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## Board of Directors

Cmde K Subramaniam	:	Chairman & Managing Director
Shri Ravikumar Roddam	:	Director (Finance)
Shri P Vinayakumar	:	Director (Technical)
Capt R S Sundar	:	Director (Operations)
Shri M C Jauhari, IAS	:	Official Part Time Director, Joint Secretary (Shipping) Ministry of Shipping
Shri L N Vijayaraghavan, IAS (Retd.)	:	Non Official Part Time Director
Vice Admiral (Retd.) S K K Krishnan	:	Non Official Part Time Director
Shri M Raman, IAS (Retd.)	:	Non Official Part Time Director

## Management Team

Shri Jose Mathew	:	Executive Director (Design)
Shri Baby Thomas	:	Executive Director (Materials)
Shri Joe Joe Peter	:	Chief General Manager (Planning & IQC)
Shri Sunny Thomas	:	General Manager (Technical)
Shri Paul Ranjan	:	General Manager (Finance – I)
Shri N V Suresh Babu	:	General Manager (Ship Repair)
Shri Madhu S Nair	:	General Manager (Marketing)
Shri Bejoy Bhasker	:	General Manager (Defence Projects)
Shri K J Ramesh	:	General Manager (Human Resource)
Shri T N Sudhakar	:	General Manager (Finance – II)
Shri Murugaiah M	:	General Manager (Hull and HE)
Shri M D Varghese	:	General Manager (Industrial Relations & Administration)
Shri K I Koshy	:	General Manager (Materials)

## Company Secretary

Smt V Kala

## Registered Office

### **Cochin Shipyard Limited**

XXXIX/ 6080, Administrative Building  
Perumanoor  
Kochi – 682015, 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.

## 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 & Managing Director on 31 December 2010. 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 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, 43rd rank in CA Inter, 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 34 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. P Vinayakumar**  
Director (Technical)

Shri P Vinayakumar has assumed charge of Director (Technical) with effect from 1 September 2011. A graduate in B.Sc Engg (Mechanical) and B.Tech (Naval Architecture), he joined Cochin Shipyard in 1978 as Naval Architect Trainee and has close to 33 years of experience in managing many portfolios like Business Development, Design, Shiprepair, Shipbuilding, Training etc.



**Capt R S Sundar**  
Director (Operations)

Capt R S Sundar, Indian Navy (Retd) has assumed the duties of Director (Operations) of Cochin Shipyard Limited., Kochi on 21 November 2011. In his professional career spanning over three decades, Capt R S Sundar has held various important appointments in the Indian Navy. Prior to joining Cochin Shipyard Ltd, Capt R S Sundar was associated with Mazagon Dock Ltd, Mumbai.



### Shri M.C. Jauhari IAS

Official Part Time Director  
Joint Secretary (Shipping)

Shri M.C. Jauhari, IAS (AM:87) entered in Govt. Service on 24.8.1987. He joined Ministry of Shipping as Joint Secretary(Shipping) on 19<sup>th</sup> January, 2012. He was born on 2<sup>nd</sup> August, 1962 at Shahjahanpur in UP. He completed his studies from Uttar Pradesh and has done his Post Graduation in Physics from Allahabad University. He has worked in the State Govt. of Assam in various capacities and also as Joint DG/Director in DGFT in Commerce & Industry Ministry, Govt. of India, New Delhi. In addition to this, he has worked as Adviser in the Indian Mission to European Union. He has got vast knowledge in different subjects including land revenue administration, Labour & employment, Town and country planning, Science & Technology, foreign trade, Agriculture & Cooperation, Personnel & General Administration, Planning & Programme implementation etc. He is presently Govt. Director on the Boards of Shipping Corporation of India Ltd., Cochin Shipyard Ltd. and Dredging Corporation of India Ltd.



### Shri L N Vijayaraghavan IAS (Retd.)

Non Official Part Time Director

Shri L N Vijayaraghavan is a Non Official Part Time Director in our Board w.e.f 16 September 2011. He is a post graduate in commerce and a former member of the Indian Administrative Service. He retired in the rank of Chief Secretary to Government of Tamil Nadu after working for over 35 years in key sectors of government such as Power, Infrastructure, Industry, Rural Development, Education, Housing and Urban Development, Finance, Municipal Administration & Water supply, Women and Child Development. He is credited with turning around the only State owned shipping company in India, the Poompuhar Shipping Corporation from a loss making company to a profit making company during 1989-91. He had been instrumental in the implementation of various housing and urban infrastructure projects in Tamil Nadu, the notable contribution being the execution of the 220 km of water supply pipeline from Veeranam to Chennai city during his tenure as Principal Secretary, Municipal administration and Water supply. Shri Vijayaraghavan has also headed various organizations and has held directorships in various government and semi government organizations. He is a Director in the Neyveli Lignite Corporation and also a member of the audit committee.



**VAdm (Retd.) S K K Krishnan**

Non Official Part Time Director

VAdm S K K Krishnan is a Non Official Part Time Director in our Board w.e.f 25th January 2012. A Mechanical Engineer by profession with a post graduation in Marine Engineering from Naval Academy, St Petersburg, Russia, Shri Krishnan has served the Indian Navy for 36 years after which he took over charge as CMD of M/s Mazagon Docks Limited (MDL). Shri Krishnan is a highly respected naval officer whose commitment and engineering skills are widely acknowledged. Shri Krishnan is also recognized for the system & procedural improvements that he brought about in Mazagon Docks Limited (MDL), especially with reference to the new ERP environment that was implemented during his tenure.



**Shri M Raman, IAS (Retd.)**

Non Official Part Time Director

Shri M Raman is a Non Official Part Time Director in our Board w.e.f 25th January 2012. He has more than three decades of experience in various government departments notably in the Chemicals, Petrochemicals, Port and Shipping sector. He was the CMD of Ennore Port Limited from 2001 to 2006 and was fully involved in conceptualization, policy formulation, financial restructuring and funding pattern for the port. He also has extensive experience in handling various portfolios, especially, in the areas of infrastructure, Industrial Development, social development issues etc. He retired as Secretary to the Government of India.

## FINANCIAL HIGHLIGHTS

(₹ in crores)

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Turnover	1404.85	1461.72	1248.50	1256.21	833.79	719.74	373.53	276.48	228.44	235.16	210.25
Total income	1481.54	1589.17	1326.49	1383.26	857.17	845.64	452.89	323.31	267.94	282.07	253.84
EBDIT	284.16	390.27	364.68	276.42	162.66	104.17	43.79	28.03	37.18	35.72	36.62
Depreciation & write offs	18.07	17.06	15.24	9.80	9.69	7.89	10.62	7.24	6.47	6.80	5.40
Profit After Tax (PAT)	172.33	227.53	223.04	160.07	93.85	58.11	18.23	12.10	17.78	16.49	16.41
Equity Share Capital	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	111.28
Reserves & Surplus	898.41	775.38	490.54	336.70	199.64	93.67	55.06	36.83	34.19	25.86	15.68
Net Worth	1050.83	967.8	680.32	566.49	429.43	323.45	284.85	266.62	264.03	255.66	245.43
Gross Fixed Assets	376.73	362.10	349.68	270.39	233.46	217.18	206.92	204.65	195.86	205.00	198.86
Net Fixed Assets	192.61	190.67	189.75	121.64	92.16	81.91	76.33	78.30	74.09	86.30	84.92
Number of Employees	1900	1818	1907	1962	2059	2084	2075	2109	2175	2189	2232
<b>Key Indicators</b>											
EPS (₹ per share)	15.21	20.09	19.69	14.13	828.51	513.00	160.97	106.81	156.96	145.57	147.47
Face Value Per Share (₹)	10	10	10	10	1000	1000	1000	1000	1000	1000	1000
EBDIT/ Gross Turnover (%)	20.21	26.7	29.2	22.0	19.5	14.5	11.7	10.1	16.3	15.2	17.4
Net Profit Margin (%)	12.27	15.57	17.86	12.74	11.26	8.07	4.88	4.38	7.78	7.01	7.80
Return on Net Worth (%)	16.40	23.51	32.78	28.26	21.85	17.97	6.40	4.54	6.73	6.45	6.74
Return on Capital Employed (%)	18.76	27.44	38.57	29.09	23.28	11.70	3.65	2045	4.33	4.28	4.22
Capital Employed	918.68	829.27	578.32	550.31	401.33	496.60	499.64	493.63	410.98	392.75	389.25



## CHAIRMAN'S ADDRESS

I am very happy to welcome you to the 40th Annual General Meeting of Cochin Shipyard Limited.

2. The company completed four decades of its existence on 29<sup>th</sup> March 2012. The yard has passed through difficult phases during these four decades to emerge as a strong and resilient company.

3. The shipping and shipbuilding scenario globally continues to be depressed. Freight rates though marginally better than 2010-11 continue to be low. There is an oversupply of vessels in the market and commercial shipbuilding orders are hard to come by it. In addition to this, withdrawal of the shipbuilding subsidy scheme in August 2007 has also had an adverse effect on the ability of Indian shipyards to garner new orders. Viewed against this, the performance of your company is creditable.

4. The company achieved a turnover of ₹ 1405 crores with a PAT of ₹ 172 crores. The company contributed ₹ 111 crores to the National Exchequer by way of VAT, Income Tax, FBT, Excise Duty, Customs Duty and Service Tax. The yard is proposing to declare a dividend of ₹ 1.5 per share on the 11,32,80,000 fully paid equity shares of ₹ 10 each and ₹ 70 per share on the 3,91,420,7% Preference shares of ₹ 1000 each for the year 2011-12. The total outgo on the dividend and the dividend tax is approximately ₹ 23 crores. The company has also redeemed 4,00,000, 7% preference shares amounting to ₹ 40 crores during the year 2011-12. With this the preference share capital of the company to be redeemed before 2015 would be ₹ 39.14 crores.

5. Cochin Shipyard has delivered 5 ships in the financial year 2011-12. In the year 2012-13 the yard has so far delivered 3 ships to Shipping Corporation of India (SCI). The Platform Supply Vessel (SCI Nalanda) which was delivered to SCI on 14 August 2012 was first vessel of the CD 755 design of Rolls Royce Marine to be built worldwide. This is a very high technology, high quality vessel and complies with the highest level of comfort class requirement. This vessel is a proof of our technical expertise in constructing high quality high tech ships.

6. I am happy to inform you that our quality of construction has been recognized worldwide. It is with great pride that I share with you that one of our customers have compared the ship built at Cochin Shipyard, 'BY 82', with that of another foreign yard



and stated that our ship was more modern and the steel quality is better. We are taking all efforts to maintain the quality of construction and improve on the same in future too.

7. A major achievement of Cochin Shipyard during the year 2011-12 was the technical launch of the Indigenous Aircraft Carrier on 29<sup>th</sup> December 2011. This is an evolutionary project based on a telescopic design wherein design and construction are carried on concurrently. This project poses many challenges given the fact that India is only the sixth nation in the world to design and build a carrier of this size. Given this magnitude of the project, the launching of the ship in two years from keel laying has been a remarkable achievement and is a credit to our technical capability.

8. Presently, the yard has 28 ships on order consisting of 6 Off-shore support vessels for domestic and international owners, 20 fast patrol vessels for the Indian coast guard and the prestigious Aircraft Carrier for the Indian Navy. An order for Buoy Tender Vessel for the Director General of Light Houses and Light Ships was secured during the current year (2012-13). The performance of the company has been rated 'outstanding' since the year 2006-07. The yard was also awarded MoU excellence award by the honorable Prime Minister of India for the third Consecutive year (2009-10).

9. Constant modernization of existing facilities has been a significant factor which has strengthened the technical capacity of the yard. An amount of ₹ 194 crores in the capital budget has been provided for the Renewals and Replacement of the assets for the year



## CHAIRMAN'S ADDRESS

2012-13. One of the most innovative work under the capital renewal scheme which was completed in 2011-12 was the Dock gate renewal. The thirty year old Dock gate was redesigned, fabricated inhouse and renewed. Significantly, the replacement was undertaken in an 'afloat' state without exceeding cofferdams thus drastically cutting down time. Further, this has added considerable number of years of life to the gate and has made the dock more safe for work.

10. The yard also has invested in Research and Development. ₹ 2.45 crores is earmarked for R&D in 2012-13. Our R&D efforts have borne fruit in the area of the development of welding procedures for achieving high quality welding in the fabrication of special steel for the Aircraft Carrier. Our efforts in this area has increased productivity, reduced defects and resulted in faster production.

11. The yard continues to be compliant with the Integrated Management System (IMS) consisting of ISO 9001 Quality Management System, ISO 14001 Environment Standards and OHSAS 18001 Occupational Health and safety standard.

12. I am happy to report that during the year 2011-12, Cochin Shipyard undertook an exercise of formulating a business plan for the company in the short, medium and long terms. The aim of the exercise was to draw up structured growth for the yard while ensuring that the company is able to tap all available opportunities to reduce and control risks in the long term. M/s E&Y were appointed as consultants for formulating the business plans and they submitted their reports in December 2011. Based on the business plan, the company has identified the following projects in the short and medium term to improve its growth prospects.

- a) A new Dry Dock in the northern area of the estate to take up repairs to rigs and semi submersibles.
- b) A new Shiprepair facility at the Cochin Port Trust area.
- c) Fabrication of offshore structures.

13. The three projects have identified good prospects and present immense opportunities. The feasibility studies for implementation of these projects have been initiated.

14. The industrial climate in the yard during 2011-12 was harmonious barring a "strike" by the

subcontractors of the yard. 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 8, out of which three 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, Sustainable Development Committee and R&D Committee has been constituted to provide fillip to the CSR, sustainable development and R&D initiatives of the company.

15. CSL is committed to fulfill its obligation as a good corporate citizen. Towards this, the company has adopted number of environmental initiatives. This includes 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 ₹ 3.49 Crores.

16. Your Shipyard has weathered difficult times in the past with fortitude and emerged from it stronger. This wouldn't have been possible but for the support and encouragement from the Ministry of Shipping, Government of India and Government of Kerala and the Board of Directors. Their invaluable advice and guidance has helped the company face the various challenges and move ahead in all its endeavors and 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 Fortieth Annual General Meeting of the Members of Cochin Shipyard Limited will be held at 1430 hrs on Friday, 21 September 2012 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 2012, 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 2012.
3. To declare a dividend on 7% Non Cumulative Preference Shares for the Financial Year ended 31 March 2012.

By order of the Board of Directors

Place: Kochi  
Date : 28 August 2012

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 40th Annual Report of your company along with the audited accounts for the year ended 31 March 2012.

### Financial Performance

- Cochin Shipyard Limited (CSL) continued to achieve good performance in the year 2011-12 albeit a marginal reduction in the turnover and profits. The turnover for the year was marginally lower at ₹ 1404.85 crores as compared to ₹ 1461.72 crores in the year 2010-11. The net profit was ₹ 172.33 crores as compared to ₹ 227.53 crores for the previous year. This performance is creditable considering the economic recessionary conditions and the downturn in the shipping and ship building sector. The reduction in the profits and turnover during the year were owing to several factors, primarily due to the reduction in turnover from Indigenous Aircraft Carrier (IAC) and the lack of shipbuilding subsidy.
- Cochin Shipyard is hopeful of concluding the phase II contract with the Ministry of Defence (Navy) for IAC in the near future. The yard is also on the threshold of signing a contract for one multipurpose vessel for the Director General of Lighthouses and Lightships. Discussions with ONGC are in an advanced stage to secure an order for a multi streamer Seismic survey vessel. The lack of fresh shipbuilding orders due to the continued oversupply in the shipping market is of concern.

### Dividend

- Your directors are pleased to recommend a dividend of ₹ 1.5 per share on the 11, 32, 80, 000 fully paid Equity shares of ₹ 10 each and ₹ 70 per 3,91,420 Preference shares of ₹ 1000 each for the

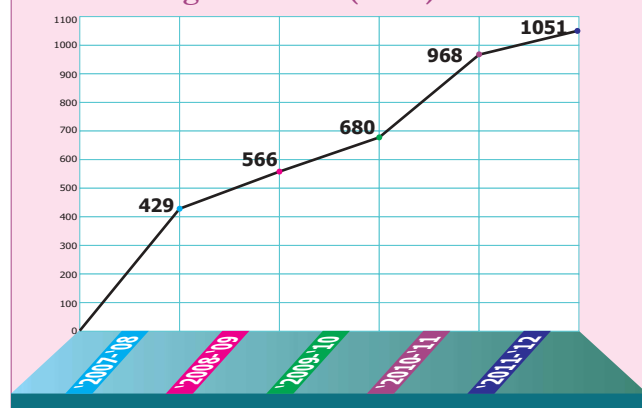
### Financial Highlights (₹ Crs)

Sl No	Particulars	2011-12	2010-11
(i)	Gross Income	1481.55	1589.17
(ii)	Profit Before Finance Cost, Depreciation & Tax	284.16	390.27
(iii)	Finance Costs	13.12	28.98
(iv)	Depreciation & Write off	18.07	17.06
(v)	Profit Before Tax (Net)	252.97	344.23
(vi)	Provision for Tax (Net)	80.64	116.70
(vii)	Net Profit	172.33	227.53

### Profit After Tax (₹ Crs)



### Increasing Networth (₹ Crs)





Vessels in Building Dock

## DIRECTORS' REPORT

year 2011-12. The total outgo for dividend and dividend tax would be approximately ₹ 22.93 crores.

### Transfer to General Reserves

- 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

- The total contribution made by way of Value Added Tax, Income Tax, Excise Duty, Customs Duty and Service Tax was ₹ 110.56 crores.

### Shipbuilding

- The company achieved a total shipbuilding income of ₹ 1,259.49 crores during 2011-12 as against ₹ 1,319.97 crores in 2010-11.
- During the year, the yard delivered five Offshore Support Ships for the various domestic and international owners.

### Shiprepair

- The company achieved a total shiprepair income of ₹ 145.36 Crores during the financial year 2011-12 as

against ₹ 141.75 crores in 2010-11.

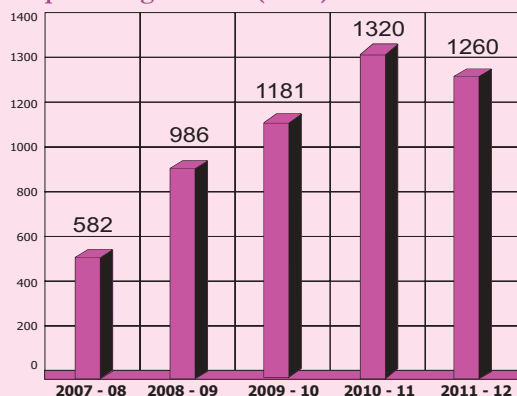
- Key repair projects undertaken by CSL during the year included refits of INS Sutlej, JUR Mercury, ML Tuticorin, MV Skipper-II, INS Sagar Dhvani, DCI Dredger XI & XVII, ICGS Varuna, Dredger Aquarius, MSV Samudra Sevak, INS Nireekshak, SPM-1 (1567A), HSC Bangaram, Tug Balshil, MV Lakshadweep Sea, Tug Iswari, MV Bharat Seema and MSV Hal Anant.

### Shipbuilding Order Book Position

- Order book position as on 31 March 2012 was as follows:-

Vessel Type	Nos
Anchor Handling Tug Supply Vessels (AH03), BY 78, 79, 80	03
STX NOD Platform Supply Vessels, BY 89-92	04
Platform Supply Vessels UT 755 CD, BY 85-86	02
Indigenous Aircraft Carrier for the Indian Navy, P 71	01
Fast Patrol Vessel for the Indian Coast Guard, BY 501-520	20

Shipbuilding Income (₹ Crs)



Shiprepair Income (₹ Crs)



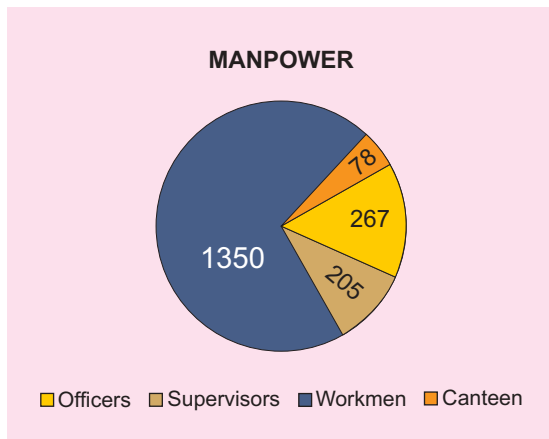


## DIRECTORS' REPORT

### Manpower

12. Manpower strength of the company as on 31 March 2012 was 1900, consisting of officers, supervisors and workers. The complement of CSL as on 31 March 2012 is shown in the table below:-

Category	SC	ST	OBC	PWD	Ex Servicemen/ Dependents	Women	Others
Officers	34	9	48	2	7	28	139
Super- visors	26	6	1	5	2	17	148
Workmen	142	25	169	40	17	76	881
Canteen	5	0	51	1	0	3	18
<b>Total</b>	<b>207</b>	<b>40</b>	<b>269</b>	<b>48</b>	<b>26</b>	<b>124</b>	<b>1186</b>



### Reservation in Employment

13. Out of 1900 employees, there are 207 SC's, 40 ST's, 269 OBC's, 26 Ex- Servicemen and 48 Persons with Disabilities. A Liaison Officer has been appointed specifically to look after the matters pertaining to the SC/ ST personnel. An SC/ ST cell is also functioning to assist the Liaison Officer. An SC/ST member is nominated to all selection committees in the case of direct recruitment as well as promotion.
14. CSL had notified 147 posts in workmen cadre during the year and 142 posts were filled. Out of 142 posts there are 13 SCs, 2 STs and 31 OBC candidates.

### Facility Upgrade and Capital Expenditure

15. The total plan expenditure incurred in 2011-12 amounted to ₹ 52.08 crores. An amount of

₹ 41.95 crores has been incurred for Renewals & Replacements, ₹ 0.51 crores for the Small Ship Division Project and ₹ 0.18 crores for implementation of ERP system. Further, an amount of ₹ 9.44 crores was spent on infrastructure facilities for the Indigenous Aircraft Carrier.

### Implementation of Official Language Policy

16. 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
17. Cochin Shipyard received the Rajbhasha Rolling Trophy and Certificate instituted by Kochi TOLIC (PSUs) for the best implementation of Official Language during the year 2010-11 among the companies having more than 200 employees. CSL team won second prize in the Official Language Quiz competition organized by Kochi TOLIC (PSUs) in connection with Joint Hindi Week Celebration.
18. Two employees were awarded with cash prize under the incentive scheme for doing original work in Hindi.
19. Incentive scheme for doing original work in Hindi has been made more attractive with a view to encourage to do more work in Hindi.
20. An Official Language Orientation Programme was organized for Senior Officers of the company on 30 Dec 2011. Hindi software has been installed in computers used for administrative purposes.
21. 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 being displayed in intranet as also on the notice board.
22. CMD released the third issue of Hindi House journal, 'Sagar Ratna'.

### 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

## DIRECTORS' REPORT

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 have also been held to source vigilance information of the organization.

### Research and Development Activities

27. R&D activities of CSL were mainly focused on development of suitable welding procedures for Marine grade Aluminum fabrication. Concerted efforts were put in place for the development of weld procedures with double pulsing power sources which helped in producing defect free and excellent weld joints in Marine grade Aluminum. These efforts in R&D are driven by need to find solutions for the fabrication of aluminum superstructure of the 20 Nos. Fast Patrol Vessels for Indian Coast Guard.
28. Some of the R&D projects identified for taking up in the near future include automation of pipe fabrication by the adoption of Orbital Welding, introduction of virtual reality weld simulators for welder training and study on distortion control in Aluminum welded panels.

### Safety

29. Safety in workplace and adoption of safe working practices has been the prime focus of CSL. Towards this end, the company has imparted safety training to all its employees. Safety day was observed on 05 March 2012.
30. For improving Safety awareness among work force, a new theme – Safety Education through a magic show was conceived whereby safety messages were innovatively conveyed using the

medium of a magic show. The programme had a positive impact and was well appreciated by the entire staff of CSL.

31. Weekly Site Safety briefings are conducted in Shipbuilding & Shiprepair (vessel wise) for improving safety awareness and in communicating incidents happening at various sites
32. Safety audit was conducted in the year 2012 and recommendations of the audit are in the process of being implemented.
33. Environment Drills and Onsite Emergency Drills were conducted with the involvement of respective ship staffs, Naval Fire Brigade, Kerala Fire & Rescue Department etc. This is in addition to the routine Fire/ Emergency Drills conducted in the yard.
34. During the year, CSL won Certificate of Excellence and First Prize for outstanding performance in Industrial Safety from Factories & Boilers Dept, Govt of Kerala and National Safety Council – Kerala Chapter. CSL also won First prize for Ambulance room and Safety Film and Second Prize for Safety Committees in the competitions conducted by Factories & Boilers Dept, Govt of Kerala.

### Industrial Security

35. Industrial Security of the company continued to be normal and without any security breach or incident. Company continued to be an ISPS Code compliant Shipyard and followed all standard security requirements. As per the security arrangements, 24 hrs water front patrolling with armed personnel and wireless surveillance (CCTV) system covering all critical locations and installation are in place. Company also has Bio Metric Access Control System for all categories of persons entering the yard. A full fledged visitors facilitation center is in operation for scrutiny and verification of the credentials of the visitors to the company. The industrial security of the company is in the hands of 116 strong CISF contingent headed by an officer in the rank of Assistant Commandant. Company also has very effective and harmonious relationship with the security related agencies like Kerala Police,



## DIRECTORS' REPORT

Intelligence Bureau, Central Bureau of Investigations, Indian Navy, Coast Guard etc. Cochin Shipyard Limited is also represented in a State level Committee on security of critical installation in the State of Kerala headed by the State Home Secretary.

### Awards and Recognition

36. CSL received the MoU Excellence Award for its outstanding performance for the year 2009-10 under the Memorandum of Understanding (MOU) entered into with Govt. of India. This is the third 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

### Board of Directors

37. As on the date of the Annual General Meeting, the Board of CSL consists of four Whole Time Directors, three Non Official Part Time Directors and one Official Part Time Director. Shri P Vinayakumar took over charge as the Director (Technical) of the company with effect from 01 September 2011. Captain R S Sundar (Retd) took over charge as Director (Operations) with effect from 21 November 2011. Shri L N Vijayaraghavan, IAS (Retd.) took over charge as Non Official Part Time Director with effect from 23 August 2011, Shri M Raman, IAS (Retd.) and VAdm S K K Krishnan, (Retd.) took over charge as Non Official Part Time Directors with effect from 25 January 2012. During the year, Dr. Prabhakaran Paleri demitted office as Non Official Part Time Director on 02 May 2011. Shri

V P Joy demitted office as Nominee Director of Government of Kerala on 25 May 2011. Shri M A Pathan, Shri B Sridhar, Shri N Kumar and Dr. S Narasimha Rao demitted office as Non Official Part Time Directors on 17 July 2011. Shri V. Radhakrishnan (Director Technical) demitted office on 31st August 2011. Shri Rajeev Gupta demitted office as Nominee Director of Government of India on 31 January 2012.

38. Shri M C Jauhari took over the charge as Official Part Time Director representing Government of India on 31 January 2012.
39. Shri K R Jyothilal demitted office as Official Part Time Director representing Government of Kerala on 18 August 2012.

### Directors Responsibility Statement

40. 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.

### Corporate Governance

41. The company is committed to maintaining 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 regards. The company



## DIRECTORS' REPORT

submits its quarterly progress reports on corporate governance within 15 days from the close of each quarter to the Ministry of Shipping as recommended by the DPE in this regard. The report on corporate governance forms part of the annual report.

### Internal Control Systems

42. The company has a system of delegation of financial 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 mechanism 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 Recommendation

43. During the year, there were no recommendations of the Audit Committee which was not accepted by the Board.

### Risk Management Process

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

### Redemption of Preference Shares

45. 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 has extended the date of redemption of 11, 91,420 7% Non Cumulative Preference Shares of ₹ 1000 each amounting to ₹ 119.1420 crores so as to redeem the same from April 2010 onwards in six annual

instalments or any time before the Initial Public Offer of the company whichever is earlier. Accordingly, the Board of Directors at the 184th 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 194th 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 was paid to GOI during 2011-12 towards redemption of preference shares.

### Auditors

46. M/s Menon & Ayyar, Chartered Accountants, Ernakulam were appointed as the Statutory Auditors of the company for the year 2011-12.

### Auditors Report

47. The comments of the Statutory Auditors and the company's reply are placed at **Annexure C**.

### Acknowledgement

48. The Board of Directors are extremely thankful for the continued patronage and support extended by the Hon'ble Minister of Shipping and all officers of the Ministry of Shipping. The Board would also like to express their grateful appreciation for the support and cooperation from various offices of the Government of India, Government of Kerala, various local bodies, the Comptroller & Auditor General of India, Statutory Auditors, Internal 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 all employees of Cochin Shipyard.

For and on Behalf of the Board of Directors,

Sd/-

Cmde K Subramaniam  
Chairman and Managing Director

Kochi  
20 July 2012



## 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<sup>st</sup> March 2012

#### 1. Conservation of Energy

- a. Steps taken for conservation of energy during the year 2011-12.
- Replacement of old and damaged window air conditioning units with energy efficient 5 star rated split A/C units.
  - Leakages in the compressed air distribution system and other industrial gas lines are regularly monitored and rectified.
  - Installed Variable Frequency Drives (VFDs) for Elgi make portable air compressors at ship repair area.
  - Installed VFDs for EOT cranes at FS bay, Pipe shop & at Hull shop.
  - Replaced 40W/36 W conventional tube lights with 18W LED type tubes leading to savings of electricity.
  - Optimizing use of lights / fans / A/C units.
  - Switching off power supply to the areas where there is no requirement during lunch interval.
  - Displayed energy saving stickers & posters, conducted seminar and quiz competition for inculcating awareness among employees for energy conservation aimed at optimum use of electric power and conducted energy audit.
  - Optimized loading of Diesel Generator (DG) sets.
  - Power factor is continuously monitored and maintained near to unity pf.
  - Replacement of old oil cooled power transformers with new dry type transformers thereby reducing no load losses and improving efficiency of transformer.
  - Replaced 400 KVA motor alternator set at 3Q substation with static frequency converter set.
- b. Additional investments & proposals, if any, being implemented for reduction of consumption of energy and consequent impact on the cost of production of goods.
- Introduction of renewable energy system - Solar Energy.
  - Introduction of VFDs to portable compressor for Energy efficiency.
  - Introduction of VFDs to Long Travel operations of Pendent operated EOT / Semi Gantry Cranes.

## ANNEXURE TO DIRECTORS REPORT

- c. Impact of measures at (a) and (b) above for reduction of consumption of energy.
- Renewal of Compressed Air / Acetylene / Oxygen Pipes.
  - Replacement of 40 W / 36 W conventional tube lights with 18 W LED type tubes.
- 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.
- Innovative methods of energy conservation measures are being identified and action is on for implementing the same.
  - Guidelines issued by GOI from time to time have been complied with.



ANNEXURE TO DIRECTORS REPORT - ANNEXURE A (Contd)

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

Sl No	Power and Fuel Consumption	2010-11	2011-12
1.	<b>Electricity</b>		
(a)	Purchase of units (KWH)	2,57,72,000	2,84,44,000
	Total Amount (₹)	9,58,63,752	10,60,96,765
	Per Unit Rate	₹ 2.90 per unit & ₹ 260 per KVA	₹ 2.90 per unit & ₹ 260 per KVA
	Cost Per Unit	₹ 3.72	₹ 3.73
(b)	Own generation including hired generator sets		
(i)	Through diesel generation units (KWH)	9,378	7,183
	Unit per litre of diesel	1.93	1.49
	Cost per unit	21.20	29.50
(ii)	Through steam turbine / generator units	Nil	Nil
	Units per litre of fuel, oil/gas	Nil	Nil
	Cost per unit	Nil	Nil
2.	<b>Coal</b>		
	Quantity (tones)	Nil	Nil
	Total Cost	Nil	Nil
	Average Rate	NA	NA
3.	<b>Furnace Oil</b>		
	Quantity (K1)	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

- |  |   |
|--|---|
| 1. Specific areas in which R&D carried out by the company. | R&D initiatives undertaken in the areas of welding and design.  |
| 2. Benefits derived as a result of R&D                     | R & D activities were mainly focused on development of suitable welding procedures for Marine Grade Aluminium Fabrication. Considerable efforts have been put into the development of weld procedures with double pulsing power sources which helped in producing defect free and excellent weld joints in Marine Grade Aluminium. This will stand us in good stead in the construction activities of 20 Nos. Fast Patrol vessels for Indian Coast Guard. |
| 3. Future Plan of Action                                   | Future projects identified include automation of pipe fabrication by the adoption of Orbital Welding, introduction of virtual reality weld simulators for welder training and study on distortion control in Aluminium Welded Panels.   |
| 4. Expenditure on R&D                                      | ₹ 3.02 Crs.   |

## B. Technology Absorption, Adaptation and Innovation

- |   |   |
|---|---|
| 1. Efforts in brief towards technology absorption, adaptation and innovation. | <ul style="list-style-type: none"> <li>i. Developed the hull and outfit models for Platform Supply Vessels.</li> <li>ii. 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>iii. 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 Navy.</li> <li>iv. Propulsion System Integration for the Aircraft Carrier Project being carried out in collaboration with M/s Fincantieri, Italy.</li> <li>v. Aviation Facilities Complex for Aircraft Carrier Design contracted with M/s Rosoboronexport Russia and procurement of the equipments are under process.</li> </ul> |
|---|---|



ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

- vi. Production design of state of the art 'CLEAN DESIGN, DP II, Electric Propelled' Offshore Supply Vessels.
- vii. Conversion of the existing semi automatic (MIG/ MAG) weld process to a completely automated weld process using welding oscillator with Rack and Pinion drive as well as magnetic base drive for welding in different weld position. This has resulted in significant increase in productivity.
- viii. Development of new weld procedures for DMR 249 Grade B Plate using Manual Metal Arc Welding (M M A W) process. Semi Automatic Gas Metal Arc Welding (G M A W) process and completely mechanised Sub Merged Arc Welding (SAW) process for welding Butt, fittet joints and T sections.
- ix. New weld procedures were developed inhouse for fabrication of methanol tank made of 316 L grade stainless steel using semi automatic Flux Cored Arc Welding (FCAW) process.

**FORM B**

**Disclosure of Particulars in respect of Absorption**

- i. Benefits derived as a result of the above efforts e.g. 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 corrected in 3D modeling on computer.
  - (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) Carried out modeling of the entire hull, facilitating very short cycle time for drawing issue.
  - (v) Capability achieved in undertaking multiple projects concurrently.
  - (vi) Drastically improved the weld Arc on time.
- ii. In case imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.

## ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

- a. Technology imported
- (i) Tribon M3 shipbuilding software.
  - (ii) Propulsion System Integration Analysis for Aircraft Carrier Project.
  - (iii) Aviation Facilities Complex for Aircraft Carrier Project.
  - (iv) Basic design of offshore support vessel of different categories like 755UT, 755LN, CD-09, CD-05, 755CD.
- b. Year of import 2007-2012.
- c. Has the technology been fully absorbed
- i. 100% of Tribon M3 software has been fully absorbed.
  - ii. 100% detailed engineering from 'Basic design of offshore support vessel of different categories like 755UT, 755LN, CD-09, CD-05, 755 CD has been absorbed.
  - iii. 90% for the PSI analysis for Aircraft Carrier Project has been absorbed.
  - iv. 40% for Aviation Facilities Complex (AFC) for Aircraft Carrier Project.
- d. If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action.
- i. The deliverables under PSI studies are being received in phases.
  - ii. The deliverables for AFC are also being received in phases.

## C. Foreign Exchange Earnings and Outgo

(₹ in Lakhs)

Income from Foreign Exchange (On due basis)	2011-12	2010-11
From Shiprepair	Nil	Nil
From Shipbuilding	67,719.97	90,165.35
<b>Expenditure in Foreign Exchange</b>		
Materials (CIF Value)	48098.90	45827.84
Design & Documentation	1018.31	1062.56
Service Charges & Others	4906.18	2999.77



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 2012

The preparation of financial statements of Cochin Shipyard Limited, Kochi for the year ended 31 March 2012 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 July 2012.

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 2012. 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/-  
(S RAJANI)  
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT AND  
EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI

Place: Chennai  
Date : 03 September 2012



## 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 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.	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 recognizes the importance of corporate governance to emerge as a model corporate. 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 by following good & sound corporate governance principles.

### Board of Directors

2. The Board of Directors of Cochin Shipyard Limited play 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. 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 31st March 2012 was as follows:-

No	Name of Directors	Category of Directorship
1.	Cmde K Subramaniam (Retd) Chairman and Managing Director	Executive
2.	Shri Ravikumar Roddam, Director (Finance)	Executive
3.	Shri P Vinayakumar, Director (Technical)	Executive
4.	Capt R S Sundar, Director (Operations)	Executive
5.	Shri M C Jauhari, IAS Joint Secretary (Shipping), Ministry of Shipping, Govt of India	Nominee of Government of India
6.	Shri K R Jyothishilal, IAS* Govt of Kerala (appointed w. e. f 23/03/2012)	Nominee of Government of Kerala
7.	Shri L N Vijayaraghavan, IAS (Retd)	Non Official Part Time Director
8.	Shri M Raman, IAS (Retd)	Non Official Part Time Director
9.	Vice Admiral (Retd) S K K Krishnan	Non Official Part Time Director

\* Demitted office on 18/08/2012

**Note: The following Directors have retired from the Board/ demitted office during this financial year 2011-12:-**

No	Name of Directors	Date of Cessation	Category of Directorship
1.	Dr Prabhakaran Paleri	02/05/2011	Non Official Part Time Director
2.	Shri V P Joy, Secretary, Transport Dept	25/05/2011	Nominee of Government of Kerala
3.	Shri V Radhakrishnan	31/08/2011	Executive. (Director Technical)
4.	Shri N Kumar	17/07/2011	Non Official Part Time Director
5.	Shri M A Pathan	17/07/2011	Non Official Part Time Director
6.	Shri B Sridhar	17/07/2011	Non Official Part Time Director
7.	Dr S Narasimha Rao	17/07/2011	Non Official Part Time Director
8.	Shri Rajeev Gupta, Joint Secretary (Shipping), Ministry of Shipping, Govt of India	31/01/2012	Nominee of Government of India
9.	Shri K R Jyothishilal, IAS Secretary, Transport Dept	18/08/2012	Nominee of Government of Kerala

## REPORT ON CORPORATE GOVERNANCE

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

Name of Director	Attendance of meeting during 2011-12		No. of other Directorship(s)		Other Board Committees	
	Board Meetings	Last AGM	Chairman	Member	Chairman	Member
Cmde K Subramanian	06	Yes	-	-	-	-
Shri V Radhakrishnan (Relinquished charge of Director (Technical) on 31 August 2011)	03	No	-	-	-	-
Shri Ravikumar Roddam	06	Yes	-	-	-	-
Shri P Vinayakumar	03	No	-	-	-	-
Capt R S Sundar	02	No	-	-	-	-
Shri Rajeev Gupta, IAS (Demitted office on 31 January 2012)	03	No	-	03	-	-
Shri V P Joy, IAS (Demitted office on 25 May 2011)	01	No	-	02	-	-
Shri M C Jauhari, IAS	00	No	-	-	-	-
Shri K R Jyothilal, IAS (Demitted office on 18 August 2012)	00	No	-	-	-	-
Dr Prabhakaran Paleri (Demitted office on 2 May 2011)	01	No	-	-	-	-
Shri M A Pathan (Demitted office on 17 July 2011)	02	No	02	04	-	01
Shri B Sridhar (Demitted office on 17 July 2011)	03	No	-	-	-	-
Shri N Kumar (Demitted office on 17 July 2011)	02	Yes	-	06	04	05
Dr S Narasimha Rao (Demitted office on 17 July 2011)	03	No	-	02	-	-
Shri L N Vijayaraghavan IAS (Retd)	03	No	-	02	-	01
VAdm (Retd.) S K K Krishnan	01	No	-	-	-	-
Shri M Raman IAS (Retd)	01	No	-	01	-	-

- The Directorships held by Directors as mentioned above does not include Alternate Directorships and Directorships of Foreign Companies, Sec 25 Companies and Private Limited Companies which are not Government 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 2011-12

4. Six Board Meetings were held during the year 2011-12 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	20 April 2011	10	8
2	15 June 2011	8	7
3	14 July 2011	8	7
4	16 September 2011	6	5
5	23 November 2011	7	6
6	22 February 2012	9	7

### 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 issues being discussed in the meeting. The information normally required to be placed before the Board include the following :-
- General notices of interest of Directors.
  - Terms of reference of Board Committees.
  - Minutes of 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 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).

(x) Status of business risk exposures, its management and related action plans.

(xi) Details of any joint venture or collaboration agreement.

(xii) Show cause, demand, prosecution notices and penalty notices which are materially important.

(xiii) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

(xiv) All policy matters deliberated and introduced for implementation.

(xv) Any material default in financial obligations to and by the company, or substantial non payment for goods sold by the company.

(xvi) Any issue which involves possible public or product liability claims of substantial nature, including any judgment 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 implications on the company.

(xvii) 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.

(xviii) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non payment of dividend, delay in share transfer etc.

(xix) 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 at the meeting with specific reference to the subject in the Agenda. In special and exceptional

## REPORT ON CORPORATE GOVERNANCE

circumstances, additional or supplementary item(s) on the Agenda are permitted.

### Recording Minutes of proceedings at Board and Committee meeting

7. The Company Secretary records the minutes of the proceedings of each Board and Committee meetings. 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 at the Board / Board Committee meetings are promptly communicated to the departments / divisions concerned. Action taken report on the decisions/minutes of the previous meeting(s) is placed at the immediately succeeding meeting of 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 five Committees viz Audit Committee, Remuneration Committee, Contracts Committee, Corporate Social Responsibility Committee and Sustainable Development 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. Last year the Audit Committee was reconstituted twice and the present committee was constituted vide circular resolution No. CR/05/2012 adopted on 01 July 2012 and taken on record at the 200th meeting of the Board of Directors on 20th July 2012.

### 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) Recommending to the Board the fixation of audit fees.
- (iii) Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- (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) Reviewing 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 (on listing of the company).
  - (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.

### Powers of the Audit Committee: -

13. The Committee is entrusted with the following powers:
  - i. To investigate any activity within its terms of reference.
  - ii. To seek information on and from any employee.
  - iii. To obtain outside legal or other professional advice, subject to the approval of the Board of Directors
  - iv. To secure attendance of outsiders with relevant expertise, if it considers necessary
  - v. The recommendations of the Audit Committee on any matter relating to the financial



## REPORT ON CORPORATE GOVERNANCE

management, including the audit report, shall be binding on the Board.

vi. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons thereof and communicate such reasons to the shareholders.

### Composition of Audit Committee

14. The present Audit Committee is constituted with Shri L N Vijayaraghavan, IAS (Retd), Non Official Part Time Director as Chairman, Vice Admiral (Retd) S K K Krishnan, Non Official Part Time Director, Shri M Raman, IAS (Retd), Non Official Part Time Director and Shri K R Jyothilal, IAS, Official Part Time Director as members. Audit Committee will be re constituted owing to demitting of office by Shri. K R Jyothilal, IAS on 18 August 2012.
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.

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

16. The committee met twice during the year 2011-12 on 14 June 2011 and 22 February 2012. The necessary quorum was present at these meetings. The attendance during the meeting was as follows:

Name of the Director	Meetings held	Meetings attended
Shri N Kumar <sup>^</sup>	02	00
Shri B Sridhar <sup>^</sup>	02	01
Dr. S Narasimha Rao <sup>^</sup>	02	01
Shri L N Vijayaraghavan, IAS (Retd)	02	01
VAdm (Retd) S K K Krishnan	02	01
Shri M Raman IAS (Retd)*	02	00
Shri K R Jyothilal, IAS**	02	00

\* Appointed in 2012-13

\*\* Demitted office on 18 August 2012

<sup>^</sup> Ceased to be on the Board and Audit Committee from July 2012

### Remuneration Committee

17. The Remuneration Committee of Cochin Shipyard Limited was constituted vide circular resolution no CR/03/2008 adopted on 13 December 2008. The present Remuneration Committee of Cochin Shipyard Limited was re-constituted at 198th Board Meeting held on 22 February 2012 upon vacation of office of Shri. M A Pathan, Shri. Rajeev Gupta and Dr. S Narasimha Rao.

### Terms of reference

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

### Composition

19. The Committee comprises of Vice Admiral (Retd) S K K Krishnan, Non Official Part Time Director as Chairman, Shri M Raman, IAS (Retd), Non Official Part Time Director, Shri M C Jauhari, IAS, Official Part Time Director and Shri Ravikumar Roddam, Director (Finance) as members.

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

20. One meeting of the Remuneration Committee was held during 2011-12 on 09 June 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	Shri Rajeev Gupta	01	01
3	Dr. S Narasimha Rao	01	01
4	Shri Ravikumar Roddam	01	01

## REPORT ON CORPORATE GOVERNANCE

### Remuneration Policy

21. 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 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 CSL. The remuneration of below Board level executive and non unionized supervisors is as per DPE guidelines and as approved by Administrative Ministry (Ministry of Shipping). The remuneration of worker is as per the long term settlement between the management and recognized trade unions.
22. Details of Remuneration paid to the Chairman & Managing Director and the Whole Time Directors are placed at **Enclosure I** to this report.

### Sitting fees

23. The Non Official Part Time Directors are paid sitting fees at the rate of ₹ 10,000 for attending each meeting of the Board or Committee thereof. Sitting fees paid to the Non Official Part Time Directors for 2011-12 is as follows:

Sl. No	Name	Fees (in ₹)
1	Dr. Prabhakaran Paleri	10,000.00
2	Shri B Sridhar	60,000.00
3	Shri N Kumar	60,000.00
4	Dr. S Narasimha Rao	90,000.00
5	Shri M A Pathan	30,000.00
6	Shri L N Vijayaraghavan, IAS (Retd)	70000.00
7	VAdm (Retd) S K K Krishnan	20,000.00
8	Shri M Raman, IAS (Retd)	10,000.00
	<b>Total</b>	<b>3,50,000.00</b>

### Contracts Committee

24. The Contracts Committee of the board was constituted vide circular resolution no 01/2010 adopted on 09 March 2010.

25. The Committee has not yet been reconstituted upon retirement of Shri B Sridhar, Shri N Kumar, Dr. S Narasimha Rao and Shri. V Radhakrishnan.

### Terms of reference

26. 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.
  - To consider and recommend to the Board proposals to waive liquidated damages beyond ₹ 25 lakhs.
  - 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.
  - 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.
  - Approval of any amendments, modifications to purchase procedure of CSL.
  - 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.
  - To approve capital expenditure above ₹ 50 crores and upto ₹ 200 crores.
  - 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 recommendations to the Board.
  - Any other matter that may be referred to it from time to time by CMD, CSL.

### Contracts Committee meeting held during the year and attendance

27. Two Contracts Committee Meetings were held during the year on 20 April 2011 and 14 June 2011



REPORT ON CORPORATE GOVERNANCE

Sl. No	Name of the member	Meetings held	Meeting attended
1	Shri B Sridhar	02	02
2	Cmde K Subramaniam	02	02
3	Shri V Radhakrishnan	02	02
4	Shri Ravikumar Roddam	02	02
5	Shri N Kumar	02	01
6	Dr. S Narasimha Rao	02	02

**Corporate Social Responsibility Committee**

28. A Subcommittee of the Board was constituted vide resolution no 181/09 at the 181st 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 of social causes, measures for improving the image of the company etc. The present Committee was re-constituted vide circular resolution No. CR 04/2012 adopted on 09th April 2012 and taken on record at the 199th Board Meeting held on 20th April 2012 with Shri L N Vijayaraghavan, IAS (Retd), Non Official Part Time Director, Chairman of the Committee, Shri K R Jyothilal IAS, Official Part Time Director, Member of the Committee and Shri Ravikumar Roddam, Director (Finance), Member of the Committee. Corporate Social Responsibility Committee will be re constituted owing to demitting of office by Shri. K R Jyothilal, IAS on 18 August 2012.. The Committee met on 16th September 2011 and 11th January 2012. The attendance of CSR Committee is as follows:

Sl. No	Name of Member	Meetings held	Meetings attended
1	Shri Rajeev Gupta	02	01
2	Shri Ravikumar Roddam	02	02
3	Shri L N Vijayaraghavan IAS( Retd.)	02	02

**Sustainable Development Committee**

29. The Sustainable Development Committee, a sub Committee of the Board was constituted at the 197th Board Meeting held on 23 November 2011 with Shri L N Vijayaraghavan, IAS (Retd), Non Official Part Time Director as Chairman, Shri P Vinayakumar, Director (Technical), and Shri Ravikumar Roddam Director (Finance), as Members. The DPE vide OM No. 3(9)/2010-DPE (MoU) dated 23 September 2011 has issued detailed guidelines on Sustainable Development in CPSEs. The Attendance of Sustainable Development Committee is as follows:

Sl. No	Name of Member	Meetings held	Meetings attended
1	Shri L N Vijayaraghavan IAS (Retd.)	01	01
2	Shri P Vinayakumar	01	01
3	Shri Ravikumar Roddam	01	01

**General Body Meetings**

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

Year	Date	Time	Venue	Special Resolution passed
2010-11	14 Jul 2011	1500 Hrs	39/6080 Administrative building, Cochin Shipyard Premises, Perumanoor Cochin 682015	Nil
2009-10	09 Sep 2010	1000 Hrs	39/6080 Administrative building, Cochin Shipyard Premises, Perumanoor Cochin 682015	Nil
2008-09	07 Aug 2009	1100 Hrs	39/6080 Administrative building, Cochin Shipyard Premises, Perumanoor Cochin 682015	Nil



## 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 has adopted a Whistle Blower Policy approved by the Board at its 199<sup>th</sup> meeting. 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 and 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.

iv. Details of compliance with the requirement of Corporate Governance guidelines.

In terms of Clause 8.2.1 of the DPE guidelines on Corporate Governance, Certificate regarding Compliance of Corporate governance guidelines from Practicing 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, Miniratna 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 2011-12 was 1.18% of the total expenditure as against 0.91% in 2010-11. Financial expenditure stood at 2.78% of the total expenditure in 2010-11, against 6.037% in the previous year.

### Code of Conduct

31. 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 2011-12. 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 of Directors and Senior Management personnel in respect of the financial year 2011-12*

Sd/-

*Cmde K Subramaniam  
Chairman and Managing Director*



## REPORT ON CORPORATE GOVERNANCE

### CEO/CFO Certification

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

### Risk Management Process

33. 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.
34. 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

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

Sl. No.	Shareholder	No of Equity Shares
(i)	The President of India	11, 32, 79, 700
(ii)	Shri M C Jauhari, IAS JS(S), Ministry of Shipping, GOI	100
(iii)	Cmde K Subramaniam, Chairman & Managing Director	100
(iv)	Shri Ravikumar Roddam, (Director Finance)	100
	<b>Total</b>	<b>11, 32, 80, 000</b>

36. The company has 7, 91,420 7% non-cumulative preference shares of ₹ 1000 each in the name of President of India as on 31st March 2011. On 31st December 2011 pursuant to the meeting of the 7% non cumulative preference shareholders held on 17 March 2009, 4,00,000 nos 7% non cumulative preference share of ₹ 1000 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 194th 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 in the year 2011-12. The company paid ₹ 20 crs each in two instalments in December 2011 and March 2012. Presently the total preference shares held by the company amounts to ₹ 39.14crores.

### Means of Communication

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

### Training Board Members

38. 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 in 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. The Board has also adopted a policy regarding training of Directors.

## 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 Notice period, severance fees	Stock Option details	Total	
C.mde K Subramaniam, Chairman & Managing Director	21,46,714.05	11,65,228.00	Based on performance criteria laid down by DPE	Appointed vide MOS letter No. SY-11011 /1/2009-CSL dated 31.December 2010 for a period of 5 years with effect from 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 3 months or in the absence of notice 3 months pay may be remitted.	NIL	33,11,942.05	
Shri Ravikumar Roddam, Director ( Finance)	19,64,831.50	9,14,195.00	Same as above	Appointed vide MOS letter No. SY-11012 /1/2009-CSL dated 19.April.2010 for a period of 5 years with effect from 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 3 months or in the absence of notice 3 months pay may be remitted.	NIL	28,79,026.50	
Shri P Vinayakumar Director(Technical)	11,29,097.00	NIL	Same as above	Appointed vide MOS letter No. SY-11012/ 3/2010-CSL dated 16,June.2011 for a period of 5 years with effect from 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 3 months or in the absence of notice 3 months pay may be remitted.	NIL	11,29,097.00	
Capt. R S Sundar Director(Operations)	6,91,952.34	NIL	Same as above	Appointed vide MOS letter No. SY-11012/ 2/2010-CSL dated 16.September 2011 for a period of 5 years with effect from 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 3 months or in the absence of notice 3 months pay may be remitted.	NIL	6,91,952.34	
Shri V Radhakrishnan	7,14,720.56	10,13,219.00	Same as above	Appointed vide MOS letter No. SY-11012/ 1/2007-CSL dated 31 December 2009 for a period of 5 years with effect from 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 3 months or in the absence of notice 3 months pay may be remitted.	NIL	17,27,939.56	



Enclosure II to Corporate Governance Report

M C SAJUMON, M.Com, ACMA, ACS, ACIS  
PRACTISING 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 31-03-2012, 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.

M.C.SAJUMON, M.COM, ACMA, ACS, ACIS  
PRACTISING COMPANY SECRETARY  
ACS: 9868, CPN: 2385

Place: Kochi-18  
Date : 05.09.2012



## 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 2012 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 become aware and the involvements 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)

Cmde K Subramaniam  
Chairman & Managing Director

Kochi- 15  
Date: 19 July 2012



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Global Industry Scenario

1. During the year 2011-12, global Shipbuilding and Shiprepair industry continued to experience gloomy outlook following the economic meltdown of 2008-09. The industry continues to feel the brunt of huge over-supply and lack of liquidity for funding of new shipbuilding projects. While there has been a growth in global trading volumes, the charter rates of shipping industry continued to remain low and are at 40% of the rates of 2005.
2. According to the Clarksons Research Report, due to the low charter rates coupled with over capacity, shipbuilding companies continued to face difficult credit situation and liquidity crunch. This has forced some small scale players to succumb to competitive pressures worldwide.
3. Therefore, given the above situation the shipbuilding market is likely to be by and large fragile in the short term. However, analysis suggested that niche segments like LNG, LPG and Offshore continue to hold some promise for growth in the foreseeable future.

### Indian Shipbuilding and Shiprepair Industry - Outlook

4. The Indian shipbuilding industry continues to be affected by the adverse global recessionary trends and by lack of orders. The setting up of large private shipyards viz M/s Pipavav Offshore and Defence Ltd, Gujarat and L&T Shipbuilding Yard, Chennai, in addition to the capacity addition undertaken by the existing players has increased capacity and competition forcing the industry to focus on defence and offshore segments. The growing needs of the Defence sector viz the Indian Navy and the Coast Guard is promising. Lack of a policy support for commercial Shipbuilding by way of an incentive scheme or subsidy has generated a negative sentiment in the industry. The growth of Indian shipbuilding which registered a high of 1.24% in 2007 has returned to 0.01% of the global order book in 2009. Notwithstanding the projections made in the Maritime Agenda 2010, unless there is positive and sustained policy support for the

industry, it is unlikely that there would be a revival of this sector. Apart from the defence sector, the offshore, oil and natural gas industry are the other segments which hold out some promise of growth for the industry.

5. In the shiprepair sector, the public sector undertakings continued to dominate with about 70% of market share. As per the available reports the number and value of shiprepair activity registered a stronger growth from 2006-07 onwards. There is tremendous opportunity in the shiprepair sector owing to very few ship repair yards located between Middle East and Singapore. These yards, too, do not have the infrastructure to repair large vessels. Moreover increasing offshore and production spend in the Indian EEZ will provide a locational advantage to a facility that is setup for repair of offshore assets on the Indian coast.

### Government Policy

6. The Government in its Maritime Agenda 2010-20 has specified the following policy to be pursued in future.
  - a. Introduction of new Shipbuilding Subsidy Scheme.
  - b. Grant of Infrastructure status to shipbuilding industry.
  - c. A scheme for capital subsidy for encouraging adoption of world class technologies by the Indian shipbuilding industry.
  - d. Purchase preference for Indian shipyards in procurement of ships by Government through global tenders.
  - e. Offset Scheme for Government procurement.
  - f. Expansion of Cochin Shipyard.
  - g. Promotion of the building of 'Green Ships'.
  - h. Formulation of a policy to promote/facilitate maritime clusters including shipbuilding and shiprepair hubs and ship ancillary units.
  - i. Centres in shipbuilding education and training to promote the skills in shipbuilding.
  - j. Enhance capabilities for ship design.
  - k. Liberlisation of schemes for registration of ship repair units.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Operations

7. The Shipyard continued to perform well and meet its MOU target in terms of turnover. The Shipyard delivered five new buildings during the year. Due to inefficient supply chain, there have been delays in some shipbuilding projects. This has reflected in lower bottom line vis-à-vis the previous year. The shiprepair segment has registered a turnover comparable with that achieved last year. The partition of the repair dock to enable shipbuilding has precluded work on larger ships limiting the turnover. A total of 17 repair projects were executed during the year. The innovative method of changing the repair dock gate merits mention as this has been done affecting considerable savings in time and costs. The replaced gate would provide assured safety for the next 15-20 years.
8. Financial information of the company pertaining to the last decade (₹ cr)

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
2011-12	152.42*	10	918.68	1050.83	245.96	90.55	172.33	15.21	16.99	0.10
2010-11	192.42	10	829.27	967.80	344.23	116.70	227.53	20.09	11.32	0.05
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	0.07
2007-08	232.42	1000	401.33	429.43	149.40	55.55	93.85	828.51	Nil	Nil
2006-07	234.42	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	392.75	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	144.86	Nil	Nil

\* 113.28 Equity Shares & 39.14 Preference Shares

### Proposed/Declared Dividend

9. Your Directors are pleased to recommend a dividend of ₹ 1.5 per share on the 11,32,80,000 fully paid equity shares of ₹ 10 each and ₹ 70 per 3,91,420 preference shares of ₹ 1000 each for the year 2011-12. The total out go for dividend and dividend tax would be approximately ₹ 22.93 Crs.

### Segment wise/ Product wise performance

10. 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 detail of segment wise performance is placed at **Annexure 1** to this report.

### Strengths, Weakness, Opportunities and Threats

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

#### Strengths:

- Highly skilled, competitive, knowledgeable man power with an average of 20 years experience in all levels of hierarchy with a 'state of art' design facilities.
- Good industrial relations scenario.
- Availability of quality sub contractors and good supply chain net work.
- 'State of art' facilities especially in terms of crange, transporters, covered mobile shops, covered marine coating facility, high quality welding equipment, international standard hull



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

fabrication facilities etc.

e. Strategic location in the main sea route.

f. A very good product mix comprising of defence ships, commercial ships, offshore support ships etc.

### Weakness:

a. Lack of Government support by way of orders / subsidy etc.

b. No tariff barriers for import of ships affecting domestic industry.

c. Virtually non existent indigenous ancillary industries.

d. Non availability of major equipments /raw materials in India.

e. Restrictive labour practices.

### Opportunities:

a. Projected increase in requirement of ships for the defence sector and growth in international and domestic commercial shipbuilding sectors owing to oil exploration, age profile of ships etc.

b. Shifting of International new building to low cost countries like India.

c. The Maritime Agenda of Ministry of Shipping is to attain 5% share of the global shipbuilding and to develop indigenous ancillary industries. This would be a big opportunity for domestic shipyards.

d. Better opportunities in shiprepair owing to growing Indian fleet and ship calling at Indian Ports.

### Threats:

a. Severe International Competition.

b. Levy of Service Tax in Shiprepair.

c. Withdrawal of subsidy in Shipbuilding.

d. Lack of level playing grounds Vis a Vis foreign yards by way of Government support, level of taxation etc.

### Risks and Concerns

12. 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 Dec 2011 was undertaken at the 19th Audit Committee meeting held on 20th April 2012.

### Future plans

13. The future plan of Cochin Shipyard is to expand operations at present location while scouting for opportunities in other areas viz offshore. Some of the major initiatives in this regards are 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 for Shiprepair operations.

(c) Setting up of offshore fabrication and load out facility.

(d) Extension of existing repair dock/ construction of new dock to take up repairs to rigs and semi-submersibles.

(e) Shiprepair facilities in the Vizhinjam/ Poovar areas.

14. The above plans have been identified by CSL. The yard has also developed a 20 year Vision Document and Business Plan through an independent professional consultant.

### Internal Control Systems and their Adequacy

15. 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 system conducts 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 look into internal/ statutory and C & AG audit observations and provides advice and guidance on the same. The Audit Committee also looks into the internal control system, company



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

procedures and internal audit performance and provides guidance based on the same.

### Human Resource Development

16. CSL has a highly skilled and experienced manpower dedicated to achieving excellence in their performance. Towards this end, a significant human resource initiative was undertaken to extend training for skill development, motivation, leadership and personality development across all levels of employment. A specialized programme for employees/ trainees was conducted during the year 2011-12 wherein 634 employees were trained.
17. The Shipyard places a lot of importance on safety. Inhouse safety awareness programme is organized for all new entrants. Regular training programmes are conducted by external and internal agencies which is attended by all existing employees including executives, supervisors and workmen. Special emphasis is paid to the training of contract personnel and trainees

### Women Empowerment

18. CSL has strength of 124 women employees on its rolls including 28 Executives, 17 Supervisors and 79 workers. A five member Complaint Committee has been constituted for looking into complaints of sexual harassment of women at workplace. Women are encouraged to participate in various fora viz. Women in Public Sectors, etc. Women members are nominated to all selection Committees in the case of direct recruitment as well as on promotion committee.

### Industrial Relations

19. Industrial Relations scenario of the company remained cordial and peaceful except for a period of 24 days from 30 May 2011 to 23 June 2011 when the Trade Union representing contractor's workers went on an indefinite strike. Cochin Shipyard Workers Union, the one and only Trade Union representing the contractor's workers called for the indefinite strike for pressing their demands for early settlement of the wages and terms and conditions of employment of contractor's workers in Cochin Shipyard Limited.

The said strike by the contractor's workers has caused significant loss to the company in terms of liquidated damages for the delay in delivery of ships and loss of goodwill and reputation of the company among its esteemed clients and customers. The 24 days long strike was called off by the striking union on the basis of an understanding arrived at among the contractors, the Union and Trade Unions of the regular employees of the company and the Management.

20. Based on the understanding, a long term tripartite settlement was made between the striking Union and the Contractors Federation with the intervention of Regional Labour Commissioner (Central) Cochin as Conciliation Officer.
21. There was no Industrial Relation issue pertaining to the regular workers of the company and the record of no loss of man days on account of labour unrest for the last 28 years in the company remained unbroken.

### Sustainable Development

22. CSL has constituted a Sub Committee of the Board on Sustainable Development. A meeting of the committee was held on 21 Feb 2012. The Sub Committee drew up a road map and identified activities to be undertaken under the sustainable development programme. The activities identified include usage of recycled water for gardening or other related purpose, green building for employees quarters and Marine Engineering Training Institute etc.

### Technology Conservation

23. CSL continuously strives for conservation and upgradation of technology to remain competitive in the global ship building market place. Towards this end, the yard has 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 inhouse. Besides the yard has also implemented inhouse 3D hull modeling, machinery and outfit modeling of piping systems, ventilation, air conditioning, cabling and structural items and development of structural drawing of Aircraft



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Carrier based on the input from Indian Navy. Cochin Shipyard is proud of the fact that it is the only shipyard in the country to adopt and build ships using the Integrated Hull Outfit and Painting (IHOP) method.

Foreign Exchange Conservation

24. 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 the year 2011-12 were ₹ 688.45 crores.

Corporate Social Responsibility (CSR)

25. As of today, CSL has gained a corporate image of being a people friendly and responsible corporate citizen, thanks to the focused CSR initiatives in the last three years. Cochin Shipyard has a CSR Plan approved by the Board of Directors. Based on this plan and also the DPE Guidelines issued from time to time on the subject, Cochin Shipyard Limited had budgeted ₹ 3.68 crs towards CSR for the year. The CSR outlay for the year 2010-11 was ₹ 3.26 crs out of which ₹ 2.37 crs were committed during 2010-11. Therefore cumulative outlay for CSR activities for the year 2011-12 was ₹ 4.57 crs out of which ₹ 3.88 crs have been committed.

26. The major CSR projects undertaken during the year are in the field of Community Development, Green Technology, Capacity Building & Training and Arts, Culture & Sports. Efforts have been made to direct developmental activities to benefit the backward sections of the society namely SC, ST, OBC, BPL etc.

Cautionary Statement

27. Statement 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 rules 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.



SUPPORT TO DIFFERENTLY ABLED PEOPLE



SUPPORT TO DIFFERENTLY ABLED PEOPLE



REGIONAL DIALYSIS CENTRE, ALUVA – CSL PRIME PARTNER

## Annexure I to Management Discussion and Analysis Report

(₹ in lakhs)

Segment Revenue	Shipbuilding	Shiprepair	Unallocated	Total
External Sales	125949.23	14535.92	2655.36	143140.51
Interest			5013.97	5013.97
Total Revenue	125949.23	14535.92	7669.33	148154.48
Accretion/ (Decretion) To WIP	2441.94	(741.95)		1699.99
Segment Result	21686.80	315.47	3294.66	25296.93
Tax (net)				8064.24
<b>Net Profit</b>				<b>17232.69</b>
Other Information				
Segment Assets	116682.51	17022.89	126532.99	260238.39
Segment Liabilities	125818.85	6279.25	128140.29	260238.39
Capital Expenditure	993.02	209.63	290.46	1493.11
Depreciation	1114.46	475.32	212.58	1802.36



## AUDITOR'S REPORT

MENON & AYYAR  
Chartered Accountants

The Members of  
Cochin Shipyard Limited  
Kochi

1. We have audited the attached Balance Sheet of Cochin Shipyard Limited, Kochi – 682 015, as at 31st March, 2012, the Statement of Profit and Loss 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 in the Annexure referred to in paragraph 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account
  - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with in this report comply with in Accounting Standards referred to sub-section (3C) of Section 211 of the Companies Act, 1956

v) Vide Notification No. GSR 829(E) dated 21st 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 explanation given to us, the said financial statements read together with the Significant 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, and

b) Effect of using estimates for arriving at, the total contract cost for the purpose of recognition of income from shipbuilding 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 ship repair 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 at 31st March, 2012;

b) In the case of the Statement of Profit and Loss, 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

MOHANAN KUTTICKAT  
Partner  
Membership No. 015842

Ernakulam  
21st July 2012

## AUDITOR'S REPORT

### ANNEXURE TO AUDITORS REPORT

Annexure referred to in paragraph 3 of our report of even date on the accounts of Cochin Shipyard Ltd. For the year ended 31st March 2012

- (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 have 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 books 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 explanation given to us there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to purchases of inventory fixed assets and for the sale of goods and service. 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 explanation given to us there are no contract or arrangement referred to in Section 301 of the Companies Act, 1956 that need to 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 explanation 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 commensurate with its size and nature of business.
- (viii) We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rule, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (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 become payable.



## AUDITOR'S REPORT

(b) According to the information and explanation given to us details of dues of Income Tax, Sales Tax, Wealth Tax, Service 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	A.Y 2000-01	Case remanded by ITAT pending before Assessing Officer
			18.87	A.Y. 2004-05	Commissioner of Income Tax (Appeals)
			8.54	A.Y. 2002-03 & 2003-04	Income Tax Appellate Tribunal
			27.88	A.Y 2005-06 & 2008-09	Commissioner of Income Tax (Appeals)
2	Kerala Value Added Tax Act, 2003	Penalty	2546.82	2008-09	Appellate Tribunal
	“	Value Added Tax	2786.63	2005-2006	Deputy Commissioner (Appeals)
	“	“	5474.71	2007-2008	-do-
	Kerala General Sales Tax Act	Sales Tax	73.44 196.37	2001-02 2004-05	-do- -do-
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 )

## AUDITOR'S REPORT

- (x) The company has no accumulated losses as on 31.03.2012 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 explanations 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 provision of clause 4(xiii) of the Companies (Auditors 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 (Auditors 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 loan- term investment.
- (xviii) The company has not made 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

Ernakulam  
21st July 2012

MOHANAN KUTTICKAT  
Partner  
Membership No. 015842



## BALANCE SHEET AS AT 31ST MARCH 2012

Particulars	Note	As at 31 March 2012	As at 31 March 2011
(₹ in Lakhs)			
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share capital	2	15242.20	19242.20
Reserves and surplus	3	89841.05	77537.57
<b>2. Non-current liabilities</b>			
Other Long term liabilities	4	497.22	980.75
<b>3. Current liabilities</b>			
Trade payables	5	39062.86	22800.06
Other current liabilities	6	97034.83	106945.18
Short-term provisions	7	18560.23	28153.42
<b>Total</b>		<b>260238.39</b>	<b>255659.18</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Fixed assets	8		
(i) Tangible assets		19247.99	19035.57
(ii) Intangible assets		12.95	31.91
(iii) Capital work in progress		6361.79	3717.00
Non-current investments	9	19.18	19.18
Deferred tax assets (net)	10	971.57	2312.47
Long-term loans and advances	11	613.79	661.43
Other non-current assets	12	5745.99	8125.13

...contd..



## BALANCE SHEET AS AT 31ST MARCH 2012

(₹ Lakhs)

Particulars	Note	As at 31 March 2012	As at 31 March 2011
<b>2. Current assets</b>			
Inventories	13	36253.66	23475.88
Trade Receivables	14	77992.10	110260.53
Cash and Bank Balances	15	90889.60	69025.09
Short-term loans and advances	16	14164.15	7337.84
Other current assets	17	7965.62	11657.15
<b>Total</b>		<b>260238.39</b>	<b>255659.18</b>
Significant Accounting Policies	1		
Other Notes on Accounts	29-40		

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 21<sup>st</sup> July 2012

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<sup>st</sup> July 2012



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

Particulars	Note No.	For the year ended 31 March 2012	For the year ended 31 March 2011
		(₹ in Lakhs)	
I. Revenue from Operations	18	140485.15	146171.53
II. Other Income	19	7669.33	12745.88
III. Total Revenue (I + II)		148154.48	158917.41
IV. Expenses:			
Cost of Materials Consumed	20	67192.58	71590.08
Changes in Inventories of Work-in-progress	21	1699.99	(1362.79)
Sub Contract and Other Direct Expenses	22	21607.03	19373.99
Employee Benefits Expense	23	16611.22	16649.62
Finance Costs	24	1312.09	2898.09
Depreciation and Amortization Expense	25	1807.27	1705.60
Other Expenses	26	12011.30	12665.80
Provision for Anticipated Losses and Expenditure	27	616.07	995.96
<b>Total expenses</b>		<b>122857.55</b>	<b>124516.35</b>
Less Expenses Allocated to Capital Works		0.00	21.91
		<b>122857.55</b>	<b>124494.44</b>
V. Profit Before Tax (III-IV)		25296.93	34422.97

...contd.

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

Particulars	Note No.	For the year ended 31 March 2012	For the year ended 31 March 2011
		(₹ in Lakhs)	
VI. Tax expense:			
Current tax		7713.61	8711.20
Deferred tax	10	1340.90	2959.00
Prior year tax adjustment		(990.27)	0.00
VII. Profit for the year		17232.69	22752.77
VIII. Earnings per equity share (Face Value of ₹ 10 each):			
Basic and Diluted (In ₹)	28	15.21	20.09
Significant Accounting Policies	1		
Other Notes on Accounts	29-40		

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 21<sup>st</sup> July 2012

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<sup>st</sup> July 2012



## 1 .NOTES ON ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 1.1. 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.

#### 1.2. 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.

#### 1.3. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation.

#### 1.4. Intangible Asset

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

#### 1.5. 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.

#### 1.6. 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.

#### 1.7. 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

## NOTES ON ACCOUNTS

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 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 ship repair contracts completed and invoices settled during the year, income recognized 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.

### 1.8. 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.

### 1.9. 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.

### 1.10. 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 AS 15 (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).

### 1.11. Provision for Guarantee claims

Provision towards guarantee claims in respect of ships/small crafts delivered wherever provided /maintained is based on technical estimation. As per revised policy, for ships delivered during 2011-12 onwards, the guarantee claims are covered by way of insurance policies covering the



## NOTES ON ACCOUNTS

guarantee period for a value of ₹ 1000 lakhs per vessel.

### 1.12. 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.

### 1.13. 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.

### 1.14. Prior Period adjustments and Extra Ordinary Items

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

### 1.15. 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.

#### 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.

### 1.16. 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.

### 1.17. 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.

## NOTES ON ACCOUNTS

## Note 2 : Share Capital

Particulars	As at 31 March 2012		As at 31 March 2011	
	Number	₹ in lakhs	Number	₹ in lakhs
<b>Authorised</b>				
7% Non-cumulative Preference shares of ₹ 1000/- each	1200000	12000.00	1200000	12000.00
Equity Shares of ₹ 10 each	130000000	13000.00	130000000	13000.00
<b>Issued, Subscribed &amp; fully Paid up</b>				
7% Non-cumulative Preference shares of ₹ 1000/- each (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.)	391420	3914.20	791420	7914.20
Equity Shares of ₹ 10 each (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)	113280000	11328.00	113280000	11328.00
<b>Total</b>	<b>113671420</b>	<b>15,242.20</b>	<b>114071420</b>	<b>19242.20</b>

Particulars	Preference Shares			
	As at 31 March 2012		As at 31 March 2011	
	Number	₹ in lakhs	Number	₹ in lakhs
Shares outstanding at the beginning of the year	791420	7914.20	791420	7914.20
Shares redeemed during the year	400000	4000.00	0	0.00
Shares outstanding at the end of the year	391420	3914.20	791420	7914.20

Particulars	Equity Shares			
	As at 31 March 2012		As at 31 March 2011	
	Number	₹ in lakhs	Number	₹ in lakhs
Shares outstanding at the beginning of the year	113280000	11328.00	113280000	11328.00
Shares outstanding at the end of the year	113280000	11328.00	113280000	11328.00

2.1. As the Company is a fully owned Government of India Company, 100% shares are held by the President of India



NOTES ON ACCOUNTS

Note 3 : Reserves & Surplus

Particulars	As at 31 March 2012 ₹ in lakhs	As at 31 March 2011 ₹ in lakhs
<b>Capital Reserves</b>		
As per last Balance Sheet	263.56	263.56
<b>Capital Redemption Reserve</b>		
As per last Balance Sheet	4,000.00	4,000.00
Add Current Year Transfer	4,000.00	-
Closing Balance	8,000.00	4,000.00
<b>Other Reserves</b>		
<b>General Reserve</b>		
As per last Balance Sheet	1,526.60	957.78
Add Current Year Transfer	1,723.27	568.82
Closing Balance	3,249.87	1,526.60
<b>Hedge Reserve</b>		
As per last Balance Sheet	2,751.01	(4,946.75)
Add Current Year Transfer	-	7,697.76
Less Written Back in Current Year	(2,635.92)	-
Closing Balance	115.09	2,751.01
<b>Surplus</b>		
As per last Balance Sheet	68,996.40	48,779.40
Add Net Profit for the current year	17,232.69	22,752.77
	86,229.09	71,532.17
Less transfer to Capital Redemption Reserve	4,000.00	-
Less Transfer to Reserves	1,723.27	568.82
Less Proposed Dividend	1,973.19	1,686.79
Less Tax on Dividend	320.10	280.16
Closing Balance	78,212.53	68,996.40
<b>Total</b>	<b>89,841.05</b>	<b>77,537.57</b>



## NOTES ON ACCOUNTS

3.1. Capital Reserve represents restoration charges received from M/s Indian Oil Corporation for laying pipeline through the company's land.

3.2. (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 2012:

(₹ in Lakhs)

Particulars	31 March 2012		31 March 2011	
	Notional amount of contracts	Fair Value Gain/ (Loss)	Notional amount of contracts	Fair Value Gain/ (Loss)
Forward Contracts	14047.17	115.09	77638.79	2751.01
Total	14047.17	115.09	77638.79	2751.01

(iii) The movement in Hedge reserve during the year ended 31 March 2012 for derivatives designated as Cash Flow Hedges is as follows:

(₹ in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Balance at the beginning of the year	2751.01	(4946.75)
Gains/(losses) transferred to income statement on recognition of forecasted hedge transaction	(2789.47)	5760.51
Changes in the fair value of effective portion of outstanding cash flow derivatives	19.23	1134.17
Net derivative gain/(losses) related to a discounted cash flow hedge	-	-
(Gains)/Losses transferred to profit and loss account on recognition of financial asset	134.32	803.08
Balance at the end of the year	115.09	2751.01

(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 ₹ 50753.91 lakhs (Previous year ₹ 37403.91 lakhs), the fair value determination of these contracts as on 31.03.2012 results in a loss of ₹ 168.55 lakhs (Previous year profit of ₹ 888.55 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.



## NOTES ON ACCOUNTS

### Note 4 : Other Long Term Liabilities

Particulars	As at31 March 2012	As at31 March 2011
	₹ in lakhs	₹ in lakhs
Trade payables (Unsecured)	497.22	980.75
<b>Total</b>	<b>497.22</b>	<b>980.75</b>

4.1. There are no dues to Micro, Small and Medium Enterprises as on 31.03.2012 (Previous year - Nil) 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.

### Note 5 : Trade Payables

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Trade payables (Unsecured)	39,062.86	22,800.06
<b>Total</b>	<b>39,062.86</b>	<b>22,800.06</b>

5.1. There are no dues to Micro, Small and Medium Enterprises as on 31.03.2012 (Previous year - Nil) 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.

## NOTES ON ACCOUNTS

## Note 6 : Other Current Liabilities

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Advance for Indigenous Aircraft Carrier infrastructure	21346.37	21346.37
Less Assets on infrastructure	18745.52	14253.64
Less WIP/Advance to contractors for infrastructure	48.94	3647.76
	<b>2551.91</b>	<b>3444.97</b>
Advance for Indigenous Aircraft Carrier (Cost Plus)	200611.62	154483.26
Less Indigenous Aircraft carrier inventory in stock	34451.14	29919.99
Less material issued	70486.45	34703.70
Less design & other direct expenses	25586.31	25080.00
Less advance for purchase of materials	24603.00	37986.32
Less management fee & others	19288.87	16104.23
	<b>26195.85</b>	<b>10689.02</b>
Advance for Indigenous Aircraft Carrier fixed price contract	92,800.00	92,800.00
Less income recognized so far	95,649.85	76,106.84
	<b>(2849.85)</b>	<b>16693.16</b>
<b>Advance outstanding for Indigenous Aircraft Carrier works (Net)</b>	<b>25,897.91</b>	<b>30,827.15</b>
Advances for other ship building contracts	66,541.24	74,395.29
Advances for ship repair & others	711.02	244.56
Forward contract	187.78	(2,836.48)
Income received but not due	55.21	757.93
Other liabilities	3,641.67	3,556.73
<b>Total</b>	<b>97,034.83</b>	<b>106,945.18</b>



## NOTES ON ACCOUNTS

6.1 (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. An amount of ₹ 92800 lakhs (Previous year ₹ 92800 lakhs) has been received as advance against stages I to V payments under the fixed price part Phase I contract. This amount has already been adjusted against ₹ 95649.85 lakhs (previous year ₹ 76106.84 lakhs), being the income recognized under Fixed price contract. Balance ₹ 2849.85 lakhs is yet to be received (previous year ₹ 16693.16 lakhs payable) and this is included/adjusted under Other Current Liabilities.

(ii) An amount of ₹ 200611.62 lakhs (previous year ₹ 154483.26 lakhs) has been accounted as advance towards the cost plus part of the contract. Details are as follows:

(₹ in Lakhs)

	Details	2011-12	2010-11
I	Total Advance	<b>200611.62</b>	<b>154483.26</b>
(a)	Amount adjusted by Indian Navy for Materials	118771.15	78877.99
(b)	Other expenditure adjusted by Indian Navy	43350.50	36165.52
II	Total Expenditure adjusted by NAVY (a+b)	162121.65	115043.51
III	Expenditure yet to be adjusted by NAVY	12294.12	28750.73
IV	Total Expenditure (II + III)	<b>174415.77</b>	<b>143794.24</b>
(c)	Balance of funds (Cost Plus)	<b>26195.85</b>	<b>10689.02</b>

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

### Materials/Consumables

(₹ in Lakhs)

		2011-12	2010-11
Purchases (till date)	- Steel	49680.61	47930.51
	- Bought out components	55256.98	16693.18
	- Total	<b>104937.59</b>	<b>64623.69</b>
Issued (till date)	- Steel	33605.04	30318.48
	- Bought out components	36881.41	4385.22
	- Total	<b>70486.45</b>	<b>34703.70</b>
Closing stock	- Steel	16075.57	17612.03
	- Bought out components	18375.57	12307.96
	- Total	<b>34451.14</b>	<b>29919.99</b>

## NOTES ON ACCOUNTS

(iv) An amount of ₹ 21346.37 lakhs (previous year ₹ 21346.37 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 ₹ 18794.46 lakhs (previous year ₹ 17901.40 lakhs) till date. Of this amount, ₹ 16038.69 lakhs (previous year ₹ 14642.39 lakhs) has been adjusted by Indian Navy and the balance amount of ₹ 2755.77 lakhs (previous year ₹ 3259.02 lakhs) is pending for adjustment by Indian Navy.

(v) 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.

(₹ in Lakhs)

Details	2011-12	2010-11
Buildings and civil structures	995.22	798.34
Data Processing equipment	1148.07	794.14
Plant and Machinery	13895.40	13049.91
<b>Total</b>	<b>16038.69</b>	<b>14642.39</b>

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

(₹ in Lakhs)

Details	2011-12	2010-11
Buildings and civil structures	459.88	459.88
Plant and Machinery	2295.89	2799.13
<b>Total</b>	<b>2755.77</b>	<b>3259.01</b>

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



## NOTES ON ACCOUNTS

### Note 7 : Short Term Provisions

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
<b>Provision for employee benefits</b>		
Salary & Reimbursements	494.00	442.58
Gratuity	414.00	-
Encashable leave salary	2,708.46	2,563.42
	3,616.46	3,006.00
<b>Others</b>		
Provision for taxation	7,782.45	18,931.64
Provision for loss on ship building	18.83	747.68
Provision for proposed dividend	1,973.19	1,686.79
Provision for dividend tax	320.10	280.16
Provision for taxes and duties	1,293.54	280.11
Provision for sales tax liability	280.65	258.08
Provision for guarantee repairs	915.49	801.94
Provision for liquidated damages	797.79	448.73
Provision for expenditure / contingencies	1,560.56	1,711.12
Conveyance loan reserve fund	1.17	1.17
	14,943.77	25,147.42
<b>Total</b>	<b>18,560.23</b>	<b>28,153.42</b>

## NOTES ON ACCOUNTS

## Note 8 : Fixed Assets

Tangible & Intangible		GROSS BLOCK						DEPRECIATION			NET BLOCK	
		As at 1st April 2011	Additions/ adjustments during the year	Disposal/ adjustments during the year	As at 31st March 2012	As at 1st April 2011	For the year	Adjustment/ ( withdrawal)	As at 31st March 2012	As at 31st March 2012	As at 31st March 2011	
i. Tangible assets												
Land (Freehold)	450.38	0.00	0.00	450.38	0.00	0.00	0.00	0.00	450.38	450.38		
Buildings	9824.54	221.46	0.00	10046.00	2616.16	363.41	0.00	2979.57	7066.43	7208.38		
Plant & Equipment	16807.10	1038.14	18.19	17827.05	7688.50	683.71	(16.31)	8355.90	9471.15	9118.59		
Furniture & Fixtures	438.28	58.14	4.04	492.38	175.64	26.25	(4.03)	197.86	294.52	262.64		
Vehicles	690.53	49.16	0.00	739.69	276.10	73.05	0.00	349.15	390.54	414.43		
Office Equipment	123.15	26.05	7.99	141.21	45.15	6.40	(4.79)	46.76	94.45	78.01		
Others												
Docks & Quays	5633.38	86.79	0.00	5720.17	5144.02	51.98	0.00	5196.00	524.17	489.36		
Railway sidings	22.09	0.00	0.00	22.09	20.99	0.00	0.00	20.99	1.10	1.10		
Electrical Installation	1633.91	2.80	0.00	1636.71	729.31	48.63	0.00	777.94	858.77	904.60		
Drainage & water supply	133.45	0.00	0.00	133.45	74.27	1.58	0.00	75.85	57.60	59.18		
Vessels	158.85	0.00	0.00	158.85	109.95	10.02	0.00	119.97	38.88	48.90		
Books	13.20	0.00	0.00	13.20	13.20	0.00	0.00	13.20	0.00	0.00		
	<b>35928.86</b>	<b>1482.54</b>	<b>30.22</b>	<b>37381.18</b>	<b>16893.29</b>	<b>1265.03</b>	<b>(25.13)</b>	<b>18133.19</b>	<b>19247.99</b>	<b>19035.57</b>		
ii. Intangible Assets												
Computer Software	281.21	10.58	0.00	291.79	249.30	29.54	0.00	278.84	12.95	31.91		
	<b>281.21</b>	<b>10.58</b>	<b>0.00</b>	<b>291.79</b>	<b>249.30</b>	<b>29.54</b>	<b>0.00</b>	<b>278.84</b>	<b>12.95</b>	<b>31.91</b>		
<b>Total</b>	<b>36210.07</b>	<b>1493.12</b>	<b>30.22</b>	<b>37672.97</b>	<b>17142.59</b>	<b>1294.57</b>	<b>(25.13)</b>	<b>18412.03</b>	<b>19260.94</b>	<b>19067.48</b>		
Previous year	34968.47	1466.11	224.51	36210.07	15993.47	1316.46	(167.34)	17142.59	19067.48	18975.00		

8.1. 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) Baby Engg Pvt Ltd (0.4068 hectares) and BESL Infra Projects (0.4068 hectares) and (c) land leased to M/s Cochin Air Products (0.30 hectares)

8.2. 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.

8.3. Title deeds of part of land (38.533 hectares) have not yet been received from Govt of Kerala/GCDA.



## NOTES ON ACCOUNTS

### Note 8.iii : Fixed Assets

#### Capital Work in Progress

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Buildings and Civil Work-in-progress	2,246.52	396.16
Plant and Machinery	2,714.89	2,255.17
Construction material in stock	4.15	4.36
Capital goods pending inspection and in transit	1,396.23	1,061.31
<b>Total</b>	<b>6,361.79</b>	<b>3,717.00</b>

### Note 9 : Non Current Investments

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
UNQUOTED AT COST (NON TRADE)		
Investment in Cochin Shipyard Employees Consumer Co-operative Society- 2180 'B Class' shares of ₹ 100 each	2.18	2.18
Investment Kerala Enviro Infrastructure Ltd -70000 equity shares of ₹ 10 each fully paid up	7.00	7.00
Investment in Cochin Waste to Energy (P) Ltd- 100000 equity shares of ₹ 10 each fully paid up	10.00	10.00
<b>Total</b>	<b>19.18</b>	<b>19.18</b>



## NOTES ON ACCOUNTS

**10. Accounting for taxes on Income as per AS.22**

The break-up of Deferred Tax Assets and Liabilities as on 31.03.2012 as against 31.03.2011 is detailed below, which results in decrease in Net Deferred Tax Asset. Consequent to this the amount debited to Profit & Loss account is ₹1340.90 lakhs (Previous year ₹2959 lakhs)

(₹ in Lakhs)

	Deferred tax(asset) /liability as at 1.04.2011	Current year Charge/ (credit) 2011-12	Deferred tax (asset) /Liability as at 31.03.2012
<b>Deferred tax liability:</b>			
Depreciation	2214.21	201.41	2415.62
<b>Deferred tax asset :</b>			
Provision for liabilities	1861.08	(93.78)	1767.30
Provision for obsolete inventory	73.09	8.76	81.85
Provision for loss	242.58	(236.47)	6.11
Provision for doubtful debts	777.88	126.07	903.95
Provision for taxes and duties	153.22	0.99	154.21
Provision for expenditure	1020.08	(792.38)	227.70
Provision for contingencies	398.75	(152.68)	246.07
<b>TOTAL</b>	<b>4526.68</b>	<b>(1139.49)</b>	<b>3387.19</b>
<b>Deferred tax (Net)</b>	<b>(2312.47)</b>	<b>(1340.90)</b>	<b>(971.57)</b>
<b>Total deferred tax Asset</b>	<b>(2312.47)</b>	<b>(1340.90)</b>	<b>(971.57)</b>

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



NOTES ON ACCOUNTS

**Note 11 : Long Term Loans & Advances**

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Capital advances (Unsecured, considered good)	398.09	338.11
	<b>398.09</b>	<b>338.11</b>
Other loans and advances		
* Employee advances (Secured, considered good)	215.70	323.32
	<b>215.70</b>	<b>323.32</b>
<b>Total</b>	<b>613.79</b>	<b>661.43</b>

\* Secured by hypothecation of movables

**Note 12 : Other Non Current Assets**

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Unsecured		
Long term Trade Receivables		
Considered good	3057.78	916.37
Considered doubtful	2786.11	2397.54
Less Provision for doubtful debts	2786.11	2397.54
	<b>3057.78</b>	<b>916.37</b>
Unsecured		
Others		
Balances with Customs	261.23	261.23
Other deposits	203.82	201.73
Income Tax refund due	2223.16	6745.80
	<b>2688.21</b>	<b>7208.76</b>
<b>Total</b>	<b>5745.99</b>	<b>8125.13</b>

## NOTES ON ACCOUNTS

## Note 13 : Inventories (As taken, Valued and certified by the Management)

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Raw Materials and components (Valued at cost)	19737.85	7680.73
Less : Provision for obsolescence, non-usability and deterioration in inventory.	(205.16)	(187.90)
Goods-in transit and pending inspection	9535.86	6514.35
	<b>29068.55</b>	<b>14007.18</b>
Work-in-progress (Valued at cost)	2549.59	4249.58
Work-in-progress (Valued at realisable value)	2523.92	3477.20
	<b>5073.51</b>	<b>7726.78</b>
Stores (Valued at cost)	665.45	777.10
Less : Provision for obsolescence, non-usability and deterioration in stores.	(28.34)	(18.59)
Goods-in transit and pending inspection	78.19	21.82
Spares	20.80	40.85
Less : Provision for obsolescence, non-usability and deterioration in spares.	(18.77)	(18.78)
Goods-in transit and pending inspection	97.50	36.10
	<b>814.83</b>	<b>838.50</b>
Loose Tools (Valued at cost)	1228.35	820.32
Goods-in transit and pending inspection	3.90	14.84
	<b>1232.25</b>	<b>835.16</b>
Scrap valued at net realisable value	64.52	68.26
	<b>64.52</b>	<b>68.26</b>
<b>Total</b>	<b>36253.66</b>	<b>23475.88</b>

13.1. Inventory does not include stock of raw materials and bought out components procured under “cost plus” part of the IAC contract amounting to ₹ 34451.14 lakhs (previous year ₹ 29919.99 lakhs) held on behalf of Indian Navy lying with the company

13.2. Maintenance spares included in the inventory represent spares of general nature and are not related to a particular asset.



NOTES ON ACCOUNTS

**Note 14 : Trade Receivables**

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Trade receivables outstanding for a period less than six months from due date Unsecured, considered good	77703.62	110115.29
Trade receivables outstanding for a period exceeding six months from due date Unsecured, considered good	288.48	145.24
<b>Total</b>	<b>77992.10</b>	<b>110260.53</b>

14.1. Trade Receivables include debts amounting to ₹ 70027.88 lakhs (previous years ₹ 103255.30 lakhs) accounted on account of income recognized under proportionate completion method pertaining to incomplete vessels against which stage payments received amounting to ₹ 32201.61 lakhs (previous year ₹ 40947.05 lakhs) for completed stages is shown as advance under current liabilities.

14.2 The due date for payment of trade receivables has been considered after allowing a grace period of one month in general to all customers as per agreed practice.

**Note 15: Cash and Bank balances**

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
<b>Cash and Cash Equivalents</b>		
Bank balances in current account	40,865.62	19,511.98
Cash on hand	1.35	1.11
Stamps in hand	0.07	0.18
Bank deposits of less than 3 months maturity	3700.00	1600.00
<b>Other Bank Balances</b>		
Bank deposits of more than 3 months maturity	46322.56	47,911.82
<b>Total</b>	<b>90889.60</b>	<b>69,025.09</b>

15.1 Bank balances in current account includes ₹ 38767.67 lakhs (Previous year ₹ 17860.34 lakhs) received from Indian Navy for the construction of Indigenous Aircraft Carrier and held in separate account.

**Note 16 : Short-term loans and advances**

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
<b>Other than to related parties</b>		
Unsecured, considered good	14164.15	7337.84
Unsecured, considered doubtful	0.07	1.61
	14164.22	7339.45
Less: Provision for doubtful advances	0.07	1.61
<b>Total</b>	<b>14164.15</b>	<b>7337.84</b>

## NOTES ON ACCOUNTS

## Note 17 : Other current assets

Particulars	As at 31 March 2012	As at 31 March 2011
	₹ in lakhs	₹ in lakhs
Interest accrued on bank deposits	568.10	582.29
Interest accrued on employee advances	44.07	44.96
Others (Including claims receivable)	148.27	198.62
Advance tax	6887.45	10627.21
Balances with Customs, Port Trust & Excise	57.39	52.81
Advance to Gratuity Trust	256.36	0.00
Other deposits	3.98	151.26
<b>Total</b>	<b>7965.62</b>	<b>11657.15</b>

## Note 18 : Revenue From operation

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
<b>Sale of products</b>		
Ship Building		
Indigenous Aircraft Carrier	59717.81	40083.70
Vessels other than Indigenous Aircraft Carrier	67408.03	90165.35
Subsidy on ships	0.00	1747.26
Engineering works	0.84	0.54
	<b>127126.68</b>	<b>131996.85</b>
Less Excise duty	1177.45	0.00
	<b>125949.23</b>	<b>131996.85</b>
<b>Sale of services</b>		
Ship Repair	14535.92	14174.68
	<b>14535.92</b>	<b>14174.68</b>
<b>Total</b>	<b>140485.15</b>	<b>146171.53</b>

18.1. Shipbuilding income of ₹ 125948.39 lakhs (previous year ₹ 130249.05 lakhs) includes revenue recognized under percentage of completion method amounting to ₹ 57268.58 Lakhs (previous year ₹ 103504.28 lakhs) against incomplete vessels. Ship repair income includes income recognised under proportionate completion method amounting to ₹ 2806 lakhs (previous year ₹ 4756 lakhs)

18.2. Income from ship repair is net of actual/anticipated reductions amounting to ₹ 1416 lakhs (previous year ₹ 899.17 lakhs).



## NOTES ON ACCOUNTS

18.3. Disclosure as required by Accounting Standard 7– Accounting for construction contracts – for contracts in progress as at the end of the year.

₹ in lakhs

	2011 - 12	2010 - 11
(a) Contract revenue recognized in the period	57268.58	103504.28
(b) Contract cost incurred and recognized profits (less recognized losses) upto the reporting period	152362.79	179362.13
(c) Advance received from customers	122596.86	133747.04
(d) Gross amount due to customers	0.00	16693.16
(e) Gross amount due from customers	29765.93	62308.26

(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 AS 7.

### Note 19 : Other Income

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Training facilities	366.56	408.02
Income from scrap and stores	338.38	418.83
Income from sale of stock items	43.39	37.65
Income from Laboratory services	19.55	24.94
Rent received	100.51	100.96
Hire charges received	15.34	38.36
Interest on deposits	4958.02	2454.12
Interest from others	55.95	38.89
Dividend Income	0.66	22.36
Excess provision written back	1303.37	8460.81
Profit on sale of fixed assets	0.00	1.79
Miscellaneous Income	467.60	739.15
<b>Total</b>	<b>7669.33</b>	<b>12745.88</b>

19.1. Income from scrap and stores is net of import duty paid on sale of bonded scrap and stores amounting to ₹111.47 lakhs (previous year ₹40.84 lakhs).

## NOTES ON ACCOUNTS

**Note 20 : Cost of Materials Consumed**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
<b>Raw Materials</b>		
Steel	6816.06	10729.08
Pipe	828.86	761.96
Paint	1101.24	685.65
Bought out components	58446.42	59413.39
<b>Total</b>	<b>67,192.58</b>	<b>71,590.08</b>

**Note 21 : Changes in inventories of work-in-progress**

(Other than those which are recognised as income on percentage/proportionate completion method)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Work -in-progress at cost:		
At the end of the year	2549.59	4249.58
Less at the beginning of the year	4249.58	2886.79
Decretion/(Accretion) to work-in-progress	<b>1699.99</b>	<b>(1362.79)</b>

**Note 22 : Sub Contract and Other Direct Expenses**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Sub contract and Off loaded jobs	13452.17	14106.04
Hull Insurance	296.97	257.09
Brokerage and Commission	924.65	966.08
Other Direct Expenses	6933.24	4044.78
<b>Total</b>	<b>21607.03</b>	<b>19373.99</b>



NOTES ON ACCOUNTS

**Note 23 : Employee Benefits Expense**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Salaries, wages, bonus/exgratia and allowances	14423.07	14116.37
Contribution to Provident Fund and Family Pension Fund	947.57	886.84
Contribution to Group Gratuity Trust	531.30	1038.77
Welfare expenses	709.28	607.64
<b>Total</b>	<b>16611.22</b>	<b>16649.62</b>

23.1. Includes PF inspection & administration charges ₹ 13.53 in lakhs ( previous year ₹ 12.49 lakhs )

**23.2. 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 ₹ 137.30 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	2011-12		2010-11	
	Leave Entitlement (Unfunded) 31/03/2012	Gratuity (Funded) 31/03/2012	Leave Entitlement (Unfunded) 31/03/2011	Gratuity (Funded) 31/03/2011
Discount rate	8.40%	8.40%	8.00%	8.00%
Salary escalation rate	3.00%	3.00%	3.00%	3.00%
Expected rate of return on plan assets	-	9.00%	-	9.00%



## NOTES ON ACCOUNTS

(₹ in lakhs)

Change in defined benefit obligation	2011-12		2010-11	
	Leave Entitlement (Unfunded) 31/03/2012	Gratuity (Funded) 31/03/2012	Leave Entitlement (Unfunded) 31/03/2011	Gratuity (Funded) 31/03/2011
Present value of obligation as at The beginning of the year	2563.42	7539.47	2294.07	7088.64
Interest cost	187.21	553.27	171.82	523.04
Current service cost	120.50	250.79	102.67	246.25
Benefits paid	(446.36)	(1247.27)	(292.63)	(1101.23)
Past service cost	0.00	0.00	0.00	0.00
Actuarial (gain)/ loss on obligations	283.68	421.34	287.49	782.77
Present value of obligation as at The end of the year	2708.45	7517.60	2563.42	7539.47

(₹ in lakhs)

Change in the fair value of Plan Assets:	2011-12		2010-11	
	Leave Entitlement 31/03/2012	Gratuity (Funded) 31/03/2012	Leave Entitlement 31/03/2011	Gratuity (Funded) 31/03/2011
Fair value of Plan assets as at The beginning of the year	-	7169.40	NA	5215.96
Expected return on Plan assets	-	641.10	NA	534.15
Actuarial gain/(loss)	-	55.66	NA	(18.80)
Contributions:	446.36	1155.07	292.63	2539.32
Benefits paid	(446.36)	(1247.27)	(292.63)	(1101.23)
Fair value of Plan assets as at The end of the year	NA	7773.96	NA	7169.40



## NOTES ON ACCOUNTS

(₹ in lakhs)

Expenses recognized in the statement of Profit and Loss a/c	2011-12		2010-11	
	Leave Entitlement 31/03/2012	Gratuity (Funded) 31/03/2012	Leave Entitlement 31/03/2011	Gratuity (Funded) 31/03/2011
Current service cost	120.50	250.79	102.67	246.25
Interest cost	187.22	553.27	171.82	523.04
Expected return on plan assets	-	(641.09)	-	(534.15)
Net actuarial (gain) / Loss recognized in the year	283.68	365.69	287.49	801.58
Past service cost	-	-	-	-
Expenses recognized in statement of profit and loss	591.40	528.64	561.98	1036.72

Gratuity expenses includes ₹ 2.30 lakhs (Previous year ₹ 1.77 lakhs), being amount paid towards insurance premium (Risk care).

### Note 24 : Finance costs

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Bank interest	1169.65	812.70
Interest others	6.99	1854.11
Interest under Income Tax Act	66.21	166.80
Bank Charges	69.24	64.48
<b>Total</b>	<b>1312.09</b>	<b>2898.09</b>

### Note 25 : Depreciation and amortisation

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Depreciation on tangible assets	1265.03	1238.85
Amortisation of intangible asset	29.54	77.61
Loss on revaluation of tools	507.79	332.80
Loss on sale and write off of fixed assets	4.91	56.34
<b>Total</b>	<b>1807.27</b>	<b>1705.60</b>

## NOTES ON ACCOUNTS

## Note 26: Other Expenses

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Consumption of stores	938.55	1104.05
Consumption of spares	210.59	169.77
Rates and taxes	134.97	165.35
Power	1060.63	961.74
Fuel	621.97	612.33
water	118.12	115.25
Repairs and maintenance:		
Building and roads	279.26	425.19
Plant and machinery	416.80	237.23
Others	537.44	600.07
Maintenance dredging	1043.02	484.63
Transport and stores handling	242.47	135.71
Travelling and conveyance expenses	264.43	265.69
Printing and stationery	53.39	48.60
Postage, telephone and telex	37.45	48.31
Advertisement and publicity	98.88	103.21
Lease rent	17.05	16.53
Hire charges	109.58	56.04
Insurance	152.59	138.45
Security expenses	445.15	413.21
Auditors remuneration	5.79	7.72
Auditors remuneration for other services	0.25	0.92
Training	177.97	156.60
Legal expenses	4.65	31.42
Liquidated damages	2487.39	1126.09
Consultancy	53.18	4.50
Loss on derivative contracts (Net)	2145.98	4508.04
Corporate social responsibility	350.00	325.08
Expenditure on exchange variation	(320.18)	131.86
Loss on sale or write off of stores	0.00	55.58
Prior period expense	0.00	90.98
Miscellaneous expenses	323.93	125.65
<b>Total</b>	<b>12011.30</b>	<b>12665.80</b>



## NOTES ON ACCOUNTS

### Note 27 : Provision for anticipated losses and expenditure

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
Provision for doubtful advances	389.56	3.42
Provision for non moving inventory	27.01	0.00
Provision for liquidated damages	0.00	390.00
Provision for loss on ship building	18.83	0.00
Provision for employee benefits	71.25	63.67
Provision for contingencies	109.42	538.87
<b>Total</b>	<b>616.07</b>	<b>995.96</b>

### 28. Earnings per Equity Share

	2011-12	2010-11
Net Profit after Tax (₹ in lakhs)	17232.69	22752.77
No of Equity Shares (Nos)	113280000	113280000
EPS ( in ₹ )	15.21	20.09

## NOTES ON ACCOUNTS

## 29: CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	As on		Brief Description of the nature and obligation
	31 Mar 2012 (₹ in Lakhs)	31 Mar 2011 (₹ in Lakhs)	
<b>A CONTINGENT LIABILITY (To the extent not provided for)</b>			
a Claims against the Company not acknowledged as debt			
i M/s Vigil Marine Services	2904.10	2307.24	Claim for agency commission of USD 2.5 million + interest @ 18 % pa thereon for 7 years. Presently under arbitration
b Guarantees			
i Letters of credit	34915.91	19774.60	Represents LC opened by the company in various banks for procurement of materials/assets
c Other money for which the company is contingently liable			
i Greater Cochin Development Authority	100.00	400.00	Claim raised by GCDA for the land acquired for the company is settled subject to approval by CSL Board.
ii Customs duties, Demurrages & Sales Tax	11470.00	8085.00	Customs duty for materials under Bond
iii Penalty levied by KVAT authorities on export of ships	2546.82	2546.82	Hearing on the appeal filed before the KVAT Appellate Tribunal has been completed. Reserved for order. Detailed notes below
iv Demand for KGST/KVAT for the Asst Years 2001-02, 2004-05, 2005-06 & 2007-08 mainly on the subject of KVAT on export of ships	8531.15	269.81	2001-02 ₹ 73.44 lacs 2004-05 ₹ 196.37 lacs 2005-06 ₹ 2786.63 lacs 2007-08 ₹ 5474.71 lacs Under appeal. Stay of collection of tax obtained in all cases. Detailed notes below



## NOTES ON ACCOUNTS

v	Income Tax	118.57	118.57	118.57	Relating to Asst years 2000-01, 2002-03, 2003-04, 2004-05, 2005-06 & 2008-09 due to various disallowances by the Assessing Officer. Detailed notes below
vi	Service Tax	1647.47	1647.47	1647.47	Demand of Service Tax on IAC P-71 (Design Consultancy) as per Show Cause Notice issued. Reply to Show Cause Notice filed. No further action from Dept side.
vii	Service Tax	322.90	322.90	322.90	Service Tax on the amount paid towards Brokerage and commission. Presently under appeal.
<b>B</b>	<b>COMMITMENTS (To the extent not provided for)</b>				
a	Estimated amount of contracts remaining to be executed on capital account and not provided for:	2335.06	38.52	38.52	

## NOTES ON ACCOUNTS

### 29.1 CONTINGENCIES AND COMMITMENTS

(i) The Income Tax Assessments of the company have been completed upto AY 2008-09. However, for the Asst Year 2005-06 and 2008-09 a demand of ₹ 1922679/- and ₹ 865436/- 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.

(ii) 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.

(iii) The Intelligence Officer, Commercial Taxes Department has issued notice on the company demanding ₹ 2546.82 Lakhs towards penalty for non payment of KVAT of ₹ 1273.41 Lakhs on the export of five Platform Supply Vessels (viz. BY 60-64) 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 ₹ 2546.82 Lakhs has been shown as Contingent Liability.

(iv) The KVAT assessments for the year 2005-06 and 2007-08 have been completed and assessment orders were issued. The company has filed appeal before the Deputy Commissioner (Appeals). In the meantime Company has filed Writ petition before the Hon'ble High Court and the Court has granted stay. The appeals are yet to be disposed. Pending the above, the net demands have 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 for the years 2009-10 & 2010-11. Assessments for the years 2006-07 & 2008-09 are not completed.

30. The dispute between M/s Apeejay Shipping Ltd (formerly 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.

31. 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.

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

33. Figures in brackets denotes minus figures.

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



## NOTES ON ACCOUNTS

35. 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	SHIP REPAIR	UNALLOCATED	TOTAL
<b>SEGMENT REVENUE</b>				
EXTERNAL SALES	125949.23	14535.92	2655.36	143140.51
INTEREST			5013.97	5013.97
TOTAL REVENUE	125949.23	14535.92	7669.33	148154.48
ACCRETION/(DECRETION)TO WIP	2441.94	(741.95)		1699.99
SEGMENT RESULT	21686.80	315.47	3294.66	25296.93
TAX (NET)				8064.24
<b>NET PROFIT</b>				17232.69
<b>OTHER INFORMATION</b>				
SEGMENT ASSETS	116682.51	17022.89	126532.99	260238.39
SEGMENT LIABILITIES	125818.85	6279.25	128140.29	260238.39
CAPITAL EXPENDITURE	993.02	209.63	290.46	1493.11
DEPRECIATION	1114.46	475.32	212.58	1802.36

## 36. Value of imports on CIF basis

(₹ in lakhs)

Particulars	2011-12	2010-11
Raw materials	38942.84	38293.23
Components & Spares	6552.90	5476.98
Capital goods	2603.06	2057.63
	<b>48098.80</b>	<b>45827.84</b>



## NOTES ON ACCOUNTS

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

Particulars	2011-12		2010-11	
	Value (₹ in lakhs)	%	Value (₹ in lakhs)	%
<u>Raw Materials</u>				
Imported	4175.41	47.74	3697.27	30.63
Indigenous	4570.75	52.26	8375.03	69.37
	8746.16	100.00	12072.30	100.00
<u>Bought out components</u>				
Imported	24613.68	42.11	54274.23	91.19
Indigenous	33832.74	57.89	5243.55	8.81
	58446.42	100.00	59517.78	100.00
<u>Spares</u>				
Imported	35.98	17.09	44.73	26.35
Indigenous	174.61	82.91	125.04	73.65
	210.59	100.00	169.77	100.00

38. Expenditure in foreign currency (on payment basis) other than those in item 36 above. (₹ in lakhs)

Particulars	2011-12	2010-11
Payments to foreign consultants	572.14	495.26
Commissioning and installation charges	2332.33	130.68
Brokerage & commission	682.54	425.96
Advance payments to suppliers	1302.34	1922.26
Design & documentation charges	1018.31	1062.56
Others	16.83	25.61



NOTES ON ACCOUNTS

39. Earnings in foreign exchange (on due basis)

(₹ in lakhs)

Particulars	2011-12	2010-11
Income from shipbuilding	67719.97	90165.35
Income from ship repair	NIL	NIL

40. Related party disclosure as per AS 18

Name of the transacting related party	Relationship between the parties	Name of transaction	Volume of transaction (₹ in lakhs)
CMDE. K Subramaniam	Chairman & Managing Director	Remuneration	21.46
Shri Ravikumar Roddam	Director (Finance)	Remuneration	19.65
Shri V Radhakrishnan	Director (Technical) Up to 31 Aug 2011	Remuneration	7.15
Shri P Vinayakumar	Director (Technical) From 01 Sep 2011	Remuneration	11.29
Capt R S Sundar	Director (Operations) From 21 Nov 2011	Remuneration	6.92

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 21<sup>st</sup> July 2012

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<sup>st</sup> July 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
<b>A. Cash flow from operating activities</b>		
Net profit before tax	<b>25296.93</b>	<b>34422.97</b>
Adjustments for :		
Depreciation & amortisation	1294.57	1316.46
Interest paid	1242.85	2833.61
Interest received	(5013.97)	(2493.01)
Loss /(profit)on sale of fixed assets	4.91	54.55
Loss on derivative contracts	2145.98	4508.04
Exchange difference from FE transactions	(320.18)	131.86
Hedge reserve account	(2635.92)	7697.76
Dividend income	(0.66)	(22.36)
Operating cash flow before working capital changes	22014.51	48449.88
Adjustments for working capital changes:		
Inventories	(12777.78)	10452.57
Trade and other receivables	31560.43	(29777.58)
Trade and other payables	(5383.19)	(27857.70)
Cash generated from operation	35413.97	1267.17
Tax paid	9044.50	3651.98
Net cash generated from Operating Activities (A)	<b>26369.47</b>	<b>(2384.81)</b>
<b>B. Cashflow from investing activities</b>		
Purchase of assets	(1493.12)	(1466.11)
Capital work-in-progress	(2644.79)	818.51
Sale/withdrawal of fixed assets	0.18	2.62
Interest received	5013.97	2493.01
Investments	(0.00)	300.08
Dividend income	0.66	22.36
Net cash from investing operation (B)	<b>876.90</b>	<b>2170.47</b>

(Contd..)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

(Contd..)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹ in lakhs	₹ in lakhs
<b>C. Cashflow from financing activities</b>		
Redemption of Preference Shares	(4000.00)	0.00
Loss on cancellation of derivative contracts	(2145.98)	(4508.04)
Loss on Exchange difference from FE transactions	320.18	(131.86)
Dividend paid	1686.79	1686.79
Interest paid	(1242.85)	(2833.61)
Net cash from financing activities (C)	<b>(5381.86)</b>	<b>(5786.72)</b>
<b>D. Net Increase in Cash &amp; Cash Equivalent (A)+(B)+(C)</b>	<b>21864.51</b>	<b>(6001.06)</b>
Cash and cash equivalent at the beginning of the year	69025.09	75026.15
Cash and cash equivalent at the end of the year	90889.60	69025.09
Net cash increase/ (decrease)	<b>21864.51</b>	<b>(6001.06)</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 21<sup>st</sup> July 2012

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<sup>st</sup> July 2012

## DETAILS OF MAINTENANCE ON TOWNSHIP AND OTHER SOCIAL OVERHEADS

(₹ in lakhs)

	2011-12	2010-11
1. Township expenses (Net including depreciation)	77.93	49.47
2. Medical expenses	252.16	207.30
3. Canteen subsidy	202.71	161.86
4. Leave Travel Concession	31.49	23.99
5. Liveries & Uniforms	54.87	50.82
6. Workmens Compensation	3.77	5.50
7. Death Benevolent Fund	22.01	11.29
8. Interest Subsidy to employee	37.28	40.81
9. Group personal accident insurance	5.45	3.75
10. Other Welfare expenses	99.54	102.32
<b>TOTAL</b>	<b>787.21</b>	<b>657.11</b>

## STATEMENT SHOWING EXPENDITURE ON PUBLIC RELATIONS AND PUBLICITY

(₹ in lakhs)

	2011-12	2010-11	2009-10
1. Advertisement	52.59	56.99	26.28
2. Publicity	35.37	34.03	20.54
3. Entertainment	15.20	11.43	8.97
4. Guest house expenses	4.35	3.68	4.38



## VISION/MISSION

### Vision

- (i) Emerge as an internationally preferred shipyard to construct world class Merchant and Naval ships, Offshore vessels and structures.
- (ii) Become market leader in ship repair, including conversions/ up-gradation.

### Mission

- (i) To build and repair vessels to international standards and provide value added quality engineering services.
- (ii) Sustain corporate growth in competitive environment.

## OBJECTIVES

- (i) To sustain and enhance commercial shipbuilding activities through technology up-gradation and capacity augmentation
- (ii) To continuously endeavor to expand/diversify activities of the shipyard including setting up new facilities.
- (iii) To carry out Research & Development in Welding and clean ship Design Technology.
- (iv) To Motivate employees through improved specific training programs.
- (v) To adopt best practices for clean and safe environment.
- (vi) Ride the down time with aggressive bidding and secure orders to maximize capacity.