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## Board of Directors

Cmde K Subramaniam, NM(Retd)	:	Chairman & Managing Director
Shri V Radhakrishnan	:	Director(Technical)
Shri Ravikumar Roddam	:	Director(Finance)
Shri Rajeev Gupta	:	Joint Secretary (Shipping), Ministry of Shipping, Government of India
Shri M A Pathan	:	Non Official Part Time Director
Shri B Sridhar	:	Non Official Part Time Director
Shri N Kumar	:	Non Official Part Time Director
Dr S Narasimha Rao	:	Non Official Part Time Director

## Company Secretary

Smt V Kala

## Registered Office

**Cochin Shipyard Limited**  
XXXIX/6080, Administrative Building  
Perumanoor  
Kochi – 682 015, Kerala, India.

## Bankers

State Bank of Travancore  
State Bank of India  
Syndicate Bank  
Union Bank of India

## Auditors

**M/s Menon & Ayyar**  
Chartered Accountants, Ernakulam.

## Management Team

Shri Cherian George	:	Executive Director (Planning & Quality Control)
Shri Jose Mathew	:	Executive Director (Design)
Shri Baby Thomas	:	Chief General Manager (Materials)
Shri P Vinayakumar	:	General Manager (Small Ship Division, Future Projects & Training Institute)
Shri Joe Joe Peter	:	General Manager (Ship Repair)
Shri George Thomas Roy	:	General Manager (Technical)
Shri Sunny Thomas	:	General Manager (Shipbuilding & Shipbuilding Out Sourcing Cell)
Shri D Paul Ranjan	:	General Manager (Finance)
Shri N V Suresh Babu	:	General Manager (Outfit)

## BOARD OF DIRECTORS



**Cmde K Subramaniam**  
Chairman and Managing Director

Cmde Kartik Subramaniam joined Cochin Shipyard Limited (CSL) as Director (Operations) on 02 August 2007. He was appointed as the Chairman and Managing Director on 31 December 2010. He has also been assigned the additional charge of Director (Operations). A Marine Engineer by training, he served the Indian Navy for three decades before joining CSL. He has served on various ships viz missile vessels, destroyers and tankers. He has also served in various afloat billets at Naval Headquarters, Command Headquarters and at Naval Dockyards at Visakhapatnam and Mumbai. He has been trained in shiprepair techniques at St.Petersburg, Russia. He also holds a Masters degree in Defence studies and brings with him vast experience in Defence projects.



**Shri V Radhakrishnan**  
Director (Technical)

Shri V Radhakrishnan assumed the charge of Director (Technical) of CSL w.e.f 31 December 2009. He joined CSL as a Naval Architecture Trainee in 1976. He occupied the position of Executive Director (HRD & Technical) before his appointment as Director (Technical) of the Company. A graduate in BSc (Engg) (Mechanical) and B Tech (Naval Architecture), Shri Radhakrishnan has served Cochin Shipyard for 35 years. He has headed various crucial departments of the company and also handled various core sectors including Shipbuilding, Designs, Shiprepair, Technical etc.



**Shri Ravikumar Roddam**  
Director (Finance)

Shri Ravikumar Roddam joined CSL as Director (Finance) on 03 May 2010. A qualified Chartered Accountant and Associate Member of the Institute of Chartered Accountants of India, Shri Roddam has to his credit a number of academic awards including a First rank & gold medal in B Com, 9th rank in CA Final etc. With a wide range of exposure in the Financial Management in a cross section of industries, Shri Roddam has three decades of experience of 31 years in various fields like project finance, working capital finance, rehabilitation through BIFR, implementation of IT Softwares, MIS, taxation, debt restructuring etc. He was the Vice President of ISMT, Pune before joining Cochin Shipyard.



**Shri Rajeev Gupta**  
Joint Secretary (Shipping)  
Ministry of Shipping, Govt. of India

Shri Rajeev Gupta is presently Joint Secretary (Shipping), Ministry of Shipping, New Delhi and was appointed as Official part time director on the Board of CSL representing the Government of India on 05 June 2007. He joined Indian Railways in 1980 as a graduate in both Mechanical and Electrical Engineering. He serves on the Board of Shipping Corporation of India Ltd and its Joint Venture Companies as also in the Board of Inland Waterways Authority of India and Indian Maritime University. In his present assignment, he also deals with Maritime Legislation and Administration, Treaties and Agreements like IMO & ILO and International Maritime Agreements.



**Shri M A Pathan**  
Former Chairman, Indian Oil Corporation

Shri M A Pathan, former Chairman, Indian Oil Corporation and former Group Resident Director of Tata Group, is a Non Official Part Time Director in CSL Board since July 2008. He is also the Chairman of Remuneration Committee of Board of CSL. He is presently the Non Executive Chairman of Tata Petrodync Limited & IOT Engineering & Projects Ltd and is a Strategic Advisor for IOT Infrastructure & Energy Services Limited. Shri Pathan is a highly recognized Management expert. He is also associated with a number of other Associations/Companies in various capacities of Advisor, Member and Director. Shri Pathan has been an important driving force of the Indian Petroleum Policy. He is presently a Chief Mentor of Tata Teleservices Limited, Non Official Part Time Director in Bharat Heavy Electricals Limited (BHEL), Member of Governing Council of Petroleum Federation of India (PetroFed) & Energy Think Tank. He is also the President of an NGO 'Society for Preservation of Healthy Environment & Ecology and the Heritage of Agra' (SPHEEHA).



**Shri B Sridhar**  
Director, Bengal Tiger Line (India) Pvt Ltd.

Shri B Sridhar is a Non Official Part Time Director in the Board of Cochin Shipyard Limited since July 2008. He is also the Chairman of Contracts Committee of the Board of CSL. He is the Director of Bengal Tiger Line (India) Private Limited. Shri Sridhar is a very prominent driving force in the Indian Maritime Industry. He was the chairman of the working group on Ports of Confederation of Indian Industry (Southern Region) and is an active member of the Confederation of Indian Industry (CII), Institute of Logistics. His areas of specialization include logistics and shipping.



**Shri N Kumar**  
Vice Chairman, The Sanmar Group

Shri N Kumar is a Non Official Part Time Director since July 2008. He is also the Chairman of CSL Audit Committee. Shri N Kumar is the Vice-Chairman of The Sanmar Group, a well-known industrial group in India that has interests in Chemicals, Engineering and Shipping. He is a Graduate in Electronics and Communication Engineering. He is the Honorary Consul General of Greece in Chennai.

Shri N Kumar is an active spokesperson of industry and trade and was the President of Confederation of Indian Industry (CII), a leading industrial body. He also participates in various other apex bodies. He is also on the Board of various public companies. He carries with him vast experience in the sphere of Technology, Management and Finance.



**Dr S Narasimha Rao**  
Ex-Professor, IIT, Chennai.

Dr S Narasimha Rao is a Non Official Part Time Director in CSL Board, since July 2008. He is a retired professor from Indian Institute of Technology (IIT), Chennai and is a Director in Dredging Corporation of India, Advisor, Government of Andhra Pradesh (HGCL) and Advisor, Karaikal Port. He has served various renowned scientific organizations like IIT and Indian Institute of Science for over four decades in various capacities. His field of interest and research is Marine Geotechnical engineering, Seabed soil characteristics under static and dynamic loads, foundations for coastal and offshore structures. He is widely travelled and has a number of publications to his credit in the field of Marine Geotechnical Engineering and ocean mining and dredging.



**FINANCIAL HIGHLIGHTS**

(₹ in Crore)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Turnover	1461.72	1248.50	1256.21	833.79	719.74	373.53	276.48	228.44	235.16	210.25	325.67
Total Income	1602.80	1326.49	1383.26	857.17	845.64	452.89	323.31	267.94	282.07	253.84	363.91
EBDIT	390.18	364.68	276.42	162.66	104.17	43.79	28.03	37.18	35.72	36.62	52.11
Depreciation & Write offs	17.61	15.24	9.80	9.69	7.89	10.62	7.24	6.47	6.80	5.40	4.75
Profit After Tax (PAT)	227.53	223.04	160.07	93.85	58.11	18.23	12.10	17.78	16.49	16.41	38.49
Equity Share Capital	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	111.28	108.00
Reserves and Surplus	775.38	490.54	336.70	199.64	93.67	55.06	36.83	34.19	25.86	15.68	0.00
Net Worth	965.16	680.32	566.49	429.43	323.45	284.85	266.62	264.03	255.66	245.43	227.03
Gross Fixed Assets	362.10	349.68	270.39	233.46	217.18	206.92	204.65	195.86	205.00	198.86	184.09
Net Fixed Assets	190.67	189.75	121.64	92.16	81.91	76.33	78.30	74.09	86.30	84.92	74.98
Number of Employees	1818	1907	1962	2059	2084	2075	2109	2175	2189	2232	2366
<b>Key Indicators</b>											
EPS (₹ per Share)	20.09	19.69	14.13	828.51	513.00	160.97	106.81	156.96	145.57	147.47	356.41
Face Value Per Share (₹)	10	10	10	1000	1000	1000	1000	1000	1000	1000	1000
EBDIT/ Gross Turnover(%)	26.7	29.2	22.0	19.5	14.5	11.7	10.1	16.3	15.2	17.4	16.0
Net Profit Margin %	15.57	17.86	12.74	11.26	8.07	4.88	4.38	7.78	7.01	7.80	11.82
Return on Net Worth %	23.57	32.78	28.26	21.85	17.97	6.40	4.54	6.73	6.45	6.74	16.95
Return on Capital Employed %	25.17	38.57	29.09	23.38	11.70	3.65	2.45	4.33	4.28	4.22	10.53
Capital Employed	903.93	578.32	550.31	401.33	496.60	499.64	493.63	410.98	385.65	389.25	365.40

## CHAIRMAN'S ADDRESS

I am happy to welcome you to the Thirty Ninth Annual General Meeting of Cochin Shipyard Limited.

2. In the four decades of its existence, your yard has emerged as the most versatile in the Indian Industry, with diversified streams of income. We have Commercial Shipbuilding, Defence Shipbuilding, Shiprepair, Offshore Upgradation and Marine Engineering Training Institute. These diversified operations have stood the company in good stead and helped in maintaining its performance levels and reduce risk exposures during adverse business conditions. This was probably the most significant factor which helped the yard to maintain its consistently high performance in the last five years. This achievement, despite the withdrawal of the Government subsidy policy in 2007 and the Global meltdown in late 2008 is indeed, extremely gratifying.

3. Your company has achieved a turnover of ₹1461.72 crores with a Profit After Tax of ₹227.53 crores. The company contributed ₹107.36 crores to the National Exchequer by way of Value Added Tax, Income Tax, Fringe Benefit Tax, Excise duty, Customs Duty and Service Tax. The yard is proposing to declare a dividend of ₹1 per share on the 11,32,80,000 fully paid Equity Shares of ₹10 each and ₹70 per 7,91,420 Preference Shares of ₹1,000 each for the year 2010-11. The total outgo on the dividend and dividend tax is approximately ₹20 crores. Based on the decision taken at the Preference Shareholders Meeting and the Extraordinary General Meeting of the Shareholders held on 17 March 2009, the company had redeemed two instalments of preference share capital amounting to ₹40 crores in September 2009. It has been decided to redeem two more instalments of preference share capital amounting to another ₹40 crores in 2011-12. With this the preference share capital of the company to be redeemed before 2015 will be ₹39.14 crores.



4. Presently, the yard has 35 ships on order. Twenty one are for the defence sector of which 20 are for Coast Guard and 1 for the Indian Navy. We also have 14 commercial orders for international owners. The yard delivered six Platform Supply Vessels (PSVs) during the year and the Indigenous Aircraft Carrier (IAC) construction is proceeding satisfactorily. The yard's Shiprepair turnover had dipped slightly last year due to increasing use of the shiprepair dock for commercial shipbuilding activities. However, by improving the turnaround time, the yard has increased the number of ships repaired, thus achieving a repair turnover of ₹142 crores. The foray into shiprepair at Tuticorin is a very good initiative which would yield benefits in the coming years.

5. The performance of your company has been rated "Outstanding" consistently since 2006-07. I am happy to state that, for the year 2008-09, your company was awarded the MoU excellence award by the Hon'ble Prime Minister of India.

6. The yard continues to be compliant with the Integrated Management System (IMS) consisting of ISO 9001 Quality Management System, ISO 14001 Environmental Standards and OHSAS 18001 Occupational Health and Safety Standard.

7. The Marine Engineering Training Institute of Cochin Shipyard continued to be rated outstanding by CARE for the 08<sup>th</sup> consecutive year and booked an income of ₹4.08 crores during the year.



## CHAIRMAN'S ADDRESS

8. The Industrial climate in the yard during 2010-11 was harmonious. The company continued to comply with good corporate governance practices as stipulated by the various statutes and the guidelines issued by the Department of Public Enterprises (DPE). The total strength of the Board of Directors as on date is eight out of which four are Independent directors. The yard has constituted an Audit Committee consisting of three independent directors to review financial results, internal control measures, audit recommendations etc. A Remuneration Committee chaired by an independent director makes recommendations on the Performance related pay policy of the company. A Corporate Social Responsibility (CSR) Committee has been constituted to provide fillip to the CSR initiatives of the company.

9. CSL is committed to fulfill its obligations as a good corporate citizen. Towards this, the company has adopted a number of environmental initiatives. This includes large scale sapling planting and partnering with Kerala Enviro Infrastructure Ltd for safe disposal of hazardous industrial waste. The company has also helped in commissioning a solid waste management facility at General Hospital, Ernakulam. The yard has sponsored a programme for improvement of Palliative Care Department at Government Hospital, Ernakulam. It has also taken up various other schemes for community development, with emphasis on providing assistance to the underprivileged, development of arts and culture and also capacity building and training. The total amount sanctioned during the year for the above CSR initiatives amounted to ₹ 2.32 crores.

10. The company has commenced the process of drawing up a long term vision statement and business plan. The yard has engaged the services of an independent and professional agency to assist it in this endeavour. The vision of the yard is to enlarge its global presence and emerge as a leading player in the Maritime map of the world. I would like to acknowledge the proactive contributions of all members of the Board of Directors in articulating the Terms of Reference for this very crucial initiative.

11. The yard's efforts have been amply supported and encouraged by the Ministry of Shipping, Government of India, Government of Kerala and the Board of Directors. Their invaluable advice and guidance has helped the company to face the various challenges and move ahead in all its endeavors and to reach the present levels of performance. Last but not the least my heartfelt gratitude to each and every employee of the company for their faith, dedication and commitment to Cochin Shipyard.

Jai Hind  
Cmde K Subramaniam





## NOTICE

Notice is hereby given that the Thirty-ninth Annual General Meeting of the Members of Cochin Shipyard Limited will be held on Thursday, 14 July 2011 at 1500 hrs at the Registered Office of the Company viz. the Administrative Building, Cochin Shipyard Premises, Perumanoor, Kochi - 682015, to transact the following businesses:

### Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31 March 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the Financial Year ended 31 March 2011.
3. To declare a dividend on 7% Non Cumulative Preference Shares for the Financial Year ended 31 March 2011.

By order of the Board of Directors

Place: Kochi  
Date: 22 June 2011

Sd/-  
V Kala  
Company Secretary

**Note: A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.**



## DIRECTORS' REPORT

Dear Shareholders,

- Your Directors have pleasure in presenting the 39<sup>th</sup> Annual Report of your company along with the audited accounts for the year ended 31 March 2011.

### Financial Performance

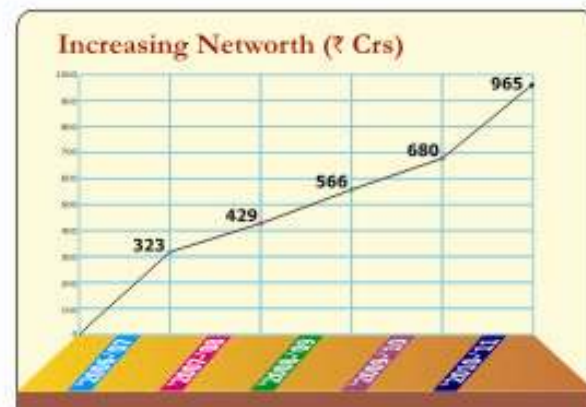
- Cochin Shipyard continued its stellar performance for the fifth year in a row. The turnover for the year was ₹ 1,461.72 crores as compared to ₹ 1,416.92 crores in the last year. The net profit was ₹ 227.53 crores as compared to ₹ 223.04 crores for the last year. This performance is creditable especially in the light of withdrawal of government subsidy to shipbuilding since August 2007. Although, the shipbuilding subsidy was withdrawn from August 2007, in accordance with the subsidy policy, CSL was entitled to subsidy for orders signed prior to August 2007 but delivered after August 2007. Accordingly, ₹ 116 Crores of subsidy accrued in 2009-10 and an amount of ₹ 17 crores alone was recognised in turnover in 2010-11. If the element of subsidy is disregarded, the profit of the company has shown an increase of 83% over 2009-10.
- Considering the remarkable performance of the company in the last few years, the company had represented to the Government for upgrading CSL from Schedule 'B' to Schedule 'A' PSU status.
- The networth of the company at the end of the year stood at ₹ 965 crores as compared to ₹ 680 crores in the previous year.

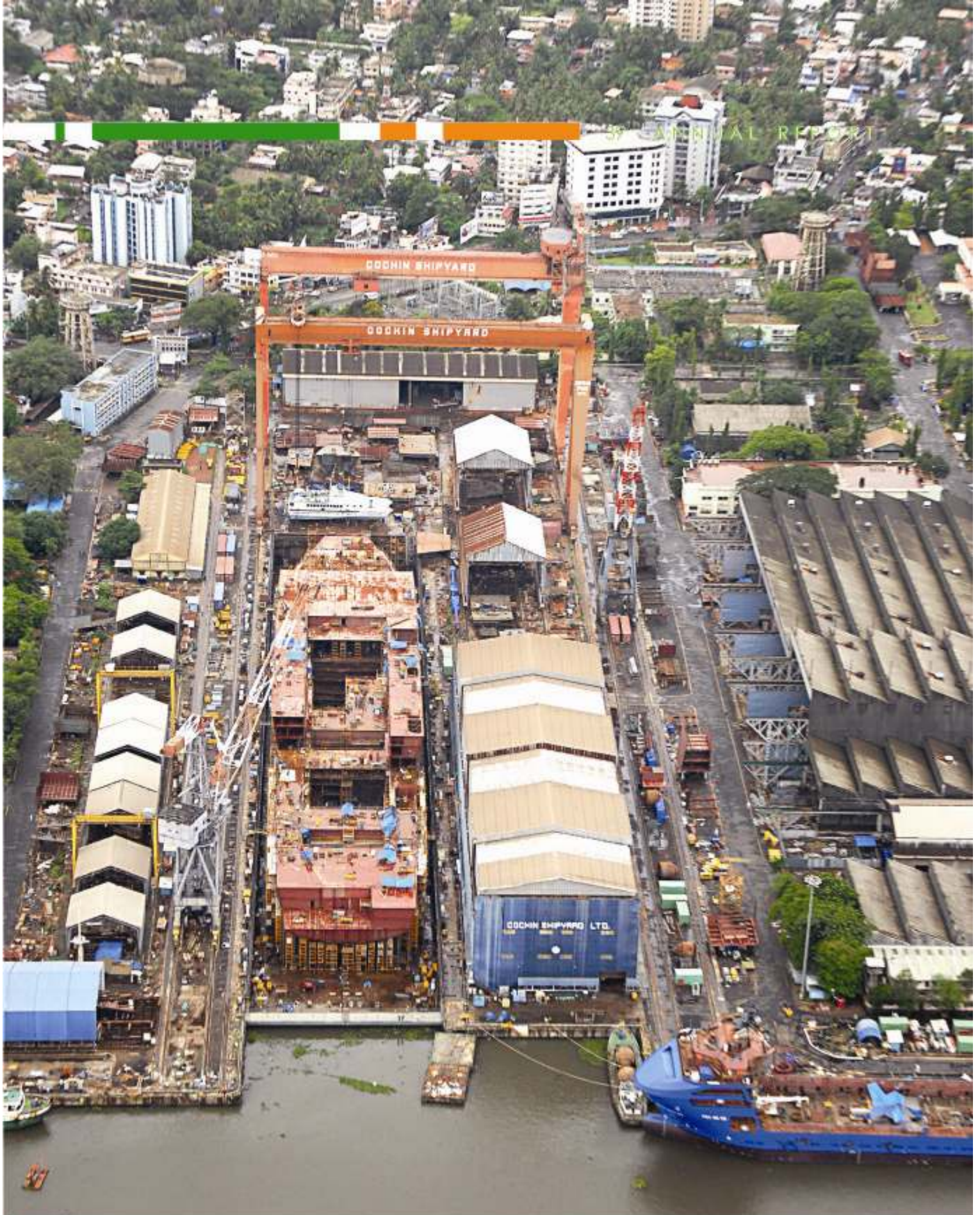
### Dividend

- Your directors are pleased to recommend a dividend of ₹ 1 per share on the 11,32,80,000 fully paid Equity Shares of ₹ 10 each and ₹ 70 per 7,91,420 Preference Shares of ₹ 1000 each for the year 2010-11. The total outgo for dividend and dividend tax would be approximately ₹ 20 Crores.

### Financial Highlights (₹ Crs)

Sl. No	Particulars	2010-11	2009-10
(i)	Gross Income	1,602.80	1,494.91
(ii)	Profit Before Interest, Depreciation & Tax	390.18	364.68
(iii)	Interest	26.69	18.19
(iv)	Depreciation & Write off	17.61	15.24
(v)	Profit Before Tax (PBT)	345.90	331.25
(vi)	Provision for Tax (Net)	118.36	108.21
(vii)	Net Profit	227.53	223.04





Vessels in Building Dock



DIRECTORS' REPORT

Transfer to General Reserves

6. An amount equivalent to 2.5% of the net profits has been transferred to General Reserves of the company. This reflects the inherent financial strength of the company.

Contribution to Exchequer

7. The total contribution made by the company to the National Exchequer by way of Value Added Tax, Income Tax, Fringe Benefit Tax, Excise Duty, Customs Duty and Service Tax was ₹ 107.36 Crores.

Shipbuilding

- 8. The company achieved a total shipbuilding income of ₹ 1,319.97 crores during 2010-11 as against ₹ 1,180.54 Crores in 2009-10.
9. At the end of the year, the yard had 35 ships on order with the prestigious Indigenous Aircraft Carrier (IAC) project progressing satisfactorily. Orders booked during the year included the 20 Fast Patrol Vessels (FPVs) for the Indian Coast Guard, 4 nos Platform Supply Vessels (PSVs) for M/s Sea Tankers Management, Cyprus and 2 Nos Anchor Handling Tug Supply Vessels for M/s Shipping Corporation of India.
10. During the year, the yard delivered 6 Platform Supply Vessels, two for M/s Tidewater Marine, USA and four to M/s Vroon Offshore, Netherlands.

Shipbuilding Order Book Position

11. Order book position as on 31 March 2011 was as follows:

Table with 2 columns: Vessel Type and Nos. Rows include Anchor Handling Tug Supply Vessels (AHO3 Type), STX Platform Supply Vessels CD 09, Platform Supply Vessels UT 755 CD, STX Platform Supply Vessels 05L CD, Fast Patrol Vessels, Indigenous Aircraft Carrier (IAC), and Total.

Shiprepair

12. With Dock No 2 being occupied by the IAC, there has been a need to look at innovative ways to build new construction ships on order with CSL. The Dock No 1 was partitioned with an intermediate gate for execution of new build hull. Consequently, shiprepair operations have been affected and turnover has reduced to ₹ 141.75 Crores in 2010-11 as compared to ₹ 236.36 Crores in 2009-10. The yard therefore looked at innovative ways to increase shiprepair turnover, considering that only a part of the Dock 1 was available for shiprepair activities.



## DIRECTORS' REPORT

13. The yard developed a Shiprepair facility at Tuticorin Port Trust. The facility which is created without any investment will help the yard to undertake repairs of small vessels owned by the Port Trust by 'beaching'/ 'unbeaching' method. Two repair projects of vessels (FC 'Bharati' and FC "Tuticorin") of Tuticorin Port Trust were undertaken successfully during the year.
14. Totally, 70 repair projects were executed during the current financial year as against 44 vessels repaired in the previous year. Key projects during the year include INS Sulej, INS Sharda, INS Bangaram, ICGS Veera etc. Some of the important shipbuilding projects which were taken up in the repair dock were the consolidation of two PSVs, Hull erection & launching of one PSV, viz. BY-83, fabrication and pre-grand assembly of blocks of IAC etc.

### Manpower

15. Manpower strength of the company as on 31 March 2011 was 1,818 consisting of 275 Officers, 199 Supervisors and 1,344 Workers. The complement of CSL as on 31 March 2011 is shown in the table below.

Category	SC	ST	OBC	PWD	Ex-Servicemen/ Dependants	Women
Officers	36	09	48	01	06	28
Supervisors	28	03	00	05	02	15
Workmen	130	30	130	42	12	78
<b>Total</b>	<b>194</b>	<b>42</b>	<b>178</b>	<b>48</b>	<b>20</b>	<b>121</b>



### Reservation in Employment

16. Out of the 1818 employees, there are 194 SCs, 42 STs, 178 OBCs, 20 Ex Servicemen and 48 persons with disabilities. A liaison officer has been appointed to look after the matters pertaining to the SC/ST cell. An SC/ST member is nominated to all selection committees in the case of direct recruitment as well as promotion.
17. CSL had notified 16 posts in the Executive category and 15 posts were filled up through direct recruitment. Out of 15 posts, there are 5 OBC, 2 SC and 2 ST candidates. One post of the Assistant Manager (Finance) reserved for SCs could not be filled up for want of eligible candidates for selection. 65 posts in the workmen cadre have also been notified during the year for filling up. In addition to the above, Special Recruitment Drive was launched so as to clear the backlog vacancies reserved for Persons With Disabilities (PWD). Accordingly, 6 posts were notified (4 for Visual Handicapped and 2 for Hearing Handicapped category) and only one post could be filled up. In the absence of eligible candidates, the remaining 5 posts could not be filled up. Efforts would be made in the next recruitment year to fill up the backlog vacancies for SCs and PWDs.

### Facility Upgrade and Capital Expenditure

18. The total plan expenditure incurred in 2010-11 amounted to ₹ 39.93 crores. An amount of ₹ 26.63 crores has been incurred for Renewals & Replacements and ₹ 2.51 crores for the Small Ship Division project. Further, an amount of ₹ 10.79 crores was spent for Indigenous Aircraft Carrier infrastructure facilities.

### Implementation of Official Language Policy

19. In pursuance of Sub Rule (4) of Rule 10 of the Official Language (Use for the official purposes of the Union) Rule, 1976, Govt. of India have notified CSL in the Gazette of India as having acquired working knowledge/proficiency in Hindi by more than 80% of Ministerial Staff of the Company.
20. CSL was awarded with Rajbhasha Shield (Third Prize) for the year 2009-2010 for the best implementation of Official Language in offices of Ministry of Shipping. Shri Ravikumar Roddam, Director (Finance) received the RAJBHASHA SHIELD and Certificate from



## DIRECTORS' REPORT

Hon'ble Minister of Shipping, Shri G K Vasan in the presence of Shri Mukul Roy, Minister of State for Shipping, Shri K Mohandas, Secretary, Ministry of Shipping and other Senior officials during the meeting of Hindi Salahkar Samiti held on 23 December 2010.

21. Five employees were awarded with cash prize under the incentive scheme for doing original work in Hindi.
22. As part of implementation of official Language Policy of Govt. of India, CSL is observing first Wednesday of every month as Hindi Day. In order to enable easy understanding by employees transliteration of 'Aaj ka shabd' in Regional Language is also being written on the notice board and it is being displayed on CSL intranet also. Chairman and Managing Director released the second issue of Hindi House journal, 'Sagar Ratna' on 03 December 2010.

### Statement of Employees Particulars

23. As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended - **NIL**.
24. Conservation of energy, technology, absorption and foreign exchange earnings/outgo as required under section 217(1)(e) of the Companies (Amendment) Act, 1988 are furnished at **Annexure A**.
25. The comments of the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956 are placed at **Annexure B**.

### Vigilance

26. Annual Action plan on vigilance and anti corruption measures were prepared and implemented. Emphasis was given to vigilance sensitization programmes and efforts taken for preventive vigilance. Interactive sessions were conducted for the benefit of employees. Periodic meetings among field Vigilance Officers has also been held to source vigilance information of the organisation.
27. Chief Vigilance Officer, Shri Ulaganathan assumed charge during the year. Some of the achievements of the company with respect to preventive vigilance include implementation of e-payment system and implementation of integrity pact. Dr S N Dash, IAS has been appointed as the Independent External

Monitor for implementation of Integrity Pact. Vigilance department also extended constructive advice to the management with respect to policies and practices requiring change/ modifications.

28. Vigilance Awareness Period 2010 was observed in a befitting manner in CSL during the last week of October 2010. Agreed List for CSL for 2011 was also prepared in consultation with SP, ACB CBI, Kochi.

### Research and Development Activities

29. CSL continued its R&D initiatives in the area of clean design, especially for Offshore/Platform Supply Vessels and in the area of high quality welding in the fabrication of special steel for the Aircraft Carrier Project for the Indian Navy. To meet the technological challenges for the FPV project, special welding techniques are under development for the Aluminium Super Structure.

### Safety

30. CSL is committed to provide safe and healthy working environment to all personnel working in the organisation by adoption of the following measures:
  - (i) Compliance with international standards for safety & environment ie OHSAS 18001 2007 & ISO 14001:2004
  - (ii) Conducting safety refreshment classes to all employees and contractor's workmen
  - (iii) Imparting First Aid Fire Fighting Training to all
  - (iv) Conducting various safety committee meetings, in which representatives from all departments, unions and contractors participated.
  - (v) Conducting safety audits

### Industrial Security

31. Cochin Shipyard is an ISPS Code compliant facility under the International Ships Port Facility Security (ISPS) Code. Based on the requirement of the code, the company has implemented all measures, equipment, systems & devices. Accordingly, modern systems and equipments like Biometric Control Systems,

## DIRECTORS' REPORT

Wireless Electronic Surveillance System (CCTV), Round the clock water- front boat patrolling by armed men etc. continued to be operative in the Company. The Security Committee consisting of representatives from Intelligence Bureau, Kerala Police etc. meet periodically to review the security threats and steps taken to combat the same. The CISF contingent of 107 personnel headed by a Deputy Commandant is entrusted with the overall security of the Shipyard.

### Awards and Recognitions

32. The year 2010-11 brought many laurels to the company for the performance in various fields. CSL received the MoU Excellence Award for its outstanding performance for the year 2008-09 under the Memorandum of Understanding (MoU) entered into with the Govt. of India. The award was presented by the Hon'ble Prime Minister of India, Dr Manmohan Singh to Cmde K Subramaniam, Chairman and Managing Director on 15 December 2010. CSL secured the MKK Nair Productivity Award constituted by Kerala State Productivity Council in recognition of the company's productivity and efficiency in all round management. This is the fourth consecutive year that CSL has bagged this prestigious award.



Hon'ble Prime Minister of India Dr Manmohan Singh presenting the MOU award to Cmde K Subramaniam, CMD, CSL

33. For training, Cochin Shipyard secured the HR Excellence in Training Award 2010 by the Asia Pacific HRM congress. CSL secured the Rotary-Binani Zinc CSR Excellence Awards, Silver Halo of Honour for CSR initiatives in the Public Sector instituted by the Rotary International District 3201 in partnership with the Institute of Chartered Accountants of India and National Institute of Personnel Management in recognition for noteworthy community service projects.
34. In the field of safety, Cochin Shipyard has won First Prize for Outstanding Performance in Industrial Safety. The Chief Medical Officer of CSL, Dr B

Jayakumar secured the Best Doctor in Industry award and Shri K R Rajan, employee of CSL received the Best Safety Film award from Department of Factories and Boilers, Govt. of Kerala. Cochin Shipyard also secured the runner up trophy for the Safety Performance instituted by the Kerala Chapter of National Safety Council.

### Board of Directors

35. The Board of CSL consists of three whole time directors, two official part time directors and four non official part time Directors. Cmde K Subramaniam was appointed as the Chairman and Managing Director of CSL on 31 December 2010. He was the officiating Chairman and Managing Director since 06 May 2010. He has also been assigned with the additional charge of Director (Operations) in CSL. Shri M Damodaran, who was appointed as a non official part time director on 23 June 2010 resigned from the Board on 28 January 2011. Dr Prabhakaran Puleri, non official part time director who was appointed on 02 May 2008 for a period of 3 years, demitted office on expiry of his term on 01 May 2011.

### Directors' Responsibility Statement

36. Pursuant to Section 217(2AA) of the Companies Act, 1956, Directors, based on the representations received from the operating management, confirm that:
- In the preparation of the annual accounts, the applicable Accounting Standards have been followed and that no material departures are made from them.
  - We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the period.
  - We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
  - The annual accounts have been prepared on the 'going concern' basis.



## DIRECTORS' REPORT

### Corporate Governance

37. The company is committed to maintain the highest standards of corporate governance and has put in place an effective corporate governance system. The company complies with the guidelines on corporate governance issued by the Department of Public Enterprises and various other guidelines in this regard. The company submits its quarterly progress reports within 15 days from the close of each quarter to the Ministry of Shipping as recommended by the DPE in this regard.
38. The report on corporate governance forms part of the annual report.

### Internal control systems

39. The company has a system of delegation of powers from the Board of Directors to CMD and from CMD to officers at various levels for smooth and efficient day to day functioning. An independent internal audit operation is in place for conducting extensive audit of various operational and financial matters. The vigilance department of Cochin Shipyard is headed by a Chief Vigilance Officer and deals with vigilance and disciplinary cases with emphasis on preventive vigilance. C&AG conducts proprietary audit. An Independent Audit Committee of the Board of Directors has been constituted with three non official part time directors as members which looks into internal/statutory and C&AG audit observations and gives guidance based on the same. The audit committee also looks into the internal control system, company procedures and internal audit performance and reports to the Board of Directors.

### Audit Committee Recommendations

40. During the year there were no recommendations of the Audit Committee which was not accepted by the Board. Hence there is no requirement for the disclosure of the same in this report.

### Risk Management Process

41. CSL has adopted a comprehensive system of Risk Management. It ensures that all risks are clearly defined and mitigated in accordance with the well structured risk management process. The Audit Committee and the Board periodically reviews the Risk Management Process.

### Redemption of Preference Shares

42. The company in its Extra Ordinary General Meeting held on 17 March 2009 and class meeting of 7% non cumulative preference shareholders held on the same

date had extended the date of redemption of 11,91,420 7% non cumulative preference shares of ₹ 1,000 each amounting to ₹ 119.1420 Crores so as to redeem the same from April 2010 onwards in six annual instalments or anytime before the Initial Public Offer of the company, whichever is earlier. Accordingly, the Board of Directors at the 184<sup>th</sup> meeting held on 05 June 2009 decided to redeem two instalments of preference share capital amounting to ₹ 40 Crores from the free reserves of the company. Accordingly, ₹ 40 Crores was paid to the Government of India in September 2009 towards redemption of preference shares. In the 194<sup>th</sup> Board Meeting held on 15 June 2011, the Board of Directors decided to redeem two more instalments of preference share capital amounting to ₹ 40 crores. Accordingly ₹ 40 crores will be paid to Government of India during the year 2011-12.

### Auditors

43. M/s Menon & Ayyar, Chartered Accountants, Ernakulam were appointed as the Statutory Auditors of the company for the year 2010-11.

### Auditors Report

44. The comments of the statutory auditors and the company's reply is placed at Annexure C.

### Acknowledgement

45. The Board of Directors are extremely thankful for the continued patronage extended by the Hon'ble Minister of Shipping, Shri G K Vasan and all officers of the Ministry of Shipping. The Board would also like to express their grateful appreciation for the support and co operation from various officers of the Government of India, Government of Kerala, various local bodies, the Comptroller & Auditor General of India, Statutory Auditors, Vendors, Sub Contractors, company's Bankers and our valued Customers. The Board also places on record its appreciation for the contribution and support extended by the employees at all levels.

For and on Behalf of the Board of Directors,

Kochi  
15 June 2011

Sd/-  
Cmde K Subramaniam  
Chairman and Managing Director





## ANNEXURE TO DIRECTORS REPORT

### Annexure A

Information required under Companies  
(Disclosure of Particulars in the Report of Board of Directors)  
Rules, 1988 for the year ended 31 March 2011

#### 1. Conservation of Energy

- a. Steps taken for conservation of energy during the year 2010-11
- Replacement of old and damaged window air conditioning units with energy efficient star rated split ac units.
  - Leakages in the compressed air distribution system and other industrial gas lines are regularly monitored and rectified
  - Renewal of damaged pipes in a phased manner.
  - Portable Compressors were installed at various load centres to provide compressed air at desired pressure thereby eliminating pressure loss in lines and optimizing the usage of main air compressors, which are major energy consumers.
  - Provided safety relays at the primary side of welding sets for controlling the switching on of the sets thereby eliminating the no load losses and ensuring safety of operating personnel.
  - Rain water harvesting for industrial purposes thereby reducing the use of metered water
  - Limiting the long travel operation and also making use of pallets for handling group materials and thereby optimising energy consumption for cranes.
  - Optimizing use of lights/fans/ A/C units.
  - Switching off power supply to the areas where there is no requirement during lunch interval.
  - Power factor is continuously monitored & maintained near to unity pf.
  - Optimised loading of Dgs.
  - Displayed energy saving stickers.
  - Conducted seminars and quiz competitions for inculcating awareness among employees for energy conservation aimed at optimum use of electric power.
  - Replacement of old oil cooled power transformers with new dry type transformers thereby reducing no load losses and improving efficiency of transformer.
  - Providing turbine ventilators in local substations and shops in the yard.
- b. Additional investments & proposals, if any, being implemented for reduction of consumption of energy and consequent impact on the cost of production of goods.



## ANNEXURE TO DIRECTORS' REPORT

- |  |  |
|--|--|
|  | <ul style="list-style-type: none"><li>● Conducting energy audit and implementation of the recommendations in the energy audit report.</li><li>● Installing VFD for portable air compressors to minimise losses</li><li>● Introduction of LED type tube lights.</li></ul> |
| c. Impact of measures at (a) and (b) above for reduction of consumption of energy. | Energy consumption has been brought down through measures at (a) above. The measures at (b) are under implementation.  |
| d. Particulars with respect to conservation of energy.                             | <ul style="list-style-type: none"><li>● Innovative methods of energy conservation measures are being identified and action is on for implementing the same.</li><li>● Guidelines issued from GOI from time to time been complied with.</li></ul>                         |

## ANNEXURE TO DIRECTORS REPORT ANNEXURE A (Contd)

**Form A**  
**Disclosure of particulars in respect of Conservation of Energy**

SL No	Power & Fuel Consumption	2009-10	2010-11
1.	<b>Electricity</b>		
(a)	Purchase units (KWH)	2,30,95,000	2,57,72,000
	Total Amount (₹)	8,68,08,529	9,58,63,752
	Per Unit Rate	₹ 2.90 per unit & ₹ 260 per KVA	₹. 2.90 per unit & ₹ 260 per KVA
	Cost per unit	₹ 3.76	₹ 3.72
(b)	Own generation including hired generator sets		
	(i) Through Diesel Generation		
	Units (KWH)	10,64,841	9,378
	Unit per ltr of diesel	2.95	1.93
	Cost per unit	13.22	21.20
	(ii) Through steam turbine /generator		
	Units	Nil	Nil
	Units per ltr of fuel, oil/gas	Nil	Nil
	Cost per unit	Nil	Nil
2.	<b>Coal</b>		
	Quantity (tonnes)	Nil	Nil
	Total cost	Nil	Nil
	Average rate	NA	NA
3.	<b>Furnace Oil</b>		
	Quantity (KL)	Nil	Nil
	Total Amount	Nil	Nil
	Average rate	NA	NA
4.	<b>Others/Internal Generation Quantity</b>	Nil	Nil
5.	<b>Consumption per unit of production</b>	NA	NA



ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

FORM B

Disclosure of Particulars in respect of Absorption

A. Research and Development

i. Specific areas in which R&D carried out by the company	In-house R&D initiatives undertaken in the areas of welding and design.
ii. Benefit derived as a result of R&D	In the area of design, Cochin Shipyard is developing clean design especially for offshore/Platform supply vessels, which has very high future prospects and would help the company increase its market share in future.  In the area of welding, Cochin Shipyard expects to derive future benefits in the form of achieving high quality welding in the fabrication of special steel for the Aircraft Carrier Project of Indian Navy. This has increased productivity, reduced defects and resulted in faster production.
iii. Future Plan of Action	More R&D activities are being undertaken in these areas. CSL entered into an MoU with Naval Materials Research Laboratory, Ambarnath for collaborative work in welding technology.
iv. Expenditure on R&D	₹ 2.72 Crs.

B. Technology Absorption, Adaptation and Innovation

(i) Efforts in brief towards technology absorption, adaptation and innovation	<ul style="list-style-type: none"> <li>i. The yard has developed complete design of 1500 KW tug, 2400 KW tug and 3300 KW tug in-house.</li> <li>ii. Developed the hull model for Platform Supply Vessels.</li> <li>iii. In-house development of complete production engineering design of above tugs and Platform Supply Vessels in 3D hull and entire outfit modeling in Tribon.</li> <li>iv. In-house 3D hull modeling, machinery and outfit modeling of piping systems, ventilation, air-conditioning, cabling and structural items and development of structural drawing of Aircraft Carrier are in progress, based on the inputs from Indian Navy.</li> <li>v. Propulsion System Integration for the Aircraft Carrier Project being carried out in collaboration with M/s Fincantieri, Italy.</li> <li>vi. Aviation Facilities Complex for Aircraft Carrier design contracted with M/s ROE, Russia and procurement of the equipments are under process.</li> </ul>
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## ANNEXURE TO DIRECTORS' REPORT ANNEXURE B (Contd)

## FORM B

## Disclosure of Particulars in respect of Absorption

- (ii) Benefits derived as a result of the above efforts eg product improvement, cost reduction, product development, import substitutions etc
- (i) Reduction of cost due to minimized rework, as interface of the systems can be viewed and ascertained in 3D modeling method.
- (ii) Considerable improvement in time and cost saving for sister vessels being built at Shipyard.
- (iii) Yard has developed expertise and skill to produce production-engineering drawings by extracting relevant data from Tribon model.
- (iv) Avoided import of designs for tugs.
- (v) Carried out modeling of the entire hull, facilitating very short cycle time for drawing issue.
- (vi) Capability achieved in undertaking multiple projects concurrently.
- (iii) In case imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.
- a) Technology imported.
- (i) Tribon M3 shipbuilding software.
- (ii) 30,000 DWT bulk carrier designs.
- (iii) Propulsion System Integration Analysis for Aircraft Carrier Project.
- (iv) Aviation Facilities Complex for Aircraft Carrier Project.
- b) Year of import
- 2005-2010
- c) Has the technology been fully absorbed
- (i) 100% of Tribon M3 software has been fully absorbed.
- (ii) 100% for the bulk carrier project has been absorbed
- (iii) 60% for the PSI analysis for Aircraft Carrier Project.
- (iv) 20% for Aviation Facilities Complex for Aircraft Carrier Project
- d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action
- (i) With respect c (ii), dredger equipment and system design technology was not envisaged in the collaboration package.
- (ii) The deliverables under PSI studies are being received in phases.
- (iii) The deliverables for AFC are also being received in phases.

## C. Foreign Exchange Earnings and Outgo

(₹ in Lakhs)

Income from foreign exchange	2010-11	2009-10
From shiprepair	Nil	Nil
From ship building	90,165.35	66,763.51
Expenditure in foreign exchange		
Materials (CIF Value)	45,827.84	31,555.52
Design and Documentation	1,062.56	5,849.55
Service charges and others	2,999.77	7,268.11



ANNEXURE TO DIRECTORS' REPORT

**Annexure B**

**Comments of the Comptroller and Auditor General of India under  
Section 619 (4) of the Companies Act, 1956 on the accounts of Cochin Shipyard  
Limited, Kochi for the year ended 31 March 2011**

The preparation of financial statements of Cochin Shipyard Limited, Kochi for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21 June 2011.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Cochin Shipyard Limited, Kochi for the year ended 31 March 2011. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the statutory auditors and the company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's Report under section 619(4) of the Companies Act, 1956.

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

Sd/-

(ADITI ROYCHOUDHURY)

PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT AND  
EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI

Place: Chennai  
Date:13 July 2011

## ANNEXURE TO DIRECTORS' REPORT

## Annexure C

## Company's reply to the Comments of the Statutory Auditors

Para in Auditors Report	Statutory Auditor's Comments	Company's Reply
(vi) a	Accounting of liabilities towards unsettled and incomplete subcontract work, at the end of the year, on an estimated basis.	Major part of the liability has been provided on the basis of actuals worked out on subsequent settlement of the work orders. The balance liability has been provided on the basis of technical assessment by the concerned executing officer as per the work order. However efforts are being made to account such liability as much as possible on the basis of actual settlement of the bills against the work orders.
(vi) b	Effect of using estimates for arriving at the total contract cost for the purpose of recognition of income from ship building contracts under percentage completion method, recognition of anticipated loss on shipbuilding contracts and for recognition of income from ship repair activities under proportionate completion method and reduction from invoice value for arriving at ship repair turnover and the consequent impact if any, on the profitability and current assets as on the Balance Sheet date is not ascertainable.	Estimates have been prepared on a realistic assessment of the total cost of construction and proportionate income based on technical assessment of work progress. This procedure is being followed consistently in accordance with Accounting Standard 7 on Construction Contract and Accounting Standard 9 on Revenue Recognition.



## REPORT ON CORPORATE GOVERNANCE

### Company's Philosophy on Corporate Governance

1. Cochin Shipyard recognises the importance of Corporate Governance to emerge as an overall successful and good corporate citizen. The company has adopted policies and procedures which are aimed at effectively discharging its responsibilities to various stakeholders viz shareholders, creditors, customers, employees and society at large. CSL strongly believes that the company can emerge as a strong global leader only through good & sound corporate governance principles.

### Board of Directors

2. The Board of Directors of Cochin Shipyard Limited plays a pivotal role in ensuring good Corporate Governance. According to Article 21(a) of the Articles of Association of the company, the Chairman of the Board and the Government representatives on the Board shall be appointed by the President of India and all other members of the Board shall be appointed by the President of India in consultation with the Chairman of the Board. The composition of the Board as on 31 March 2011 was as follows:

No	Name of Directors	Category of Directorship
(i)	Comde K Subramaniam (Retd) Chairman and Managing Director	Executive
(ii)	Shri V Radhakrishnan Director (Technical)	Executive
(iii)	Shri Ravikumar Roddam Director (Finance)	Executive
(iv)	Shri Rajeev Gupta Joint Secretary (Shipping) Ministry of Shipping, Govt of India	Nominee of Government of India
(v)	Shri V P Joy, IAS Govt of Kerala (Ceased to be a director w.e.f 25 May 2011)	Nominee of Government of Kerala
(vi)	Dr Prabhakaran Paleri (Demitted Office on 01 May 2011)	Independent Non Executive
(vii)	Shri M A Pathan	Independent Non Executive
(viii)	Shri N Kumar	Independent Non Executive
(ix)	Shri B Sridhar	Independent Non Executive
(x)	Dr S Narasimha Rao	Independent Non Executive

### 3. Attendance of directors at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships & Chairmanships/Memberships of Committees of each Directors in various companies.

Name of the Director	Attendance of meeting during 2010-11		No of other directorship(s)		Other Board Committees	
	Board Meetings	Last AGM	Chairman	Member	Chairman	Member
Comde K Subramaniam	05	Yes	-	-	-	-
Comde M Jitendran (Relinquished charge of CMD on 06 May 2010)	01	Yes	-	-	-	-
Shri N M Paramesh (Relinquished charge of D(F) on 30 April 2010)	01	Yes	-	-	-	-
Shri V Radhakrishnan	05	Yes	-	-	-	-
Shri Ravikumar Roddam	03	-	-	-	-	-
Shri Rajeev Gupta, JS(Shipping)	03	No	-	03	-	-
Shri V P Joy, IAS, Govt of Kerala (Ceased to be a director w.e.f 25 May 2011)	03	No	-	02	-	-
Dr Prabhakaran Paleri (Demitted Office on 01 May 2011)	05	No	-	-	-	-
Shri M A Pathan	04	No	02	04	-	01
Shri B Sridhar	05	No	-	-	-	-
Shri N Kumar	03	No	-	06	04	05
Dr S Narasimha Rao	04	No	-	02	-	-
Shri M Damodaran IAS (Retd) (Resigned from the Board of Directors on 28 January 2011)	00	No	-	08	01	05

- The directorships held by Directors as mentioned above do not include alternate directorships and directorships of foreign companies, Section 25 Companies and Private Limited Companies which are not Govt Companies.
- Memberships/Chairmanships of only the Audit Committees and share holders/Investors Grievances Committees of all public limited companies and government companies have been considered.



## REPORT ON CORPORATE GOVERNANCE

### Details of Board Meetings held during 2010-11

4. Five board meetings were held during the year 2010-11 and the gap between two meetings did not exceed four months. The dates on which the Board meetings were held are as follows:

Sl. No	Date	Board Strength	No of Directors present
1	10 April 2010	10	07
2	17 July 2010	11	10
3	20 October 2010	11	09
4	10 November 2010	11	08
5	04 February 2011	10	08

### Availability of information to the members of the Board

5. The board has complete access to any information within the company and to any employee of the company. The Board welcomes the presence of executives in the board meetings, who can provide additional insights into the terms being discussed in the meeting. The information normally required to be placed before the Board include:
- General notices of interest of Directors
  - Terms of reference of Board Committees
  - Minutes of the meetings of Audit Committee and other committees of the Board as also resolutions passed by circulation
  - Annual operating plans of businesses, capital budgets and any updates
  - Quarterly results of the company and its operating divisions or business segments
  - Dividend declaration
  - Sale of material nature, of investments and assets, which is not in the normal course of business
  - Quarterly details of foreign exchange exposures and the steps taken by the Management to limit the risks of adverse exchange rate movement, if material
  - Internal Audit findings and External Audit Reports (through the Audit Committee)
  - Status of business risk exposures, its management and related action plans
  - Details of joint venture or collaboration agreements
  - Show cause, demand, prosecution notices and penalty notices which are materially important
  - Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems

- All policy matters deliberated and introduced for implementation
- Any material default in financial obligations to and by the company or substantial non payment for goods sold by the company
- Any issue which involves possible public or product liability claims of substantial nature, including any judgement or order, which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implication on the company
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non payment of dividend, delay in share transfer etc
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front like implementation of Voluntary Retirement Scheme etc.

### Board material distributed in advance

6. The agenda notes for each board meeting is drafted in consultation with the Chairman and are circulated to the Directors in advance in the defined agenda format. All material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is tabled before the meeting with specific reference to the subject in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted.

### Recording minutes of proceedings at Board and Committee Meetings

7. The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. Draft minutes are circulated to all the members of the Board/Committee for their comments. The final minutes are entered in the minutes book within 30 days from conclusion of the meeting.

### Post Meeting Follow Up Mechanism

8. The important decisions taken in the Board/ Board Committee meetings are communicated to the departments/divisions concerned



REPORT ON CORPORATE GOVERNANCE

promptly. Action taken report on the decisions/ minutes of the previous meeting(s) is placed at the immediately succeeding meeting of the Board/ Committee for noting by the Board/Committee.

Compliance

9. The Company Secretary while preparing the agenda notes, minutes etc of the meeting(s) is responsible for and is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the Rules issued thereunder and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

Board Committees

10. The Board of CSL has currently four committees viz Audit Committee, Remuneration Committee, Contracts Committee and Corporate Social Responsibility Committee.

Audit Committee

11. The Audit Committee of CSL was formed on 21 August 2008 and was reconstituted on 08 July 2009 and 05 May 2011. The present committee was constituted vide circular resolution No CR/01/2011 adopted on 05 May 2011 and taken on record at the 194<sup>th</sup> meeting of the Board of directors on 15 June 2011.

Terms of reference

- 12. The following are the terms of reference of the Audit Committee:
(i) Review of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
(ii) Recommend to the Board the fixation of audit fees.
(iii) Approval of payment to statutory auditors for any other services rendered by them.
(iv) Review, with the management, the annual financial statements before submission to the Board for approval.
(v) Review, with the management, the quarterly financial statements before submission to the Board for approval.
(vi) Review with the management, performance of internal auditors and adequacy of the internal control systems.
(vii) Appointment and removal of internal auditors and determining the scope of internal audit in consultation with the auditors.
(viii) Review of Internal Audit Report.
(ix) Review observations of auditors and provide recommendations based on the same.

- (x) To review the follow up action on the audit observations of the C&AG audit.
(xi) Review of the following information:
(a) Management discussion and analysis of financial condition and results of operation
(b) Statement of significant related party transactions (as defined by the audit committee), submitted by management.
(xii) Any other matter that may be referred to the committee by the Board from time to time.

Composition of the Audit Committee

13. The present Audit Committee is constituted with Shri N Kumar, Non Official Part Time Director as Chairman and Shri B Sridhar & Dr S Narasimha Rao, Non Official Part Time Directors as members.

Audit committee meetings held during the year and attendance:

14. The committee met five times during 2010-11 on 09 April 2010, 16 July 2010, 12 August 2010, 10 November 2010 and 04 February 2011. The necessary quorum was present at these meetings. The attendance during the meetings was as follows:

Table with 3 columns: Name of the director, Meetings held, Meetings attended. Rows include Shri N Kumar, Shri B Sridhar, Dr Prabhakaran Paleri, and Dr S Narasimha Rao\*.

\* Dr S Narasimha Rao was inducted into the Audit Committee on 05 May 2011 on the vacation of office by Dr Prabhakaran Paleri.

15. Audit Committee meetings are also attended by Director (Finance), representatives of statutory auditors and internal auditors of the company as invitees. The internal audit function has been outsourced to a firm of Chartered Accountants. The Company Secretary acts as the Secretary to the committee.

Remuneration Committee

16. The Remuneration Committee of Cochin Shipyard Limited was constituted vide circular resolution no CR/03/2008 adopted on 13 December 2008. The committee was re-constituted upon vacation of office of Dr Prabhakaran Paleri on 01 May 2011 vide

## REPORT ON CORPORATE GOVERNANCE

circular resolution no CR/02/2011 adopted on 05 May 2011 and taken on record at the 194<sup>th</sup> meeting of the Board held on 15 June 2011.

### Terms of reference

17. The terms of reference of Remuneration Committee is to decide the annual bonus/variable pool and policy for its distribution across the executives and non unionised supervisors of the company and to formulate a proposal for perks and allowances for officers and supervisors in line with DPE OM No 2(70)/08-DPE (WC) dated 26 November 2008.

### Composition

18. The committee comprises of Shri M A Pathan, Non Official Part Time Director as Chairman, Shri Rajeev Gupta, Official Part Time Director, Dr S Narasimha Rao, Non Official Part Time Director and Shri Ravikumar Roddam, Director (Finance) as members.

### Remuneration Committee meetings held during the year and attendance:

19. One meeting of the Remuneration Committee was held during 2010-11 on 20 January 2011. The necessary quorum was present at the meeting. The attendance during the meeting was as follows:

Sl. No	Name of the members	Meetings held	Meetings attended
1	Shri M A Pathan	01	01
2	Dr Prabhakaran Paleri	01	01
3	Shri Ravikumar Roddam	01	01
4	Shri Rajeev Gupta*	01	00
5	Dr S Narasimha Rao*	01	00

\*Shri Rajeev Gupta, JS(S) and Dr S Narasimha Rao were inducted into the committee on 05 May 2011

### Remuneration Policy

20. Under Article 21(a) of the Articles of Association of the company, the directors shall be paid such remuneration as the President of India may from time to time determine. The pay and allowances of board and below board level executives are paid in accordance with the terms of appointment, Department of Public Enterprises Guidelines on the above subject and other benefits and perquisites in accordance with the rules of CSI.
21. Details of Remuneration paid to the Chairman & Managing Director and the Whole Time Directors are placed at **Enclosure I** to this report.

### Sitting fees

22. The non official part time directors are paid sitting fees at the rate of ₹ 10,000/- w.e.f 10 March 2010 for attending each meeting of the Board and/or committee thereof. Sitting fees paid to the non official part time directors for 2010-11 is as follows:

Sl. No	Name of the Director	Sitting Fees (₹)
(i)	Dr Prabhakaran Paleri	1,20,000
(ii)	Shri M A Pathan	60,000
(iii)	Shri N Kumar	80,000
(iv)	Shri B Sridhar	1,30,000
(v)	Dr S Narasimha Rao	60,000
(vi)	Shri M Damodaran	Nil

### Contracts Committee

23. The contracts committee of the board was constituted vide circular resolution no 01/2010 adopted on 09 March 2010 consisting of the following members:

(i)	Shri B Sridhar, Non official part time director	Chairman
(ii)	Cmdr K Subramaniam, Chairman and Managing Director & Officiating Director(Operations)	Member
(iii)	Shri V Radhakrishnan, Director (Technical)	Member
(iv)	Shri Ravikumar Roddam, Director(Finance)	Member
(v)	Shri N Kumar, Non official part time director	Member
(vi)	Dr S Narasimha Rao, Non official part time director	Member

### Terms of reference

24. The terms of reference of the contracts committee is as follows:
- To appraise study and recommend on the various MoUs referred to the committee.
  - To recommend to the Board proposals involving renegotiation of shipbuilding contracts with ship owners as and when carried out.



## REPORT ON CORPORATE GOVERNANCE

- (iii) To consider and recommend to the board proposals to waive liquidated damages beyond ₹ 25 lakhs.
- (iv) To advise, ratify or approve as the case may be all contracts valued above ₹ 10 crores which are not specifically covered by purchase procedures/ delegation of powers.
- (v) To approve write off of losses above ₹ 10 lakhs and upto ₹ 25 lakhs per annum in the case where such losses are not due to theft, fraud or negligence and to consider and approve write off of losses due to theft, fraud or negligence above ₹ 2 lakhs and upto ₹ 25 lakhs per annum.
- (vi) Approval of any amendments, modifications to purchase procedure of CSL.
- (vii) To approve consultancy contracts for technical and financial appraisal of projects from ₹ 30 lakhs to ₹ 1 Crore in each case and other consultancy contracts ₹ 15 Lakhs to ₹ 1 Crore in each case.
- (viii) To approve capital expenditure above ₹ 50 Crores and up to ₹ 200 Crores.
- (ix) Review proposals for amendment to contracts during the pendency of shipbuilding and repair projects which has a financial implication above 10% of the contractual value and make suitable recommendation to the Board.
- (x) Any other matter that may be referred to it from time to time by CMD, CSL.

### General Body Meetings

26. The date, time and venue of the last three Annual General Meetings are as follows:

Year	Date	Time	Venue	Special Resolutions passed
2009-10	09 September 2010	1000 Hrs	39/6080 Administrative Building, Cochin Shipyard Premises, Perumanoor, Kochi-682 015	Nil
2008-09	07 August 2009	1100 Hrs	39/6080 Administrative Building Cochin Shipyard Premises, Perumanoor, Kochi-682 015	Nil
2007-08	05 September 2008	1600 Hrs	39/6080 Administrative Building Cochin Shipyard Premises, Perumanoor, Kochi-682 015	Inserting a new Article 28A, Amendment of Articles 29(b), 29(e), 29(h) and 30(b) of the Articles of Association of the company

### Contracts Committee meetings held during the year and attendance:

Sl. No	Name of the member	Meetings held	Meetings Attended
(i)	Shri B Sridhar	03	03
(ii)	Comde K Subramaniam	03	03
(iii)	Shri V Radhakrishnan	03	03
(iv)	Shri Ravikumar Roddam	03	02
(v)	Shri N Kumar	03	02
(vi)	Dr S Narasimha Rao	03	02

### Corporate Social Responsibility Committee

25. A sub committee of the board was constituted vide resolution no 181/09 at the 181<sup>st</sup> meeting of the board held on 05 September 2008 to decide on the matters relating to Corporate Social Responsibility such as adoption of environment friendly measures, contribution to social causes, measures for improving the image of the company etc. The sub committee is constituted with Shri Rajeev Gupta, Joint Secretary (Shipping) as Chairman of the Committee and Shri M A Pathan, non official part time director & Shri Ravikumar Roddam, Director (Finance) as members. The committee met on 03 July 2010 and recommended the way ahead for adoption of CSR measures by CSL. The attendance of the meeting of CSR committee is as follows:

Sl. No	Name of the member	Meetings held	Meetings Attended
(i)	Shri Rajeev Gupta	01	01
(ii)	Shri M A Pathan	01	01
(iii)	Shri Ravikumar Roddam	01	01

## REPORT ON CORPORATE GOVERNANCE

### DISCLOSURES

i. Related Party Transactions

The company has not entered into any materially significant related party transactions that may have potential conflict with the interests of company at large.

ii. Non-compliance by the company

There were no penalties, strictures imposed on the company by any statutory authority on any matter related to any guidelines issued by Government, during the last three years.

iii. Whistle Blower policy

Cochin Shipyard is a Government of India undertaking and follows government guidelines on reporting of any illegal or unethical practices. Employees are given freedom to report to their immediate supervisor/Chief Vigilance Officer or Chairman and Managing Director details of any violation of rules, regulations or unethical conduct. The Directors and senior management are bound to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices. No employee has been denied access to the Audit Committee.

iv. Details of Compliance with the requirement of these guidelines

In terms of clause 8.2.1 of the DPE guidelines on Corporate Governance, Certificate regarding Compliance of Corporate Governance Guidelines from Practising Company Secretary is placed at **Enclosure II** to this report.

v. Details of Presidential Directives issued by Central Government and their compliance during the year and also in the last three years

The company has complied with all presidential directives issued by Central Government regarding the operation of PSUs. The important presidential directives becoming applicable to the company in the last three years include Pay Revision Guidelines, Mimaratra Guidelines and Corporate Governance Guidelines.

vi. Items of expenditure debited in books of accounts, which are not for the purposes of the business.

**NIL**

vii. Expenses incurred which are personal in nature and incurred for the Board of Directors and Top Management.

**NIL**

viii. The administrative and office expenditure of the company for the year 2010-11 was 0.91% of the total expenditure as against 1.11% in 2009-10. Financial expenditure stood at 6.37% of the total expenditure in 2010-11, against 8.37% in the previous year.

### Code of Conduct

27. The Board has prescribed a Code of Conduct ('Code') for all the Board members and senior management of the company. All Board members and senior management personnel have confirmed compliance with the code for the year 2010-11. A declaration signed by the Chairman and Managing Director of the company is given below:

*I hereby confirm that the company has obtained from all the members of the Board and senior management personnel, affirmation that they have complied with the Code of Conduct for Directors and Senior Management Personnel in respect of the financial year 2010-11.*

*Sd/-*

*Code K Subramaniam  
Chairman and Managing Director*



## REPORT ON CORPORATE GOVERNANCE

### CEO/CFO Certification

28. The CEO/CFO certification of the financial statements for the year is appended at **Enclosure III** to this report.

### Risk Management Process

29. CSL has adopted a comprehensive system of Risk Management. Each identified risk has been designated a specified risk owner who will be responsible for the following:

- (i) To prepare a detailed risk control measure.
- (ii) To ensure that the systems and procedures are in place for controlling/avoiding probable risk/threat.
- (iii) To report any increase in the threat owing to changes in business/operational environment.
- (iv) To report any hurdle/difficulties, internal or otherwise in implementing the risk control measures.

30. The above measures ensure that all the risks are clearly defined and mitigated in accordance with the well structured risk management process. The Audit Committee and the Board of Directors review periodically the risk management process.

### Share holding pattern

31. The company has issued 11,32,80,000 equity shares of ₹ 10 each, details of which are as follows:

Sl.No	Share holder	No of Equity Shares
(i)	The President of India	11,32,79,700
(ii)	Shri Rajeev Gupta, JS(S), Ministry of Shipping, GOI	100
(iii)	Cmdr K Subramaniam, Chairman & Managing Director	100
(iv)	Shri Ravikumar Roddam, Director (Finance)	100
	Total	<b>11,32,80,000</b>

32. The company has issued 11,91,420 7% non cumulative preference shares of ₹ 1,000 each in the name of President of India. Pursuant to the resolutions adopted at the Extra ordinary General Meeting of shareholders and class meeting of the 7% non cumulative preference shareholders held on 17 March 2010, 4,00,000 nos 7% non cumulative preference shares of ₹ 1,000 each amounting to ₹ 40 crores was redeemed in September 2009. Accordingly, ₹ 40 Crores was paid to the Government of India in September 2009 towards redemption of preference shares. In the 194<sup>th</sup> Board Meeting held on 15 June 2011, the Board of Directors decided to redeem two more instalments of preference share capital amounting to ₹ 40 crores. Accordingly ₹ 40 crores will be paid to Government of India during 2011-12.

### Means of Communication

33. The financial results of the company are posted in the website. The website of the company also displays all official news releases.

### Training of Board Members

34. The Board Members of CSL are very senior executives who have a very vast, wide and varied experience in the areas of education, industry, defence, management, human resource management and administration. CSL has benefited from their vision and knowledge. Presentations are made to the Board Members on the company's performance, business model, corporate plan and future outlook, on their induction to the Board. In addition, at the Board/Committee/other meetings, detailed presentations are made by the senior management personnel/professionals/consultants on business related issues, risk assessment, risk policy etc.

## Enclosure I to Corporate Governance Report

DETAILS OF MANAGERIAL REMUNERATION							Amt (₹)	
Name of the Director	Total of Basic Pay, DA, HRA & other perks & Allowances	Performance Related Payment	Performance Criteria	Details of Service Contracts, Notice period, severance fees	Stock Option details	Total		
Gmde M Jitendran Chairman and Managing Director till 06 May 2010	212339.57	-	Based on performance criteria laid down by DPE	Appointed vide Ministry of Shipping letter No. SY - 11011/1/2004-CSL dated 03 May 2005 for a period of 5 years w.e.f the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is three months. In lieu of notice three months pay may be remitted.	Nil	212339.57		
Shri N.M Paramesh Director (Finance) till 30 April 2010	160853.70	-	Same as above	Appointed vide Ministry of Shipping letter No. SY - 11012/2/2004-CSL dated 25 November 2005 for a period of 5 years w.e.f the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is three months. In lieu of notice three months pay may be remitted.	Nil	160853.70		
Gmde K. Subramaniam Chairman and Managing Director	2030430.00	1408905.00	Same as above	Appointed vide Ministry of Shipping letter No. SY - 11011/1/2009-CSL dated 31 December 2010 for a period of 5 years w.e.f the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is three months. In lieu of notice three months pay may be remitted.	Nil	3439335.02		
Shri V Radhakrishnan Director (Technical)	1853680.50	1181700.00	Same as above	Appointed vide Ministry of Shipping letter No. SY - 11012/1/2007-CSL dated 31 December 2009 for a period of 5 years w.e.f the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is three months. In lieu of notice three months pay may be remitted.	Nil	3035380.50		
Shri Ravikumar Roodham Director (Finance)	1640441.90	1066209.68	Same as above	Appointed vide Ministry of Shipping letter No. SY - 11012/1/2009-CSL dated 19 April 2010 for a period of 5 years w.e.f the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is three months. In lieu of notice three months pay may be remitted.	Nil	2706651.58		



## Enclosure II to Corporate Governance Report

M C SAJUMON, M. Com, AICWA, ACS, ACIS  
COMPANY SECRETARY

XLI/3227, RUKYA APARTMENTS  
(BEHIND INCOME TAX OFFICE)  
OLD RAILWAY STATION, COCHIN- 682018  
TEL: 0484 2395867, TELEFAX:0484- 2396930  
Email: mc\_sajumon@satyam.net.in

### CORPORATE GOVERNANCE CERTIFICATE

To  
The Members of  
Cochin Shipyard Limited

I have examined the compliance of conditions of Corporate Governance by Cochin Shipyard Limited (the company) for the financial year ended 31 March 2011, as stipulated in the Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) issued by the department of Public Enterprises (DPE), Government of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines.

I further state that such compliance is neither an assurance as to future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Place: Kochi-18  
Date:04 June 2011

Sd/-  
M C SAJUMON, M.COM, AICWA, ACS, ACIS  
PRACTISING COMPANY SECRETARY  
ACS: 9868, CPN: 2385





## Enclosure III to Corporate Governance Report

### CEO/CFO CERTIFICATION

To

The Board of Directors  
Cochin Shipyard Limited

Dear Sirs,

Sub: CEO/CFO Certificate

1. We have reviewed Financial Statements, read with the Cash Flow Statement of Cochin Shipyard Limited for the year ended 31 March 2011 and that to the best of our knowledge and belief, we state that:
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal control for financial reporting. We have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to be taken for rectifying these deficiencies.
4. We have indicated to the Auditors and the Audit Committee:
  - (i) Significant changes if any, in internal control over financial reporting during the year;
  - (ii) Significant changes if any, in accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Ravikumar Roddam  
Director (Finance)

Crude K. Subramaniam  
Chairman and Managing Director

Kochi  
15 June 2011



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Global Industry Scenario

1. In the shipbuilding scenario, the fall in new building demand witnessed in the aftermath of the global economic downturn in late 2008 continued in 2010 also albeit with a marginal improvement in the market perception. The new build prices continued to be down by 25% to 30% from the peak of 2008. However, the order book position across all segments of the industry showed marginal improvement as compared to previous year though there was a slight decline in the prices.
2. In the Shiprepair scenario, the massive growth of the world fleet in the last decade has sustained the demand growth in the market. As per published reports there is tremendous scope for increasing the Indian share of the global shiprepair market owing to the growth in the Indian fleet and the increasing number of foreign vessels visiting the Indian shores due to the surge in the sea-borne trade.

### Indian Shipbuilding and Shiprepair Industry- Outlook

3. The Indian shipbuilding scenario continued to be concentrated in the offshore support & other specialized vessel and defence ship segment. These segments were largely less affected by the global slow down and hence the Indian yards were able to, by and large, weather the economic storm of the late 2008.
4. The Indian Shipbuilding scenario was dampened due to withdrawal of government support. The discontinuance of shipbuilding subsidy scheme in August 2007 continued to affect the margins of the leading industry players. Moreover the Indian industry also demanded the 'right of first refusal' for building of ships for domestic owners, which is normally extended by other countries. The lack of such order support and low cost special finance arrangements normally extended by other governments worldwide also brought down the Indian industry outlook.
5. The Indian share in the Global shiprepair market was less than 1% last year whereas the market potential of the Indian shiprepair industry is about 5% of the world market. The shortfall in taking full advantage of the available potential is due to lack of sufficient capacity. Moreover the applicability of Service Tax continued to be a major factor affecting the competitive strength of the Indian yards. This coupled with lack of capacity for repair of large sized ships, forced Indian owners to increasingly rely on the ship repair facilities based outside India. However, in the long run the improvement in facilities and capacity, together with increase in demand is slated to bring positive outlook to the industry.

### Government Policy

6. The Government of India, in its Maritime Agenda for 2010-2020 has set up some targets with respect to Shipbuilding and Shiprepair Industry- as follows:
  - a) To achieve a global shipbuilding market share of 5% by 2020.
  - b) To develop a strong ancillary base in the country by 2020.
  - c) To generate additional employment for 2.5 million persons (0.5 Million direct and 2.00 million indirect) by 2020 in the core shipbuilding as well as the ancillary and supporting industry sector.
  - d) To develop strong R&D facilities and design capabilities for the commercial shipbuilding.
  - e) To be self-sufficient in ship repair requirements of the country and to emerge as a dominant shiprepair centre replacing Colombo, Dubai, Singapore and Bahrain.
  - f) To achieve a share of 10% by 2020 in global ship repair industry.
7. Towards achieving the above objective the Ministry of Shipping has identified the required strategies as follows:
  - (a) Reintroduction of subsidy scheme with some modification to create level playing field for the domestic shipyards vis a vis foreign yards and incentivise domestic owners for placing orders on the Indian yards.
  - (b) To set up shiprepair units maintenance hubs around major ports.
  - (c) Grant of Infrastructure status to Shipbuilding Industry for availing benefit of low cost funding. The proposal has been sent to Ministry of Economic Affairs and Planning Commission.
  - (d) Proposal has been submitted by Ministry of Shipping to National Security Council Secretariat for declaration of Shipbuilding industry as a strategic sector.
  - (e) Areas for extending incentives/policy frameworks identified by Ministry of Shipping for building up Industry strength include technology acquisition, acquiring design capabilities, promotion of clusters for ancillarisation, domestic steel supply to shipbuilding etc.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Operations

8. The licensed capacity of the yard is 175000 DWT of shipbuilding and one million GRT of shiprepair per annum as per the Industrial license granted to the company. As against this CSL achieved shipbuilding production of 140251 DWT, 6 new buildings were delivered during the year and 70 repair projects were executed.

9. Financial information of the company pertaining to the last decade (₹ crs):

Years	Paid up capital	Nominal value of shares (₹ per share)	Capital employed	Net worth	Profit Before Tax	Tax on profits paid	Net profit	EPS (Amt ₹)	Dividend	Payout ratio
2009-10	192.42	10	578.32	680.32	331.25	108.21	223.04	19.69	11.32	0.05
2008-09	232.42	10	550.31	566.49	247.63	87.56	160.07	14.13	11.32	0.05
2007-08	232.42	1000	401.33	429.43	149.40	55.55	93.85	828.51	Nil	Nil
2006-07	232.42	1000	496.60	323.45	85.77	27.66	58.11	513.00	Nil	Nil
2005-06	232.42	1000	499.64	284.85	25.44	7.21	18.23	160.97	Nil	Nil
2004-05	232.42	1000	493.63	266.62	16.85	4.76	12.09	106.81	Nil	Nil
2003-04	232.42	1000	410.98	264.03	30.52	12.74	17.78	156.96	Nil	Nil
2002-03	232.42	1000	385.65	255.66	26.22	9.74	16.49	145.57	Nil	Nil
2001-02	230.42	1000	389.25	245.43	27.51	11.10	16.41	147.47	Nil	Nil
2000-01	227.13	1000	365.40	227.03	45.40	6.91	38.49	356.41	Nil	Nil

### Proposed/Declared Dividend

10. Your directors are pleased to recommend a dividend of ₹ 1 per share on the 11,32,80,000 fully paid Equity Shares of ₹ 10 each and ₹ 70 per 7,91,420 Preference Shares of ₹ 1,000 each for the year 2010-11. The total outgo for dividend and dividend tax would be approximately ₹ 20 Crores.

### Segment wise or product wise performance

11. The company is engaged in two major activities viz shipbuilding and repair of ships/offshore structures. Segment wise analysis has been made on the above basis and amounts allocated on a reasonable basis. The details of segment wise performance is placed at **Annexure I** to this report.

### Strengths, Weakness, Opportunities & Threats

12. Cochin Shipyard perceives the following to be its Strength, Weakness, Opportunities and Threats

#### Strengths:

- Highly skilled, competitive, knowledgeable manpower with an average of 20 years experience in all levels of hierarchy with a state of art design facility
- Good industrial relations scenario
- Availability of quality sub contractors and good supply chain network
- State of art facilities especially in terms of cranes, transporters, covered mobile shop, covered marine coating facility, high quality welding equipment,

international standard hull fabrication facilities etc

- Strategic location in the main sea route
- A very good product mix comprising of defense ships, commercial ships etc.

#### Weakness

- Lack of government support by way of orders/subsidy etc
- High taxation levy
- Poor development of indigenous ancillary industries
- Non availability of major equipments/raw materials in India
- Restrictive labour practices

#### Opportunities

- Demand growth in international and domestic commercial shipbuilding sector owing to booming international trade, oil exploration, age profile of ships etc
- Requirement of ships for the Indian defence sector
- Shifting of International new building to low cost countries like India
- Ministry of shipping's Maritime Agenda's objective is to attain 5% share of the global shipbuilding and to develop indigenous ancillary industries. This would be a big opportunity for domestic shipyards.
- Better opportunities in shiprepair owing to growing Indian fleet and ship calls in Indian ports



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Threat

- a. Severe International Competition
- b. Levy of Service Tax in Shiprepair
- c. Withdrawal of subsidy in shipbuilding
- d. Lack of level playing ground vis a vis foreign yards by way of government support, level of taxation etc

### Risks and Concerns

13. CSL has adopted a comprehensive system of Risk Management. It ensures that all risks are defined and mitigated in accordance with the well structured risk management process. The Audit Committee reviews periodically the Risk Management Process. The last risk review upto the period March 2011 was undertaken at the 17th Audit Committee meeting held on 14 June 2011.

### Future Plans

14. The future plans of Cochin Shipyard comprises of the following:
  - (a) Extension of Quay 3 in the southern side of the yard at an estimate of ₹ 50 Crores
  - (b) Extension of Quay 1- This requires coordination with the Fisheries department, GOI as the land belongs to them. The matter is being taken up by the Ministry of Shipping with the Ministry of Agriculture
  - (c) Ship lift system to create additional docking capacity
  - (d) Shiprepair facilities in the Vizhinjam areas
15. The above plans have been identified by the CSL. Apart from this, the yard has initiated a process for development of a 20 year vision document and business plan through an independent professional consultant.

### Internal Control Systems and their Adequacy

16. The company has a system of delegation of powers from the Board of Directors to CMD and from CMD to officers at various levels for smooth day to day functioning. An independent internal audit operation is in vogue for conducting extensive audit of various operational and financial matters. The vigilance department of Cochin Shipyard is headed by a Chief Vigilance Officer and deals with vigilance and disciplinary cases with emphasis on preventive vigilance. C&AG conducts proprietary audit. An Independent Audit Committee has been constituted with three non official part time directors as members which looks into internal/statutory and C&AG audit observations and gives guidance based on the same. The Audit Committee also looks into the internal control system, company procedures and internal audit performance and provides guidance based on the same.

### Material Development in Human Resource

17. CSL has a highly skilled and experienced manpower dedicated to achieving excellence in their performance. Towards this end, significant human resource initiatives are undertaken to extend training for skill development, motivation, leadership and personality development across all levels of employment. A specialized programme for outfit training for employees/ trainees in association with classification society was finalized in 2010-11 wherein 80 employees were trained in ship outfitting.
18. Inhouse safety awareness programme was organized for all new entrants and the existing employees covering executives, supervisors and workmen. 185 executives and supervisors and 133 workmen including contract personnel and trainees attended the training programmes arranged, conducted by external agencies.

### Women empowerment

19. CSL has a strength of 121 women employees on its rolls including 28 executives, 15 supervisors and 78 workers. A five member Compliant Committee is constituted in CSL for looking into complaints of sexual harassment of women at workplace. A lady member is nominated to all selection committees in the case of direct recruitment as well as promotion.

### Industrial Relations

20. Industrial Relations scenario in the company continued to be cordial, productive and proactive. The Company's track record of not losing a single man day on account of labour unrest for the last 27 years, continued. The long term settlement with Trade unions for revision of wages and other service conditions was implemented. The ceiling on payment of Gratuity was revised from ₹ 3.5 lakhs to ₹ 10 lakhs.

### Environmental Protection, Conservation and Renewable Energy Development

21. CSL has taken up sapling planting as a major initiative towards environmental protection. Every retiring employee plants a sapling in the CSL estate as a gift to the future generation. Totally 354 saplings were planted during the year 2010-11. Besides the yard has also partnered with Kerala Enviro Infrastructure Limited in safe disposal of hazardous wastes like copper slag, paint sludge etc. The company has also invested equity in the 'waste to energy project' initiative of the Cochin Chamber of Commerce and Industry for conversion of waste into energy.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Technology Conservation

22. CSL continuously strives for conservation & upgradation of technology to remain competitive in the global competitive environment. Towards this end, the yard has imported and fully absorbed the Tribon software in Ship Design. The yard has also developed complete design for 1500 KW tug, 2400 KW tug and 3300 KW tug in house. Besides the yard has also implemented in house 3D hull modeling, machinery and outfit modeling of piping systems, ventilation, air conditioning, cabling and structural items and development of structural drawing of Aircraft Carrier, based on the inputs from Indian Navy.

### Foreign Exchange Conservation

23. Cochin Shipyard has been able to secure and execute International shipbuilding orders consecutively in the last several years, thereby earning foreign exchange. The earnings from foreign exchange during 2010-11 was ₹ 423.13 Crores.

### Corporate Social Responsibilities (CSR)

24. The Company is committed to integrate its business interest with that of the interest of its shareholders viz. Govt of India, Govt. of Kerala, its employees and the Community at large. Towards this, and in line with the guidelines issued by the Govt. of India, Cochin Shipyard Ltd has decided to implement various CSR initiatives and for this purpose, Company has constituted a Board level CSR Committee consisting of 3 Directors and a below board level Committee consisting of three Senior Executives and Director (Technical) as its head. CSR Board level Committee met on 03 July 2010 and laid following parameters for its outlay.
- (i) 40% of Budget may be set apart for community development.
  - (ii) 25% of Budget may be set apart for green technology.
  - (iii) 25% of Budget may be set apart for capacity building and training.
  - (iv) 10% of the Budget may be set apart for arts, culture and sports.
25. Different projects were taken up for implementation based on the parameters referred above. CSL reiterates its commitment and earnestness to reach out to the community through capacity building vide socio-economic and environmental development projects.

### Cautionary Statement

26. Statements in this "Management Discussion and Analysis Report" describing the objectives,

expectations, assumptions or predictions of the Company may be forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the operations of the company include economic conditions affecting demand/ supply, price conditions in the domestic and international markets, government policies and regulations, statutes and other incidental factors.

### CSR Initiatives



CSL Solid Waste Management system at Govt. Hospital, Ernakulam



Hunger Free Project in General Hospital, Ernakulam



Mobile Training unit for Safety Awareness handed over to Kerala Factories and Boilers Department.

**Annexure I to Management Discussion and Analysis Report****SEGMENT WISE PERFORMANCE**

(₹ lakhs)

	SHIP BUILDING	SHIP REPAIR	UNALLOCATED	TOTAL
<b>SEGMENT REVENUE</b>				
EXTERNAL SALES	1,31,996.84	14,174.68	10,252.88	1,56,424.40
INTEREST	-	-	2,493.01	2,493.01
ACCRETION/(DECRETION) TO WIP	1,564.17	(201.38)	-	1,362.79
TOTAL REVENUE	1,33,561.00	13,973.30	12,745.90	1,60,280.20
SEGMENT RESULT	27,449.00	2,638.52	4,502.25	34,589.77
TAX (NET)				11,837.00
<b>NET PROFIT</b>				<b>22,752.77</b>
<b>OTHER INFORMATION</b>				
SEGMENT ASSETS	1,41,712.08	14,724.98	99,222.12	2,55,659.18
SEGMENT LIABILITIES	1,26,811.37	4,050.24	1,24,797.57	2,55,659.18
CAPITAL EXPENDITURE	808.98	413.14	243.99	1,466.11
DEPRECIATION	880.86	229.67	205.93	1,316.46
NON-CASH EXPENDITURE OTHER THAN DEPRECIATION	-	-	-	-

## AUDITORS REPORT

### MENON & AYYAR

CHARTERED ACCOUNTANTS

The Members of  
M/s Cochin Shipyard Limited  
Kochi

1. We have audited the attached Balance Sheet of **M/s. COCHIN SHIPYARD LIMITED, KOCHI-682 015**, as at 31 March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order 2003 as amended by the Companies (Auditor's Report) Order 2004 issued by the Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Further to our comments on the Annexure referred to above and Para 3 above, we report that:

- i) 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.
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss

Account and Cash Flow Statement dealt within this report comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

v) Vide Notification No. GSR 829(E) dated 21 day of October, 2003 of the Ministry of Finance, Government of India, it has been notified that Clause (g) of sub-clause (1) of Section 274 of the Companies Act, 1956 is not applicable to a Government Company.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on accounts thereon, give the information required by the Companies Act, 1956 in the manner so required and subject to:

a) Accounting of liabilities towards unsettled and incomplete subcontract work, at the end of the year, on an estimated basis.

b) Effect of using estimates for arriving at, the total contract cost for the purpose of recognition of income from ship building contracts under percentage completion method, recognition of anticipated loss on ship building contracts and for recognition of income from shiprepair activities under proportionate completion method and reduction from invoice value for arriving at shiprepair turnover and the consequent impact, if any, on the profitability and current assets as on the Balance Sheet date is not ascertainable.

give a true and fair view in conformity with accounting principles generally accepted in India.

a) in the case of the Balance Sheet, of the state of affairs of the company as on 31<sup>st</sup> March, 2011;

b) in the case of the Profit and Loss Account, of the profit of the company for the year ended on that date and

c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For MENON & AYYAR  
Chartered Accountants  
Firm Registration No. 002058S

Sd/-  
MOHANAN KUTTICKAT  
Partner  
Membership No. 015842

ERNAKULAM  
21 June 2011



## AUDITORS REPORT

### ANNEXURE TO AUDITORS REPORT

Annexure referred to in paragraph 3 of our report of even date on the accounts of **M/s. Cochin Shipyard Ltd.** for the year ended 31 March, 2011

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management during the year and there is a regular programme of physical verification, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies between the books records and the physical inventory has been noticed on such verification.
- (c) No substantial part of fixed assets has been disposed of during the year.
- (ii) (a) Physical verification of inventory has been conducted on a selective basis at reasonable intervals by the management,
- (b) The procedures of physical verification of inventory followed by the management 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 of inventory. Discrepancies noticed on such physical verification between physical stock and the book records have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraph 4 (iii) (b), (c) and (d) of the Order are not applicable.
- (b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraph 4 (iii) (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) According to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need be entered in the register required to be maintained under that section. Accordingly commenting on transaction made in pursuance of such contract or arrangements does not arise.
- (vi) According to the information and explanations given to us, the company has not accepted deposits from the public and hence the directives issued by Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and therefore the provisions of sub-clause (vi) are not applicable to the Company.
- (vii) In our opinion the Company has an internal audit system which commensurate with its size and nature of business.
- (viii) As explained to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 for the products and services of the company.
- (ix) (a) According to the information and explanation given to us and the records of the Company examined by us, in our opinion, the company is regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities. There are no arrears of undisputed statutory dues outstanding, at the last day of the financial year, for a period of more than six months from the date they became payable.



## AUDITORS REPORT

- (b) According to the information and explanations given to us details of dues of Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of any dispute are detailed below :

Sl No.	Name of statute	Nature of Liability	Amount (₹ In lakhs)	Period to which the amount relates	Forum where the dispute is pending
1	Income Tax Act, 1961	Income Tax	63.28	2000-01	Case remanded by ITAT pending before Assessing Officer
			18.87	2004-05	Commissioner of Income Tax (Appeals)
			8.54	2002-03 & 2003-04	Income Tax Appellate Tribunal
			27.88	2005-06 & 2008-09	Commissioner of Income Tax (Appeals)
2	Kerala Value Added Tax Act, 2005	Penalty	2546.82	2008-09	Appellate Tribunal
	Kerala General Sales Tax Act 1963	Sales Tax	73.44 196.37	2001-02 2004-05	Deputy Commissioner Appeals
3	Finance Act, 1994	Service Tax	322.90	2003-04, 2004-05, 2005-06, 2006-07 & 2007-08	Customs, Excise and Service Tax Appellate Tribunal
			1647.47	2004-05	Commissioner (Central Excise)

- (x) The company has no accumulated losses as on 31 March 2011 and it has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- (xi) In our opinion and according to information and explanation given to us, the company has not defaulted in the repayment of dues to any financial institution, bank or debenture holders as at the balance sheet date.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a nidhi, mutual benefit fund/society, therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of the clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from the bank/financial institution.
- (xvi) According to the information and explanations given to us, the Company has not availed any Term Loan during the year other than Short Term Loans raised for working capital requirement.
- (xvii) According to the information and explanations given to us, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares during the year.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year under audit.

For MENON & AYYAR  
Chartered Accountants  
Firm Registration No. 002058S

Sd/-  
MOHANAN KUTTICKAT  
Partner  
Membership No. 015842

ERNAKULAM  
21 June 2011

BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011

	Schedule	As at 31st March 2011	As at 31st March 2010
		(₹ in Lakhs)	
<b>I</b>			
<b>SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDER'S FUNDS:</b>			
(a) Share Capital	1	19242.20	19242.20
(b) Reserves and Surplus	2	77537.57	49053.99
<b>2. LOAN FUNDS:</b>			
(a) Secured Loans	3	0.00	0.00
(b) Unsecured Loans	3	0.00	0.00
<b>TOTAL</b>		<b>96779.77</b>	<b>68296.19</b>
<b>II</b>			
<b>APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS :</b>			
(i) Gross Block	4	36210.07	34968.47
Less : Depreciation		17142.59	15993.47
Net Block		19067.48	18975.00
(ii) Capital Work In Progress	5	4055.12	4873.63
		23122.60	23848.63
<b>2. INVESTMENTS :</b>	6	19.18	319.26
<b>3. DEFERRED TAX ASSET</b>		2312.47	5271.47
<b>4. CURRENT ASSETS, LOANS AND ADVANCES</b>			
(a) Inventories	7	23475.88	33928.45
(b) Sundry Debtors	8	111176.90	74426.77
(c) Cash & Bank Balances	9	69025.10	75026.16
(d) Other Current Assets	10	825.87	6082.02
(e) Loans & Advances	11	25701.19	23765.61
		<b>230204.94</b>	<b>213229.01</b>

...contd..

## BALANCE SHEET AS AT 31st MARCH, 2011

	Schedule	As at 31st March 2011	As at 31st March 2010
		(₹ in Lakhs)	
<b>LESS:</b>			
<b>5. CURRENT LIABILITIES AND PROVISIONS :</b>			
(a) Current Liabilities	12	130726.00	143507.29
(b) Provisions	12	28153.42	30864.89
		<hr/>	<hr/>
Net Current Assets		158879.42	174372.18
<b>TOTAL</b>		<hr/>	<hr/>
Significant Accounting Policies and Notes on accounts	23	<b>96779.77</b>	<b>68296.19</b>
		<hr/>	<hr/>

Schedule 1 to 23 form part of Accounts

For and on behalf of Board of Directors

**V KALA**  
Company Secretary

**RAVIKUMAR RODDAM**  
Director (Finance)

**CMDE K SUBRAMANIAM**  
Chairman and Managing Director

Kochi, dated the 16 June 2011

As per our report of even date

**MENON & AYYAR**  
Chartered Accountants  
(Firm Reg. No.002058S)

**MOHANAN KUTTICKAT**  
( Partner)  
( Membership No 15842)  
Kochi, dated the 21 June 2011.



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

	Schedule	For the Year ended 31st March 2011	For the Year ended 31st March 2010
(₹ in Lakhs)			
<b>INCOME</b>			
Works and services	13	146171.53	141691.71
Training services		408.02	332.54
Other income	14	12337.86	8155.80
Accretion/(Decretion) to work-in-progress	15	1362.79	(689.21)
<b>TOTAL</b>		<b>160280.20</b>	<b>149490.84</b>
<b>EXPENDITURE</b>			
Materials and components consumed		71590.08	55441.67
Stores consumed		1104.05	965.48
Subcontract and Other direct expenses	16	19373.99	23890.87
Indirect taxes on sales and services		156.62	254.78
Salaries, wages, exgratia and other benefits	17	16649.61	15416.76
Power, Fuel & Water	18	1689.32	1614.14
Other expenditure	19	9633.74	9986.20
Interest on loans		2666.81	1819.21
Depreciation and other items written off	20	1761.18	1524.45
Provision for anticipated losses and expenditure	21	995.96	7148.76
		125621.36	118062.32
Less:			
Expenses allocated to capital works		21.91	0.00
		<b>125599.45</b>	<b>118062.32</b>
<b>PROFIT FOR THE YEAR</b>		<b>34680.75</b>	<b>31428.52</b>
Add/(Less) Adjustments relating to prior years	22	(90.98)	1696.35
<b>PROFIT BEFORE TAX CARRIED FORWARD</b>		<b>34589.77</b>	<b>33124.87</b>

...contd.

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

....contd.

	Schedule	For the Year ended 31st March 2011	For the Year ended 31st March 2010
(₹ in Lakhs)			
<b>PROFIT BEFORE TAX BROUGHT FORWARD</b>		<b>34589.77</b>	<b>33124.87</b>
<b>Less: Provision for:</b>			
Current tax (Net of excess provision relating to previous years)		8878.00	8572.80
Deferred tax Expenditure/(Income)		2959.00	2248.00
<b>PROFIT AFTER TAX</b>		<b>22752.77</b>	<b>22304.07</b>
<b>Less: Appropriations</b>			
Proposed Dividend on Equity shares		1132.80	1132.80
Proposed Dividend on Preference shares		553.99	553.99
Corporate Dividend Tax		280.16	286.67
		1966.95	1973.46
Transfer to General Reserve		568.82	557.60
<b>Profit after appropriation</b>		<b>20217.00</b>	<b>19773.01</b>
<b>Surplus as per last Balance Sheet</b>		<b>48779.40</b>	<b>33006.39</b>
<b>Transfer to Capital Redemption Reserve</b>		<b>0.00</b>	<b>4000.00</b>
<b>Surplus in Profit and Loss account after appropriation carried to Balance Sheet</b>		<b>68996.40</b>	<b>48779.40</b>
Basic and diluted Earnings per share		20.09	19.69
Face value per Equity share		₹ 10	₹ 10
Significant Accounting Policies and Notes on Accounts	23		

For and on behalf of Board of Directors

**V KALA**  
Company Secretary  
Kochi, dated the 16 June 2011

**RAVIKUMAR RODDAM**  
Director (Finance)

**CMDE K SUBRAMANIAM**  
Chairman and Managing Director

As per our report of even date

**MENON & AYYAR**  
Chartered Accountants  
(Firm Reg. No.002058S)

**MOHANAN KUTTICKAT**  
(Partner)  
(Membership No 15842)  
Kochi, dated the 21 June 2011



## SCHEDULES TO ACCOUNTS

	As at 31st March 2011	As at 31st March 2010
	(₹ in Lakhs)	
<b>1. SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
13,00,00,000 Equity Shares of ₹ 10 each	13000.00	13000.00
12,00,000 7% Non-cumulative Preference Shares of ₹ 1000/- each.	12000.00	12000.00
<b>TOTAL</b>	<b>25000.00</b>	<b>25000.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
11,32,80,000 Equity Shares of ₹ 10 each (Previous year 11,32,80,000 shares of ₹ 10 each) fully paid up (Of the above 54,99,500 Shares have been issued as fully paid up without payment being received in cash towards consideration of net assets taken over from Govt of India)	11328.00	11328.00
7,91,420 (Previous year 7,91,420 ) 7% Non-cumulative Preference Shares of ₹ 1000 each fully paid up. (Due for redemption progressively from 26 April 2012 ) (The above shares have been issued as fully paid-up by conversion of loans from Govt of India as part of capital restructuring which were originally due for redemption on 26 April 2005 and were reissued with retrospective effect)	7914.20	7914.20
<b>TOTAL</b>	<b>19242.20</b>	<b>19242.20</b>
<b>2. RESERVES AND SURPLUS</b>		
General Reserve account	1526.60	957.78
Capital Redemption Reserve		
Transferred from Profit & Loss Account	4000.00	4000.00
Capital Reserve	263.56	263.56
Hedge reserve: Unrealised gain/(loss) on account of hedging derivatives (refer note no 6 of schedule 23B)	2751.01	(4946.75)
Surplus - Profit and Loss account	68996.40	48779.40
<b>TOTAL</b>	<b>77537.57</b>	<b>49053.99</b>
<b>3. LOAN FUNDS</b>		
<b>SECURED LOANS</b>		
From Banks (Short term loan secured by hypothecation of current assets)	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>
<b>UNSECURED LOANS</b>		
From Government of India	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>

## SCHEDULES TO ACCOUNTS

## 4. FIXED ASSETS

(₹ in Lakhs)

PARTICULARS	GROSS BLOCK AT COST		DEPRECIATION		NET BLOCK		
	As at 1st April 2010	Additions/ adjustments during the year	Disposal/ adjustments during the year	As at 1st April 2010	For the year (with/withdrawal)	As at 31st March 2011	As at 31st March 2010
<b>A. Tangible assets</b>							
Land (Freehold)	450.38	0.00	0.00	0.00	0.00	450.38	450.38
Buildings & Road	9716.69	166.97	59.12	2251.65	(17.28)	7208.38	7465.04
Docks & Quays	5633.38	0.00	0.00	5083.47	0.00	489.36	549.91
Railway sidings	22.09	0.00	0.00	20.99	0.00	1.10	1.10
Plant & Machinery	15247.38	1076.88	131.47	6816.96	(117.84)	8889.48	8430.42
Electrical Installation	1598.23	35.68	0.00	681.61	0.00	904.60	916.62
Drainage & water supply	133.45	0.00	0.00	72.69	0.00	59.18	60.76
Vessels	158.85	0.00	0.00	99.09	0.00	48.90	59.76
Fixtures & Fittings	402.49	39.84	4.05	158.56	(3.82)	262.64	243.93
Equipment	692.84	53.43	8.81	387.91	(8.56)	307.12	304.93
Vehicles	621.45	90.14	21.06	235.65	(19.84)	414.43	385.80
Books	13.20	0.00	0.00	13.20	-	0.00	0.00
	34690.43	1462.94	224.51	15821.78	(167.34)	19035.57	18868.65
<b>B. Intangible Assets</b>							
Soft ware	278.04	3.17	0.00	171.69	0.00	31.91	106.35
	278.04	3.17	0.00	171.69	0.00	31.91	106.35
<b>Total</b>	<b>34968.47</b>	<b>1466.11</b>	<b>224.51</b>	<b>15993.47</b>	<b>(167.34)</b>	<b>19067.48</b>	<b>18975.00</b>
Previous year	27058.94	8046.01	116.48	14874.89	(102.64)	18975.00	12164.04

Note: 1. Land includes the value of (a) land allotted on lease basis to (i) Bharatiya Vidya Bhavan (0.69045 hectare) and (ii) M/s Indian Oil Corporation (0.620 hectare)(1.54 acres) for laying pipeline and  
(b) land held by Kerala State Electricity Board(0.47 hectare) and (c) land leased to M/s Cochin Air Products (0.30 hectares), Baly Engg Pvt Ltd (0.4068 hectares) and BE&I Infra Projects (0.4068 hectares).

2. Value of land includes value of buildings acquired along with the land for which depreciation has not been provided as the value is not separately available and most of these buildings are likely to be demolished for putting up facilities for the factory.

3. Title deeds of part of land ( 38,533 hectares) have not yet been received from Govt of Kerala/GCDA.



SCHEDULES TO ACCOUNTS

		As at 31st March 2011	As at 31st March 2010
(₹ in Lakhs)			
<b>5. CAPITAL WORK-IN-PROGRESS AT COST</b>			
Buildings and Civil Work-in-progress		396.16	170.54
Plant and Machinery		2255.18	2000.43
Construction material in stock		4.36	4.79
Goods pending inspection and in transit		1061.31	2651.72
Advances -unsecured considered good		338.11	46.15
<b>TOTAL</b>		<b>4055.12</b>	<b>4873.63</b>
<b>6. INVESTMENTS AT COST</b>			
<b>UNQUOTED AT COST (NON TRADE)</b>			
Investment in Mutual Fund		0.00	300.08
Investment in Cochin Waste to Energy Pvt. Ltd. 100,000 equity shares of ₹ 10 each fully paid up.		10.00	10.00
Investment in Cochin Shipyard Employees' Consumer Co-operative Society - 2180 'B' class shares of ₹ 100 each fully paid-up.		2.18	2.18
Investment in Kerala Enviro Infrastructure Limited - 70,000 equity shares of ₹ 10 each fully paid up.		7.00	7.00
<b>TOTAL</b>		<b>19.18</b>	<b>319.26</b>
<b>7. INVENTORIES (AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT) *</b>			
Raw materials and bought out components at cost	7680.73		
<b>Less</b> :Provision for obsolescence, non-usability and deterioration in inventory.	187.90	7492.83	17111.16
Stores and spares at cost (excluding maintenance spares)	777.10		
<b>Less</b> :Provision for obsolescence, non-usability and deterioration in inventory.	18.59	758.51	867.13
Maintenance spares at cost	40.85		
<b>Less</b> :Provision for obsolescence, non-usability and deterioration in inventory.	18.78	22.07	14.39
Stock of scrap at net realisable value		68.26	51.95
Goods pending inspection and in transit at cost		6587.11	8187.91
Loose tools (at cost/as revalued)		820.32	515.29
Work-in-progress at cost		4249.58	2886.79
Work-in-progress at realisable value	4756.00		
<b>Less:</b> Advance and progress payments received	1278.80	3477.20	4293.83
<b>TOTAL</b>		<b>23475.88</b>	<b>33928.45</b>
* Inventory does not include stock of raw materials and bought out components procured under 'cost plus' part of the IAC contract amounting to ₹ 29,919.99 lakhs (previous year ₹ 13,189.93 lakhs) held on behalf of Indian Navy lying with the company.			




**SCHEDULES TO ACCOUNTS**

		As at 31st March 2011	As at 31st March 2010
(₹ in Lakhs)			
<b>8. SUNDRY DEBTORS - UNSECURED</b>			
<i>Over six months:</i>			
Considered good		1191.10	1981.91
Considered doubtful		2397.54	2394.13
<i>Others</i>			
Considered good		109985.80	72444.86
		<u>113574.44</u>	<u>76820.90</u>
Less: Provision for doubtful debts		2397.54	2394.13
<b>TOTAL</b>		<b><u>111176.90</u></b>	<b><u>74426.77</u></b>
<b>9. CASH AND BANK BALANCES</b>			
Cash, cheques and stamps in hand		1.30	218.73
Balances with Scheduled banks			
(i) In current accounts:		19511.98	36482.84
(ii) In deposit accounts:		49511.82	38324.59
<b>TOTAL</b>		<b><u>69025.10</u></b>	<b><u>75026.16</u></b>
<b>10. OTHER CURRENT ASSETS</b>			
Interest accrued on:			
(i) Deposits		582.29	441.20
(ii) Advances to employees and others		44.96	43.16
Shipbuilding subsidy receivable		0.00	5346.21
Others (including claims receivable)		198.62	251.45
<b>TOTAL</b>		<b><u>825.87</u></b>	<b><u>6082.02</u></b>
<b>11. LOANS AND ADVANCES</b>			
Advances recoverable in cash or in kind or for value to be received:			
Secured		5862.34	8801.74
Unsecured:			
Considered good:	1798.82		1389.22
Considered doubtful:	1.61		1.61
	<u>1800.43</u>		<u>1390.83</u>
Less: Provision for doubtful advances :	1.61		1.61
	<u>1798.82</u>		<u>1389.22</u>
Advance tax		17373.01	12814.66
Balances with Customs, Port Trust, Excise etc		314.04	408.60
Other Deposits		352.98	351.39
<b>TOTAL</b>		<b><u>25701.19</u></b>	<b><u>23765.61</u></b>



## SCHEDULES TO ACCOUNTS

		As at 31st March 2011	As at 31st March 2010
		(₹ in Lakhs)	
<b>12. CURRENT LIABILITIES AND PROVISIONS</b>			
<b>A. CURRENT LIABILITIES</b>			
Sundry creditors		23787.79	13057.94
Advance for Indigenous Aircraft carrier infrastructure	21346.37		
Less: Assets/expenses on infrastructure	14253.64		
Less: WIP/Advance to contractors for infrastructure	<u>3647.76</u>	3444.97	4750.53
Advance for Indigenous Aircraft carrier -Cost Plus	154483.26		
Less: ADS inventory in stock	29919.99		
Less: Material issued	34703.70		
Less: Design and other direct expenses	25080.00		
Less: Advance for purchase of Materials	37986.32		
Less: Management fee & others	<u>16104.23</u>	10689.02	30132.50
Advance for Indigenous Aircraft carrier -Fixed price contract	92800.00		
Less: Income recognised so far	<u>76106.84</u>	16693.16	17380.89
Advances for shipbuilding		74395.29	63731.81
Advances for ship repairs & others		244.56	347.19
Other Liabilities		4307.69	9613.82
Forward Contract Account		(2836.48)	4492.61
<b>TOTAL</b>		<b><u>130726.00</u></b>	<b><u>143507.29</u></b>
<b>B. PROVISIONS</b>			
Provision for taxation		18931.64	10053.64
Provision for encashable leave salary		2563.42	2520.49
Provision for employee benefits		442.58	553.38
Provision for anticipated losses on ship construction		747.68	4651.09
Provision for taxes and duties (Other than income tax)		538.19	597.42
Provision for proposed dividend		1686.79	1686.79
Provision for corporate dividend tax		280.16	286.67
Provision for loss on derivatives		0.00	2640.36
Other provisions		2962.96	7875.05
<b>TOTAL</b>		<b><u>28153.42</u></b>	<b><u>30864.89</u></b>


**SCHEDULES TO ACCOUNTS**

	As at 31st March 2011	As at 31st March 2010
	(₹ in Lakhs)	
<b>13. INCOME FROM WORKS AND SERVICES</b>		
Ship Building	130249.05	106442.17
Subsidy on ships/small crafts	1747.26	11612.37
Ship Repairs	14174.68	23635.72
Engineering works	0.54	1.45
<b>TOTAL</b>	<b>146171.53</b>	<b>141691.71</b>
<b>14. OTHER INCOME</b>		
Income from scrap and stores	418.83	609.95
Income from sale of stores	37.65	34.47
Income from Laboratory services	24.94	26.98
Rent received	100.96	94.03
Hire charges received	38.36	30.52
Dividend Income	22.36	299.16
Interest on deposits	2454.12	3165.22
Interest from others	38.89	36.71
Excess provision written back	8460.81	2000.75
Miscellaneous Income	740.94	1858.01
<b>TOTAL</b>	<b>12337.86</b>	<b>8155.80</b>
<b>15. ACCRETION/(DECRETION) TO WORK-IN-PROGRESS</b>		
(Other than those which are recognised as income on percentage/proportionate completion method)		
Work-in-progress at cost :		
At the end of the year	4249.58	2886.79
Less: At the beginning of the year at cost	2886.79	3576.00
Accretion/(Decretion) to work-in-progress	<b>1362.79</b>	<b>(689.21)</b>
<b>16. SUBCONTRACT AND DIRECT EXPENSES</b>		
Sub contract and Off loaded jobs	14106.04	11771.06
Hull Insurance	257.09	89.43
Brokerage and Commission	966.08	923.15
Other Direct expenses	4044.78	11107.23
<b>TOTAL</b>	<b>19373.99</b>	<b>23890.87</b>



## SCHEDULES TO ACCOUNTS

	As at 31st March 2011	As at 31st March 2010
	(₹ in Lakhs)	
<b>17. SALARIES, WAGES, BONUS/EX-GRATIA AND OTHER BENEFITS TO EMPLOYEES</b>		
Salaries, wages, bonus/exgratia and allowances	14116.37	11520.21
Contribution to Provident Fund and Family Pension Fund **	886.84	798.98
Contribution to Group Gratuity Trust	1038.76	2225.04
Welfare expenses	607.64	872.53
<b>TOTAL</b>	<b>16649.61</b>	<b>15416.76</b>
** Includes PF inspection & administration charges ₹ 12.49 lakhs (previous year ₹ 9.64 lakhs)		
<b>18. POWER, FUEL AND WATER</b>		
Power	961.74	862.61
Fuel	612.33	638.31
Water	115.25	113.22
<b>TOTAL</b>	<b>1689.32</b>	<b>1614.14</b>
<b>19. OTHER EXPENDITURE</b>		
Repairs and Maintenance:		
Buildings and Roads	425.19	410.05
Plant and Machinery (including maintenance spares ₹ 157.97 lakhs - previous year ₹ 87.09 lakhs)	395.21	337.34
Others (including spares ₹ 11.80 lakhs -previous year ₹ 8.19 lakhs)	611.87	694.27
Maintenance dredging	484.63	524.01
Transport and stores handling	135.71	180.30
Travelling and conveyance expenses	265.69	309.00
Printing and stationery	48.60	64.76
Postage, telephone and telex	48.31	49.98
Advertisement and publicity	103.21	59.55
Lease rent	16.53	7.88
Hire charges	56.04	72.31
Rates and taxes other than tax on income	8.73	10.30
Insurance	138.45	109.17
Security expenses	413.21	458.63
Auditors Remuneration - for audit *	7.72	2.21
- for other services	0.92	0.28
(* includes ₹ 2.76 lakhs relating to earlier year and paid during the year)		
<b>Carried forward</b>	<b>3160.02</b>	<b>3290.04</b>


**SCHEDULES TO ACCOUNTS**

		As at 31st March 2011	As at 31st March 2010
		(₹ in Lakhs)	
	Brought forward	3160.02	3290.04
	Liquidated damages	1126.09	1526.36
	Training	156.60	142.18
	Legal expenses	31.42	31.83
	Bank charges	64.48	89.91
	Loss on derivative contracts (net)	4508.04	6567.39
	Expenditure on exchange variation	131.86	(1883.11)
	Corporate Social Responsibility	325.08	0.00
	Miscellaneous expenses	130.15	221.60
	TOTAL	<b>9633.74</b>	<b>9986.20</b>
	<b>20. DEPRECIATION AND OTHER LOSSES WRITTEN OFF</b>		
	Depreciation on fixed assets	1316.46	1221.22
	Loss on revaluation of tools in use estimated at 30% of book value	332.80	198.95
	Loss on sale and write off of fixed assets	56.34	9.92
	Write off of stores and spares	55.58	94.36
	TOTAL	<b>1761.18</b>	<b>1524.45</b>
	<b>21. PROVISION FOR ANTICIPATED LOSSES AND EXPENDITURE</b>		
	For doubtful advances/debts	3.42	987.69
	For liquidated damages and other anticipated loss/expenditure	928.87	5492.54
	For non moving and loss in inventory	0.00	297.08
	For Employee Benefits	63.67	371.45
	TOTAL	<b>995.96</b>	<b>7148.76</b>



## SCHEDULES TO ACCOUNTS

	As at 31st March 2011	As at 31st March 2010
	(₹ in Lakhs)	
<b>22. ADJUSTMENTS RELATING TO PRIOR YEARS</b>		
<b>INCOME / CREDITS</b>		
Vendor Adjustment	11.88	9.34
Provision for tax withdrawn	0.00	782.32
Provision for FE fluctuation on forward contract reversed	0.00	984.96
(A)	<b>11.88</b>	<b>1776.62</b>
<b>EXPENSES/DEBITS</b>		
Materials & consumables	38.13	1.98
Subsidy	1.96	0.00
Balance Input Tax credit on PSVs	22.01	68.79
Vendor Adjustment	0.00	9.50
Interest on KSEB deposit	11.74	0.00
Guarantee repairs	10.00	0.00
Adjustment of ST deposit	19.02	0.00
(B)	<b>102.86</b>	<b>80.27</b>
<b>NET INCOME / (EXPENSES) (A)-(B)</b>	<b>(90.98)</b>	<b>1696.35</b>

## SCHEDULES TO ACCOUNTS

### 23. A. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of preparation of financial statements

Accounts are maintained on accrual basis under the historical cost convention and in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India as well as provisions of the Companies Act, 1956 and these have been consistently followed.

#### 2. Use of estimates

In the preparation of financial statements, the management makes estimates and assumptions in conformity with the Generally Accepted Accounting Practices in India. Such estimates and assumptions are made on reasonable and prudent basis taking into account all available information. However, actual results could differ from these estimates and assumptions and such differences are recognized in the period in which results are ascertained.

#### 3. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation.

#### 4. Intangible Asset

Costs incurred on Design Development which are not directly chargeable on a product are capitalized as 'Intangible Asset' and amortised on a straight-line basis over a period of five years.

Cost of software which is not an integral part of the related hardware acquired for internal use is capitalised as Intangible Asset and amortised on a straight-line basis over a period of three years.

#### 5. Impairment of Assets

The company assesses the impairment of assets with reference to each cash generating unit, at each Balance Sheet date. If events or changes in circumstances based on internal and external factors indicate that the carrying value may not be recoverable in full, the loss on account of impairment, which is the difference between the carrying amount and the recoverable amount, is accounted for accordingly.

#### 6. Depreciation

Depreciation on fixed assets is provided on straight-line method as per the provisions of the Companies Act, 1956. In the case of assets with a value of ₹ 5000 or less, 100% depreciation is provided. Where rate of depreciation is 100%, depreciation is provided for the full year in which the asset is put to use.

### 7. Revenue Recognition

#### a) Contracts for the construction of ships and small crafts (other than Defence vessels)

The income from ship building, including ship building subsidy, is recognized on percentage of completion method, in proportion to the cost incurred for the work performed up to the reporting date bear to the estimated total contract cost, considering the physical progress or financial progress, whichever is lower. Where current estimates of total contract costs and revenue indicate a loss, provision is made for the entire loss, irrespective of the amount of work done.

#### b) Construction of Defence vessels

(i) Income from construction of vessels which are on fixed price basis is recognized on the percentage completion method, in proportion to the cost incurred for the work performed up to the reporting date bear to the estimated total contract cost, considering the physical progress or financial progress, whichever is lower. Where current estimates of total contract costs and revenue indicate a loss, provision is made for the entire loss, irrespective of the amount of work done

(ii) In the case of construction of defence vessels which are partly fixed price basis and partly cost plus basis, the income from fixed price part is recognized on the percentage completion method.

Income from 'cost plus' part of the contract activities for design outsourcing and material procurement are recognized based on the stage when the activities are performed/materials received/payments made. Cost of material and other expenses incurred for the vessel which are recoverable separately from Navy is charged off to the profit & loss account and are grossed up with the value of work done and recognized as income.

#### c) Contracts for repair of ships/Offshore structures:

Income from repair of ships/offshore structures is recognized based on Proportionate Completion method when proportionate performance of each ship repair activity exceeds 75%. The proportionate performance is measured by technical evaluation of



## SCHEDULES TO ACCOUNTS

the percentage of physical completion of each job. Revenue is recognized in proportion to the cost incurred to the estimated cost of completion after taking into consideration all possible contingencies with reference to the realizable value of work done. In the case of shiprepair contracts completed and invoices settled during the year, income recognised is net of reductions due to price variation admitted. In the case of unsettled invoices, the income is recognized net of estimated amount of reductions. Differences, if any, on settlement are adjusted against income in the year of settlement.

### d) Others:

Dividend income is recognized when the company's right to receive is established.

### 8. Inventories

(a) Raw materials, components, stores and spares are valued at weighted average cost method or net realisable value whichever is lower. Provision for obsolescence/non-usability/deterioration is determined on the basis of technical assessment made by the management. Goods in transit and goods pending inspection are valued at cost. Stock of materials in respect of construction of defence vessels wherein the cost incurred is reimbursed by the owner are shown as reduction from the advances paid by the owner for construction of the vessel.

### b) Work-in-progress

Work-in-progress of ships/offshore structures under repair, which have not reached 75% stage of physical completion and general engineering jobs are valued at cost. Work-in-progress of ships where physical construction has not started is also valued at cost.

(c) Loose tools in stock are valued at cost and tools in use are revalued after providing for loss on revaluation estimated at 30% of book value.

(d) Stock of scrap is valued at net realizable value after adjusting customs duty if any payable on the scrap.

### 9. Advance/progress payments received.

Advance/progress payments received from customers in respect of repair works are shown as deduction from the amount of work-in-progress in respect of income recognized under proportionate completion method. In the case of shipbuilding, the advance payment received is adjusted only when the ship is invoiced.

### 10. Retirement benefits of employees.

a) Liability in respect of defined benefit funds (except

Provident Fund) is provided on the basis of actuarial valuation as on the date of Balance Sheet. The method of actuarial valuation adopted is the Projected Unit Credit method.

b) Liability for payment of gratuity is determined by actuarial valuation as per AS15 (Revised) and funded to Employees Group Gratuity Trust as per Rules.

c) Defined contribution to Employees PF & Employees Pension Scheme 1995 are made on a monthly basis as per respective statutes.

d) Liability in respect of leave entitlement is made on actuarial valuation basis at the year end and provided for as per AS 15 (Revised).

### 11. Provision for Guarantee claims

Provision towards guarantee claims in respect of ships/small crafts delivered is provided/maintained based on technical estimation.

### 12. Liquidated damages and interest on advances

No income has been recognized on account of (a) interest on advances given and (b) liquidated damages, where the levies depend on decisions regarding Force Majeure condition of contract. These are accounted for on completion of contracts and/or when final decisions are taken.

### 13. Borrowing cost.

Borrowing costs that are attributable to the acquisition/construction or production of qualifying assets are capitalized as part of cost of such assets.

### 14. Prior Period adjustments and Extra Ordinary Item

Prior period adjustments and extraordinary items having material impact (over ₹ one Lakh) on the financial affairs of the Company are disclosed.

### 15. Foreign Currency Transactions

a) Foreign Currency Transactions:

Foreign exchange transactions are recorded adopting the exchange rate prevailing on the dates of respective transactions. Monetary assets and liabilities denominated in foreign currencies existing as on the balance sheet date are translated at the exchange rate prevailing as at the balance sheet date. The exchange difference arising from the settlement of transactions during the period and effect of translations of assets and liabilities at the balance sheet date are recognized in the Profit and Loss Account.



## SCHEDULES TO ACCOUNTS

### b) Derivative instruments and hedge accounting:

The company uses foreign currency derivative contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. The company designates these as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 – Financial Instruments: Recognition and Measurement.

The use of foreign currency derivative contracts is governed by the company's policies approved by the Board of Directors which provide written principles on the use of such financial derivatives consistent with the company's risk management strategy. The company does not use derivative financial instruments for speculative purposes.

Foreign currency derivative instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated as effective cash flow hedges are recognized in Hedging Reserve Account under Shareholders' Funds and the ineffective portion is recognized in the Profit and Loss Account. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the Profit and Loss Account as they arise.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in reserves is transferred to the Profit and Loss Account.

### 16. Earnings Per Share

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extraordinary items. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the period.

### 17. Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred Tax liability or assets is recognized at subsequently enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

### 23. B. NOTES ON ACCOUNTS

1. Shipbuilding income of ₹ 1,30,249.05 lakhs (previous year ₹ 1,06,442.17 lakhs) includes revenue recognized under percentage of completion method amounting to ₹ 1,03,504.28 lakhs (previous year ₹ 73,294.91 lakhs) against incomplete vessels. Shiprepair income includes income recognised under proportionate completion method amounting to ₹ 4,756 lakhs (previous year ₹ 7,074 lakhs)
2. Income from shiprepair is net of actual/ anticipated reductions amounting to ₹ 899.17 lakhs (previous year ₹ 1,321.07 lakhs).
3. Income from scrap and stores is net of import duty paid on sale of bonded scrap and stores amounting to ₹ 40.84 lakhs (previous year ₹ 42.74 lakhs).
4. Interest on Deposit includes ₹ 9.89 lakhs (previous year ₹ 9.61 lakhs) being interest on fixed deposits (with Bank) of ₹ 147.27 lakhs (previous year ₹ 138.57 lakhs) furnished as Earnest Money Deposit/Security Deposit.
5. Other deposits include fixed deposit with bank of ₹ 147.27 lakhs (including interest) (previous year ₹ 138.57 lakhs) made in the joint name with Chennai Port Trust towards performance guarantee.
6. (i) The company enters into foreign exchange derivative contracts to offset the foreign currency risks arising from the amounts denominated in currencies other than Indian Rupee. The counter party to the company's foreign currency forward contracts is generally a bank.  
The company has designated all the outstanding Forward Exchange Contracts as Cash Flow Hedges. The changes in fair value of effective Forward Exchange Contracts are recognized directly in a Reserve account designated as Hedging Reserve Account and the ineffective portion is recognized immediately in the Profit and Loss Account.
- (ii) The company has the following outstanding effective derivative contracts, which have been designated as Cash Flow Hedges, as on 31 March 2011:



## SCHEDULES TO ACCOUNTS

Particulars	31 March 2011		31 March 2010	
	(₹ in Lakhs)			
	Notional amount of contracts	Fair Value Gain/ (Loss)	Notional amount of contracts	Fair Value Gain/ (Loss)
Forward Contracts	77638.79	2751.01	128025.90	(3964.70)
Option Contracts	NIL	NIL	7724.53	(982.05)
Total	77638.79	2751.01	135750.43	(4946.75)

(iii) The movement in Hedge Reserve during the year ended 31 March 2011 for derivatives designated as Cash Flow Hedges is as follows:

	Year ended 31 March 2011	Year ended 31 March 2010
	(₹ in Lakhs)	
Balance at the beginning of the year	(4946.75)	(44637.42)
Gains/(Losses) transferred to income statement on recognition of forecasted hedge transaction	5760.51	27802.19
Changes in the fair value of effective portion of outstanding cash flow derivatives	1134.17	12342.62
Net derivative gain/(losses) related to a discounted cash flow hedge	-	-
(Gains)/losses transferred to profit and loss account on recognition of financial asset	803.08	(454.14)
Balance at the end of the year	2751.01	(4946.75)

(iv) In addition to the above Cash Flow Hedges, the company has outstanding foreign exchange derivative contracts of firm commitment or highly probable forecast transactions and contracts without underlying transactions aggregating to ₹ 37,403.91 lakhs (Previous year ₹ 7,3923.65 lakhs), the fair value determination of these contracts as on 31 March 2011 results in a profit of ₹ 888.55 lakhs (Previous year loss of ₹ 2,640.36 lakhs). Although these contracts are effective hedges from an economic perspective, they do not qualify for hedge accounting as per AS 30 and accordingly these are considered as ineffective hedges and changes in fair value recorded in the Profit and Loss Account.

7. Based on the decisions taken by the share holders in their meeting held on 17 March 2009, the fully paid equity shares of ₹ 1000 each of the company has been sub divided into fully paid equity shares of ₹ 10 each. The physical re issue of sub divided shares is pending

for the return of original share certificates by the share holders.

8. The interest on customs duty due at the time of debonding material/scrap is accounted in the year of debonding.
9. Maintenance spares included in the inventory represent spares of general nature and are not related to a particular asset.
10. Sundry Debtors include debts amounting to ₹ 1,03,255.30 lakhs (previous years ₹ 68,614.09 lakhs) accounted on account of income recognized under proportionate completion method pertaining to incomplete vessels against which stage payments received amounting to ₹ 40,947.05 lakhs (previous year ₹ 55,232.08 lakhs) for completed stages is shown as advance under current liabilities.
11. An amount of ₹ 503 lakhs has been provided as contingencies in the accounts towards probable

## SCHEDULES TO ACCOUNTS

- liquidated damages on the vessels to be delivered on dates beyond 31 March 2011 after considering the grace period.
12. There are no dues to Micro and Small Enterprises as on 31 March 2011 which are overdue and required to be disclosed as per MSMED Act 2006. This information has been determined to the extent such parties have been identified on the basis of information available with the company.
  13. Capital reserve represents restoration charges received from M/s Indian Oil Corporation for laying pipeline through the company's land.
  14. The dispute between M/s Apeejay Shipping Ltd (formerly M/s Surendra Overseas Ltd) and the company, in the matter of Ship 005 was referred for arbitration by the Hon'ble Supreme Court of India. The arbitration award (July 2009) was in favour of the Company under which the company is to receive ₹ 2803.64 lakhs from M/s Apeejay Shipping Ltd. The company has filed a petition before Sub Court, Ernakulam for passing a decree and the matter is pending. M/s Apeejay Shipping has moved the Sub Court to quash the Award of the Umpire and the company has filed Counter Affidavit against this move. No credit has been taken in the books of accounts, pending final decree of the Court.
  15. The old Firefighting Training Institute building costing ₹ 59.12 lakhs which had a written down value of ₹ 41.84 lakhs was demolished/written off during the year and approval from Government is awaited.
  16. Employee benefits as per Accounting Standard 15 (Revised) 'Employee Benefits' for the below mentioned defined benefits schemes has been provided in the accounts.
    - Gratuity
    - Earned leave/sick leave entitlement

In respect of Leave Travel Concession relating to the block period 2010-2013, provision amounting to Rs 131.28 lakhs towards unavailed portion has been retained considering the full eligibility of the employees in this behalf.

Actuarial valuation of leave entitlement and gratuity have been done with the following assumptions:

Particulars	2010-11		2009-10	
	Leave Entitlement (Unfunded) 31 March 2011	Gratuity (Funded) 31 March 2011	Leave Entitlement (Unfunded) 31 March 2010	Gratuity (Funded) 31 March 2010
Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation rate	3.00%	3.00%	3.70%	3.70%
Expected rate of return on plan assets	-	9.00%	-	9.00%



## SCHEDULES TO ACCOUNTS

	2010-11 (₹ lakhs)		2009-10 (₹ lakhs)	
	Leave Entitlement (Unfunded) 31 March 2011	Gratuity (Funded) 31 March 2011	Leave Entitlement (Unfunded) 31 March 2010	Gratuity (Funded) 31 March 2010
Change in defined benefit obligation				
Present value of obligation as at the beginning of the year	2294.07	7088.64	1539.54	5156.19
Interest cost	171.82	523.04	104.12	361.60
Current service cost	102.67	246.25	73.93	182.05
Benefits paid	(292.63)	(1101.23)	(226.41)	(796.56)
Past service cost	0.00	0.00	0.00	0.00
Actuarial gain/(loss) on obligations	287.49	782.77	802.89	2185.36
Present value of obligation as at the end of the year	2563.42	7539.47	2294.07	7088.64

	2010-11 (₹ lakhs)		2009-10 (₹ lakhs)	
	Leave Entitlement 31 March 2011	Gratuity (Funded) 31 March 2011	Leave Entitlement 31 March 2010	Gratuity (Funded) 31 March 2010
Change in the fair value of Plan Assets				
Fair value of plan assets as at the beginning of the year	NA	5215.96	NA	3714.30
Expected return on plan assets	NA	534.15	NA	354.98
Actuarial gain/(loss)	NA	(18.80)	NA	153.45
Contributions	292.63	2539.32	226.41	1789.79
Benefits paid	(292.63)	(1101.23)	(226.41)	(796.56)
Fair value of plan assets as at the end of the year	NA	7169.40	NA	5215.96

	2010-11 (₹ lakhs)		2009-10 (₹ lakhs)	
	Leave Entitlement 31.03.2011	Gratuity (Funded) 31.03.2011	Leave Entitlement 31.03.2010	Gratuity (Funded) 31.03.2010
Expenses recognized in the statement of Profit and Loss A/C				
Current service cost	102.67	246.25	73.93	182.05
Interest cost	171.82	523.04	104.12	361.60
Expected return on plan assets	0.00	(534.15)	0.00	(354.98)
Net actuarial (Gain)/Loss recognized in the year	287.49	801.58	802.90	2031.90
Past service cost	0.00	0.00	0.00	0.00
Expenses recognized in statement of Profit and Loss A/C	561.98	1036.72	980.95	2220.57

Gratuity expenses includes ₹ 1.77 lakhs (Previous year ₹ 4.47 lakhs), being amount paid towards insurance premium (Risk care).

## SCHEDULES TO ACCOUNTS

- 17(i) The company had signed Phase I contract with Indian Navy for the construction of Indigenous Aircraft Carrier (P-71). The contract has two parts (a) Cost Plus contract (b) Fixed price contract. The commissioner of Commercial Taxes, Govt of Kerala has clarified that the contract is a construction contract and delivery of vessel is a 'sale of a chattel as a chattel' and is treated as a 'sale contract' exigible to KVAT. Accordingly, the company has changed the method of accounting whereby all materials and expenses incurred during the year (which are reimbursable from Navy) has been charged to Profit & Loss account and grossed up with the value of work done and recognized as income and subsequently adjusted against the advance received from Navy. Due to the change in the method of accounting/presentation there is no impact on the profit or loss for the year or the value of assets or liabilities of the company at 31 March 2011 compared to those of previous year.
- (ii) An amount of ₹ 1,54,483.26 lakhs has been accounted as advance towards the cost plus part of the contract. Details are as follows:

Details	2010-11	2009-10
	(₹ in Lakhs)	
<b>I Total Advance</b>	<b>154483.26</b>	<b>139928.00</b>
(a) Amount adjusted by Indian Navy for Materials	78877.99	58020.31
(b) Other expenditure adjusted by Indian Navy	36165.52	23330.89
<b>II Total Expenditure adjusted by NAVY (a+b)</b>	<b>115043.51</b>	<b>81351.20</b>
III Expenditure yet to be adjusted by NAVY	28750.73	28444.30
<b>IV Total Expenditure (II + III)</b>	<b>143794.24</b>	<b>109795.50</b>
(c) Balance of funds (Cost Plus)	10689.02	30132.50

- (iii) The details of materials procured under Cost plus contract is as below:

### Materials/Consumables

	2010-11	2009-10
	(₹ in Lakhs)	
Purchases (till date) - Steel	47930.51	31637.54
- Bought out components	16693.18	5878.43
- Total	<b>64623.69</b>	<b>37515.97</b>
Issued (till date) - Steel	30318.48	21213.21
- Bought out components	4385.22	3112.83
- Total	<b>34703.70</b>	<b>24326.04</b>
Closing stock - Steel	17612.03	10424.33
- Bought out components	12307.96	2765.60
- Total	<b>29919.99</b>	<b>13189.93</b>

- (iv) An amount of ₹ 21,346.37 lakhs has been received from Indian Navy towards augmentation of infrastructure facilities for the construction of Indigenous Air craft Carrier (IAC) project. Out of the fund received for infrastructure facilities, the company has spent ₹ 17,901.41 lakhs (previous year ₹ 16,595.84 lakhs) till date. Of this amount, ₹ 14,642.39 lakhs (previous year ₹ 13,563.04 lakhs) has been adjusted by Indian Navy and the balance amount of ₹ 3,259.02 lakhs (previous year ₹ 3,032.80 lakhs) is pending for adjustment by Indian Navy.



## SCHEDULES TO ACCOUNTS

(y) Details of infrastructure expenditure incurred so far under different heads of Customer Financed Assets owned by Navy are as follows:

a) Cost of infrastructure facilities which has been met out of funds from Navy and adjusted by Indian Navy, till date.

Details	2010-11	2009-10
	(₹ in Lakhs)	
Buildings and civil structures	798.34	39.45
Data Processing equipment	794.14	473.68
Plant and Machinery	13049.91	13049.91
<b>Total</b>	<b>14642.39</b>	<b>13563.04</b>

b) Cost of infrastructure facilities met out of funds from Navy pending adjustment by Indian Navy.

Details	2010-11	2009-10
	(₹ in Lakhs)	
Buildings and civil structures	459.88	1394.14
Data Processing equipment	0.00	145.33
Plant and Machinery	2799.14	1465.61
Capital work-in-progress	0.00	27.72
<b>Total</b>	<b>3259.02</b>	<b>3032.80</b>

Since the ownership vests with Navy, the above assets are not included under Fixed assets.

18. The Income Tax Assessments of the company have been completed upto AY 2008-09. However, for the AY 2005-06 and 2008-09 a demand of ₹ 19,22,679/- and ₹ 8,65,436/- respectively has been raised. Against the above, the company has filed appeal before CIT(Appeals) in both cases. Pending hearing of the above cases, the demand for the AY 2005-06 and 2008-09 has been shown as contingent liability.
19. (i) The Sales Tax Assessments under KGST for the Assessment Years 2000-01, 2001-02 has been completed and Assessment orders were issued. Due to apparent mistake in the order, applications have been filed for rectification of the orders. The rectified orders have not been issued so far. Pending rectification to the assessment order for the year 2001-02, an amount of ₹ 73.44 lakhs has been shown under contingent liabilities. The Assessment for the years 2002-03 and 2003-04 also have been completed. The assessment orders have not been issued so far. The Assessment for the year 2004-05 has been completed

and Assessment Order has been issued with a tax due amounting to ₹ 196.37 Lakhs. Company has filed appeal before the DC(A) against the disallowance made by the Assessing Officer particularly with regard to the treatment of export sales which has been treated as a local sale by the department. Pending disposal of the appeal, the tax due as per assessment order has been shown under contingent liabilities. Regarding assessments under KVAT Act, the assessment will be deemed to be complete if no notices are received by the assessee within 30 days of filing of returns. The Company has been filing its KVAT returns as per Rules and so far the Company has not received any notice rejecting the returns filed except for the year 2007-08. Department has issued a notice for the Assessment Year 2007-08 proposing to levy KVAT on the export sales effected by the company against which the company has filed reply. The hearing of the case is pending.

(ii) The Intelligence Officer, Commercial Taxes Department has issued notice on the company demanding ₹ 2,546.82 Lakhs towards penalty for non payment of KVAT of ₹ 1,273.41 Lakhs on the export

## SCHEDULES TO ACCOUNTS

of five Platform Supply Vessels (viz. BY 060-64) delivered to foreign buyers in the year 2008-09, on the pretext that the export effected by the company is not a sale as envisaged in the CST Act, but a local sale exigible to KVAT @ 4.04%. Against the above, the Company has filed appeal before the Appellate Tribunal. Simultaneously company had also filed a Writ Petition before Hon'ble High Court of Kerala for stay on the collection of the demand. Hon'ble High

Court has granted absolute stay on the collection of demand till disposal of the appeal by the Appellate Tribunal with a direction to consider the various rulings given by the Hon'ble Supreme Court in similar cases. Pending decision in the appeal, the penalty demand of ₹ 2,546.82 Lakhs has been shown as contingent liability.

20. Disclosure as required by Accounting Standard 7 – Accounting for Construction Contracts – for contracts in progress as at the end of the year.

	2010-11	2009-10
	(₹ in Lakhs)	
(a) Contract revenue recognized in the period	103504.28	81805.51
(b) Contract cost incurred and recognized profits (less recognized losses) upto the reporting period	179362.13	131220.85
(c) Advance received from customers/Govt	133747.04	130688.07
(d) Gross amount due to customers	16693.16	36553.90
(e) Gross amount due from customers	62308.26	37086.70

(f) Method of revenue recognition – Percentage of completion method

(g) Method used to determine the stage of completion- Stage of completion is measured in the proportion to expenses incurred till the end of the year to the estimated total cost of completion of the project or percentage of physical completion whichever is less. In the case of IAC project, only the fixed price contract has been considered under AS 7 and the material consumption and direct expenses under 'Cost plus' part of the contract along with the mark-up given by the NAVY is not considered for estimating the financial completion under AS7.

21. Related party disclosure (AS-18)

Name of the transacting related party	Relationship between the parties	Name of transaction	Volume of transaction (₹ in lakhs)
Comde M Jirendran	Chairman and Managing Director(Retd) upto 06 May 2010	Remuneration	2.12
Shri N M Paramesh	Director (Finance)(Retd) upto 30 April 2010	Remuneration	1.61
Comde Subramaniam K	Chairman & Managing Director	Remuneration	34.39
Shri V Radhakrishnan	Director (Technical)	Remuneration	30.36
Shri Ravi Kumar Roddam	Director (Finance) From 03 May 2010	Remuneration	27.07



## SCHEDULES TO ACCOUNTS

22. Accounting for taxes on Income AS 22 – The break-up of Deferred Tax Assets and Liabilities as on 31 March 2011 as against 31 March 2010 is detailed below, which results in decrease in Net Deferred Tax Asset. Consequent to this the amount debited to Profit & Loss account is ₹ 2959.00 lakhs.

(₹ in Lakhs)

	Deferred tax (asset)/liability as at 01 April 2010	Current year Charge/(credit) 2010-11	Deferred tax (asset)/Liability as at 31 March 2011
<b>Deferred tax liability:</b>			
Depreciation	2094.74	119.47	2214.21
<b>Deferred tax asset :</b>			
Provision for liabilities	2252.03	(390.96)	1861.07
Provision for obsolete inventory	103.71	(30.62)	73.09
Provision for loss	1544.98	(1302.39)	242.59
Provision for doubtful debts	795.27	(17.39)	777.88
Provision for taxes and duties	126.66	26.56	153.22
Provision for expenditure	1110.18	(90.10)	1020.08
Provision for contingencies	1433.38	(1034.63)	398.75
<b>TOTAL</b>	<b>7366.21</b>	<b>(2839.53)</b>	<b>4526.68</b>
<b>Deferred tax (Net)</b>	<b>(5271.47)</b>	<b>(2959.00)</b>	<b>(2312.47)</b>
<b>Total deferred tax Asset</b>	<b>(5271.47)</b>	<b>(2959.00)</b>	<b>(2312.47)</b>

The company expects sufficient future profits for absorbing the Deferred Tax Asset as at the end of the year.

23. Segment Reporting: The Company is engaged in two major activities, viz, Shipbuilding and Repair of ships/offshore structures. Segment wise analysis has been made on the above basis and amounts allocated on a reasonable basis.

(₹ in Lakhs)

	SHIP BUILDING	SHIPREPAIR	UNALLOCATED	TOTAL
<b>SEGMENT REVENUE</b>				
EXTERNAL SALES	131996.84	14174.68	10252.88	156424.40
INTEREST			2493.01	2493.01
ACCRETION/(DECRETION) TO WIP	1564.17	(201.38)		1362.79
TOTAL REVENUE	133561.00	13973.30	12745.90	160280.20
SEGMENT RESULT	27449.00	2638.52	4502.25	34589.77
TAX (NET)				11837.00
<b>NET PROFIT</b>				22752.77
<b>OTHER INFORMATION</b>				
SEGMENT ASSETS	141712.08	14724.98	99222.12	255659.18
SEGMENT LIABILITIES	126811.37	4050.24	124797.57	255659.18
CAPITAL EXPENDITURE	808.98	413.14	243.99	1466.11
DEPRECIATION	880.86	229.67	205.93	1316.46
NON-CASH EXPENDITURE OTHER THAN DEPRECIATION	-	-	-	-



## SCHEDULES TO ACCOUNTS

24. Earnings per Equity Share has been computed as under:

	2010-11	2009-10
Net Profit after tax (₹ Lakhs)	22752.77	22304.07
No of Equity Shares (Nos)	113280000	113280000
EPS (in ₹)	20.09	19.69

(₹ in Lakhs)

	2010-11	2009-10
25 Stage payments due on contracts but not received during the year.	-	-
26 Advances include Due by directors: Maximum amount due at any time during the year	-	-
27 Estimated amount of contracts remaining to be executed on capital account and not provided for	38.52	95.46

28. In the case of contracts/sub-contracts, wherever final bills are not submitted by the contractors for the work done as at the close of the year, liability is estimated and provided for based on the work done.

29. Balances of sundry debtors, loans and advances, deposits, claims and sundry creditors are subject to confirmation.

30. Figures in brackets denotes minus figures.

31. Previous year's figures have been regrouped and reclassified wherever necessary to conform to current year's presentations.

### 23. C. INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPH 3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

#### 1. Details of capacity and production

	2010-11	2009-10
a) Licensed capacity	175000 DWT of shipbuilding and one million GRT of ship repair per annum as per industrial licence No CIL 108(88) dt 27- May 1988 granted by the Department of Industrial Development	
b) Installed capacity (as certified by the Management)	Two ships of 75000 DWT of shipbuilding and one million GRT of ship repair per annum on reaching full production.	
c) Actual production:		
Vessels under construction (Inc IAC)	11	14
Vessels delivered	6	5
Shipbuilding (DWT)	140251	121035
No of ships repaired	68	45
IAC Project – (Fabrication Tonnes)	2705	4037



## SCHEDULES TO ACCOUNTS

## 2. Value of raw materials consumed

	Unit	2010-11		2009-10	
		Qty	Value(₹ lakhs)	Qty	Value(₹ lakhs)
Steel	m.t	10926.16	10624.69	14445.89	13102.83
Pipe	mtrs	83958.73	761.96	78801.22	738.05
Paint	ltrs	289914.20	685.65	329415.59	852.49
Bought out components			59517.78		40748.30
			<b>71590.08</b>		<b>55441.67</b>

## 3. Value of imports on CIF basis

	2010-11	2009-10
	(₹ lakhs)	
Raw materials	38293.23	25225.21
Spares, components and consumables	5476.98	4481.45
Capital goods	2057.63	1848.86
	<b>45827.84</b>	<b>31555.52</b>

## 4. Value of imported/indigenous raw materials, spares and bought out components consumed and percentage thereof:

	2010-11		2009-10	
	Value (₹ lakhs)	%	Value (₹ lakhs)	%
Raw Materials				
Imported	3697.27	30.63	6853.86	46.65
Indigenous	8375.03	69.37	7839.51	53.35
	<b>12072.30</b>	<b>100.00</b>	<b>14693.37</b>	<b>100.00</b>
Bought out components				
Imported	54274.23	91.19	36851.63	90.44
Indigenous	5243.55	8.81	3896.67	9.56
	<b>59517.78</b>	<b>100.00</b>	<b>40748.30</b>	<b>100.00</b>
Spares				
Imported	44.73	26.35	6.90	7.24
Indigenous	125.04	73.65	88.37	92.76
	<b>169.77</b>	<b>100.00</b>	<b>95.27</b>	<b>100.00</b>


**SCHEDULES TO ACCOUNTS**
**5. Managerial remuneration to Chairman and Managing Director and Directors**

	2010-11	2009-10
	(₹ lakhs)	
Salaries and Allowances	85.62	95.84
Employers contribution to Provident fund	4.21	4.20
Employers contribution to Gratuity	1.69	1.68
Value of perquisites	4.03	4.54

**6. Expenditure in foreign currency (on payment basis) other than those in item 3 above.**

	2010-11	2009-10
	(₹ lakhs)	
Payments to foreign consultants	495.26	704.80
Commissioning and installation charges	130.68	143.39
Brokerage & commission	425.96	798.07
Advance payments to suppliers	1922.26	5584.21
Design & documentation charges	1062.56	5849.55
Others	25.61	37.64

**7. Earnings in foreign exchange (on due basis)**

	2010-11	2009-10
	(₹ lakhs)	
Income from shipbuilding	90165.35	66763.51
Income from ship repair	NIL	NIL



SCHEDULES TO ACCOUNTS

23.D.STATUS OF MAJOR CONTINGENT LIABILITIES AND PROVISIONS AS ON 31-03-2011 AS REQUIRED UNDER AS 29 - ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Description	Carrying amount at the beginning of the year	Additional provisions made during the year	Amounts used during the year	Unused amount reversed	Amount at the end of the year	Brief Description of the nature and obligation	Indications of uncertainties about the outflow	Amount expected reimbursement, if any
(₹ in Lakhs)								
<b>ACONTINGENT LIABILITY</b>								
1 Greater Cochin Development Authority	400.00	0.00	0.00	0.00	400.00	Claim raised by GCDA for the land acquired for the company is disputed.	The matter is under negotiation	
2 Letters of credit	13386.09	11661.39	5272.88	0.00	19774.60	Represents LC opened by the company in various banks for procurement of materials/assets	No liability	
3 R&D Cess	568.93	0.00	0.00	568.93	0.00	Customs duty for materials under Bond	No technology transfer is involved in the services rendered.	
4 Customs duties, Demurrages & Sales Tax	14814.40	0.00	0.00	6729.40	8085.00	Penalty imposed by the dept of commercial taxes on the Turnover of ships exported during 2008-09 under the pretext that the ships exported by CSL to foreign owners is not an export sale and hence subject to tax under KVAT Act	CSL filed appeal before Appellate Tribunal. Further the Company has obtained Stay from the Hon'ble High Court against the collection of demand till the disposal of the appeal by the Tribunal which is pending.	
5 Penalty levied by KVAT authorities on export of ships	2546.82	0.00	0.00	0.00	2546.82	Demand of KGST raised by the Commercial Taxes Dept for the Asst Year 2001-02 and 2004-05 due to wrong demand of KGST on the export turnover of the Tugs under the pretext that the Tugs exported by CSL to foreign owners is not an export sale and hence subject to tax under KGST Act and wrong disallowance of overheads in ship repair.	CSL has filed appeal and Stay Petitions before DC(A) for the AY 2004-05. Case not posted for hearing.	
6 Demand for KGST for the Asst Years 2001-02 & 2004-05	0.00	269.81	0.00	0.00	269.81	AY 2001-02 ₹ 73.44 lakhs AY 2004-05 ₹ 196.37 lakhs Total ₹ 269.81 lakhs	Application for rectification filed for the AY 2001-02. Case not posted for hearing.	

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## SCHEDULES TO ACCOUNTS

7 Income Tax	444.81	27.88	0.00	354.12	118.57	118.57	Relating to Assent years 2000-01, 2002-03, 2003-04, 2004-05, 2005-06 & 2008-09 due to various disallowances by the Assessing Officer.	
8 Service Tax	1647.47	0.00	0.00	0.00	1647.47	1647.47	Demand of Service Tax on LAC P-71 (Design Consultancy) as per Show Cause Notice issued. Reply to Show Cause Notice filed.	Hearing pending.
	322.90	0.00	0.00	0.00	322.90	322.90	Service Tax on the amount paid towards Brokerage and commission.	Appeal filed before the CESTAT has been disposed for want of COD permission. The requirement of COD permission has been withdrawn by the Hon'ble Supreme Court. Moved for Revival Petition.
9 M/s Vigil Marine Services	0.00	2307.24	0.00	0.00	2307.24	2307.24	Claim for agency commission of USD 2.5 million + interest @ 18 % pa thereon for 6 years.	
<b>B) PROVISIONS</b>								
1 Sales Tax Liability	323.18	151.01	216.11	0.00	258.08	258.08	The amount outstanding at the end of the year represents provision made as follows: AY 1996-97 - ₹ 49.03 AY 1999-00 - ₹ 58.03 (Ship 009) AY 2010-11 - ₹ 151.01	No further liability is expected.
2 Provision for Doubtful Debts	2394.12	3.42	0.00	0.00	2397.54	2397.54	Represents provision for bad and doubtful debts made against amount long outstanding from the customers	The irrecoverable amount, if any, would be written off on the basis of discussions.
3 Provision for Taxes & Duties	274.24	29.82	23.95	0.00	280.11	280.11	Represents provision towards Service Tax and Customs Duty	
4 Provision for Guarantee Repairs	1405.50	183.00	46.12	740.44	801.94	801.94	This represents provision made towards guarantee repairs in respect of ships built and delivered by the company and ships repaired.	This would be adjusted as and when incurred.

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SCHEDULES TO ACCOUNTS

5 Provision for liquidated damages	1897.77	390.00	1338.20	500.84	448.73	This related to provision for Liquidated Damages as per contract terms provided for shipbuilding/ ship repair contracts. At the time of settlement company may be able to settle the same for reduced amounts and based on the conditions which led to delay	Any excess/short provided would be adjusted on final settlement.
6 Provision for Encashment of Leave Salary	2520.49	269.35	0.00	226.42	2563.42	Provision made for liability towards Encashable Earned leave as on 31 March 2011	Will be paid as per company rules
7 Provision for Loss on Shipbuilding	4651.09	0.00	0.00	3903.41	747.68		
8 Provision for loss on derivatives	2640.36	0.00	2640.36	0.00	0.00		
9 Provision for arrears of Electricity charges	255.47	6.16	0.00	0.00	261.63		
10 Provision for Contingencies	4315.13	538.86	0.00	3625.00	1228.99	₹ 726.00 Lakhs pertains to expected Liability contingent upon Tribunal decision on the applicability of Service Tax on METI and ₹ 503.00 lakhs pertains to anticipated contingencies towards ILD on new building	Under Litigation on the issue of ST on METI
11 Provision for CSR	0.00	220.50	0.00	0.00	220.50		
12 Provision for employee benefits	553.38	63.68	0.00	174.48	442.58	Provision created for employee benefits	
13 Provision for obsolescence, non usability, deterioration of inventory	312.22	0.00	0.00	86.95	225.27		


**SCHEDULES TO ACCOUNTS**
**23.E. ADDITIONAL INFORMATION AS REQUIRED UNDER  
PART IV OF SCHEDULE VI OF COMPANIES ACT, 1956.**
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>1.</b>	<b>Registration Details</b>	
	Registration Number	2414 of 1972
	State Code	09
	Balance Sheet date	31 March 2011
<b>2.</b>	<b>Capital raised during the year</b>	<b>(₹ Lakhs)</b>
	Public issue	Nil
	Rights issue	Nil
	Bonus issue	Nil
	Private Placement	Nil
<b>3.</b>	<b>Position of Mobilization and deployment of funds</b>	
	Total Liabilities	96779.77
	Total Assets	96779.77
	Sources of funds	
	Paid up Capital	19242.20
	Reserves & Surplus	77537.57
	Secured Loans	0.00
	Unsecured Loans	0.00
		<b>96779.77</b>
	Application of funds	
	Net Fixed Assets	23122.60
	Investments	19.18
	Deferred tax asset	2312.47
	Net Current Assets	71325.52
		<b>96779.77</b>



SCHEDULES TO ACCOUNTS

4. Performance of the Company	(₹ Lakhs)
Total Turnover/Income	160280.20
Total Expenditure	125690.43
Profit before Tax	34589.77
Profit after Tax	22752.77
Earnings per Share (in rupees)	20.09
Dividend Rate -Equity	10%
<b>5. Generic Names of principal products, services of the Company</b>	
Item Code No. (ITC Code)	Product description
890110 01	Ships
890120 00	Tankers
890400 00	Tugs
979000 00	Ship repair & General Engg.

Schedule 1 to 23 form part of Accounts

For and on behalf of Board of Directors

Sd/-  
**V KALA**  
Company Secretary

Sd/-  
**RAVIKUMAR RODDAM**  
Director (Finance)

Sd/-  
**CMDE K SUBRAMANIAM**  
Chairman and Managing Director

Kochi, dated the 16 June 2011

As per our report of even date  
For **MENON & AYYAR**  
Chartered Accountants  
(Firm Reg. No.002058S)

**MOHANAN KUTTICKAT**  
( Partner)  
( Membership No 15842)  
Kochi, dated the 21 June 2011



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

(₹ lakhs)

	For the year ended 31st March 2011	For the year ended 31st March 2010
<b>A. Cash flow from operating activities</b>		
Net profit before tax	<b>34589.77</b>	<b>33124.87</b>
Adjustments for :		
Depreciation & amortisation	1316.46	1221.22
Interest paid	2666.81	1819.21
Interest received	(2493.01)	(3201.93)
Loss /(profit) on sale of fixed assets	54.55	9.30
Loss on derivative contracts	4508.04	6567.39
Exchange difference from FE transactions	131.86	(1883.11)
Hedge reserve account	7697.76	39690.67
Dividend income	(22.36)	(299.16)
Operating cash flow before working capital changes	48449.88	77048.46
Adjustments for working capital changes:		
Inventories	10452.57	8884.38
Trade and other receivables	(29777.58)	(23622.45)
Trade and other payables	(28024.50)	(48941.69)
Cash generated from operation	1100.37	13368.70
Tax paid	3651.98	12313.73
Net cash generated from Operating Activities (A)	<b>(2551.61)</b>	<b>1054.97</b>
<b>B. Cashflow from investing activities</b>		
Purchase of assets	(1466.11)	(8046.01)
Capital work-in-progress	818.51	(415.46)
Sale/withdrawal of fixed assets	2.62	4.54
Interest received	2493.01	3201.93
Investments	300.08	(310.08)
Dividend income	22.36	299.16
Net cash from investing operation (B)	<b>2170.47</b>	<b>(5265.92)</b>

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## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

(₹ lakhs)

	For the year ended 31st March 2011	For the year ended 31st March 2010
<b>C. Cashflow from financing activities</b>		
Redemption of Preference Shares	0.00	(4000.00)
Loss on cancellation of derivative contracts	(4508.04)	(6567.39)
Loss on Exchange difference from FE transactions	(131.86)	1883.11
Repayment of loans	0.00	(10105.59)
Dividend paid	1686.79	1966.79
Interest paid	(2666.81)	(1819.21)
Net cash from financing activities (c)	<b>(5619.92)</b>	<b>(18642.29)</b>
<b>D. Net Increase in Cash &amp; Cash Equivalent (A)+(B)+(C)</b>	<b>(6001.06)</b>	<b>(22853.24)</b>
Cash and cash equivalent at the beginning of the year	75026.16	97879.40
Cash and cash equivalent at the end of the year	69025.10	75026.16
Net cash increase/(decrease)	<b>(6001.06)</b>	<b>(22853.24)</b>

For and on behalf of Board of Directors

Sd/-  
**V KALA**  
Company Secretary

Sd/-  
**RAVIKUMAR RODDAM**  
Director (Finance)

Sd/-  
**CMDE K SUBRAMANIAM**  
Chairman and Managing Director

Kochi, dated the 16 June 2011  
As per our report of even date

For **MENON & AYYAR**  
Chartered Accountants  
(Firm Reg. No.002058S)

Sd/-  
**MOHANAN KUTTICKAT**  
( Partner)  
( Membership No 15842)  
Kochi, dated the 21 June 2011

**DETAILS OF MAINTENANCE ON TOWNSHIP AND OTHER SOCIAL OVERHEADS**

	2010-11	2009-10
	(₹ lakhs)	
1. Township expenses (Net including depreciation)	49.47	58.41
2. Medical expenses	207.30	334.14
3. Canteen subsidy	161.86	156.92
4. Leave Travel Concession	23.99	163.59
5. Liveries & Uniforms	50.82	37.16
6. Workmens Compensation	5.50	9.10
7. Death Benevolent Fund	11.29	0.93
8. Interest Subsidy to employee	40.81	77.74
9. Group personal accident insurance	3.75	3.67
10. Other Welfare expenses	102.32	89.28
<b>TOTAL</b>	<b>657.11</b>	<b>930.94</b>

**STATEMENT SHOWING EXPENDITURE ON PUBLIC RELATIONS AND PUBLICITY**

	2010-11	2009-10	2008-09
	(₹ lakhs)		
1. Advertisement	56.99	26.28	42.43
2. Publicity	34.03	20.54	18.10
3. Entertainment	11.43	8.97	10.82
4. Guest house expenses	3.68	4.38	14.71

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

(₹ lakhs)

	2010-11	2009-10
<b>A. SOURCES OF FUNDS</b>		
Funds from Internal Generation:		
Profit for the year	22753	22304
Depreciation	1316	1221
Loss/(Profit) on sale/write off of fixed Assets	55	9
Sale of Fixed Assets	3	5
Change in Hedge Reserve	7698	39691
	<b>31824</b>	<b>63230</b>
<b>B. APPLICATION OF FUNDS</b>		
Fixed Assets	1466	8046
Increase/(Decrease) in reserve for Deferred Tax Asset	(2959)	(2247)
Increase/(Decrease) in Investment	(300)	310
Decrease in borrowed Funds	0	10106
Increase/(Decrease) in Capital Work in Progress	(819)	415
Dividend & Tax	1967	1973
Redemption of Preference Shares	0	4000
Increase/(Decrease) in Working Capital	32469	40627
	<b>31824</b>	<b>63230</b>

## STATEMENT SHOWING CHANGES IN WORKING CAPITAL

	2010-11	2009-10
	(₹ lakhs)	
<b>A. Current Assets: Increase / (Decrease)</b>		
Cash & Bank Balance	(6001)	(15136)
Inventory	(10453)	(8884)
Sundry Debtors	36750	26496
Loans, Advances & Other current assets	(3321)	(21875)
	<b>16976</b>	<b>(19399)</b>
<b>B. Current Liabilities: Increase / (Decrease)</b>		
Sundry Creditors	10729	(5816)
Advance from Shipowners & others	(10876)	(208)
Provisions	(2711)	(19653)
Other liabilities	(12635)	(34350)
	<b>(15493)</b>	<b>(60026)</b>
<b>Increase/(Decrease) in Working Capital</b>	<b>32469</b>	<b>40627</b>