkata, 21st July, 2005



## BALANCE SHEET AS AT 31ST MARCH, 2005

		(Rs. in Lakhs)		
		Schedules	As At 31.03.2005	As At 31.03.2004
<b>SOURCES OF FUNDS :</b>				
1.	Shareholders' Fund			
a)	Share Capital	1	12384.00	12384.00
b)	Reserves & Surplus	2	17519.23	16005.34
			<u>29903.23</u>	<u>28389.34</u>
2.	Loan Fund			
a)	Secured Loans	3	0.00	0.00
b)	Foreign Suppliers' Deferred Credit	4	2731.12	2815.57
			<u>2731.12</u>	<u>2815.57</u>
3.	Deferred Tax - Liability	5	1434.08	1381.77
			<u>34068.43</u>	<u>32586.68</u>
<b>APPLICATION OF FUNDS :</b>				
1.	Fixed Assets	6		
a)	Gross Block		17589.69	15479.92
b)	Less : Depreciation		8152.77	7755.60
c)	Net Block		<u>9436.92</u>	<u>7724.32</u>
d)	Less : Provision for Asset Under Reconciliation		78.44	0.00
e)	Capital Work-in-Progress		398.29	1556.74
			<u>9756.77</u>	<u>9281.06</u>
2.	Investments	7	0.44	1.08
3.	Retired Fixed Assets	6	22.74	0.00
4.	Deferred Tax-Assets	7A	1398.62	1225.87
5.	a) Current Assets, Loans & Advances			
i)	Inventories	8.1	122646.92	155175.48
ii)	Sundry Debtors	8.2	7562.32	5669.26
iii)	Deferred Debtors	8.3	134.39	134.39
iv)	Interest & Other Receivables	8.4	2215.93	5624.34
v)	Cash & Bank Balances	8.5	76299.35	56999.18
vi)	Loans & Advances	9	27749.50	30195.62
			<u>236608.41</u>	<u>253798.27</u>



	Schedules	(Rs. in Lakhs)	
		As At 31.03.2005	As At 31.03.2004
b) Less : Current Laibilities & Provisions			
i) Current Liabilities	10	210392.06	227946.64
ii) Provisions	10	3350.74	3772.96
		<u>213742.80</u>	<u>231719.60</u>
<b>NET CURRENT ASSETS</b>		<u>22865.61</u>	<u>22078.67</u>
6. Miscellaneous Expenditure (To the extent not written off or adjusted)	11	24.25	0.00
		<u>34068.43</u>	<u>32586.68</u>

Schedules, Accounting Policies & Explanatory Notes form part of Accounts

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

**Sd/- R. Chakraborty**  
Director (Finance)

**Sd/- Rear Admiral T. S. Ganeshan, IN (Retd.)**  
Chairman & Managing Director

As per our report of even date attached

**Sd/- Dilip Basu**  
Partner  
For and on behalf of  
**D. K. Basu & Company**  
Chartered Accountants

Kolkata, 21st July, 2005



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

Schedules	(Rs. in Lakhs)						
	For the year ended 31.03.2005			For the year ended 31.03.2004			
	Gross	(-)Excise Duty	Net	Gross	(-)Excise Duty	Net	
<b>A. INCOME</b>							
Sales	20	88141.41	497.16	87644.25	39076.77	381.86	38694.91
Accretion (+)/ Decretion(-) in WIP/ Finished Goods	21	-41113.30	21.58	-41134.88	9613.23	-1.64	9614.87
Value of Production		47028.11	518.74	46509.37	48690.00	380.22	48309.78
Other Revenues	22			3617.77			4621.23
				<u>50127.14</u>			<u>52931.01</u>
<b>B. EXPENDITURE</b>							
Consumption of Raw Materials & Components	12			25519.28			29416.52
Sub-Contract & Other Direct Expenses	13			6966.71			6055.96
Consumption of Stores	-			216.45			222.41
Employees' Remuneration & Benefits	14			11237.93			11899.11
Power & Fuel	-			670.62			684.72
Repairs & Maintenance	15			1042.61			1007.66
Other Expenses	16			2436.72			2040.33
Deferred/Development Exp. written off	11			4.85			0.00
Provision	17			47.51			89.52
Depreciation	6			661.29			620.13
Retirement Loss	6			206.58			0.00
Provision for Asset under Reconciliation	6			78.44			0.00
Interest	18			0.14			0.38
Prior Period adjustments	19			3.99			-509.49
				<u>49093.12</u>			<u>51527.25</u>
Less : Transfer to							
a) Capital Account			2080.75			2420.32	
b) Inter Revenue Account			1741.71			1487.28	
			<u>3822.46</u>			<u>3907.60</u>	
			<u>45270.66</u>			<u>47619.65</u>	
Net Profit for the year c/f			<u>4856.48</u>			<u>5311.36</u>	



GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

				(Rs. in Lakhs)	
Schedules				For the year ended 31.03.2005	For the year ended 31.03.2004
<b>Net Profit for the year b/f</b>				4856.48	5311.36
Income Tax					
Current Tax					
	Current Year	-1659.65		-1841.81	
	Adj. Prior year(s) (net)	-562.42		-356.08	
		<u>-2222.07</u>		<u>-2197.89</u>	
Deferred Tax		<u>120.44</u>	-2101.63	<u>-181.01</u>	-2378.90
Wealth Tax				-2.19	-2.15
Transferend to General Reserve				-275.27	-293.03
Proposed dividend				-1102.18	-1027.87
Tax on dividend				-146.67	-131.70
Balance of Profit brought forward from previous year				11288.77	9811.06
Balance Carried to Balance Sheet				<u>12517.31</u>	<u>11288.77</u>
Additional Information		23			

Schedules, Accounting Policies and Explanatory Notes form part of Accounts.

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

**Sd/- R. Chakraborty**  
Director (Finance)

**Sd/- Rear Admiral T. S. Ganeshan, IN (Retd.)**  
Chairman & Managing Director

As per our report of even date attached

**Sd/- Dilip Basu**  
Partner  
For and on behalf of  
**D. K. Basu & Company**  
Chartered Accountants

Kolkata, 21st July, 2005



SCHEDULE - 1

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>SHARE CAPITAL</b>		
<b>Authorised Capital :</b>		
12500000 Equity Shares of Rs. 100/- each :	<u>12500.00</u>	<u>12500.00</u>
<b>Issued, Subscribed and Paid up Capital :</b>		
12384000 Equity Shares of Rs. 100/- each :	12384.00	12384.00
Of the above shares, 69997 shares are allotted as fully paid up pursuant to a contract without payment being received in cash.		
	<u>12384.00</u>	<u>12384.00</u>

SCHEDULE - 2

	(Rs. in Lakhs)			
	As At 31.03.2005		As At 31.03.2004	
<b>RESERVES &amp; SURPLUS</b>				
<b>Capital Reserve</b>				
As per last Account	279.18		268.89	
Add : Addition during the year	<u>10.08</u>	289.26	<u>10.29</u>	279.18
<b>Contract Contingency Reserve</b>				
As per last Account	2100.00		2100.00	
Add : Addition during the year	<u>0.00</u>	2100.00	<u>0.00</u>	2100.00
<b>General Reserve</b>				
As per last Account	2337.39		2044.36	
Add : Transferred from Profit & Loss A/c.	<u>275.27</u>	2612.66	<u>293.03</u>	2337.39
<b>Balance from Profit &amp; Loss Account</b>	<u>12517.31</u>		<u>11288.77</u>	
	<u>17519.23</u>		<u>16005.34</u>	



## SCHEDULE - 3

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>SECURED LOAN:</b>		
Cash Credit	0.00	0.00
	<u>0.00</u>	<u>0.00</u>

## SCHEDULE - 4

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>FOREIGN SUPPLIERS' DEFERRED CREDIT:</b>		
Foreign Suppliers' Deferred Credit	0.00	4.19
Russian (Formerly USSR) Credit	2731.12	2809.81
Interest Accrued & Due on Deferred Credit	0.00	1.57
	<u>2731.12</u>	<u>2815.57</u>

## SCHEDULE - 5

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>DEFERRED TAX-LIABILITY</b>		
As per last Balance Sheet	1381.77	1280.81
Add.: Current Year Provision	52.31	100.96
	<u>1434.08</u>	<u>1381.77</u>



**SCHEDULE - 6  
FIXED ASSETS**

(Rs. in Lakhs)

	GROSS BLOCK AT COST				DEPRECIATION					NET BLOCK		Capital Work-in Progress 31.03.2005	Net Fixed Asset including Capital W.I.P. 31.03.2005
	Cost as at 31.03.2004	Additions in the year	Deduction/ Adjustment in the year	Cost as at 31.03.2005	Upto 31.03.2004	Deduction/ Adjustment in the year	Prior period Depreciation	Depreciation for the year	Total as at 31.03.2005	As at 31.03.2005	As at 31.03.2004		
	a	b	c	d=a+b-c	e	f	g	h	i=e-f+g+h	j	k		
Land *	154.30	0.00	0.00	154.30	26.70	0.00	0.00	** 8.29	34.99	119.31	127.60	0.00	119.31
Building	2741.61	1250.65	0.00	3992.26	1120.09	0.00	0.39	88.46	1208.94	2783.32	1621.52	0.36	2783.68
Railway Siding	3.15	0.00	0.00	3.15	2.99	0.00	0.00	0.00	2.99	0.16	0.16	0.00	0.16
Plant & Machinery	7629.14	1216.46	538.43	8307.17	4155.46	262.60	0.47	241.54	4134.87	4172.30	3473.68	139.73	4312.03
Docks & Jetties @	2352.87	18.96	2.20	2369.63	1099.17	1.85	0.55	96.70	1194.57	1175.06	1253.70	0.00	1175.06
Furniture, Fixtures, Office equipments & Computers	1694.17	126.96	5.85	1815.28	924.16	3.51	3.45	133.62	1057.72	757.56	770.01	26.06	783.62
Enterprise Resource Planning	368.53	4.73	0.00	373.26	101.33	0.00	0.23	60.51	162.07	211.19	267.20	0.00	211.19
Launches, Barges & Boats	76.08	0.00	0.21	75.87	16.95	0.20	0.00	5.27	22.02	53.85	59.13	0.00	53.85
Motor Cars	80.56	7.51	2.91	85.16	36.81	1.11	0.06	6.56	42.32	42.84	43.75	0.00	42.84
Motor Lorries, Trailers, mobile Cranes, etc.	379.51	34.10	0.00	413.61	271.94	0.00	0.00	20.34	292.28	121.33	107.57	0.00	121.33
Consultancy charges for Modernisation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	232.14	232.14
<b>TOTAL</b>	<b>15479.92</b>	<b>2659.37</b>	<b>549.60</b>	<b>17589.69</b>	<b>7755.60</b>	<b>269.27</b>	<b>5.15</b>	<b>661.29</b>	<b>8152.77</b>	<b>9436.92</b>	<b>7724.32</b>	<b>398.29</b>	<b>9835.21</b>
Last year	14205.30	1363.07	88.45	15479.92	7200.96	67.84	2.35	620.13	7755.60	7724.32	7004.34	1556.74	9281.06

\* Includes leasehold land Rs. 45.58 lakh

\*\* Depreciation includes amortisation of land Rs. 8.29 lakh

@ Includes Floating Dock (Cost-Rs. 332.50 lakh W.D.V-Rs. 316.06 lakh) sent to Andaman & Nicobar Administration, Port Blair on 12th March 05 to reach Campbell Bay in connection with Tsunami and is since lying at Campbell Bay.

**N. B.**

1. Adjustment Columns include due adjustments for Retired Assets.
2. Retired Assets comprising Plant & machinery (Cost Rs. 453.63 lakh, W.D.V : Rs. 228.57 lakh ) and Furniture, Fixtures & Office Equipment (Cost : Rs. 1.68 lakh W.D.V : Rs. 0.75 lakh) have been stated at Rs. 22.66 lakh and Rs. 0.08 lakh respectively (at lower of net book value and estimated net realisable value) involving loss on retirement of Rs. 206.58 lakh in aggregate (Ref : Explanatory Note 17)
3. Provision for Asset under Reconciliation - Rs. 78.44 lakh (Ref Explanatory Note 16)



SCHEDULE - 7

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>INVESTMENTS (OTHER THAN TRADE):</b>		
<b>I. Government Securities (unquoted at cost):</b>		
6 years National Savings Certificates Pledged with Calcutta Port Trust (Rs. 55000/-) and P & T Department (Rs. 9000/-) Written off during the year	0.00	0.64
<b>II Investment in shares, debentures or bonds:</b>		
<b>East India Clinic Limited (unquoted at cost):</b>		
(a) 170 Nos 1/2% Registered Mortgage Debentures of Rs. 100/- each fully paid up	0.17	0.17
(b) 270 Nos 5%-Non-Redeemable Registered Mortgage Debenture Stock-1957 of Rs. 100/- each fully paid up	0.27	0.27
	0.44	1.08

SCHEDULE - 7A

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>DEFERRED TAX - ASSETS</b>		
As per Last Balance Sheet	1225.87	1305.92
Add: Current Year Provision	172.75	-80.05
	1398.62	1225.87

SCHEDULE - 8

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>CURRENT ASSETS:</b>		
<b>8.1 Inventories</b>		
<b>Stocks</b> (As per inventories taken valued and certified by the Management)		
Raw Materials & Components	31619.55	22794.40
Stores & Spares	310.29	221.58
Loose Tools	34.43	34.87
	31964.27	23050.85
Stores in Transit	908.76	1237.43
	32873.03	24288.28
Work-in-Progress & Finished Goods (including items with Sub-contractors)	89773.89	130887.20
	122646.92	155175.48



## SCHEDULE - 8 (CONTD.)

	(Rs. in Lakhs)	
	As At 31.03.2005	As At 31.03.2004
<b>8.2. Sundry Debtors (Unsecured)</b>		
(a) Debts outstanding for a period exceeding 6 months :		
Considered Good	1059.68	671.71
Considered Doubtful	<u>708.23</u>	<u>736.82</u>
	1767.91	1408.53
(b) Other Debts :		
Considered Good	<u>6502.64</u>	<u>4997.55</u>
	8270.55	6406.08
Less : Provision for Doubtful Debts :		
Opening Balance	736.82	680.98
Less : Bad Debts & Adjustments	<u>76.10</u>	<u>33.68</u>
	660.72	647.30
Add : Provision during the year	<u>47.51</u>	<u>89.52</u>
	<u>7562.32</u>	<u>5669.26</u>
<b>8.3 Deferred Debtors :</b>		
(Unsecured- Considered Good)		
Outstanding for a Period exceeding 6 months	134.39	134.39
Others	<u>0.00</u>	<u>0.00</u>
	<u>134.39</u>	<u>134.39</u>
<b>8.4 Interest &amp; Other Receivables :</b>		
Interest Accrued/Receivable	1850.17	2431.07
Other Receivable	<u>624.48</u>	<u>3451.99</u>
	2474.65	5883.06
Less : Provision	<u>258.72</u>	<u>258.72</u>
	<u>2215.93</u>	<u>5624.34</u>
<b>8.5 Cash &amp; Bank Balances :</b>		
Cash in hand	27.58	27.02
Cheques in hand & in transit	10551.54	64.29
Balance with Scheduled Banks :		
On Current Accounts	2159.38	4209.83
On Short term Deposits	63204.29	51754.04
Margin Money Deposit	356.56	944.00
	<u>76299.35</u>	<u>56999.18</u>



**SCHEDULE - 9**

	(Rs. in Lakhs)	
	AsAt 31.03.2005	AsAt 31.03.2004
<b>LOANS &amp; ADVANCES :</b>		
(Unsecured Considered Good unless otherwise stated)		
Loans to Other	0.12	0.12
Short term Deposits (including doubtful Rs. 200 lakh Previous year : Rs. 200 lakh)	200.00	200.00
Foreign Exchange Fluctuation Suspense	2731.12	2809.81
Advance recoverable in Cash or in Kind or for value to be received (including doubtful Rs. 12.30 lakh, Previous year : Rs. 12.30 lakh)	20941.79	21567.94
Income Tax	3052.59	5048.55
Income Tax Deducted at source	1029.56	776.90
Deposit with Customs, Port Trust & Other Government Authorities	6.62	4.60
	27961.80	30407.92
Less : Provision for Doubtful Advances	212.30	212.30
	27749.50	30195.62

**SCHEDULE - 10**

	(Rs. in Lakhs)	
	AsAt 31.03.2005	AsAt 31.03.2004
<b>CURRENT LIABILITIES &amp; PROVISION:</b>		
<b>Current Liabilities :</b>		
Sundry Creditors	9962.95	9873.80
Advance Received from Customers & Others	180155.49	200920.47
Deposit from Contractors & Others	623.41	472.26
Other Liabilities (Net of Sales Tax debits Rs. 2196.56 Lakh , Previous year Rs. 2630.39 Lakh)	19650.21	16680.11
	210392.06	227946.64
<b>Provisions :</b>		
Income Tax	1905.67	2416.73
Sales Tax	187.97	187.97
Wealth Tax	10.88	8.69
Proposed dividend	1102.18	1027.87
Tax on distributed Profit	144.04	131.70
	3350.74	3772.96



**SCHEDULE - 11**

(Rs. in Lakhs)

As At 31.03.2005                      As At 31.03.2004

**MISCELLANEOUS EXPENDITURE:**

(To the extent not written off or adjusted)

**Deferred/Development Expenditure**

Opening Balance	0.00	0.00
Add : Addition during the year	29.10	0.00
	<u>29.10</u>	<u>0.00</u>
Less : Charged off to Profit & Loss Account	4.85	0.00
	<u>24.25</u>	<u>0.00</u>

**SCHEDULE - 12**

(Rs. in Lakhs)

For the year ended 31.03.2005                      For the year ended 31.03.2004

**CONSUMPTION OF RAW MATERIALS & COMPONENTS (INCLUDING STORES & SPARES)**

Opening Stock	23050.85	27052.10
Add : Purchase	34493.04	25415.98
	<u>57543.89</u>	<u>52468.08</u>
Less : Closing Stock	31964.27	23050.85
	<u>25579.62</u>	<u>29417.23</u>
Less : Materials transferred to MDL on assigned contract	60.34	0.71
	<u>25519.28</u>	<u>29416.52</u>

**SCHEDULE - 13**

(Rs. in Lakhs)

For the year ended 31.03.2005                      For the year ended 31.03.2004

**SUB-CONTRACT & OTHER DIRECT EXPENSES:**

Contractors' services	6819.24	5955.63
Bought-in-items	141.04	93.56
Direct Insurance	6.43	6.77
	<u>6966.71</u>	<u>6055.96</u>



GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

Schedule - 14

	(Rs. in Lakhs)	
	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>EMPLOYEES' REMUNERATION &amp; BENEFITS:</b>		
Wages & Bonus-Direct Operative	4918.00	5357.16
Salaries, Wages & Bonus	4551.79	4575.39
Contribution to Provident Fund & Family Pension Scheme	712.35	721.93
Contribution to E. S. I.	14.73	1.00
Pension	23.94	23.39
Gratuity	30.00	30.00
Workmen & Staff Welfare Expenses	967.12	844.65
Voluntary Retirement Scheme	0.00	326.45
Directors' Remuneration (Notes Below)	20.00	19.14
	<u>11237.93</u>	<u>11899.11</u>

Notes :

1. Directors' Remuneration :		
Salary	17.40	16.45
Contribution to P.F.	2.20	2.11
Other Perquisites	0.40	0.58
	<u>20.00</u>	<u>19.14</u>

2. Excluding perquisites for the use of car provided to Chairman-Cum-Managing Director and three functional Directors upto 1000 Kms on payment of Rs. 520 p.m.

Schedule - 15

	(Rs. in Lakhs)	
	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>REPAIRS &amp; MAINTENANCE:</b>		
Repairs to Buildings	192.62	269.92
Repairs to Plant & Machineries	558.05	450.26
Other Repairs	291.94	287.48
	<u>1042.61</u>	<u>1007.66</u>



GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

SCHEDULE - 16

(Rs. in Lakhs)

For the  
year ended  
31.03.2005

For the  
year ended  
31.03.2004

OTHER EXPENSES:

Rent	77.45	78.62
Rates & Taxes	76.73	60.24
Insurance	48.82	69.37
Commission on Sales	108.70	95.65
Bad Debts	3.65	0.21
Hire Charges of Transport	63.19	48.64
Stores Clearing and Despatch Expenses	41.58	28.10
Liquidated Damages	1042.63	892.71
Guarantee Period Liability	27.98	0.00
Miscellaneous Expenses	945.99	766.79
(Details in the Schedule 16A)		
	2436.72	2040.33

SCHEDULE - 16A

(Rs. in Lakhs)

For the  
year ended  
31.03.2005

For the  
year ended  
31.03.2004

DETAILS OF MISCELLANEOUS EXPENSES :

Bank charges & Commission	30.23	30.97
Travelling Expenses	223.09	160.45
Advertisement & Publicity	78.85	82.43
Printing & Stationary	11.26	9.59
Postage stamps & Telegrams	17.65	13.48
Telephone, Telex & Fax	67.57	82.95
Loss in Exchange Rate Fluctuations	0.06	4.10
Loss on demolition of Fixed Asset	0.00	13.39
Legal Expenses	14.12	15.00
Entertainment Expenses	6.49	4.77
Auditors' Remuneration :		
(a) Audit Fee	0.60	0.60
(b) In other capacities (Tax Audit)	0.30	0.35
P. F. Audit Fee	0.10	0.10
P. F. Administration Charges	10.96	10.35
Gratuity Fund Audit Fee	0.05	0.05
Other Misc. Expenses *	484.66	338.21
	945.99	766.79

\* Includes donation of Rs. 100.00 lakh to Prime Minister's National Relief Fund for Tsunami



GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

SCHEDULE - 17

	(Rs. in Lakhs)	
	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>PROVISION:</b>		
Bad & Doubtful Debts	47.51	89.52
	47.51	89.52

SCHEDULE - 18

	(Rs. in Lakhs)	
	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>INTEREST :</b>		
Bank Borrowings	0.10	0.00
Others	0.04	0.38
	0.14	0.38

SCHEDULE - 19

	(Rs. in Lakhs)	
	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>PRIOR PERIOD ADJUSTMENTS:</b>		
<b>A. Expenses :</b>		
Other Expenses	1.33	3.84
Depreciation	5.15	2.35
	6.48	6.19
<b>B. Income :</b>		
Purchase	2.49	511.16
Other Expenses	0.00	4.52
	2.49	515.68
Net Debit (+) / Credit (-)	3.99	-509.49



GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

SCHEDULE - 20

(Rs. in Lakhs)

	For the year ended 31.03.2005	For the year ended 31.03.2004
SALES: (Including Excise Duty)		
Sale *	87976.91	38963.49
Sale of Scrap	164.50	113.28
Sale of Stores	0.00	0.00
	<u>88141.41</u>	<u>39076.77</u>

\* Includes Rs. 77796.68 lakh (Previous year Rs. 6912.36 lakh) for ship constructed under cost plus contract (Indian Navy)

SCHEDULE - 21

(Rs. in Lakhs)

	For the year ended 31.03.2005	For the year ended 31.03.2004
ACCRETION (+) TO / DECRETION (-) IN		
Work-in-Progress / Finished Goods		
Closing Balance	89773.89	129901.52
Opening Balance	<u>129901.52</u>	<u>120288.29</u>
	- 40127.63	9613.23
Cost Suspense		
Closing Balance	0.00	985.67
Opening Balance	<u>985.67</u>	<u>985.67</u>
	-985.67	0.00
	<u>-41113.30</u>	<u>9613.23</u>



## SCHEDULE - 22

(Rs. in Lakhs)

	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>OTHER REVENUES :</b>		
Profit on sale of Fixed Assets	12.61	12.26
Interest on Loans, Advances, Investments & Deposits	3142.53	3871.28
Liability/ Provision written back	65.35	177.37
Rent	3.15	3.31
L. D. Recovered *	253.58	277.98
Provision for Bad Debts no longer required	4.18	16.85
Insurance Claim	1.74	8.60
Miscellaneous Receipts	89.45	253.55
(Includes interest on IT refund Rs. 4.56 Lakh, Previous year Rs. 160.13 lakh)		
Assigned Contract :		
Service Charges / Remuneration	45.18	0.03
	<u>3617.77</u>	<u>4621.23</u>

\* Includes LD refunded by customer Rs. 29.91 lakh (Previous year Rs. 149.89 Lakh)



**SCHEDULE - 23**  
**ADDITIONAL INFORMATION**  
(as certified by Management)

Class of Goods	2004-2005		2003-2004	
	Quantity	Value (Rs. in Lakhs)	Quantity	Value (Rs. in Lakhs)
<b>1. TURNOVER: (SALES)</b>				
<b>1. Ship Division :</b>				
(a) Ship Building	1 No. **	80297.67	1 No. **	32665.25
(b) Ship Repair	*	684.99	*	1003.96
		<u>80982.66</u>		<u>33669.21</u>
<b>2. General Engineering Division :</b>				
(a) Road Roller / Spares	*	0.00	*	0.00
(b) Deepwell Turbine Pump	276Nos	71.10	489Nos	121.03
(c) Farakka, Vindiyachal & Other conveyors	*	305.34	*	1380.15
(d) Others	*	3875.18	*	3135.21
		<u>4251.62</u>		<u>4636.39</u>
<b>3. Diesel Engine Division :</b>				
(a) G. V/Bergen / MTU Engines Spares etc.	6 Nos	2643.70	2 Nos	626.09
(b) General Engineering (D.E.P)	*	2.52	*	0.00
(c) R.V. Diesel Engines & Spares	*	96.41	*	31.80
		<u>2742.63</u>	*	<u>657.89</u>
		<u>87976.91</u>		<u>38963.49</u>
<b>4. Sale of Scrap :</b>		164.50		113.28
<b>5. Sale of Stores :</b>		0.00		0.00
<b>TOTAL</b>	<b>**</b>	<u>88141.41</u>	<b>**</b>	<u>39076.77</u>

(\*) Owing to varigated nature quantitative data not given in full.

(\*\*) Includes additional revenue in respect of cost-plus contracts of Indian Navy completed in earlier years Rs. 3021.74 Lakh (Previous year Rs. 1190.62 Lakh)

INFORMATION REQUIRED FOR MANUFACTURING COMPANY	2004-2005		2003-2004	
	Quantity	Value (Rs. in Lakhs)	Quantity	Value (Rs. in Lakhs)
<b>A. Consumption of Raw Materials &amp; Components :</b>				
1. Iron & Steel	8876 Tons	2195.10	5002 Tons	1104.95
2. Alloy Steel	140 Tons	35.53	42 Tons	13.02
3. Hardware	156982 Nos		155914 Nos	
	2 Tons	269.92	3 Tons	989.73



GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

SCHEDULE - 23 (Contd.)

Class of goods	2004-2005		2003-2004	
	Quantity	Value (Rs. in Lakhs)	Quantity	Value (Rs. in Lakhs)
4. Pipe & Pipe Fitting	9262 Mtrs	179.94	3381 Mtrs	133.48
5. Electrode & Non-Ferrous items	33 Tons	70.68	20 Tons	48.74
6. Components & Equipments				
Equipments	2468 Sets		2599 Sets	
Components	10068 Nos	8120.02	12587 Nos	9643.09
Components - Pumps	1732 Nos		1914 Nos	
14 Mtrs.		12.04	40 Mtrs.	86.85
-Electrical & Cables	139786 Nos		174734 Nos	
132456 Mtrs		6585.60	165566 Mtrs	7305.37
-Marine Items	38688 Nos	291.56	48360 Nos	292.21
-Bailey Bridge	431492 Nos	2543.35	290366 Nos	1318.61
-G.V./M.T.U./ Bergen Engine	8 Sets	515.63	6 Sets	2068.62
7. Miscellaneous other Groups		4281.30		6411.85
		<u>25100.67</u>		<u>29416.52</u>
B. 1. Imported	23.00%	5773.28	30.04%	8835.46
2. Indigenous	77.00%	19327.39	69.96%	20581.06
	<u>100.00%</u>	<u>25100.67</u>	<u>100.00%</u>	<u>29416.52</u>
*1. Includes :				
a) Shortage / Surplus		1.61		-11.46
b) Cost of Direct Sale of Stores and Prior to adjustment of Rs 418.61 lakh (Previous year Rs. 67.08 lakh) on account of Non-moving items.				

Class of goods	2004-2005		2003-2004	
	Quantity	Value (Rs. in Lakhs)	Quantity	Value (Rs. in Lakhs)
C. Value of Import on C. I. F. Basis				
1. Raw Materials		84.47		173.39
2. Components & Spare Parts		13921.93		5035.60
3. Capital Goods		42.97		186.89
		<u>14049.37</u>		<u>5395.88</u>



SCHEDULE - 23 (Contd.)

Class of goods	2004-2005		2003-2004	
	Quantity	Value (Rs. in Lakhs)	Quantity	Value (Rs. in Lakhs)
<b>D. Payment in Foreign Currency</b>				
1. Know-how		—		—
2. Consultation / Service Fees		492.08		374.17
3. Interest on foreign suppliers' credit		—		—
4. Deferred Payment to foreign suppliers		78.69		75.33
5. Other Payments (for materials etc.)		12589.28		6677.90
		<u>13160.05</u>		<u>7127.40</u>
<b>E. Earning in Foreign Exchange</b>				
Export		—		—
Deemed Export		—		—
Others		—		—
		<u>0.00</u>		<u>0.00</u>

Class of goods	2004-2005			2003-2004				
	Unit	Licensed Capacity	Installed Capacity	Actual Production	Unit	Licensed Capacity	Installed Capacity	Actual Production
<b>F. Production Statistics</b>								
<b>Industrial Licenses</b>								
1. Road roller	No	600	**	—	No	600	**	—
2. Deepwell Turbine Pump & Submersible Pump	No	720	720	454	No.	720	720	568
3. Ship Repair	*	—	1200	—	*	—	1200	10
4. (a) Shipbuilding	*	3200	5400	2939	*	3200	5400	2642
	***				***			+ 401
(b) General Engineering	*	1800	2500	4202	*	1800	2500	3306
5. Diesel Engine - Large/Medium / Slow Speed (275 H. P. to 20000 H. P.)								
K. Z.	No	} 168	2	—	No	} 168	2	—
G. V. / Bergen/MTU	No		36	8	No		36	4
R. V	No		48	—	No		48	—
6. Deck Machinery:								
i) Winch (Marine & Industrial)	No	50	50	8	No	50	50	5
ii) a) Electric Anchor Windlass	No	20	20	4	No	20	20	4
b) Electric Capstan	No	12	12	14	No	12	12	5
iii) Hydraulic Steering gear	No	15	15	2	No	15	15	—
iv) Boat Davits for Ships	Sets	40	40	9	Sets	40	40	8
7. Conveyors	Tons	2600	**	—	Tons	2600	**	—
<b>G. Production Statistics -Letter of Intent</b>								
Steel Plant Equipment	Tons	1000	1000	—	Tons	1000	1000	—



SCHEDULE - 23 (Contd.)

H. Opening and Closing Work-in-Progress and Finished Goods of Goods Produced

Activity	Opening W.I.P.				Closing W. I. P.			
	Value in Lakh Rs.		Quantity		Value in Lakh Rs.		Quantity	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
1. Ship Repair	266.84	1115.72	7 Orders	5 Orders	37.40	266.84	4 Orders	7 Orders
2. Ship Building	125105.79	116251.96	10 Ships	7 Ships	84711.65	125105.79	9 Ships	10 Ships
3. Deepwell Turbine/ Pump	73.36	78.01	38 Nos	27 Nos	95.27	73.36	55 Nos	38 Nos
4. Bailey Bridge	851.39	801.16	17 Orders	20 Orders	932.13	851.39	14 Orders	17 Orders
5. Deck Machinery Equipment	20.27	123.69	9 Orders	11 Orders	55.05	20.27	9 Orders	9 Orders
6. GV/BERGEN/MTU/ Engines	2261.66	1142.79	11 Nos	9 Nos	619.27	2261.66	11 Nos	11 Nos
7. Others	2307.89	1760.64	—	—	3323.13	2307.89	—	—
<b>Total</b>	<b>130887.20</b>	<b>121273.97</b>			<b>89773.90</b>	<b>130887.20</b>		
8. Finished Goods (included above)	—	—	—	—	—	—	—	—

SCHEDULE - 23 (Contd.)

BALANCE SHEET ABSTRACT AND  
COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	007891	State Code	21
Balance Sheet Date	31.03.2005		

II. Capital Raised during the Year  
(Amount in Rs. thousands)

Public Issue	....	NIL	Right Issue	NIL
Bonus Issue	....	NIL	Private Placement	NIL

III. Position of mobilisation and deployment of funds  
(Amount in Rs. thousands)

Total Liabilities (Includes Owners Fund Rs. 2838934 Thousand)	....	24781123	Total Assets	....	24781123
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# GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

## SCHEDULE - 23 (Contd.)

### Source of Funds :

Paid up Capital	1238400	Reserves & Surplus	1751923
Secured Loans	NIL	Unsecured Loans	273112
Application of Funds :			
Net Fixed Assets	943642	Investment	44
Net Current Assets	2286561	Misc. Expenditure	2425
Accumulated Losses	NIL		

### IV Performance of Company (Amount in Rs. Thousands)

Turnover	8814141	Total Expenses	4527066
Profit before Tax	485648	Profit After Tax (Exclusive of Tax on Distributed Profit)	275266
Earning per share in Rs.	22.23	Dividend Rate %	8.90%
Diluted Earning per share in Rs.	22.23		

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

(a)	Item Code No. (ITC Code)	....	89060000
	Product Description	.....	SHIP CONSTRUCTION
(b)	Item Code No. (ITC Code)	.....	97900000
	Product Description	.....	SHIP REPAIRS & GENERAL ENGINEERING
(c)	Item Code No. (ITC Code)	.....	84080000
	Product Description	.....	DIESEL ENGINES

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

**Sd/- R. Chakraborty**  
Director (Finance)

**Sd/- Rear Admiral T. S. Ganeshan, IN (Retd.)**  
Chairman & Managing Director

**Sd/- Dilip Basu**  
Partner  
For and on behalf of  
**D. K. Basu & Company**  
Chartered Accountants

Kolkata, 21st July, 2005



## EXPLANATORY NOTES

1. Following Contingent Liabilities have not been provided for in respect of :
  - 1.1 Guarantee given by scheduled Banks amounting to Rs. 1464.04 Lakh (Previous year Rs. 2325.02 Lakh) against counter guarantees given by the Company and / or secured by extension of hypothecation of current assets except deposits / margin money.
  - 1.2 Unexpired Letters of Credit amounting to Rs. 1931.45 Lakh (Previous year Rs. 3999.25 Lakh) secured by extension of hypothecation of entire Current Assets except deposits / margin money.
  - 1.3 Claims of Rs. 34610.03 Lakh (Previous year Rs. 33910.03 Lakh) not acknowledged as debts.
  - 1.4 Disputed demand for contribution to E.S.I. to the extent of Rs. 277.55 Lakh (Previous year Rs. 277.55 Lakh) has not been provided for in the Accounts.
2. Commitments in respect of contracts remaining to be executed on Capital Accounts and not provided for amount to Rs. 61.61 Lakh (Previous year Rs. 239.37 Lakh).
3. Liability on Sales Tax amounting to Rs. 110.12 lakh (Previous year Rs. 3341.87 lakh) includes Rs. 96.38 lakh towards sale of engines by DEP, Ranchi but included in W.B. Sales by W. B. Sales Tax Authority and Rs. 13.74 lakh towards others in respect of completed sales tax assessments upto 2001-02 has not been acknowledged as debts and has not been provided for in the accounts as all the demands are under appeal. Contingent Liability for Sales Tax amounting to Rs. 3230.97 Lakh towards Cost Plus Remuneration Vessel for Indian Navy though existing as on 31 March 2005 has not been considered on receipt of Dy. Commissioner, Commercial Tax Dept, Kolkata's Order dated 19 April 2005 (event occurring immediately after the date of Balance Sheet) exempting such vessel entirely from taxable turnover.
4. Disputed demands of Rs. 1730.86 lakh for the Assessment Year 1993-94, Rs. 121.36 lakh for Assessment Year 2000-01 and Rs. 117.45 lakh for Assessment year 2002-03 (Previous year Rs. 2158.51 Lakh) towards Income Tax have not been provided for as the demands are under appeal. The said demands for 1993-94, 2000-01 and 2002-03 (partly) have been adjusted by the Income Tax department with the refund of other years.
5. Liabilities, in respect of despatches made within 31st March, 2005 and booked to sales against Sale Orders with the stipulation of safe receipt by the customers, has not been provided for in the accounts, being the amount not ascertainable as per consistent practice followed.
6. Liability written back includes G.D.R. Credit of Rs. 4.19 Lakh and interest of Rs. 1.57 Lakh which was pending since 1987-88.
7. The land for setting up Diesel Engine Plant at Ranchi was obtained free of cost from Heavy Engineering Corporation Ltd., Ranchi. Deed for transfer of land is yet to be executed and status quo is being maintained.
8. The expenditure during 2004-05 on Public Relations and Publicity amounted to Rs. 54.05 Lakh comprising of (i) Salaries Rs. 6.86 Lakh and (ii) other items of expenditure Rs. 47.19 Lakh (Previous year Rs. 6.99 Lakh and Rs. 61.81 Lakh respectively).
9. Miscellaneous Expenses includes Development Expenses Rs. 2.13 Lakh (Previous year Rs. 1.02 Lakh).
10. Reconciliation of sundry creditors and related advance accounts are in progress. Major accounts have since been reconciled.
11. Balance confirmation from some parties has been received.
12. **Russian (USSR) Credit**

Exchange fluctuation aggregating to Rs. 2731.21 Lakh (Previous year Rs. 2809.82 Lakh) arising on account of (i) Rupee tying agreement with the Government of India and is held in Exchange Fluctuation Suspense account pending adjustment against receipt from CDA (N) on maturity of repayment to foreign lenders, and (ii) Increase in liability arising out of conversion of deferred payment liability in foreign currency on the basis of exchange rate prevailing as on the year end and is held in Foreign Exchange Suspense Account pending adjustment against receipt from CDA (N) on maturity of repayment to foreign lender.

This amount being recoverable from the customer, no charge to profit and loss account, on adopting the aforesaid policy as required by Accounting Standard - 11 of The Institute of Chartered Accountants of India, is made, and



does not have any impact on the profit and loss account of the Company.

13. Balance of recoverable Medical Advance due from Director (Personnel) as on 31.03.2005 is Rs. 39,679/- (Previous year Rs. 67,691/-). The same is recoverable in equal monthly instalments within Sep 2006.

14. Leave Liability has been provided in the accounts as per the actuarial valuation as on 31.03.2005. The total provision as on 31.03.2005 is Rs. 2574.25 Lakh (previous year Rs. 2510.08 Lakh).

15. **Deposit with M/s. Hindustan Cables Ltd :** A sum of Rs. 458 lakh outstanding as on 31.03.2002 (Principal - Rs. 200 lakh, Interest - Rs. 258 lakh) was provided for in the year 2002-03

On repeated failure of M/s. Hindustan Cables Ltd. to repay principal and interest outstanding on the ground of poor financial health, GRSE had once again referred the matter to committee of Disputes (COD) in November 2002. The case is pending with COD. D/o Heavy Industries has represented before the COD, that HCL is a sick PSU and presently before BIFR, which has appointed SBI Cap. as Operating Agency and SBI Cap has prepared TEV report, which is under consideration, and that if it is decided to revive the Company the settlement of dues of creditors will form a part of such package and dues of GRSE will also be incorporated.

16. Plant and Machinery etc. were physically verified by firms of Chartered Accountants and some assets could not be reconciled with the Fixed Asset Register. The matter is under review. However, provision of Rs. 78.44 lakh has been made on account of asset reconciliation pending completion of the review.

17. **Retirement Loss and Impairment of Assets.**

The retirement of loss of Rs. 206.58 lakh comprise Rs. 184.10 lakh for asset at DEP, Ranchi and Rs. 22.48 lakh for assets at Kolkata. Retirement loss at DEP relate to Diesel Generating Set which was on rent at Paradip Port Trust and taken back to DEP, Ranchi as an asset in disassembled condition during the current financial year 2004-05. The asset has been technically assessed by the Technical Review Committee and found unusable. Also, no customer for purchase of the same could be found. In view of the same, the asset has been retired from use. The said asset has been stated at Rs. 18.47

lakh being lower of net book value and estimated net realisable value (5% of cost).

18. **Licence Fee**

Rs. 29.10 lakh being the licence fee for exclusive manufacturing right for manufacture of 16 cylinder 4000 Series Engines of MTU for the period of 5 years has been booked to Miscellaneous Expenditure - Deferred. The same has been amortized on SLM basis considering the said period 5 years from June'04.

19. **Deferred Tax**

The break up of deferred tax assets and liabilities as on 31.03.2005 are as follows :

(A) Deferred Tax Assets

	(Rs./lakhs)	
	As on 31.03.05	As on 31.03.04
(i) Provision for Bad & Doubtful Debts & Advances	137.61	143.67
(ii) Central Excise Duty	20.75	20.34
(iii) Employees separation and Retirement	1240.26	1061.86
(iv) Other timing difference	—	—
	<u>1398.62</u>	<u>1225.87</u>

(B) Deferred Tax Liability

Fiscal Allowances on Fixed Assets	1434.08	1381.77
Deferred Net Tax (Asset / liability)	(35.46)	(155.90)

20. Sundry Creditors include Rs. 0.87 Lakh (Previous year Rs. 18.81 Lakh) due to small-scale industrial undertakings.

There are no small scale industrial undertaking (s) to whom Company owes a sum exceeding Rs. 1.00 Lakh which is outstanding more than 30 days.

21. Advance received from customers and others includes Rs. 19.39 crore (Previous year Rs. 30.59 crore) received from Indian Navy against ASW Corvette Project for



## GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

- infrastructure development project and augmentation of TRIBON facilities. In the financial year 2004-05, Rs. 11.20 Crore was incurred in procuring assets for and on behalf of Indian Navy. A total of Rs. 14.61 Crore have been incurred in procuring assets for and on behalf of Indian Navy as on 31.03.05 out of a total fund of Rs. 34 Crore received from Indian Navy on this account.
22. Fixed Assets include Rs. 67.29 Lakh for Delhi Shipyard House being one third share in the property jointly held by the Company, Mazagon Dock Limited and Goa Shipyard Limited.
23. LOI/orders for ships under construction / delivered during the financial year were received prior to 01.04.2003. Accordingly, revised AS-7 has not been made applicable for this financial year.
24. Figures for the previous year have been regrouped/ rearranged wherever necessary to correspond to those of the current year.
25. Segment Report - Annexure A
26. Cash Flow Statement - Annexure B
27. The Company has been following the applicable Accounting Standards issued by the Institute of Chartered Accountants of India. While there are no basic changes, the significant accounting policies have been redrafted for clarity and to include policy Disclosures on Segment Reporting, Taxes on Income covering Deferred Tax, Impairment of Assets etc.

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

**Sd/- R. Chakraborty**  
Director (Finance)

**Sd/- Rear Admiral T. S. Ganeshan, IN (Retd.)**  
Chairman & Managing Director

**Sd/- Dilip Basu**  
Partner  
For and on behalf of  
**D. K. Basu & Company**  
Chartered Accountants

Kolkata, 21st July, 2005



SEGMENT REPORTING  
ANNEXTURE - A

YEAR 2004-2005

(Rs. in Lakhs)

YEAR 2003-2004

(Rs. in Lakhs)

A. SEGMENT REVENUE

Sales to External Customers  
+/- Increase / decrease in WIP  
Value of production (Excluding scrap)

Inter Transfer

B. SEGMENT RESULTS

Value of production  
Less : Cost of Production  
4034.43  
Less :Financial charge &  
Provisions relevant to activities  
(Net), namely,  
L.D., Bad debt, Guarantee/  
Repair etc.

Segment Result

C. PROFIT BEFORE TAX

Other Revenues  
Less : Liability/Prov. No  
longer required  
Scrap Sale  
Inter Unit Adjustment  
Segment Result Profit / Loss  
6625.56  
Less : Unallocated expense (Net)  
Interest  
Prior period adjustment

Less :

Retirement Loss  
Prov. for asset reconciliation

Profit before Tax

	TOTAL COMPANY	TOTAL KOLKATA @	KOLKATA				RANCHI		TOTAL COMPANY	TOTAL KOLKATA @	KOLKATA				RANCHI		TOTAL RANCHI
			SHIP	ENGG & PROJECT JOBS	ENGINE		RV	TOTAL RANCHI			SHIP	ENGG & PROJECT JOBS	ENGINE		RV	TOTAL RANCHI	
					RV	W6 ROUTINE & OTHERS							RV	RV			
	87976.91	85234.28	80982.66	4251.62		2646.22	96.41	2742.63	38963.49	38337.40	33669.21	4636.39	31.80	603.45	22.64	626.09	
	-41113.30	-39470.90	-40623.58	1152.68		-1642.40	0.00	-1642.40	9613.23	8494.36	8004.95	491.84	-2.43	1118.87	0.00	1118.87	
	46863.61	45763.38	40359.08	5404.30		1003.82	96.41	1100.23	48576.72	46831.76	41674.16	5128.23	29.37	1722.32	22.64	1744.96	
	0.00	-282.68	-713.82	431.14		282.68		282.68	0.00	-107.58	-519.93	412.35		107.58		107.58	
	46863.61	45763.38	40359.08	5404.30	0.00	1003.82	96.41	1100.23	48576.72	46831.76	41674.16	5128.23	29.37	1722.32	22.64	1744.96	
	42829.18	42138.51	36848.71	5289.80	0.00	600.82	89.85	690.67	47346.88	45032.90	39790.94	5192.65	49.31	2305.13	8.85	2313.98	
	4034.43	3624.87	3510.37	114.50	0.00	403.00	6.56	409.56	1229.84	1798.86	1883.22	-64.42	-19.94	-582.81	13.79	-569.02	
	1146.62	1018.17	884.16	134.01	0.00	128.45	0.00	128.45	735.39	746.94	590.37	156.54	0.03	-11.55	0.00	-11.55	
	2887.81	2606.70	2626.21	-19.51	0.00	274.55	6.56	281.11	494.45	1051.92	1292.85	-220.96	-19.97	-571.26	13.79	-557.47	
	3617.77	3566.40						51.37	4621.23	4546.86						74.37	
	83.93	46.50	29.91	16.59				37.43	342.71	272.07						70.64	
	164.50	164.50						0.00	113.07	110.18						2.89	
	39.41	43.48		43.48				-4.07	165.63	113.57		113.57				52.06	
	2887.81	2606.70						281.11	494.45	1065.71						-571.26	
	6625.56	6334.58						290.98	5051.67	5564.25						-512.58	
	1479.93	896.29						583.64	249.42	-357.30						606.72	
	0.14	0.14						0.00	0.38	0.38						0.00	
	3.99	6.41						-2.42	-509.49	-509.49						0	
	1484.06	902.84						581.22	-259.69	-866.41						606.72	
	206.58	22.48						184.10									
	78.44	75.20						3.24									
	285.02	97.68						187.34									
	4856.48	5334.06						-477.58	5311.36	6430.66						-1119.30	



GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

SEGMENT REPORTING (Contd.)

YEAR 2004-2005

(Rs. in Lakhs)

YEAR 2003-2004

(Rs. in Lakhs)

	TOTAL COMPANY	TOTAL KOLKATA @	KOLKATA				RANCHI			TOTAL COMPANY	TOTAL KOLKATA @	KOLKATA				RANCHI			TOTAL RANCHI
			SHIP	ENGG & PROJECT JOBS	ENGINE		RV	TOTAL RANCHI	SHIP			ENGG & PROJECT JOBS	ENGINE		RV	TOTAL RANCHI			
					RV	W6 ROUTINE & OTHERS							RV	W6 ROUTINE & OTHERS					
<b>D. SEGMENT ASSETS</b>																			
Net Block	9358.48	8984.47	7782.49	572.17			374.01		7724.32	7217.10	5954.19	578.50							507.22
Capital WIP	398.29	398.29	376.75	15.38			0.00		1556.74	1556.74	1485.11	61.68							0.00
<b>Fixed Assets **</b>	<b>9756.77</b>	<b>9382.76</b>	<b>8159.24</b>	<b>587.55</b>			<b>374.01</b>		<b>9281.06</b>	<b>8773.84</b>	<b>7439.30</b>	<b>640.18</b>							<b>507.22</b>
<b>Current Assets</b>																			
Sundry Debtors (Net)	7562.32	6751.56	5131.44	1620.12			810.76		5669.26	5464.48	4278.86	1185.61							204.78
Deferred Debtors	134.39	0					134.39		134.39	0									134.39
Other	228911.70	225621.82					3289.88		247994.62	244751.92									3242.70
<b>Total Current Assets</b>	<b>236608.41</b>	<b>232373.38</b>					<b>4235.03</b>		<b>253798.27</b>	<b>250216.40</b>									<b>3581.87</b>
Investment	0.44	0.44							1	1									
<b>E. SEGMENT LIABILITIES</b>																			
<b>Current Liabilities &amp; Provisions</b>	<b>213742.80</b>	<b>213094.03</b>					<b>648.77</b>		<b>231719.60</b>	<b>229792.14</b>									<b>1927.46</b>
Loan Fund	2731.12	2731.12							2815.57	2815.57									
<b>F. CAPITAL EMPLOYED</b>	<b>32224.09</b>	<b>28263.82</b>					<b>3960.27</b>		<b>29801.42</b>	<b>27639.79</b>									<b>2161.63</b>
<b>G. ADDITION TO SEGMENT ASSETS</b>																			
Addition to Gross Block (Net)	2565.08	2470.92	2337.99	64.19			94.16		1363.07	1310.53	1164.89	77.12							52.54
Addition to Capital WIP (Net)	-1158.45	-1158.45	-1108.36	-46.30			0.00		976.34	976.34	979.21	1.61							0.00
Addition to Fixed Asset **	1406.63	1312.47	1229.63	110.49			94.16		2339.41	2286.87	2144.10	78.73							52.54

@ including Corporate Office, Delhi and Mumbai office

\*\* includes assets of corporate office and other assets not specific to activities

Notes

- Value of production and segment result are the important financial parameters used by management to assess and monitor contracts.
- Generally liabilities are managed at Corporate Office except for some discharge of liabilities from Ranchi, Control on Debtors and Suppliers' payments in general are exercised by Corporate office located at Kolkata.
- Some of the fixed assets and debtors are specific to activities or group of activities. Such specific assets / debtors are marked\* in the aforesaid table.
- Labour and other expenses are allocated to jobs on the basis of predetermined recovery rates computed on the basis normal cost accounting principles and subject to revision as appropriate.
- Transfer price is the price accepted by the customer
- Net Assets are after Provision for Assets under reconciliation. Addition to gross block (Net) is exclusive of assets retired.





## GARDEN REACH SHIPBUILDERS &amp; ENGINEERS LIMITED

Rs. in lakh.

	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>		
Interest expenses	-0.10	0.00
Dividend and CDT	-1162.20	-845.23
	<u>-1162.30</u>	<u>-845.23</u>
Assets procured for and on behalf of Indian Navy (D)	-1120.21	-341.25
Total of (A) + (B) + (C) + (D)	<u>19296.13</u>	<u>-15894.22</u>
Net increase / decrease in Cash and Cash Equivalents (+/-)	19296.13	-15894.22

**Notes to the Cash Flow Statements :**

## 1. Cash and Cash Equivalents

	31.03.05	31.03.04	diff	31.03.04	31.03.03	diff
Cash on hand and Balance with Bank *	76299.35	56999.18		56999.18	72895.86	
Short term investment	200.00	200.00		200.00	200.00	
Less Provision	-200.00	-200.00		-200.00	-200.00	
Gain / Loss in exchange rate (-/+)	0.06	4.1		4.1	1.64	
Cash and Cash Equivalents	<u>76299.41</u>	<u>57003.28</u>	<u>19296.13</u>	<u>57003.28</u>	<u>72897.50</u>	<u>-15894.22</u>

\* Includes Rs. 1938.54 lakh (previous year- Rs. 3058.75 lakh being amount received against ASW Corvette Project for Infrastructure Development and Augmentation of Tribon software from Indian Navy (Ref. Explanatory note 21)

2. Total Tax paid during the year amounted to Rs. 991.98 lakh (net) (Previous year - Rs. 1465.66 lakh)

(II) There are no borrowings for the acquisition of fixed assets.

Sd/- S. Bose  
Company Secretary

Sd/- R. Chakraborty  
Director (Finance)

Sd/- Rear Admiral T. S. Ganeshan, IN (Retd.)  
Chairman & Managing Director

As per our report of even date attached

Sd/- Dilip Basu  
Partner  
For and on behalf of  
D. K. Basu & Company  
Chartered Accountants

Kolkata, 21st July, 2005



## SIGNIFICANT ACCOUNTING POLICIES

### I. 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.

- ii) Software cost is capitalised where it is expected to provide future enduring economic benefits. Capitalisation 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 or net book value whichever is lower and are shown separately.

### II DEPRECIATION :

- i) Depreciation on Fixed Assets is charged on straight line method based on Schedule XIV of the Companies Act, 1956 as amended from time to time. In respect of the additions made during the year, depreciation is charged on pro-rata basis from the month of capitalisation.
- ii) Leasehold properties are amortized evenly over the period of the lease.

### III 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-a-vis the carrying amount. The recoverable amount is determined for defined Cash Generating Units (CGU).

### IV VALUE OF INVENTORIES :

- 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, 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. Stores not moving for 4 years and more are valued at 50% on review.
- v) **Scrap :**  
Valued at estimated 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.

Note : Accounting Standard AS-7 (revised) issued by ICAI is applicable for all contracts for which LOI/ orders were received after 31.03.2003.

#### A. Fixed Price Naval Contracts & Turnkey Project :

Contracts where profit is anticipated :

At cost till actual expenditure incurred is upto 50% of the estimated total cost of completion, thereafter estimated profit is reckoned to the extent of 60% on pro-rata basis, with reference to the expenditure incurred vis-a-vis the estimated total cost of completion.

#### B. Cost plus Naval Contract :

80% of the profit accrued up to end of the year is reckoned. For this purpose accrued profit is limited to the ceiling, if any, laid down in the contract.

#### C. Ship repair, General Engineering and other work at cost or realisable value whichever is lower.

#### D. Contracts where loss is anticipated :

Where current estimates of total contract costs and revenues indicate a loss, provision is made for the entire loss, irrespective of the amount of work done,



by reducing the value of work-in-progress.

- E. In case of long-term contracts, revision(s) in estimated completion costs, and resulting effect on valuation of work-in progress are carried out as and when facts of such revision become known.

#### V. REVENUE RECOGNITION:

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

##### A. SALES:

- i) Sale values are ascertained in accordance with contractual provisions including escalation, as ascertained.
- ii) Sales against contracts are reckoned in the accounts of the year in which the deliveries are made to the customers.
- iii) **In case of turnkey project :**
  - 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.
- iv) In other activities sales are reckoned on part delivery against an order when it is billable as per terms stipulated therein, otherwise at the time of complete delivery is effected.
- v) Additional revenue in respect of contracts completed in earlier years, is accounted for as sales for the year in which such revenue materialises.
- vi) Credit notes / deductions accepted are treated as reduction of sales for the year in which they are issued / accepted.
- vii) Where the contract prices are not finalised or certifications are held up (in repair work) sales are provisionally accounted.
- viii) Sales include Excise Duty, where applicable, and excludes Sales Tax, Works Contract Tax

and Service Tax.

##### B) Interest Income :

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

#### VI. SUBSIDY:

Subsidy receivable from the customer and / or Government against specific contracts is treated at par with the contract price for valuation of work-in-progress and at par with sales, when sales against such contracts are reflected.

#### VII. BORROWING COST :

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

#### VIII. 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.

#### IX. TAXES ON INCOME :

Current tax is determined as the amount of tax payable in respect of taxable income for the period 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 is recognized on timing difference between taxable income and accounting income subject to consideration of prudence and provided for. 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.

#### X. RETIREMENT BENEFITS :

##### i) Provident Fund and Pension :

Contributions to secure retiral benefits in respect of Provident Funds and Pension based on applicable rules/statutes are made on regular monthly basis and charged to revenue. Provident



Fund is administered through duly constituted and approved independent Trust.

ii) **Gratuity :**

Gratuity Fund is administered through duly constituted independent Trust and yearly contributions on actuarial valuation as determined by LIC are charged to revenue.

iii) **Leave Liability :**

Liability towards Earn Leave in respect of all employees is provided based on actuarial valuation as per the terms of employment.

iv) **Voluntary Retirement Scheme :**

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

**XI. VARIATION IN FOREIGN EXCHANGE RATES :**

1) In respect of loans and deferred liabilities, rupee value of foreign exchange liabilities are updated (except where forward cover exists), based on the exchange rates prevailing on the date of the Balance Sheet or the latest notified exchange rates wherever applicable. If the liabilities are against procurement of capital assets, the difference due to exchange variations is included in the cost of the respective capital assets. If the liabilities are against revenue expenditure, the difference due to exchange variations is accumulated separately and out of it, the amount proportionate to the liabilities discharged during the year is written off/written back to revenue during the year.

2) Transactions in foreign currencies (except those in (1) above) (to the extent not covered by forward contracts) are accounted for at the rates of exchange in force at the time of transaction was effected. Current assets and current liabilities denominated in foreign currencies are translated at the rates of exchange ruling on Balance Sheet date. Gain/Loss arising out of fluctuations in exchange rate is accounted for in the Profit and Loss Account.

**XII. LICENCE FEE :**

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

**XIII. RESEARCH AND DEVELOPMENT :**

Capital expenditure on Research and Development is included in fixed assets and revenue expenditure on R & D is charged as expenditure in the year in which it is incurred.

**XIV. 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 liability made on the basis of estimation.

v) 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.

vi) **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.



## GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

### XV. 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, adequate provision is made otherwise claims against the company are disclosed as claims not acknowledged as debts.

### XVI. SEGMENT REPORTING :

Segments are identified having regard to the dominant source and nature of risk and returns and the internal organization and management

structure. 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.

### XVII. PROPOSED DIVIDEND :

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

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

**Sd/- R. Chakraborty**  
Director (Finance)

**Sd/- Rear Admiral T. S. Ganeshan, IN (Retd.)**  
Chairman & Managing Director

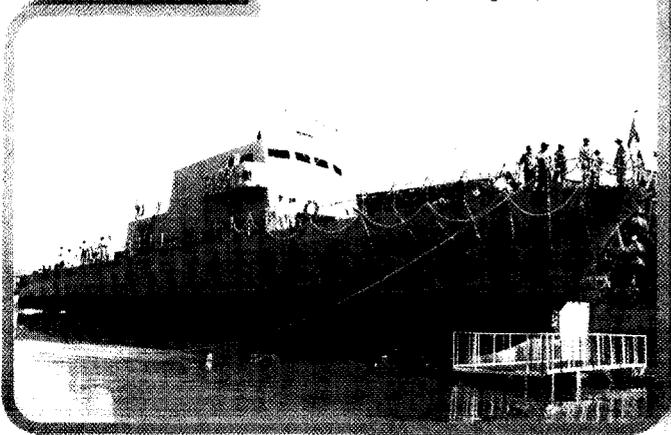
**Sd/- Dilip Basu**  
Partner  
For and on behalf of  
**D. K. Basu & Company**  
Chartered Accountants

Kolkata, 21st July, 2005

# Launching ceremonies of GRSE built ships

## Fast Attack Craft

GRSE Yard No. 2051 (INS Bangaram) 11 Dec 2004



GRSE Yard No. 2052 (INS Bhatkal) 14 Dec 2004



GRSE Yard No. 2053 (INS Batti Malv) 28 June 2005

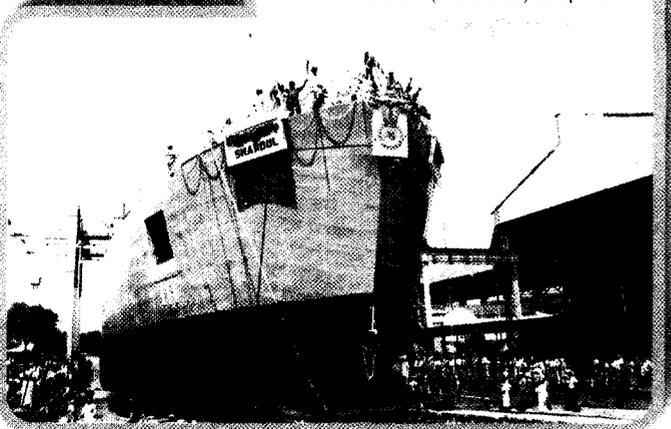


GRSE Yard No. 2054 (INS Bhatkal) 06 Aug 2004



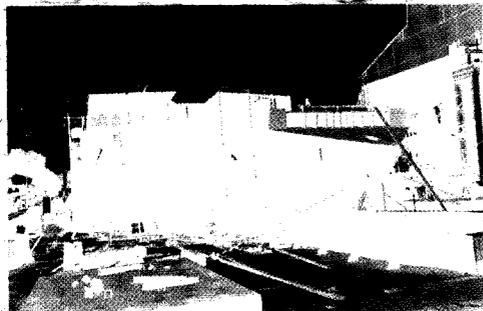
## Landing Ship Tank (Large)

GRSE Yard No. 3014 (INS Shardul) 03 April 2004



GRSE Yard No. 3015 (INS Kavaratti) 08 June 2004





**गार्डन रीच शिपबिल्डर्स एण्ड इंजीनियर्स लिमिटेड**  
**Garden Reach Shipbuilders & Engineers Ltd.**

पंजीकृत कार्यालय: 43/46, गार्डन रीच रोड, कोलकाता-700 024  
Regd. Office: 43/46, Garden Reach Road, Kolkata-700 024  
वेबसाइट/Website: [www.grse.nic.in](http://www.grse.nic.in)