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Board of Directors

Cmde K Subramaniam	:	Chairman & Managing Director
Capt R S Sundar	:	Director (Operations)
Shri Paul Ranjan D	:	Director (Finance)
Shri Sunny Thomas	:	Director (Technical)
Shri M C Jauhari, IAS	:	Official Part Time Director, Joint Secretary (Shipping) Ministry of Shipping
Shri Elias George, IAS	:	Official Part Time Director Government of Kerala
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
Shri N Raghuram	:	Non Official Part Time Director
Dr. S Mohan	:	Non Official Part Time Director

Management Team

Shri N V Suresh Babu	:	Chief General Manager (Shiprepair)
Shri Madhu S Nair	:	Chief General Manager (Business Development)
Shri Bejoy Bhasker	:	Chief General Manager (Design & Defence Projects)
Shri K J Ramesh	:	General Manager (Human Resource)
Shri T N Sudhakar	:	General Manager (Finance)
Shri M Murugaiah	:	General Manager (Shipbuilding)
Shri M D Varghese	:	General Manager (Industrial Relations & Administration)
Shri A N Neelakandhan	:	General Manager (Projects & Maintenance)
Shri K N Sreejith	:	General Manager (IAC)
Shri A V Suresh Kumar	:	General Manager (Planning)
Shri S Varadarajan	:	General Manager (Materials)
Shri N J Joseph	:	General Manager (Safety & Fire)

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

Babu .A Kallivayalil & Co
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 in the Indian Navy for close to three decades before joining CSL. During his tenure in the Indian Navy, 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 Riga, Latvia. He also holds a Masters Degree in Defence studies.



Capt. R S Sundar
Director (Operations)

Captain R S Sundar, Indian Navy (Retd.) joined as the Director (Operations) of Cochin Shipyard Limited, Kochi on 21 November 2011. In his career spanning over two and a half decades in the Indian Navy, Captain Sundar a Naval Architect by profession, has held important appointments. Captain Sundar joined Mazagon Dock Ltd, Mumbai in November 2006 after prematurely retiring from the Navy and was heading the prestigious Stealth Frigate Project prior to joining Cochin Shipyard Limited.



Shri Paul Ranjan D
Director (Finance)

Shri D Paul Ranjan, assumed charge as Director (Finance) of Cochin Shipyard Ltd w.e.f 01 May 2014. A chartered Accountant by profession Shri Paul Ranjan joined the Company as Executive trainee on 17 Dec 1984. Since then he rose up in the ranks of CSL through dedicated & committed service in various capacities in the last three decades. He is also D.I.S.A qualified and was heading the Information Systems Department.



Shri Sunny Thomas
Director (Technical)

Shri Sunny Thomas, assumed charge as Director (Technical) of Cochin Shipyard Ltd w.e.f 01 Jun 2014. Shri Sunny Thomas is B-Tech (Hons) in Naval Architecture and Shipbuilding from CUSAT and an MBA in Finance. Shri Sunny Thomas joined Cochin Shipyard on 03rd August 1981 as Management Trainee and has served in various critical operational areas like shipbuilding, Design, Shiprepair, Projects, Outsourcing etc. He has been trained in shipbuilding techniques in Japan for one year and has been instrumental in the introduction of modern high productive welding techniques in CSL. He rose up in the ranks of CSL through dedicated and committed service in the last three decades.



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 January, 2012. He was born on 02 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. Elias George, IAS
Official Part Time Director
(Representative of Government of Kerala)

Shri Elias George IAS is an Official Part Time Director representing government of Kerala. He joined CSL w.e.f 18 August 2012. He is a senior IAS officer with vast experience across different sectors of administration. He started his career as Assistant Collector at Thalassery and worked in different departments like Irrigation, Forest, Civil Supplies, Labour, Industries and Tourism. He has held positions in several departments in the State as well as in Central Ministries and has served on the boards of Central Government PSUs like SAIL, RINL and MSTC. Presently he is the Managing Director of Kochi Metro Rail Limited.



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 also a Director in the Neyveli Lignite Corporation.



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.



Dr G C Gopala Pillai

Non Official Part Time Director

Dr. G C Gopala Pillai is a Non Official Part Time Director in our Board w.e.f 27th November 2012. He was the former C&MD of FACT Ltd, & former Vice Chancellor (acting) of National University of Advanced Legal Studies (NUALS). He has a doctorate in management from University of Kerala. He is associated with various national level academic institutions and was also dean of management studies, University of Kerala. He is a Guide for Phd students under the Kerala University. He has a number of professional achievements to his credit like implementation of major Infrastructure projects while he was MD of KINFRA, turning around FACT from loss making to profit making company and achieving the record profit in 2005-2006



Shri S Mohan

Non Official Part Time Director



Shri N Raghuram

Non Official Part Time Director

Dr. Seetharaman Mohan is a Non Official Part Time Director on our Board w.e.f 27th November 2012. He graduated as a Mechanical Engineer from BITS, Pilani, and is an MBA from IIM Bangalore and PhD in Management from BITS, Pilani. He was trained as a 'Trainer' in United Kingdom and has attended Management Development Programs at Stanford, Kellogg and Smith's School, Washington.

He has had a wide ranging professional experience. He started his career as an Engineer with Tata Motors in Pune and following his MBA joined Bharat Heavy Electricals limited (BHEL), Bhopal in Finance where he successfully implemented the Standard Costing System. He moved to Bharat Petroleum Corporation Limited (BPCL), Mumbai in 1983. During his 28 years in BPCL he executed large projects of several hundred crores, headed the Southern India operations, before he was selected to head the newly formed Strategic Business Unit for LPG Product in 1997. He successfully established the SBU before moving on to introduce a robust Talent Management system as Head Human Resource Development function. He was appointed to the Board of BPCL as Director(HR) in 2008, which position he held till he superannuated in 2011.

He has addressed Technical and Management Conferences in India and abroad, served as a Chairman of Oil Industry safety Directorate's prestigious standards Committee for Auto LPG. He is a Life Member of Institution of Engineers and All India Management Association. He served as Executive Committee Member of HR-IR Committee of Bombay Chamber of Commerce and Industry (BCCI), Committee on Corporate Governance at Indian Merchants' Chamber (IMC) and was actively involved with Bombay Management Association (BMA) since 2004 as Executive Committee Member, Chairman of MDP Committee and

Shri N Raghuram is a Non Official Part Time Director in our Board w.e.f 27th November 2012. He is a Practising Chartered Accountant with over 20 years of experience and partner of M/s Ponraj & Co. He has vast experience in Statutory Audits of Navratna PSUs, Banks, Listed Companies etc.



FINANCIAL HIGHLIGHTS

(₹ in crores)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Turnover	1637.45	1554.16	1404.85	1461.72	1248.5	1256.21	833.79	719.74	373.53	276.48
Total income	1712.78	1642.33	1481.54	1589.17	1326.49	1383.26	857.17	845.64	452.89	323.31
EBDIT	337.52	317.9	284.16	390.27	364.68	276.42	162.66	104.17	43.79	28.03
Depreciation & write offs	26.79	19.22	18.07	17.06	15.24	9.8	9.69	7.89	10.62	7.24
Profit After Tax (PAT)	194.24	185.27	172.33	227.53	223.04	160.07	93.85	58.11	18.23	12.1
Equity Share Capital	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28
Reserves & Surplus	1239.25	1062.42	898.41	775.38	490.54	336.7	199.64	93.67	55.06	36.83
Net Worth	1352.53	1175.7	1050.83	967.8	680.32	566.49	429.43	323.45	284.85	266.62
Gross Fixed Assets	602.38	444.35	376.73	362.1	349.68	270.39	233.46	217.18	206.92	204.65
Net Fixed Assets	383.41	247.3	192.61	190.67	189.75	121.64	92.16	81.91	76.33	78.3
Number of Employees	1751	1656	1900	1818	1907	1962	2059	2084	2075	2109
Key Indicators										
EPS (Rs. per share)	17.15	16.35	15.21	20.09	19.69	14.13	828.51	513	160.97	106.81
Face Value Per Share (Rs.)	10	10	10	10	10	10	1000	1000	1000	1000
EBDIT/ Gross Turnover (%)	20.61	20.45	20.21	26.7	29.2	22	19.5	14.5	11.7	10.1
Net Profit Margin%	11.86	11.92	12.27	15.57	17.86	12.74	11.26	8.07	4.88	4.38
Return on Net Worth%	14.15	15.76	16.4	23.51	32.78	28.26	21.85	17.97	6.4	4.54
Return on Capital Employed %	13.97	19.08	18.76	27.44	38.57	29.09	23.28	11.7	3.65	2.45
Capital Employed	1389.98	970.7	918.68	829.27	578.32	550.31	401.33	496.6	499.64	493.63

CHAIRMAN'S ADDRESS

1. It gives me great pleasure to welcome you all to the 42nd Annual General Meeting of Cochin Shipyard.

Shipbuilding Scenario

2. The shipbuilding industry is at a very crucial phase of growth. Despite sluggish market, intense competition and financial challenges, the initiatives of the new Government to nurture "Make in India" has given the industry a boost for growth. It is expected that the GOI would facilitate domestic industry to infuse technology and low cost finance, so that value added high tech ships like Dredgers and LNG carriers could be built in India. The announcement of a new shipbuilding policy by the Finance Minister in his budget speech has given the much needed optimism for the future growth of the industry.

Company Performance -Shipbuilding

3. Let me begin by stating that your company continued to post excellent results despite the poor shipbuilding scenario. During the year your company has recorded a growth of about in terms of both turnover and net profit. This year the Company achieved a turnover of ₹1637.44 crores, as against ₹1554.16 crores last year. The Profit Before Tax was ₹290.96 crores as against ₹275.55 in the preceding year. The PAT for the year was ₹194.24 crores as against ₹185.27 crores in 2012-13. The Company contributed ₹162.10 Crores to the National Exchequer by way of taxes and duties. While the Company has continued to perform consistently well, the directors taking a long term view of the need to conserve capital in the light of the future expansion plans of the Company, have proposed to declare a dividend of 15% per share on the 11,32,80,000 fully paid up equity shares of ₹10 each. The total outgo of dividend and dividend tax would be approximately ₹19.88 crores.

4. The watershed event in the shipbuilding history of the country was undoubtedly the launching of the first Indigenous Aircraft Carrier (IAC) on the 12 Aug 2013. The ship gracefully and majestically floated out of the dock, a testimony to the company's technological excellence in ship design and building. The IAC project continues to remain the focus of the yard's activities and critical work on the shafting and erection of sponsons & superstructure is in progress



in the repair dock (Dock -1). The yard has had to weather some rough times due to the delayed approval of the revised CCS sanction leading to a financial crunch on the project. I am extremely glad to report that the new Govt has accorded the revised sanction to the project and the necessary funds would now be available. The discussions on the phase II contract are at an advanced stage and should be concluded shortly.

5. Cochin Shipyard delivered seven ships during the year 2013-14, five ships to the Indian Coast Guard and two ships to M/s PSV Holdings, Liberia. In keeping with the yard's reputation for delivery of high quality ships, the performance of the ships continued to be appreciated by the owners.

6. The performance vis a vis the MoU signed with the GoI is assessed by the Company as 'Excellent'. The final rating from the DPE is awaited.

Ship Repair Performance

7. The non availability of the repair dock, wherein the IAC is docked has posed serious challenges to the Ship Repair business. However, it is to the credit of the Ship repair division that innovative use of the building dock with multiple dockings and erection of a 'Partition Gate' to increase the available length of the dock for ship repair activity has taken the turnover beyond the MoU target of ₹180 Crores. The turnover achieved was ₹228 crores.

8. The MoU arrangement with the Lakshadweep administration and LDCL has worked satisfactorily with mutual benefit to both organizations. Similarly, the repairs to the ships of CIFNET are being carried



CHAIRMAN'S ADDRESS

out under an MoU. This arrangement has ensured that the ships of these organizations are operationally available with minimum downtime. The shipyard is able to carry out more efficient planning and meet the schedules for these vessels.

Implementation of Enterprise Resource Planning System (ERP)

9. A state of the art SAP has been implemented across all business areas of the shipyard. The system 'Go live' was on 01 Jul 14. The system is expected to stabilize shortly and improve the reliability, accuracy and efficiency of all transactions.

Future Expansion Plans

10. In keeping with its growth strategy shipyard has progressed with the setting up of the International Ship Repair Facility on 42 acres of land of Cochin Port Trust. The phase I of the project has been largely completed with the existing facilities being fully utilized. The work on the phase II is proceeding satisfactorily with the appointments of the Project Management Consultants. All preparatory work to obtain the Environment clearance, which is critical to progress the project is progressing. It is expected that the clearance would be obtained in the first quarter of 2015. Towards part funding of this project the Company raised ₹ 123 crores by issue of tax free bonds through private placement.

11. To keep up the momentum of growth of the Company, the yard has identified the need for a larger dry dock. A dry dock capable of docking Jack Up Rigs (JURs), semi submersibles and accommodate ships of 200,000 tonnes DWT is considered essential. This larger dock is necessary if the yard is to be considered for the next aircraft carrier of the Indian Navy which would be much larger than the IAC and cannot be built in the existing facility. Further, there is great potential for building of Liquefied Natural Gas (LNG) carriers which are required by Gas Authority of India Ltd (GAIL). Your directors had considered the requirement and recommended the construction of a large dry dock at an estimated cost of ₹ 1200 crores. I am happy to place on record our appreciation to the Ministry of Shipping for having accorded 'in principle' approval for the project in a very short time.

12. The Company intends to raise capital to meet its expansion plans through a judicious mix of debt and

equity options. Your Board has approved a proposal to raise funds by way of an IPO by issue of 2,22,62,500 shares of Rs 10 each. This proposal is under the active consideration of the Ministry of Shipping. The necessary changes to the structure of the Company as also its Articles of Association to enable the Company to go through with the IPO are being processed.

Corporate Governance

13. 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 11, out of which five 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 and Sustainable Development (CSR & SD) Committee has been constituted to provide fillip to the CSR, sustainable development initiatives of the Company. A Contracts and Capex Committee has been constituted chaired by an Independent Director reviews and recommends high value contracts and capital expenditure proposals.

14. Shri Ravikumar Roddam demitted office as the Director (Finance) on 30 April 14 on superannuation. Shri P Vinayakumar, Director (Technical) superannuated on 31 May 14. On behalf of the Board and on your behalf, I would like to place on record our appreciation for the contributions made by both of them during their tenures on the Board. Shri Paul Ranjan was appointed as Director Finance on 01 May 14 and Shri Sunny Thomas took over as Director (Technical) on 01 Jun 14. On your behalf, I would like to extend a very warm welcome to the new incumbents and I am confident that the Company would benefit by their contributions. I also take this opportunity to place on record our sincere gratitude to Shri LN Vijayaraghvan, Independent Director who demitted office on expiry of his term on 16 Sep 14.

Industrial Relations

15. The Company continues to have good

CHAIRMAN'S ADDRESS

harmonious industrial relations with the permanent work force. This is remarkable considering the labour environment prevalent in the state. The shipyard has a participative style of management with the employees. Apart from the meetings with the recognized unions, a structured mechanism to interact with the employees through shop committees and joint shop councils has been very effective. Regular meetings are held wherein the employees are encouraged to give their perspective on various issues and voice their concerns.

Research & Development

16. The Shipyard continues to place emphasis on carrying out Research and Development activities. This has helped the shipyard improve its productivity and quality. In particular the developments in the areas of welding has ensured faster and better quality welds. Distortion control studies which working with aluminum has resulted in blocks of high quality for the Fast Patrol Vessels whose superstructure is fabricated from aluminum to reduce top weight. Accuracy control studies in association with Indian Institute of Technology are on going and are expected to result in superior quality blocks.

Marine Engineering & Training Institute

17. The Marine Engineering Training Institute continues to be rated excellent for the ninth consecutive year by the independent rating agency CARE. A total of 108 marine engineers passed out from the institute in the year 2013-14.

Integrated Management System

18. 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.

Corporate Social Responsibility (CSR)

19. The Company continued to fulfill its obligation as a good corporate citizen through its CSR initiatives. In accordance with the guidelines on CSR and Sustainability Development as per the Companies Act 2013, CSL identified and sanctioned 33 minor and major CSR and Sustainability projects at a total estimated cost of ₹ 4.25 crores. Out of these, 22 projects have been successfully completed and the balance 11 are in progress.

Bench Marking vis a vis Domestic Shipyards

20. A bench marking exercise vis a vis the other domestic shipyards was undertaken by an independent consultant as directed by the Ministry of Shipping. I am extremely pleased to state that your Company has been rated highest across various parameters with respect to the other yards.

Conclusion

21. The Company is going through challenging times. There is an imminent need to upgrade and climb up the value chain to remain at the top. New technology needs to be identified and sourced, skill sets needs to be honed, infrastructure requires to be put in place and succession planning carried out. This is by no means an easy task. However, I am confident that the shipyard has adequate talent and is fully geared up to meet the challenges and ensure that Cochin Shipyard remains at the top and fulfills its mission to emerge as a leading shipyard in this geographic region.

22. The industry is going through troubled times. The new government, with its emphasis on reviving the manufacturing sector, should provide the blue print for the development of the industry as a whole. The expected policy initiatives in the form of a comprehensive shipbuilding policy should provide the necessary directions to revive and nurture the vital industry.

23. In conclusion, I am confident that the Company would continue to grow and maintain its impressive performance with the support of the Government of India, Government of Kerala and the Board of Directors. Their invaluable advice, guidance and encouragement has helped the Company to face the various challenges and move ahead in all its endeavors and reach the present level of performance. Last but not the least I would like to express 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 42nd Annual General Meeting of the Members of Cochin Shipyard Limited will be held at 15:00 hrs on Monday, 29th September 2014 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 31st March 2014, 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 31st March 2014.

Special Business

3. To consider and if thought fit, to pass with or without modification(s), the following resolution as ordinary resolution:

RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, M/s. K A Felix & Co., Cost Accountants appointed as Cost Auditors by the Board of Directors of the Company to audit the cost records of the Company for the financial year 2014-15, be paid a remuneration of Rs.1,10,000 per annum plus applicable service tax.

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

By the Order of the Board of Directors

Place: Kochi
Date: 23rd July 2014

V Kala
Company Secretary

Notes:

1. The statement pursuant to Sec. 102(1) of the Companies Act, 2013 with respect to the special business set out in the Notice is annexed.
2. **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.**



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.3

In pursuance of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Company is required to appoint a cost auditor to audit the cost records of the applicable products of the Company.

On the recommendation of the Audit Committee at its 28th meeting held on 20th February 2014, the Board at its 209th meeting held on 21st February 2014 has considered and approved the appointment of M/s. K A Felix & Co., Cost Accountants as the cost auditor for the financial year 2014-15 at a remuneration of ₹1,10,000 per annum plus applicable service tax. As per section 148(3) of the Companies Act, 2013, the remuneration of Cost Auditor is required to be approved by the shareholders.

The Board recommends this resolution for approval of the Members.

None of the Directors/Key Managerial Personnel of the Company/their relatives are in any way, concerned or interested, financially or otherwise, in the resolution.

By the Order of the Board of Directors

Place: Kochi
Date: 23rd July 2014

V Kala
Company Secretary



DIRECTORS' REPORT

Dear Shareholders,

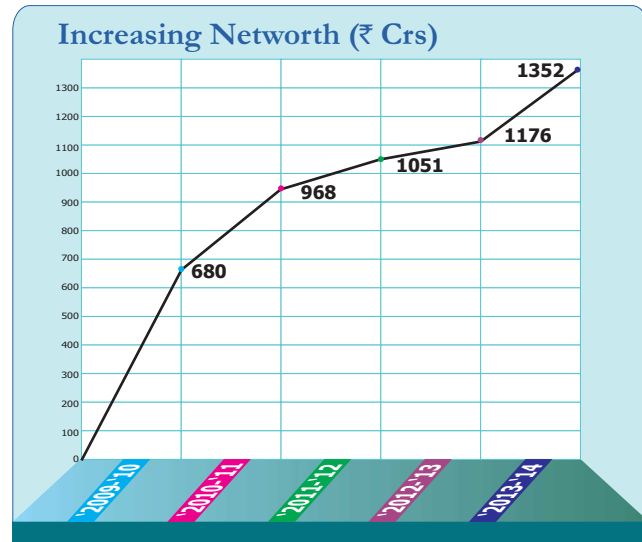
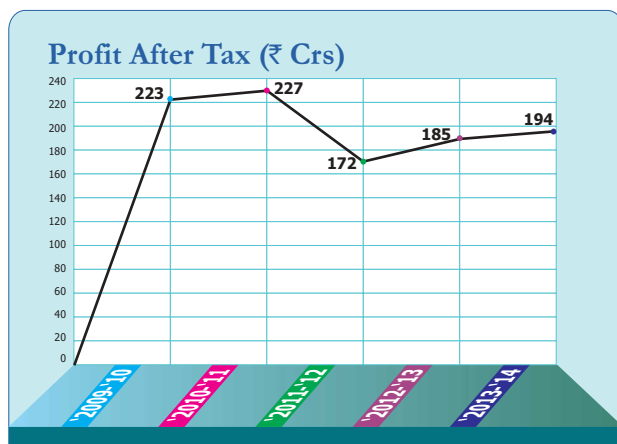
- Your Directors have pleasure in presenting the 42nd Annual Report of your Company along with the audited accounts for the year ended 31st March 2014.

Financial Performance

- The Performance of Cochin Shipyard Limited continued to be good during the year 2013-14. The turnover for the year was at ₹1637.45 crores as compared to ₹1554.16 crores in the year 2012-13. The net profit was ₹194.24 crores as compared to ₹185.27 crores for the previous year. This performance is creditable considering the continuing recessionary conditions in the shipping and ship building sector.

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. The total outgo for dividend and dividend tax would be approximately ₹19.88 crores.



Reserves and Surplus

- As on 31st March 2014, the Company has Reserves and Surplus amounting to ₹1239.25 crores which reflects the inherent financial strength of the Company.

Contribution to Exchequer

- The total contribution made during the year by way of Value Added Tax, Income Tax, Excise Duty, Customs Duty and Service Tax was ₹162.10 Crores.

Financial Highlights (₹ Crs)

Sl No	Particulars	2013-14	2012-13
(i)	Gross Income	1712.78	1642.33
(ii)	Profit Before Finance cost, Depreciation & Tax	337.52	317.90
(iii)	Finance Costs	19.77	23.13
(iv)	Depreciation & Write off	26.79	19.21
(v)	Profit Before Tax (Net)	290.96	275.55
(vi)	Provision for tax (Net)	96.71	90.28
(vii)	Net Profit	194.24	185.27



Fast Patrol Vessel



DIRECTORS' REPORT

Shipbuilding

- The Company achieved a total shipbuilding income of ₹1409.56 crores during 2013-14 as against ₹1267.59 crores in 2012-13. During the year 2013-14, the yard delivered seven ships i.e five Fast Patrol Vessels (FPV) for the Indian Coast Guard and two Platform Supply Vessels for international owners.
- On 12th August 2013, CSL launched the first Indigenous Aircraft Carrier, the most prestigious warship of the Indian Navy which marks a watershed event in the history of Indian shipbuilding. With this, India becomes the fifth nation besides US, UK, France and Russia that has the capability to design and build aircraft carriers of this size.

Shiprepair

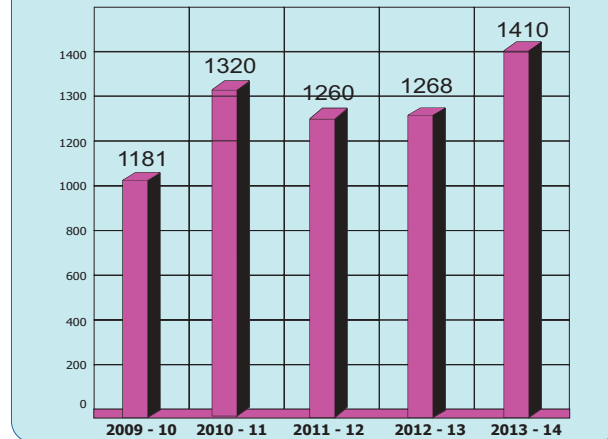
- During the year, the Company achieved a total shiprepair income of ₹227.88 crores as compared to ₹286.57 crores during the financial year 2012-13. The dip in the shiprepair turnover compared to last year is due to lack of availability of shiprepair dock which was occupied by the Indigenous Aircraft Carrier for a major part of the year and the Company could not take more shiprepair orders. The key repair projects undertaken during the year include TSHD Cauvery, MV Sagar Deep II, INS Tir (Phase II), MV Kavaratti, MV Thinnakkara and Tug Thiruvalluvar.

Shipbuilding Order Book Position

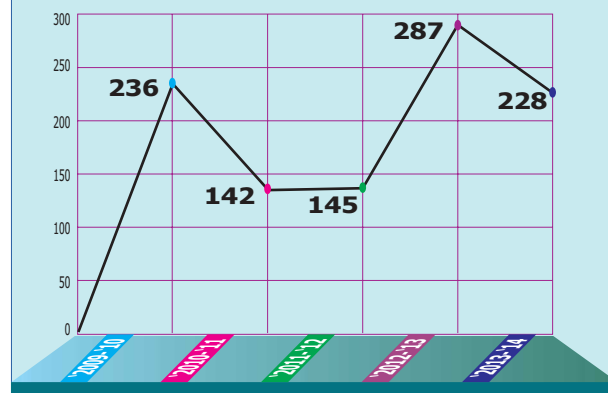
- The Order book position as on 31st March 2014 was as follows:-

Vessel Type	Nos
STX NOD Platform Supply Vessels, BY 92	01
Indigenous Aircraft Carrier for the Indian Navy, P 71	01
Fast Patrol Vessel for the Indian Coast Guard 506-520	15
Buoy Tender Vessel for Director General of Lighthouses and Lightships	01

Shipbuilding Income (₹ Crs)



Shiprepair Income (₹ Crs)



International Shiprepair Facility (ISRF) at Cochin Port Trust

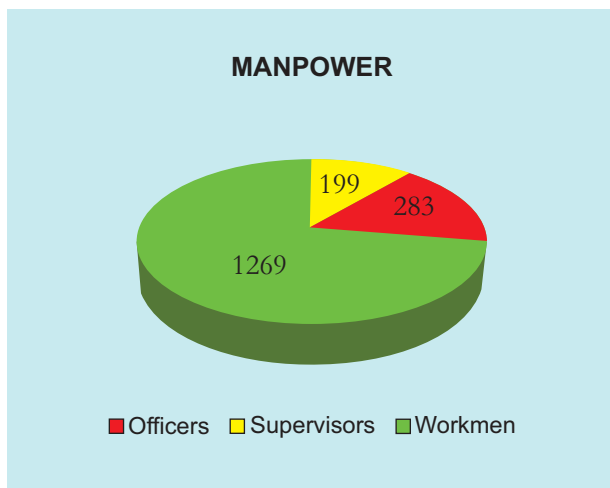
- CSL had identified shiprepair as an area of good potential for future growth in the short and medium term. Accordingly, the Company ventured into its first major expansion through the ISRF Project at Cochin Port Trust Area (CoPT). CSL had taken over the ship repair facility of Cochin Port for a lease period of 30 years. Lease deed for the land and water area (Phase-1) was executed on 12th April 2013. Subsequently, existing facilities in the leased area has been made operational and the first ship was docked in the dry dock on 25th May 2013. Repair activities of 10 nos. vessels have been completed till 31st March 2014. As a part of obtaining

DIRECTORS' REPORT

environmental clearance from the Ministry of Environment & Forests (MoEF) for the proposed expansion, CSL had submitted Terms of Reference (ToR) for conducting Environment Impact Assessment (EIA) study for approval on 19th October 2013. The same was taken up in the Expert Appraisal Committee (EAC) meeting of MoEF held on 21st November 2013 and approval was issued on 10th December 2013. Accordingly, EIA study is presently being carried out by our EIA consultant, M/s Consulting Engineering Services, New Delhi. CSL had also entrusted the Project Management Consultancy of the ISRF project on the consortium of M/s Inros Lackner, Gernmay & M/s Tata Consultancy Engineers, Mumbai and they are in the process of preparing Detailed Project Report.

Manpower

11. The manpower strength of the Company as on 31st March 2014 was 1751, consisting of officers, supervisors and workers. The complement of CSL as on 31st March 2014 is shown in the diagram below:-



Reservation in Employment

12. Out of 1751 employees, there are 211 SCs, 40 STs, 397 OBCs, 30 Ex-Servicemen and 46 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.

Integrated Management System (IMS)

13. Cochin Shipyard continued to be an IMS compliant company covering ISO 9001:2008 (Quality Management System), ISO 14001: 2004 Environmental Management System and OHSAS 18001: 2007 (Occupational Health and Safety

Facility Upgrade and Capital Expenditure

14. The total capital expenditure incurred in 2013-14 amounted to ₹44.26 crores. An amount of ₹31.07 crores has been incurred for Renewals & Replacements and Modernization & Expansion, ₹1.92 crores for infrastructure facilities for the Indigenous Aircraft Carrier, ₹9.41 crores in connection with the setting up of International Ship repair facility at Cochin Port Trust premises and ₹1.22 crores for Research & Development projects.

Integrated ERP System

15. CSL is implementing a 'State of Art' integrated ERP solution covering all business functions in the organization at an estimated cost of ₹ 23 crores. The ERP system being implemented is 'SAP'- the world's leading ERP system. The system 'go live' was on 01st July 2014.

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. This recognizes that 80% of ministerial staff of the Company as having acquired working knowledge/proficiency in Hindi.
17. During the year Cochin Shipyard received the Rajbhasha Rolling Trophy and certificate instituted by Kochi TOLIC (PSUs) for the best implementation of Official Language for the year 2012-13 among the companies having more than 200 employees.



DIRECTORS' REPORT

18. Late Shankar Dayal Singh Memorial Award Scheme was introduced in CSL during 2012 as per directions from Ministry of Heavy Industries and Public Enterprises. This year the award was given to Shri Rinjo Paul, Junior Commercial Assistant of P & A Department.
19. Incentive scheme for doing original work in Hindi has been made more attractive with a view to encourage employees to do more work in Hindi. During the year, fifteen employees were awarded cash prizes under the incentive scheme.
20. As per the instructions from Hindi Salahakar Samiti of Ministry of Shipping, a competition based on Administrative terminology in Hindi was organized in connection with Hindi Fortnight celebrations in which the students of Bharatiya Vidya Bhavan schools under Kochi Kendra participated.
21. As part of implementation of Official Language Policy of Govt. of India, CSL observes 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 on the intranet and also on the notice board.
22. English- Hindi dictionaries were given to all officers with a view to encourage them to work in Hindi.
23. Fifth issue of Hindi house journal, 'Sagar Ratna' was released in the month of December 2013.

Statement of Employees Particulars

24. Particulars as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended:- **Nil**
25. 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.**
26. 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

27. The Company's vigilance wing continued its efforts in preventive vigilance. Annual Action plan on vigilance and anti corruption measures were prepared and implemented. Emphasis was given to vigilance sensitization programmes. Interactive sessions were conducted for the benefit of employees. Based on the recommendation of Vigilance an alternate redressal of grievance forum and a mandatory clause for Arbitration in Civil Contracts have now been included in all purchase orders and high value civil contracts respectively. Further, adoption of e-auction and e-procurement have also been initiated. The Company has implemented the Integrity Pact for all orders beyond ₹1 Crore. The Company has also appointed independent external monitors for all high value contracts.

Tax Free Infrastructure Bonds

28. The Central Board of Direct Taxes (CBDT) vide notification No. 61/2013/F. No.178/37/2013-(ITA.I) dated 8th August, 2013 authorized CSL to raise Tax free, Secured, Redeemable, Non Convertible bonds ("Bonds") amounting to ₹250 crores during the financial year 2013-14. Pursuant to the above notification, CSL have issued Bonds amounting to ₹123 crores during the financial year 2013-14 in two tranches by way of private placement. Tranche I consisting of 1000 Bonds having face value of ₹10,00,000 amounting to ₹100 crores was issued on 2nd December, 2013 and second Tranche consisting of 230 Bonds having face value of ₹10,00,000 amounting to ₹23 crores was issued on 28th March, 2014. The coupon rate and tenure of the Tranche I & II Bonds were 8.51% p.a & 10 years and 8.72% p.a & 15 years respectively. These bonds were secured by way of equitable mortgage created on the Company's landed properties at Girinagar in favour of debenture trustee viz. SBICAP Trustee Company Ltd. These Bonds were rated CARE AA+ by CARE and IND AA+ by India Ratings. These Bonds are listed on Wholesale Debt Market ("WDM") segment of BSE Limited ("BSE").

DIRECTORS' REPORT

Research and Development Activities

29. The various Research and Development activities undertaken by the yard in year 2013-14 include:

- a) Development of mechanized elbow cutter for cutting non standard elbows. This has reduced pipe fit up cycle time and thereby increased the productivity of pipe shop.
- b) Submerged Arc Weld (SAW) procedure has been developed for low thickness steel plates. This has improved the weld quality and productivity and reduced the fatigue of the welders. This procedure was implemented in the shop floor and used extensively for welding of panels of the Fast Patrol Vessels being built in the yard for Indian Coast Guard.
- c) Training and qualifying the welders for mechanized pulsed welding machine for aluminum panels. This has drastically reduced cycle time of fabrication of blocks with bare minimum weld restart. This has helped in productivity improvement in the construction of Fast Patrol Vessels being built in the yard for Indian Coast Guard.
- d) Self shielded welding process has been developed and this has shown good results in the test bed and is advantageous to weld in areas where shielding gas is not available.
- e) Circular welding work station has been developed with Submerged Arc Welding (SAW). This has helped to cater to the requirement of circular weld joints in ships and this has resulted in reducing the weld time of circular joints by about 40% compared to the conventional semi automatic MIG/MAG process used hitherto.

Safety

30. Cochin Shipyard continues to place very high emphasis on safety at the work place. Considering that ship building and ship repair are prone to accidents, the constant vigil on this crucial aspect has enhanced the overall safety consciousness of all employees in the Shipyard.
31. Cochin Shipyard has maintained a safe working environment inside the Shipyard through well

conceived policy, and implementation of safe procedures. Some of these measures include the following:-

- (a) Permit to work system
- (b) Usage of 100% Personal Protective Equipments [PPE's]
- (c) Refresher training for all employees
- (d) Safe Operating Procedure for all type of jobs in connection with shipbuilding and shiprepair operations
- (e) Conducting Tool Box Talk on vessels under repair and new building ships.
- (f) Statutory Safety Committee Meetings at regular intervals such as Central Safety Committee, Shop Level Safety committees in Shipbuilding, Shiprepair and services departments with active involvement of employees to promote ideas, elicit opinions and to further improve working conditions.
- (g) Conducting additional safety committee meeting for the contractors and contract workmen.
- (h) Periodical auditing of the systems and facilities to identify and eliminate potential hazards at work locations and reduce risk.
- (i) Conducting Training Sessions regularly to ensure continued competence and to enhance safe working atmosphere.
- (j) Observance of safety week annually during the month of March and encouraging employees to actively participate in various safety related programmes.
- (k) Observance of fire and rescue week during the month of April in connection with national fire services day.
- (l) Mock exercises simulating different emergencies are conducted on ships under repairs, new building and at the plant every month, to check the personal capability, response, responsibility and identify lacunae. Corrective actions are taken to eliminate the lacunae, if any.



DIRECTORS' REPORT

- (m) Periodic offsite and onsite emergency exercises with participation of surrounding industries and involvement of all emergency aid services are being conducted.
32. The increased focus on safety has resulted in the decrease of reportable accidents from 20 in 2012 to 12 in 2013.

Industrial Security

33. Industrial Security of the Company continued to be normal and without any security breach or incident. Company continues to be an International Ships and Port facility Security (ISPS) Code compliant Shipyard and follows all standard security requirements. As per the security arrangements, 24 hrs waterfront 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.
34. The physical security of the Company has been entrusted to a 116 strong CISF contingent headed by an officer of the rank of Assistant Commandant. Company also has a very effective system of coordination with other security agencies like Kerala Police, 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. Periodic safety drills and exercises are conducted inside CSL premises towards creating security awareness and preparedness among the various users of facilities including regular and contract workers.

Awards and Recognitions

35. During the year, CSL was adjudged the winner of the safety award instituted by the National Safety Council- Kerala Chapter.

Board of Directors

36. The Board of CSL comprises of twelve directors consisting of four Whole Time Directors, six Non-Official Part Time Directors and two Official Part Time Directors. Shri Ravikumar Roddam, Director (Finance) retired from the services of the Company with effect from 30th April 2014 on superannuation. Also, Shri Vinayakumar P, Director (Technical) retired from the services of the Company with effect from 31st May 2014 on superannuation.
37. Shri Paul Ranjan D was appointed as Director (Finance) with effect from 01st May 2014 vide Ministry of Shipping letter No.SY-11012/1/2009-CSL Vol-II dated 04th April 2014. Shri Sunny Thomas was appointed as Director (Technical) with effect from 01th June 2014 vide Ministry of Shipping letter No.SY-11012/3/2010-CSL dated 12th May 2014.

Directors' Responsibility Statement

38. 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 judgments 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,

DIRECTORS' REPORT

- d) The annual accounts have been prepared on the 'going concern' basis.

Corporate Governance

39. 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 regard. The Company 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.

Investor Services

40. CSL is a fully owned Government of India enterprise and the shares of the Company are not listed in any of the recognized stock exchanges in India. The Tax Free Bonds issued by the Company are fully dematerialised with both the depositories, NSDL and CDSL. These Bonds are listed on Wholesale Debt Market ('WDM') segment of BSE Limited ('BSE'). M/s. Linkintime India Private Limited, Mumbai are the Registrar & Transfer Agents of the Company in respect of these Bonds.

Internal Control Systems

41. In order to provide for functional autonomy, the Company has a system wherein financial powers of the Board of Directors is delegated to the CMD. These powers are further sub delegated to officers at various levels for smooth and efficient day to day functioning. An independent internal audit mechanism which is entrusted to an independent audit firm is in place for conducting extensive audit of various operational and financial matters. 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 examines internal/ statutory and C&AG audit observations and provides guidance based on the same. The Audit Committee also

looks into the internal control system, company procedures and internal audit performance and reports to the Board of Directors.

Audit Committee Recommendations

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

Risk Management Process

43. 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 reviews the risk management process and policy.

Auditors

44. Babu A. Kallivayalil & Co, Chartered Accountants, Ernakulam were appointed as the Statutory Auditors of the Company for the year 2013-14.

Auditors Report

45. The comments of the Statutory Auditors and the Company's reply are at **Annexure-C**.

Acknowledgment

46. 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, Suppliers, 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.

Kochi
23rd July 2014

Sd/-
Cmde K Subramaniam
Chairman and Managing Director



ANNEXURE TO DIRECTORS' REPORT

Annexure A

Information required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988
For the year ended 31st March 2014

1. Conservation of Energy

- a. Steps taken for conservation of energy during the year 2013-14.
- Installed 25KW Solar Power System
 - Provided Variable Frequency Drives (VFDs) for 2 Nos portable compressors
 - Electrification of new building is being carried out with LED lights
 - Replaced 1000 W Sodium Vapour Lamp/Mercury Vapour Lamp with 400 W Metal Halide Lamp (having high Lumen output)
 - Replaced 40W/36W conventional tube lights with 18W LED type tubes leading to saving of electricity.
 - Replacement of old and damaged window air conditioning units with energy efficient five star rated split A/C units.
 - Leakages in the compressed air distribution system and other industrial gas lines are regularly monitored and rectified.
 - Switching off of Main Air Compressor during lunch break.
 - Switching off of main power supply to shops, quays, and Docks momentarily at 12:15 hrs, this trips man coolers, roof extractors (controlled through starters), etc which are not required during the lunch break.
 - Displayed energy saving stickers and posters, conducted seminar and quiz competition for inculcating awareness among employees for energy conservation aimed at optimum use of electric power.
 - Power factor is continuously monitored and maintained near unity.
 - Replacement of 2 Nos old oil cooled power transformers with dry type transformers, thereby, reducing no load losses and improving efficiency of transformers.



ANNEXURE TO DIRECTORS REPORT

- b. Additional investments & proposals, if any, being implemented for reduction of consumption of energy and consequent impact on the cost of production of goods.
- Installation of 60 KW Solar Power System.
 - Conventional lamps are being substituted by LED light fittings in new buildings.
 - Energy auditing is conducted and feasible suggestions will be implemented.
 - Regular inspection and renewal of compressed Air/Acetylene/ Oxygen Pipe lines as needed.
- c. Impact of measures at (a) and (b) above for reduction of consumption of energy.
- Energy consumption has been reduced by 3 lakhs units per annum with the implementation of measures specified at Sl. No.1 (a). The measures mentioned at Sl. No.1 (b) are under implementation.
- d. Particulars with respect to conservation of energy.
- Energy auditing is conducted every three years and recommendations are implemented.



ANNEXURE TO DIRECTORS REPORT - ANNEXURE A (Contd)

Form A
Disclosure of particulars in respect of Conservation of Energy

SL No	Power & Fuel Consumption	2012-13	2013-14	2013-14 (CoPT)
1.	Electricity			
	(a)Purchase units (kWh)	2,76,37,000	2,87,94,000	3,15,036
	Total Amount (₹)	13,72,49,905	15,58,74,615	47,15,694
	Per Unit Rate	₹ 4/kWh & ₹ 300/kVA	₹ 4.40/kWh & ₹ 300/kVA	₹ 6.10/kWh upto 30,000 units ₹ 7.20/kWh above 30,000 units (for all units) and ₹400/kVA
	(b) Cost per unit	₹ 4.97	₹ 5.41	₹14.96
	(b) Own generation including hired generator sets			
	(i) Through Diesel Generation			
	(ii) Units (kWh)	6,350	7,135	Nil
	Unit per ltr of diesel	1.68	1.88	Nil
	Cost per unit	₹ 30.39	₹ 33.00	Nil
	(ii) Through steam turbine/generator			
	Units	Nil	Nil	Nil
	Units per ltr of fuel, oil/gas	—	—	—
	Cost per unit	—	—	—
2.	Coal			
	Quantity (tonnes)Total cost Average rate	Nil	Nil	Nil
		Nil	Nil	Nil
		NA	NA	NA
3.	Furnace Oil			
	Quantity (K1)	Nil	Nil	Nil
	Total Amount	Nil	Nil	Nil
	Average rate	NA	NA	NA
4.	Others/internal Generation Quantity	Nil	23,012 kWh	Nil
5.	Consumption per unit of production	NA	NA	NA

ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

FORM B

Disclosure of Particulars in respect of Absorption

A. Research and Development

- | | |
|---|---|
| <p>1. Specific areas in which R&D carried out by the Company.</p> | <p>R&D initiatives undertaken in the areas of welding and mechanisation for productivity improvement.</p> |
| <p>2. Benefits derived as a result of R&D</p> | <ol style="list-style-type: none"> 1. Development of mechanized elbow cutter for cutting non standard elbows has reduced pipe fit up cycle time and thereby the productivity of pipe shop 2. Submerged Arc Weld (SAW) procedure developed for low thickness has reduced the fatigue of the welders and improved the weld quality and productivity. This procedure was implemented in the shop floor and used extensively for welding of panels of the Fast Patrol Vessels being built in the yard for Indian Coast Guard. 3. Training and qualifying the welders for mechanized pulsed welding machine for aluminum panels have drastically reduced cycle time of fabrication of blocks with bare minimum weld restart and uniform weld bead. This has helped in productivity improvement in the construction of FPVs for Coast Guard. 4. Self shielded welding process developed has shown good results in the test bed and this area is advantageously used in welding where shielding gas is not available. This process is being further developed in the coming financial year. 5. Circular welding work station developed with Submerged Arc Welding (SAW) has helped to cater to the requirement of circular weld joints in ships and this will also result in reducing the weld time of circular joints by about 40% compared to the conventional semi automatic MIG/MAG |
| <p>3. Future Plan of Action</p> | <p>Following R&D activities are planned in the year 2014-15</p> <ol style="list-style-type: none"> 1. Distortion prediction and measurement of stiffened panels and large ship blocks and their mitigation in association with IIT Kharagpur. 2. Development of weld procedure using activated TIG weld process for carbon and stainless steel pipes. |



ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

4. Expenditure on R&D ₹ 1.83 crores (in year 2013-14)

B. Technology Absorption, Adaptation and Innovation

1. Efforts in brief towards technology absorption, adaptation and innovation.
 - i. Developed digitally the hull and outfit/design models for Platform Supply Vessels (PSVs) and Fast Patrol Vessels (FPVs).
 - ii. In-house development of complete production engineering design of above FPVs and PSVs in 3D hull and entire outfit modeling in Tribon
 - 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 Indigenous Aircraft Carrier are in progress, based on the inputs provided by the Indian Navy.
 - iv. Propulsion System Integration for the Indigenous Aircraft Carrier Project being carried out in collaboration with M/s Fincantieri, Italy.
 - v. In-house 3D modeling of Aviation Facilities like Arresting gear, Restraining gear, Hydraulic station, aviation ammunition complex, maintenance facilities inside Hangar, Ilmen, Luna and MTK for integration of these equipments onboard Indigenous Aircraft Carrier based on the details received from M/s Rosoboronexport, Russia.
 - vi. In-house 3D modeling of fire curtain used for separating the Hangar into two compartments and preparation of production drawings as per the details received from M/s Darchem, USA
 - vii. In-house 3D modeling of various Aviation Facility equipments like SAC lift, Ammunition lift, Turn table and hangar doors and preparation of production drawings based on the details received for these equipments from their respective foreign OEMs.
 - viii. Design of fire fighting system for Aviation Ammunition Magazine compartments and design of power supply system for Aviation Facility complex equipments with the help of M/s Rosoboronexport, Russia.


 ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

- ix. Production design of state of the art 'CLEAN DESIGN, DP II, Electric Propelled' Platform Support Vessels.
- x. 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 and consistent better quality of welds
- xi. Development of new weld procedures for DMR 249 Grade B Plate using Manual Metal Arc Welding (MMAW) process. Semi Automatic Gas Metal Arc Welding (GMAW) process and completely mechanised Submerged Arc Welding (SAW) process for welding butt, fillet joints, T sections and aluminum structures.
- xii. New weld procedures were developed in-house 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

- | | |
|---|--|
| <ul style="list-style-type: none"> i. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitutions etc. | <ul style="list-style-type: none"> i. Improved self reliance, better control and focus on productivity improvement. ii. Reduction of cost due to minimized rework, as interface of the systems can be viewed and corrected in 3D modelling on computer. iii. Considerable improvement in time and cost saving for production of vessels being built at Shipyard. iv. Yard has developed expertise and skill to produce production-engineering drawings by extracting relevant data from Tribon model. v. Carried out modelling of the entire hull, facilitating very short cycle time for drawing issue. vi. Capability achieved in undertaking multiple projects concurrently. vii. Drastically improved the weld arc on time. |
|---|--|



ANNEXURE TO DIRECTORS' REPORT

- ii In case imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished
- a. Technology imported
- i. Tribon M3 shipbuilding software.
 - ii. Propulsion System Integration Analysis for Indigenous Aircraft Carrier Project.
 - iii. Aviation Facilities Complex for Aircraft Carrier Project.
 - iv. Basic design of Platform 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. Use of Tribon M3 software (functional) has been fully absorbed (100%).
 - ii. Detailed engineering from Basic design of Platform Support Vessel of different categories like 755UT, 755LN, CD-09, CD-05, 755 CD has been fully absorbed (100%).
 - iii. 100% for the PSI analysis for Indigenous Aircraft Carrier Project has been absorbed.
 - iv. 80% 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
- The deliverables for AFC are also being received in phases.

C. Foreign Exchange Earnings and Outgo

(₹ in Lakhs)

Income from Foreign Exchange	2013-14	2012-13
From Shiprepair	15.29	Nil
From Shipbuilding (on accrual basis)	7364.85	61251.55
Expenditure in Foreign Exchange		
Materials (CIF Value)	37678.91	54374.01
Design & Documentation	17152.55	1311.57
Service Charges & Others	3721.32	5340.76

 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 FOR THE YEAR ENDED 31 MARCH 2014

The preparation of financial statements of **Cochin Shipyards Limited** for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory 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 independent audit in accordance with the standards on auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 20 August 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3)(b) of the Companies Act, 1956 of the financial statements of **Cochin Shipyards Limited** for the year ended 31 March 2014. 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 Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's Report under Section 619 (4) of the Companies Act, 1956.

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

Sd/-
(G SUDHARMINI)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI

Place: Chennai
Date: 26.09.2014



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
6(i)	Reliance on the recognition of rupees 93,320 lacs under revenue from operations on Ship Building of Indigenous Aircraft Carrier (IAC) for Indian Navy pertains mostly to phase-II of the construction, provisionally based on the rates approved for phase-I, including rupees 8,648 lacs as referred to in Note, for which formal contract defining the terms is yet to be entered into. (Refer note number 18)	Government of India vide order No.PL/1289/IAC (P-71)/Revision/312/D (Navy-I)/2014 dated 30th July 2014 has approved the revised cost and delivery schedule and cost estimate of IAC- project 71. Further it was also clarified vide letter dated 07 August 14, from IHQ, MOD DND that the above approval includes approval for fixed price part of the phase II contract and the process of concluding and signing of the contract is in progress. The Company expects the contract to be signed shortly. During 2012-13, the Company was executing certain activities pertaining to phase II scope of the contract, even though the price and other scope of contract was under negotiation. This was done in the broader national interest to avoid any delay in the construction of this strategic ship. As a matter of prudence the income pertaining to that work amounting to Rs.8648 lakhs was also recognized during 2013-14 and adequately disclosed in Note No.6.1 (i) & 18.2 of the accounts. This is in line with the accepted accounting practices in the industry and complying with the Accounting Standards AS-1, AS-7 and AS-9.
6(ii)	Reliance on the recognition of revenue from ship building /repair based on the Company's own assessment of physical completion. (Refer note number 18)	The company has been recognizing the revenue from ship building operations as per AS-7 which requires that revenue from long term construction contracts shall be recognized on percentage of completion. As per the Company's accounting policy followed consistently, for recognizing revenue, the percentage of physical completion or financial completion which ever is lower is adopted. In the case of physical completion the percentage progress is evaluated by the Company's technical experts in charge of the planning/ production department, who are considered as most suitable and competent to assess the physical progress achieved. This has been followed consistently over the years.

...contd.

ANNEXURE TO DIRECTORS' REPORT

Para in Auditors Report	Statutory Auditor's Comments	Company's Reply
6(iii)	Accounting of liabilities towards subcontract work based on Company's estimate pending confirmation by the parties. (Refer note number 5A)	Estimates have been prepared and reviewed every year on a realistic assessment of the total cost of construction, for which major part of the subcontract liability has been provided on the basis of actuals worked out on the basis of subsequent settlement of work orders and balance liability 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.
i(b)	The fixed assets have been stated to be physically verified by the Management during the year and is not observed by us. However the physical verification procedure needs to be strengthened. As explained to us, no material discrepancies were noticed on such physical verification.	<p>As per the Company's view the procedure for asset verification in the Company is well defined. The lists of assets excluding non movable items like buildings, roads, water supply etc. and assets categorized as intangible assets are drawn from Fixed Asset Register and sorted in the order of Cost center and forwarded to the respective department/division heads for verification and confirmation. The list is based on the items available in the asset register. The concerned HODs form a team of officers of minimum 2 members and conduct the physical verification.</p> <p>In case the assets are not available in the location mentioned in the asset verification list and the present location is known, then the information is mentioned in the 'Remarks' column based on which asset location is corrected in the register. If the asset is damaged or beyond economic repair, the position is intimated by the concerned department, and action initiated for write off of the asset after getting approval of the competent authority. In view of the detailed procedure followed for fixed asset verification which takes care of all the requirements, the physical verification procedure is considered adequate.</p>

...contd.



ANNEXURE TO DIRECTORS' REPORT

Para in Auditors Report	Statutory Auditor's Comments	Company's Reply
ii(b)	In our opinion, the procedure of physical verification of inventories followed by the Management need to be strengthened in relation to the size of the Company and the nature of its business.	Being a manufacturing company it is not possible to shut down operations of the company to carry out physical verification. Therefore the Company is following the perpetual inventory system. For physical verification of inventory, the Company has constituted a committee and physical verification is done and reconciled with book balances. The committee is conducting 100% physical verification of items on an annual basis. The report of the committee is submitted to CMD and adjustment if any required are done with proper approval. Hence the Company's procedure for physical verification is
(iv)	In our opinion and according to the information and explanations given to us, the internal control system should be strengthened to commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. According to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.	The Company has a predefined internal control procedure in which all areas of operations are covered and all activities/nature of function with authority and control measures are defined, the enforcement of which is strictly adhered. In respect of inventory, the control measures are ensured as per the materials manual. Delegation of powers are circulated and authorisation of all activities are made as per the delegation of powers. Further the scope of internal audit includes review and assessment of internal control systems and procedure and defects if any reported are rectified. The Internal Audit reports are discussed at CMD's level and the report along with actions proposed are placed before the Audit Committee and deliberated and actions required are followed up and taken appropriately.

...contd.

ANNEXURE TO DIRECTORS' REPORT

Para in Auditors Report	Statutory Auditor's Comments	Company's Reply
(vii)	In our opinion, the scope of internal audit function carried out by firm of Chartered Accountants, need to be enlarged to commensurate with the size of the Company and nature of its business.	In order to enhance the internal audit scope and coverage and to strengthen the internal audit functions, the company hired the services of professionally qualified firm of Chartered Accountants. As directed by the Board, Chartered Accountant firms who have audit experience in the Company's activities are considered for appointment as Internal Auditors of the Company, as they are conversant with the affairs of the Company. The Company has an Internal Audit Manual and detailed audit programme is approved by the Audit Committee of the Board. The Audit Programme defines the Audit scope. The Audit Programme is periodically reviewed by the Audit Committee considering the changes in business environment. The programme was last reviewed and finalised at the 25 th Audit Committee Meeting held on 16 th June 2013. The reports submitted by professional firms are reviewed by Audit committee of the Board. The Internal Auditors are required to provide necessary clarifications to the Statutory Auditors with respect to the internal audit functions carried out by them. In view of the above, the Company is of the view that the Internal Audit functions are commensurate with the size & nature of the business of the Company.
(viii)	We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 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 by the Company. We have, however, not made a detailed examination of the records with a view to determining whether these records are accurate or complete.	The Company has proper records relating to utilisation of material, labour and other items of cost as prescribed under section 209 (i) (d) of the Companies Act, 1956. Further the Cost Accountant appointed under rule 5 of the Companies (Cost Accounting Records) Rules, 2011 has filed Compliance Report, that proper cost records, as per the Companies (Cost Accounting Records) Rules, 2011 prescribed under clause (d) of sub section 1 of section 209 of the Companies Act, 1956 have been maintained by the company so as to give a true and fair view of cost of production and margin of all the products/activities of the company. All records are available with the company for verification.



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 plays 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 2014 was as follows:-

No	Name of Directors	Category of Directorship
1	Cmde K Subramaniam (Retd.), Chairman & 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 Paul Ranjan D Director (Finance)	Executive [^]
6	Shri Sunny Thomas Director (Technical)	Executive ^{^^}
7	Shri M C Jauhari, IAS, Joint Secretary (Shipping), Ministry of Shipping, Govt. of India	Nominee of Government of India
8	Shri Elias George, IAS	Nominee of Government of Kerala
9	Shri L N Vijayaraghavan, IAS (Retd.)	Non Official Part Time Director
10	Shri M Raman, IAS (Retd.)	Non Official Part Time Director
11	Vice Admiral (Retd.) S K K Krishnan	Non Official Part Time Director
12	Dr S Mohan	Non Official Part Time Director
13	Dr G C Gopala Pillai	Non Official Part Time Director
14	Shri N Raghuram	Non Official Part Time Director

* Shri Ravikumar Roddam, Director (Finance) has retired from the office consequent to his superannuation with effect from 30th April 2014.

** Shri Vinayakumar P, Director (Technical) has retired from the office consequent to his superannuation with effect from 31st May 2014.

[^] Shri Paul Ranjan D was appointed as Director (Finance) vide Ministry of Shipping letter No. SY-11012/1/2009-CSL Vol-II dated 04th April 2014 with effect from 1st May 2014.

^{^^} Shri Sunny Thomas was appointed as Director (Technical) vide Ministry of Shipping letter No. SY-11012/3/2010-CSL dated 12th May 2014 with effect from 1st June 2014.

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 Director in various companies

Name of Director	Attendance of meeting during 2013-14		No. of other Directorship(s)		Other Board Committees	
	Board Meetings	Last AGM	Chairman	Member	Chairman	Member
Cmde K Subramaniam	06	Yes	-	-	-	-
Shri Ravikumar Roddam	06	Yes	-	-	-	-
Shri P Vinayakumar	06	Yes	-	-	-	-
Capt. R S Sundar	06	Yes	-	-	-	-
Shri Paul Ranjan D	-	-	-	-	-	-
Shri Sunny Thomas	-	-	-	-	-	-
Shri M C Jauhari, IAS	02	No	-	02	-	-
Shri Elias George, IAS	04	No	-	02	-	-
Shri L N Vijayaraghavan, IAS (Retd.)	04	Yes	-	-	-	-
Vadm (Retd.) S K K Krishnan	05	Yes	-	-	-	-
Shri M Raman, IAS (Retd.)	03	Yes	-	03	-	-
Dr S Mohan	04	Yes	-	-	-	-
Dr G C Gopala Pillai	05	Yes	-	01	-	-
Shri N Raghuram	05	Yes	-	-	-	-

- 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 Shareholders / Investors Grievances Committees of all Public Limited Companies and Government Companies have been considered.

Details of Board Meetings held during 2012-13

4. Six Board Meetings were held during the year 2013-14 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	17 th June 2013	12	10
2	13 th August 2013	12	10
3	25 th September 2013	12	11
4	02 nd December 2013	12	10
5	21 st February 2014	12	11
6	28 th March 2014	12	04

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, and 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.



REPORT ON CORPORATE GOVERNANCE

- (vi) Dividend declaration.
- (vii) Sale of material nature, of investments and assets, which is not in normal course of business.
- (viii) Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- (ix) 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 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, The Companies Act, 2013 read with the Rules issued thereunder and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

Board Committees

10. The Board of CSL has currently four Committees viz Audit Committee, Remuneration Committee, Contracts & CAPEX Committee, Corporate Social Responsibility & Sustainable Development Committee.

Audit Committee

11. The Audit Committee of CSL was formed on 21st August 2008 and was reconstituted on 21st September 2012 and 13th December 2012. The present committee was constituted at the 203rd meeting of the Board of Directors held on 13th December 2012.

Terms of reference

12. The following are the terms of reference of the Audit Committee:

REPORT ON CORPORATE GOVERNANCE

(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.

(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 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 N Raghuram, Non Official Part Time Director as Chairman, Shri M Raman, IAS (Retd), Non Official Part Time Director and Dr G C Gopala Pillai, Non Official Part Time Director as members.

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 four times during the year 2013-14 on 16th June 2013, 12th August 2013, 20th November 2013 & 20th February 2014. The necessary quorum was present at these meetings. The attendance during the meetings were as follows:

Sl. No.	Name of the Director	16 Jun 2013	12 Aug 2013	20 Nov 2013	20 Feb 2014
1.	Shri N Raghuram	✓	✓	✓	✓
2.	Shri M Raman, IAS, (Retd.)	✓	✓	✓	✗
3.	Dr. G C Gopala Pillai	✓	✓	✓	✓

Remuneration Committee

17. The Remuneration Committee of Cochin Shipyard Limited was constituted vide Circular Resolution No CR/03/2008 adopted on 13th December 2008. The present Remuneration Committee was re-constituted on 212th Board Meeting held on 13th May 2014.

Terms of reference

18. The following are the terms of reference of the Remuneration Committee:

(i) Decide on the annual bonus/performance pay/variable pay pool and policy for its distribution across the executives and non unionized supervisors of the Company.



REPORT ON CORPORATE GOVERNANCE

(ii) Formulation and modification of schemes for providing perks and allowances for officers and non unionized supervisors.

(iii) Any new scheme of compensation like medical scheme, pension etc to officers, non unionized supervisors and the workmen as the case may be.

Composition

19. The Committee comprises of Dr S Mohan, Non Official Part Time Director as Chairman, VAdm S K K Krishnan (Retd), Non Official Part Time Director, Shri M C Jauhari (IAS), Nominee of GOI, Official Part Time Director and Shri Paul Ranjan D, Director (Finance) as members.

Remuneration Committee meetings held during the year and attendance:

20. Two meetings of the Remuneration Committee were held during 2013-14 on 21st September 2013 and 19th November 2013. The necessary quorum was present at these meetings. The attendance during the meetings were as follows:

Sl No	Name of the Member	21 st Sep 2013	19 th Nov 2013
1	VAdm (Retd.) S K K Krishnan	✓	✓
3	Shri M C Jauhari, IAS	✗	✗
4	Shri Ravikumar Roddam, Director (Finance)*	✓	✓
5	Dr. S Mohan	✓	✓
6	Shri Paul Ranjan D*	✗	✗

* Consequent to the retirement of Shri Ravikumar Roddam, Director (Finance) on 30th April 2014, Shri Paul Ranjan D, Director (Finance) was inducted in to the committee at the 212th Board Meeting held on 13th May 2014.

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 2013-14 are as follows:

Sl No	Name of the Member	Fees (in ₹)
1	Shri L N Vijayaraghavan, IAS (Retd)	90,000
2	VAdm (Retd) S K K Krishnan	1,10,000
3	Shri M Raman, IAS (Retd)	90,000
4	Dr S Mohan	1,00,000
5	Dr G C Gopala Pillai	1,30,000
6	Shri N Raghuram	1,30,000
	Total	6,50,000

Contracts & CAPEX Committee

24. The Contracts Committee of the Board was constituted vide circular resolution no 01/2010 adopted on 09th March 2010. The CAPEX Committee of the Board was constituted vide Circular Resolution No. CR 07/ 2012 and adopted at the 203rd Board Meeting held on 13th December 2012. The Company decided to merge Contracts Committee and CAPEX Committee of the Board, and further it was named as Contracts & CAPEX Committee. The present Contracts & CAPEX Committee was re-constituted vide circular resolution no.01/2014 passed on 05th July 2014.

Composition

25. The Committee comprises of VAdm (Retd.) S K K Krishnan, Non Official Part Time Director as Chairman, Shri L N Vijayaraghavan, IAS (Retd.), Non Official Part Time Director, Shri N Raghuram, Non Official Part Time Director, Capt R S Sundar, Director (Operations) Shri Paul

REPORT ON CORPORATE GOVERNANCE

Ranjan D, Director (Finance) and Shri Sunny Thomas, Director (Technical), as members.

Terms of reference

26. The following are the terms of reference of the Contracts & CAPEX Committee:
- Examine and recommend the annual capital budget.
 - Quarterly Review and Report to Board on Capital projects.
 - Quarterly Review and Report to Board on Ship Building Projects.
 - To advise on various business models adopted in the course of operations such as MOUs, JVs, SPVs, work share arrangements etc.
 - To recommend for approval of the Board any amendments, modifications to purchase procedure of CSL.
 - To review proposals for amendment to contracts during the pendency of shipbuilding projects which has a financial implication of above 10% of the contractual value and make a suitable recommendations to the Board.
 - Any other matter that may be referred to it from time to time by CMD, CSL.

Contracts & CAPEX Committee meetings held during the year and attendance:

27. Four meetings of the Contracts & CAPEX Committee were held during 2013-14 on 07th June 2013, 24th September 2013, 19th November 2013 and 03rd February 2014. The necessary quorum was present at these meetings. The attendance during the meetings were as

Sl No	Name of the Member	07 th Jun 2013	24 th Sep 2013	19 th Nov 2013	03 rd Feb 2014
1	VAdm (Retd.) S K K Krishnan	✓	✓	✓	✓
2	Shri N Raghuram	✓	✓	✓	✓
3	Shri L N Vijayaraghavan, IAS (Retd.)	✗	✓	✓	✗
4	Shri Ravikumar Roddam, Director (Finance)*	✗	✓	✓	✓
5	Shri P Vinayakumar Director (Technical)*	✗	✓	✓	✓
6	Capt. R S Sundar Director (Operations)	✓	✓	✗	✓
7	Shri Paul Ranjan D*	✗	✗	✗	✗
8	Shri Sunny Thomas*	✗	✗	✗	✗

* Consequent to the retirement of Shri Ravikumar Roddam, Director (Finance) on 30th April 2014, Shri Paul Ranjan D, Director (Finance) was inducted in to the committee at the 212th Board Meeting held on 13th May 2014. Further due to retirement of Shri Vinayakumar P, Director (Technical) on 31st May 2014, Shri Sunny Thomas, Director (Technical) was inducted in to the committee 05th July 2014.

Corporate Social Responsibility & Sustainability Development Committee

28. A Subcommittee of the Board was constituted vide resolution no 181/09 at the 181st meeting of the Board held on 05th 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.
29. The Sustainable Development Committee, a sub Committee of the Board was constituted at the 197th Board Meeting held on 23rd November 2011. The DPE vide OM No. 3(9)/2010-DPE (MoU) dated 23rd September 2011 has issued detailed guidelines on Sustainable Development in CPSEs.
30. Company decided to merge the Corporate Social Responsibility Committee and Sustainability Development Committee. The present Corporate Social Responsibility Committee & Sustainability Development Committee was re-constituted vide circular resolution no.01/2014 passed on 05th July 2014.

Composition

31. The Committee comprises of Shri L N Vijayaraghavan, IAS (Retd), Non Official Part Time Director, Chairman of the Committee, Shri M Raman, IAS (Retd.), Non Official Part Time Director, Dr. S Mohan, Non Official Part Time Director, Dr. G C Gopala Pillai, Non Official Part Time Director, Shri Paul Ranjan D, Director (Finance) and Shri Sunny Thomas, Director (Technical), as members.

Terms of reference

32. The following are the terms of reference of the Corporate Social Responsibility & Sustainability Development Committee:
- Recommend CSR & Sustainability Development policy to the Board.
 - Recommend plan of action and projects to be initiated in the short, medium and long term for CSR & Sustainability Development.



REPORT ON CORPORATE GOVERNANCE

(iii) To approve specific CSR & Sustainability Development Projects.

(iv) Periodic review of CSR & Sustainability Development policy, plans and budgets.

CSR & SD Committee meetings held during the year and attendance

33. Four CSR & SD Committee Meetings were held during the year 2013-14 on 11th May 2013, 24th September 2013, 20th November 2013 and 30th January 2014.

Sl No	Name of the Member	11 th May 2013	24 th Sep 2013	20 th Nov 2013	30 th Jan 2014
1	Shri L N Vijayaraghavan, IAS (Retd.)	x	✓	✓	✓
2	Shri M Raman, IAS (Retd)	✓	✓	✓	x
3	Dr. S Mohan	✓	✓	✓	✓
4	Dr. G C Gopala Pillai	✓	✓	✓	✓
5	Shri Ravikumar Roddam*, Director (Finance)	✓	✓	✓	✓
6	Shri P Vinayakumar*, Director (Technical)	✓	✓	✓	✓
7	Shri Paul Ranjan D*,	x	x	x	x
8	Shri Sunny Thomas*,	x	x	x	x

*Consequent to the retirement of Shri Ravikumar Roddam, Director (Finance) on 30th April 2014, Shri Paul Ranjan D, Director (Finance) was inducted in to the committee at the 212th Board Meeting held on 13th May 2014. Further due to retirement of Shri Vinayakumar P, Director (Technical) on 31st May 2014, Shri Sunny Thomas, Director (Technical) was inducted in to the committee on 05th July 2014.

General Body Meetings

34. The date, time and venue of the last three Annual

Year	Date	Time	Venue	Special resolution passed
2012-13	25 th Sep 2013	1500 Hrs	39/ 6080 Administrative Building, Cochin Shipyard Premises, Perumanoor P.O., Cochin 682 015	Nil
2011- 12	21 st Sep 2012	1430 Hrs	39/ 6080 Administrative Building, Cochin Shipyard Premises, Perumanoor P.O., Cochin 682 015	Nil
2010-11	14 th July 2011	1500 Hrs	39/ 6080 Administrative Building, Cochin Shipyard Premises, Perumanoor P.O.,	Nil

Means of Communication

35. The half yearly financial results are posted on the website of the Company after consideration and approval by the Board and also will be published in one English national daily having all India circulation within 48 hours of its adoption. The Annual Report of the Company is posted in the website viz. www.cochinshipyard.com. The website of the Company also displays all official news releases.

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 199th 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, 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 2013-14 was 1.39% of the total expenditure as against 1.21% in 2012-13. Financial expenditure stood at 1.39% of the total expenditure in 2013-14, against 1.69% in the previous year.

Code of Conduct

36. 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 2013-14. 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 2013-14

Sd/-

*Cmde K Subramaniam
Chairman and Managing Director*



REPORT ON CORPORATE GOVERNANCE

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

Risk Management Process

38. 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:
- To prepare a detailed risk control measure.
 - To ensure that the systems and procedures are in place for controlling / avoiding probable risk/ threat.
 - To report any increase in the threat owing to changes in business/ operational environment.
 - To report any hurdle/ difficulties, internal or otherwise in implementing the risk control measures.
39. 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 and policy.

Share holding pattern

40. 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 Paul Ranjan D, Director (Finance)	100
	Total	11,32,80,000

Training Board Members

41. 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 PAID DURING 2013-14							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	
Cmde K Subramaniam, Chairman & Managing Director	27,06,551.83	7,95,799.00	Based on performance criteria laid down by DPE	Appointed vide MOS letter No.SY-11011/1/2009-CSL dated 31 st 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	35,02,350.83	
Shri Ravikumar Roddam, Director (Finance)	23,99,020.10	5,19,339.60	Same as above	Appointed vide MOS letter No.SY-11012/1/2009-CSL dated 19 th 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. Sri. R Roddam Superannuated on 30 th April 2014.	NIL	29,18,359.70	
Shri P Vinayakumar, Director(Technical)	23,06,947.30	3,65,161.00	Same as above	Appointed vide MOS letter No.SY-11012/3/2010-CSL dated 16 th 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. Shri. Vinayakumar P Superannuated on 31 st May 2014	NIL	26,72,108.30	
Capt R S Sundar, Director(Operations)	25,47,628.50	1,82,520.00	Same as above	Appointed vide MOS letter No.SY-11012/2/2010-CSL dated 16 th 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	27,30,148.5	

* Performance Related Payment included above pertains to the period 2011-12 paid during 2013-14



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 31-03-2013, as stipulated in the Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) issued by the Department of Public Enterprises (DPE), Government of India.

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

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

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

Place: Kochi-18
Date : 11th September 2014

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



Enclosure III to Corporate Governance Report

CEO/ CFO CERTIFICATION

To

The Board of Directors
Cochin Shipyard Limited

Dear Sirs,

Sub: CEO/CFO Certificate

1. We have reviewed Financial Statements, read with the Cash Flow Statement of Cochin Shipyard Limited for the year ended 31st March 2014 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 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.

Shri D Paul Ranjan
Director (Finance)

Cmde K Subramaniam
Chairman & Managing Director

Kochi - 15
Date: 23rd July 2014



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Global Industry Scenario

1. While the global shipbuilding scenario in 2013-14 showed signs of recovery with fresh orders being placed during the year, the Industry is yet to reach the ordering levels that were seen during the pre downturn scenario in the years 2003-2007. Almost all the new orders were taken by Chinese, Korean and Japanese yards. As per the RS Platou report on the industry, though, the new building price index has increased by 12% during 2013 on an average. In historic perspective the prices are still low and below the average in 2011. 42% of all orders in 2013, measured in CGT were signed at Chinese yards, with 21% of these on domestic account. Korean yards secured 35% of the contracts, out of which 10% were backed by Korean owners and 14% were signed by Japanese yards, with one third registered as domestic orders.
2. The shiprepair scenario continued to be highly challenging. The global economic slow down and financial crisis has posed challenges to the shiprepair industry as the competition has become more fierce with prices and payment terms becoming more competitive.

Indian Shipbuilding and Shiprepair Industry – Outlook

3. The global recession in the shipbuilding industry has affected the financial position of a number of yards especially in the private sector. Due to the market downturn post 2008 and the lack of government policy support, all shipyards other than the defence shipyards are facing challenging times with very few global shipbuilding orders coming in. The Indian shipbuilding industry has continued to concentrate on defence and offshore sector vessels. The fleet expansion plans of Indian Navy and the coastal vessels for the Indian Coast Guard are the two prime segments which were targeted by the Indian shipyards. Lack of orders from the Indian commercial ship owners and the lack of government policy support adversely effected the Indian Shipbuilding outlook.
4. The Indian share in the global shiprepair market continued to be low as there were very few capacity addition during the year. Indian ship owners continued to rely on overseas repair

facilities owing to insufficient capacity and lack of government incentive. The applicability of service tax on shiprepair carried out in Indian yards continued to affect the competitiveness of the Indian companies.

Government Policy

5. Government of India is considering implementation of a number of measures for the promotion of the Indian shipbuilding industry. The Government of India's Maritime Agenda 2010-20 has identified the following policy measures for encouraging the industry:-
 - i. Grant of infrastructure status to shipbuilding industry.
 - ii. A scheme for capital subsidy for encouraging adoption of world class technologies by the Indian shipbuilding industry
 - iii. Purchase preference for Indian shipyards in procurement of ships by Government through global tenders.
 - iv. Offset scheme for Government procurement.
 - v. Promotion of the building of 'green ships'.
 - vi. Formulation of a policy to promote/ facilitate maritime clusters including shipbuilding & shiprepair hubs and ship ancillary units.
 - vii. Centers in Shipbuilding education & training to promote development of skills in shipbuilding.
 - viii. Enhance capabilities for ship design.
 - ix. Liberalization of scheme for registration of shiprepair units.

Operations

6. CSL has continued to maintain its performance levels of previous year and launched six Fast Patrol Vessels and delivered five Fast Patrol Vessels to the Indian Coast Guard. The Company also delivered two Platform Supply Vessels to Norwegian owners. Another important milestone was the launching of Indigenous Aircraft Carrier on 12th August 2013. On the shiprepair front, the company achieved turnover of ₹ 228 crores. The key repair projects undertaken during the year include TSHD Cauvery, MV Sagar Deep II, INS Tir (Phase II), MV Kavaratti, MV Thinnakkara and Tug Thiruvalluvar.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

7. 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
2013-14	113.28	10	1389.98	1352.53	290.96	96.71	194.24	17.15	16.99	0.08
2012-13	113.28	10	970.84	1175.70	275.55	90.28	185.27	16.35	16.99	0.09
2011-12	152.42	10	918.68	1050.83	252.96	80.63	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

Proposed/Declared Dividend

8. 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. The total out go for dividend and dividend tax would be approximately ₹19.88 Crs

Segment wise/ Product wise performance

9. The Company is engaged in two major activities viz Shipbuilding and Repair of Ships/Offshore, rigs. 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

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

Strengths:

- Highly trained motivated and knowledgeable manpower with an average of 15 years of experience at all levels of hierarchy resulting in extremely high quality workmanship
- A well planned and laid out shipyard enabling smooth work flow.
- A modern 'State of the Art' design centre manned

by highly trained, experienced and competent designers.

- Highly evolved shipbuilding processes and practices permitting modular construction of ships.
- A very good product mix comprising of defence ships, commercial ships, offshore support ships and shiprepair.
- Availability of quality sub contractors and good supply chain network.
- 'State of the Art' facilities especially in terms of cramage, transporters, covered mobile shops, covered marine coating facility, high quality welding equipment, international standard hull fabrication facilities etc.
- Strategic location in the main sea route.
- Good industrial relations scenario.

Weakness:

- Inadequate Government support by way of orders / subsidy etc.
- No tariff barriers on import of ships affecting domestic industry.
- Virtually nonexistent indigenous ancillary industries and consequently non availability of major equipments /raw materials in India.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

- d. Restrictive labour practices.
- e. Non availability of low cost funds for expansion and capital investment

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. Opportunities for domestic shipyards on account of Ministry of Shipping's Maritime Agenda's objective to attain 5% share of the global shipbuilding and to develop indigenous ancillary industries.
- c. Domestic demand for high end niche vessels like LNG, seismic, well stimulation vessels etc.
- d. Better opportunities in shiprepair owing to growing Indian fleet and ships calling at Indian Ports.

Threats:

- a. Severe International Competition.
- b. Withdrawal of subsidy scheme for shipbuilding.
- c. Levy of service tax on shiprepair other than for Government vessels.
- d. Lack of level playing grounds vis a vis foreign yards by way of Government support, level of taxation etc.

Risks and Concerns

- 11. The shipbuilding industry world over faced challenging times in the aftermath of the global downturn in 2008. However, CSL has been able to maintain, in fact marginally improve its performance levels and effectively deal with the risks through diversification into domestic / defence shipbuilding. The yard with its presence in defence & commercial building and repair and Marine Engineering Training has effectively mitigated risks through its diversified products and services.
- 12. CSL has adopted a comprehensive system of Risk Management. It ensures that all risks are identified and managed in accordance with the well structured risk management process. The Audit Committee reviews periodically the risk management process

Future plans

- 13. Cochin Shipyard has identified repairs to rigs and offshore structures, increased shiprepair and Defence shipbuilding to be the major areas for future expansion and has identified the following projects to be pursued:
 - a) Setting up of an International Shiprepair Facility in the Cochin Port Trust area to take up repairs of small sized ships
 - b) Setting up of a high definition dry dock for taking up underwater repairs of rigs and for future construction of large commercial/ Naval ships.
- 14. Out of the above, the yard has already entered into an agreement with Cochin Port Trust for setting up of an International Shiprepair Facility on 42 acres of land in their premises and has commenced the shiprepair operations. Ground survey of the project area for preparing CRZ map was carried out from 16th Feb 14 to 17th Feb 14 by Consulting Engineering Services, New Delhi. Base line environmental monitoring / survey is progressing at project site. The Environmental Clearance is expected by March 2015. The agreement for Project Management Consultancy (PMC) was signed between CSL and consortium of M/s Inros Lackner, Germany and Tata Consulting Engineers Ltd on 15th Mar 14.
- 15. A technical feasibility and viability study is being undertaken to examine setting up a new large sized dock. This would help CSL to pursue taking up of underwater repairs of rigs and construction of large commercial/ Naval ships, in the future.

Internal Control Systems and their Adequacy

- 16. The Company has promulgated an internal control and internal audit manual. The internal audit function is carried out by an independent firm of chartered accountants who carryout an indepth review of internal control systems in critical areas based on the audit programme approved by the independent board level audit

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Human Resource Development

17. CSL has a highly skilled and experienced manpower dedicated to achieving excellence in their performance. Towards this, a significant human resource initiative was undertaken to extend training for skill development, motivation, leadership and personality development across all levels of employment.
18. The Shipyard places a lot of emphasis on safety. The Shipyard conforms to ISO 18001-2001 OSHAS certified by DNV. In-house safety awareness programme is organized for all new entrants. Regular training programmes are conducted by external and internal agencies which are attended by all employees including executives, supervisors and workmen. Special emphasis is paid to the training of contract personnel and trainees.

Women Empowerment

19. Cochin Shipyard Ltd has constituted an Internal Complaints Committee in accordance with the guidelines and norms prescribed by the new enactment namely Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Chairperson of the Internal Complaints Committee is a Senior Women Executive of the Company. The Certified Standing Orders applicable to Workmen have also been amended incorporating the new definition of Sexual Harassment as per the Act. The Internal Complaints Committee has been duly empowered to inquire into such complaints in accordance with the procedure laid down in the Certified Standing Orders and Industrial Employment (Standing Orders) Act and rules. CSL has a strength of 125 women employees on its rolls consisting of 30 Executives, 15 Supervisors and 80 workers.

Industrial Relations

20. CSL has an enviable record of harmonious industrial relations. Industrial Relations scenario of the Company remained cordial and peaceful. CSL continues to maintain, the legacy of not losing a single man day on account of labour unrest by the regular employees of CSL. Effective and purposeful interactions are held with the various categories of employees through

their representative bodies viz. trade unions and Officers and Supervisors Associations. Day to day grievances are addressed at the shop floor to the extent possible or at higher levels in a time bound manner. All categories of employees are generally contented and motivated thanks to the timely and focused industrial relation interventions. Referendum of trade unions for recognition was conducted and four trade unions emerged as recognized trade unions in CSL.

21. The Company follows a participative management approach while dealing with the industrial labour force. Accordingly, the Company has constituted two levels of participation namely (i) Joint Council consisting of equal number of representatives from workmen and management and (ii) three shop councils at the lower level also consisting of equal number of participation from workmen and management. Apart from this, participation of workers in management is also practiced in the case of PF trust wherein four trustees are elected from the workmen and four nominated by the Management. The central safety councils and shop safety councils which are set up to ensure safe working environment also consist of equal representation of workmen and management. Apart from this, the Canteen Management Committee is also run with equal participation by workmen. At the contractors workmen front, the Company has constituted another safety committee consisting of representatives of the contractor's workmen and management. The Occupier of the factory is the chairman of the committee. This approach has instilled a sense of ownership amongst the employees and has worked very effectively in ensuring an extremely harmonious and conducive work environment.

Technology Conservation

22. CSL continuously strives for conservation and upgradation of technology to remain competitive in the global shipbuilding market place. Towards this, 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 in-house. Besides, the yard has also implemented in-house 3D hull modeling, machinery and outfit modeling of piping systems, ventilation, air conditioning,



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

cabling and structural items and development of structural drawing of Aircraft 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. CSL has developed over 35 in number welding processes to weld the high strength alloy steel DMR 249 G2 'A' and 'B' steel used in the Indigenous Aircraft Carrier Project.

23. The yard has also developed the production designs of the 'State of the Art' Clean Design for DPII Electric propelled Comfy class Platform Supply Vessels.

Foreign Exchange Conservation

24. Cochin Shipyard has been able to consistently secure and execute international shipbuilding orders in the last several years, thereby earning foreign exchange. The earnings from foreign exchange during the year 2013-14 was ₹ 7380.14 lakhs.

Corporate Social Responsibility (CSR) & Sustainability Development

25. In pursuit of fulfilling the CSR Vision of CSL towards becoming the best responsible Corporate Citizen of the Country recognized for the quality of its products and services and respected for the ethical conduct of business, CSL has embarked upon several diligently chosen CSR & Sustainability Projects during the year. Following the Guidelines on CSR & Sustainability Development 2013 issued by Department of Public Enterprises in letter and spirit, CSL identified and sanctioned 33 minor and major CSR & Sustainability Projects involving total estimated cost of ₹ 4.25 crores. Out of these, 22 projects have been completed and 11 are in progress. CSL CSR Board Level Committee, the apex controlling and monitoring body for CSR & Sustainability projects of CSL approved ₹ 3.60 crores as the CSR & Sustainability Budget for the year 2013-14. These focused CSR projects spread across all thrust areas of CSR interventions viz., quality of life improvement especially of the less privileged or sidelined citizens, health, education, community development, capacity building, green

technology etc. Apart from the intangible positive impact on the environment, approximately 13000 individual citizens stand benefitted from out of the above CSR & Sustainability projects of CSL during the year.



Financial support for building 1st & 2nd Floor of Saraswathy Vidhyanikethan High School, Chengamanad, Ernakulam.



Financial support for building 1st & 2nd Floor of Saraswathy Vidhyanikethan High School, Chengamanad, Ernakulam.



Lighting 75 Tribal Houses at Kunjippara Village at Kuttampuzha Panchayath, Ernakulam District.

26. The following are a few of the major CSR & Sustainability projects undertaken by CSL during the year.
 - a) Lighting 75 Tribal Houses by Solar Power at Kunjippara Tribal Village at Kuttampuzha

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

- Panchayath in Ernakulam district. The project provided solar power generated electricity to 75 tribal houses where conventional power is nearly impossible to reach in near future. With independent solar power unit for each house, the tribal family could use 5 power points at each house. With bright and costless light provided to them, significant improvement in the quality of their life is expected in the long run.
- b) Construction of a new building for 50 women inmates of the Home for Destitute costing ₹ 1.40 crores. CSL contribution to the cost of construction was ₹ 40.00 lakhs.
 - c) Construction of Training cum Cultural Centre for Om Sivananda Pulaya Seva Samajam at Ayyampilly, a coastal village in Ernakulam district. The Centre aims to train the housewives and the unemployed girls of the area in livelihood enhancement skills and giving tuition for the children of the residents of the local mostly belonging to SC Community.
 - d) Livelihood enhancement of 260 visually challenged persons by providing them with USB supported announcement instrument. The equipment enables them to sell lottery tickets and make a living out of it.
 - e) Distribution of 100 wheel chairs to 100 physically challenged persons.
 - f) Conducted 'SAUHYAM-2013', a super specialty medical camp at Ernakulam which benefitted more than 3000 poor patients with free diagnosis and free follow up treatment at renowned private and Government hospitals in Ernakulam.
 - g) Provided one-time free meals to the by-standers of poor inpatients at General Hospital, Ernakulam which benefitted average 400 persons a day.
 - h) Installation and commissioning of a RO based water treatment plant inside CSL which converts 50 Tons of saline ground water to potable water every day.
 - i) Provided three dialysis machines and their accessories at Primary Health Centre, Erattupetta Grama Panchayath in Kottayam district.
 - j) Yet another major CSR project commenced during the last year and to be completed during 2014 is construction of a 100 bedded Boys' Hostel for Vivekananda Residential Tribal School at Mathilayam in Wayanad district. Wayanad district in Kerala is a backward district notified by the Planning Commission of India.
 - k) Other CSR & Sustainability projects included providing ambulance to a nearby Panchayath, boat ambulance to a nearby hospital catering to the scattered islanders at Cochin, school bus to a Government Primary School in an interior village Ernakulam district, constructed a new school building for a village high school, improvement of living conditions in an Old Age Home at Cochin, conduct of early cancer detection camp, construction of a Community Centre at Cheranellur Panchayath in Ernakulam district, support for conducting 'Global Ayurveda Festival-2014', helping to set up 'smart class rooms' at Government schools by providing computers, printers, projectors, tablet PCs etc. setting up of a National Dementia Help Line in Ernakulam, support to Palliative Care Unit of General Hospital, Ernakulam etc.
27. Apart from the above projects commissioned this year, the ongoing CSR projects of CSL already commissioned during the earlier years continued to render desired services to the society and positive impact on the beneficiaries and CSL as well. Special mention is being made about the Regional MRI Centre set up at General Hospital, Ernakulam with the joint support of two MP's Fund and CSL CSR Fund (₹ 1.50 crores each) helped more than 5500 poor patients in getting their MRI done either freely or at a rate as low as ₹ 1800/- for brain MRI. The prevailing rate for the same at private MRI centers ranged between ₹ 6,500/- to ₹ 9,000/-. So also is the experience with the Regional Dialysis Center functioning at Government Hospital, Aluva in Ernakulam district. The Centre, the first of its kind perhaps all over India, for which CSL spent approximately ₹ 70 Lakhs caters to hundreds of poor kidney patients giving them as much dialysis as required



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

by them through 22 dialysis machines. This model CSR project of CSL has created such a positive impact that Government of Kerala has now decided to sponsor the dialysis procedures being carried out in all such dialysis centers and declared that all Government hospitals in Kerala would have dialysis centers within 2 years.

28. It is heartening to report that CSR interventions of CSL has proved to be an effective vehicle which carried positive corporate image of CSL among its internal and external stakeholders. Such boosted goodwill of the Company is indeed a driving force for its employees who take pride and ownership of being part of a responsible Corporate Citizen. The CSR agenda of CSL has also enthused the employees which is reflected in their own active involvement in the implementation of CSR projects and also in their own self motivated efforts to render support to

the less privileged fellow citizens. In short, as has been enshrined in the CSR & Sustainability Guidelines, CSR is forming part of DNA of CSL as its way of conducting business and ethical expression.

Cautionary Statement

29. 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.

Annexure I to Management Discussion and Analysis Report

(₹ in lakhs)

Segment Revenue	Shipbuilding	Shiprepair	Unallocated	Total
External Sales	140956.46	22788.41	0.00	163744.87
Interest	0.00	0.00	5082.86	5082.86
Total Revenue	140956.46	22788.41	7532.96	171277.83
Accretion/(Decretion) to WIP	(4379.48)	357.91	0.00	(4021.57)
Segment Result	31507.56	(44.50)	(2367.48)	29095.58
Tax (Net)				9671.36
NET PROFIT				19424.22
OTHER INFORMATION				
Segment Assets	150052.60	37173.55	82850.29	270076.44
Segment Liabilities	103360.15	5176.78	161539.52	270076.44
Capital Expenditure	5669.58	9260.15	954.23	15883.96
Depreciation	1067.45	917.25	283.81	2268.51

AUDITORS' REPORT

BABU A.KALLIVAYALIL & CO.
Chartered accountants

To the Members of COCHIN SHIPYARD LIMITED

Report on the Financial Statements

- 1) We have audited the accompanying Financial Statements of the COCHIN SHIPYARD LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- 2) The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

- 4) An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
- 5) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

- 6)
 - i) *Reliance on the recognition of rupees 93, 320 lacs under revenue from operations on ship building of Indigenous Aircraft carrier (LAC) for Indian Navy pertains mostly to phase-II of the construction, provisionally based on the rates approved for phase-I, including rupees 8, 648 lacs as referred to in Note, for which formal contract defining the terms is yet to be entered into. (Refer note number 18)*
 - ii) *Reliance on the recognition of revenue from ship building/ repair based on the Company's own assessment of physical completion. (Refer note number 18)*
 - iii) *Accounting of liabilities towards subcontract work based on Company's estimate pending confirmation by the parties. (Refer note number 5A)*

We are unable to determine the financial impact of the above qualifications in points (i) to (iii) in the absence of appropriate details.



AUDITORS' REPORT

Qualified Opinion

- 7) In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - In the case of the cash flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matter

- 8) i) Balances under trade receivables and payables, other current liabilities, other non-current assets, long and short term loans and advances are in the process of confirmation/reconciliation and consequent adjustment, if any, upon confirmation.
- ii) Non-accounting of fixed assets financed by Indian Navy, as Company's fixed assets in the books of account of the Company and non-provision of depreciation thereof, as the ownership is stated to be vested with Navy and non-accounting of assets and underlying outstanding liabilities of IAC pertaining to goods pending inspection/goods in transit, as at year end are not quantified.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulator Requirements

- 9) As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227 (4A) of the Act, we give in the Annexure a statement on the

matters specified in paragraphs 4 and 5 of the Order.

- 10) As required by section 227(3) of the Act, we report that:

a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) 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.

c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

e) Being a government company, the provisions of clause (g) of sub section (1) of Section 274 of

For Babu A. Kallivayalil & Co.
Chartered Accountants,
Firm Registration No.05374S

Sd/-
E.V Thomas
Partner, Membership No.03679

Ernakulum
August 20, 2014

AUDITORS' REPORT

ANNEXURE TO AUDITORS REPORT

(Referred to in paragraph 9 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. In respect of the Company's fixed assets:
 - (a) The Company has maintained generally proper records showing most of the particulars including quantitative details and location of fixed assets on the basis of available information.
 - (b) The fixed assets have been stated to be physically verified by the Management during the year and is not observed by us. However the physical verification procedure needs to be strengthened. As explained to us, no material discrepancies were noticed on such physical verification.
 - (c) The fixed assets disposed off by the Company during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- ii. In respect of Company's inventories:
 - (a) As explained to us, the inventories have generally been physically verified by the Management at reasonable intervals.
 - (b) In our opinion, the procedure of physical verification of inventories followed by the Management need to be strengthened in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification.
 - iii). As informed to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, and hence reporting requirements under clauses (iii) (a) to (g) of this clause do not apply.
 - iv. In our opinion and according to the information and explanations given to us, the internal control system should be strengthened to commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. According to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.
- v.
 - a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered in the register.
 - b) In our opinion and according to the information and explanations given to us, during the year there are no transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, aggregating to rupees five lakhs or more in respect of any party.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public.
- vii. In our opinion, the scope of internal audit function carried out by firm of Chartered Accountants, need to be enlarged to commensurate with the size of the Company and nature of its business.
- viii. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 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 by the Company. We have, however, not made a detailed examination of the records with a view to determining whether these records are accurate or complete.
- ix.
 - a) According to the information and explanations given to us and records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, service tax, sales tax, customs duty, excise duty and other material statutory dues applicable to it with the appropriate authorities during the year and there were no outstanding as at March 31, 2014 for a period of more than six months from



AUDITORS' REPORT

- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues towards value added tax, income tax, customs duty, excise duty, service tax, entry tax and cess as at March 31, 2014 which have not been deposited on account of disputes are furnished below:

Name of the Statute	Nature of the dues	Amount (Rupees in lakhs)	Period to which dispute relates – Assessment year	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	63.27	2000-01	Case remanded by ITAT.
Income Tax Act, 1961	Income Tax	8.55	2002-03 & 2003-04	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	288.60	2010-11	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	412.59	2011-12	Commissioner of Income Tax (Appeals)
Kerala Value Added Tax Act, 2003	Value Added Tax	356.47	2007-08	KVAT Appellate Tribunal
Kerala Value Added Tax Act, 2003	Value Added Tax	652.24	2005-06	KVAT Appellate Tribunal
Kerala General Sales Tax Act	Sales Tax	202.22	2004-05	Deputy Commissioner (Appeals)
Kerala General Sales Tax Act	Sales Tax	73.44	2001-02	Deputy Commissioner (Appeals)
Kerala General Sales Tax Act	Sales Tax	111.93	2000-01	Deputy Commissioner (Appeals)
Finance Act, 1994	Service Tax	1647.47	2004-05	Commissioner of Central Excise, Customs & Service Tax

AUDITORS' REPORT

- x. The Company has no accumulated losses as on March 31, 2014 and it has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- xi. Based on our examination of the records of the Company and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks as at Balance Sheet date.
- xii. According to the information and explanations given to us, 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. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. According to the information and explanations given to us, the Company has not raised any term loans during the year. Accordingly, the provisions of clause 4 (xvi) of the order are not applicable to the Company.
- xvii. According to the information and explanations given to us and overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised by the Company on short-term basis has not been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- xix. The Company has issued tax free, secured, redeemable non-convertible bonds, during the year and has created charge on freehold land towards security.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management except tampering of certain e-tickets by the Company's travel agents. As explained to us, the financial implication in the instant case, based on the initial assessment is around rupees 1.85 lakhs only.

For Babu A. Kallivayalil & Co.
Chartered Accountants,
Firm Registration No.05374S

Sd/-
E.V Thomas
Partner, Membership No.03679

Ernakulum
August 20, 2014

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

Particulars	Note No.	As at 31 st March 2014	As at 31 st March 2013
(₹ in Lakhs)			
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	2	11328.00	11328.00
Reserves and surplus	3	123925.09	106242.24
2 Non-current liabilities			
Long term borrowings	4	12300.00	0.00
Other long term liabilities	4A	299.97	251.81
3 Current liabilities			
Short term borrowings	5	21091.84	0.00
Trade payables	5A	23165.38	24964.09
Other current liabilities	6	53792.86	77436.09
Short-term provisions	7	24173.30	20172.48
Total		270076.44	240394.71
II. ASSETS			
1 Non-current assets			
Fixed assets	8		
(i) Tangible assets		31057.48	24717.95
(ii) Intangible assets		7283.78	12.60
(iii) Capital work in progress		756.52	13800.84
Non-current investments	9	19.18	19.18
Deferred tax asset	10	117.76	47.26
Long-term loans and advances	11	743.22	224.32
Other non-current assets	12	7218.05	6646.92

...contd..

BALANCE SHEET AS AT 31ST MARCH 2014

(₹ Lakhs)

Particulars	Note No.	As at 31 st March 2014	As at 31 st March 2013
2 Current assets			
Inventories	13	39636.72	35685.87
Trade receivables	14	92908.47	70161.16
Cash and bank balances	15	55643.20	70396.49
Short-term loans and advances	16	18433.22	6338.95
Other current assets	17	16258.84	12343.17
Total		270076.44	240394.71

Significant Accounting Policies 1
Notes to Financial Statements 2-40
The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors

V KALA
Company Secretary

D PAUL RANJAN
Director (Finance)

CMDE K SUBRAMANIAM
Chairman and Managing Director

Kochi, dated 23rd July 2014

Per our report attached

For **BABU A KALLIVAYALIL & CO.**
Chartered Accountants
(Firm Registration No.05374S)

E V THOMAS (Partner)
(Membership Number 03679)



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

Particulars	Note No.	For the year ended 31 st March 2014	For the year ended 31 st March 2013
		(₹ in Lakhs)	
I. Revenue from operations	18	163744.87	155416.20
II. Other income	19	7532.96	8817.36
III. Total revenue (I + II)		171277.83	164233.56
IV. Expenses:			
Cost of materials consumed	20	77574.95	87820.14
Changes in inventories of work-in-progress	21	4021.57	(5304.65)
Sub contract and other direct expenses	22	16297.58	21340.00
Employee benefits expense	23	19793.68	18093.25
Finance costs	24	1977.31	2313.17
Depreciation and amortisation expense	25	2678.62	1921.59
Other expenses	26	13742.87	10220.86
Provision for anticipated losses and expenditure	27	6095.67	274.13
Total expenses		142182.25	136678.49

...contd.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

Particulars	Note No.	For the year ended 31 st March 2014	For the year ended 31 st March 2013
		(₹ in Lakhs)	
V Profit before tax (III-IV)		29095.58	27555.07
VI Tax expense:			
Current tax		9795.08	8104.00
Deferred tax	10	(70.50)	924.31
Prior year tax adjustment		(53.22)	0.00
VII Profit for the year		19424.22	18526.76
VIII Earnings per equity share (Face value of ₹ 10 each):	28		
Basic and Diluted (in ₹)		17.15	16.35

Significant Accounting Policies

1

Notes to Financial Statements

2-40

The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors

V KALA

Company Secretary

D PAUL RANJAN

Director (Finance)

CMDE K SUBRAMANIAM

Chairman and Managing Director

Kochi, dated 23rd July 2014

Per our report attached to Balance Sheet

For **BABU A KALLIVAYALIL & CO.**

Chartered Accountants

(Firm Registration No.05374S)

E V THOMAS (Partner)

(Membership Number 03679)

Kochi, dated 20th August 2014



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

1. 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 and amortisation

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

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

Up-front fee paid for securing Right to use of land and other facility is capitalized as intangible asset and amortised on a straight line basis over the period of 30 years for which the right has been obtained.

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 at the rates specified in Schedule XIV to the Companies Act, 1956. In the case of existing assets taken over, depreciation is provided on the basis of useful life as assessed by technical experts. 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. Investments

Non-current investments are valued at cost unless there is a permanent fall in the value thereof.

1.8. Revenue Recognition

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

The income from ship building 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

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.

- c) Construction of Indigenous Aircraft Carrier (IAC)

In the case of construction of IAC which is partly fixed price basis and partly cost plus basis, the income from fixed price part is recognized on the percentage completion method.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

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

- d) 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 progress is measured by the Company's 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 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 recognised is net of reductions due to price variation admitted. In the case of unsettled invoices, the income is recognized net of estimated amount of reductions. Differences, if any, on settlement are adjusted against income in the year of settlement.

- e) Others:

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

- f) Excise Duty:

The products manufactured by the Company such as ships/shiprepair are exempted from the purview of excise duty.

1.9. 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 new ship building: In the case of construction of new ships as the income is recognized on percentage completion method based on physical or financial completion whichever is lower, there will not be any work in progress to be recognized, except when the percentage of physical completion is less than the financial completion in which case the proportionate amount based on the financial completion in excess of physical completion will be recognized as work in progress. In the case of Indigenous Aircraft Carrier since all the materials belongs to Indian Navy, work in progress is not recognized.

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.

1.10. Advance/progress payments received.

Advance/progress payments received from customers in respect of repair work of ships/off-shore structures 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.

1.11. 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.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

- b) Liability for payment of gratuity is determined by actuarial valuation as per Accounting Standard 15 (Revised) and funded to Employees Group Gratuity Trust as per Rules.
- c) Defined contribution to Employees PF and 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 Accounting Standard 15 (Revised).

1.12. 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, the guarantee claims are covered by way of insurance policies covering the guarantee period.

1.13. 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.

1.14. 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.

1.15. Prior period adjustments

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

1.16. 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 Statement of 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 Statement of Profit and Loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the Statement of Profit and Loss 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 Statement of Profit and Loss.

1.17. 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 earnings per share is the weighted average number of shares outstanding during the period.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

1.18. Taxes on Income

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

Note 2 : Share Capital

Particulars	As at 31 st March 2014		As at 31 st March 2013	
	Number	₹ in lakhs	Number	₹ in lakhs
Authorised				
7% Non-cumulative redeemable preference shares of ₹1000/- each	1200000	12000.00	1200000	12000.00
Equity shares of ₹10 each	130000000	13000.00	130000000	13000.00
Issued, Subscribed and Fully paid up				
Equity shares of ₹10 each fully paid up [Of the above 54,99,500 (previous year 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 Government of India]	113280000	11328.00	113280000	11328.00
Total	113280000	11328.00	113280000	11328.00

Particulars	Equity Shares			
	As at 31 st March 2014		As at 31 st March 2013	
	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 fully owned by the Government of India, 100% shares are held by the President of India



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014

Note 3 : Reserves & Surplus

Particulars		As at 31 st March 2014 ₹ in lakhs	As at 31 st March 2013 ₹ in lakhs
Capital Reserves			
As per last Balance Sheet	A	263.56	263.56
Capital Redemption Reserve			
As per last Balance Sheet		11914.20	8000.00
Add: Current year transfer		0.00	3914.20
Closing balance	B	11914.20	11914.20
Debenture Redemption Reserve			
As per last Balance Sheet		-	-
Add: Current year transfer		82.61	-
Closing balance	C	82.61	-
Securities Premium Reserve			
Premium on Tax Free Bonds			
As per last Balance Sheet		-	-
Add: Current year transfer		1.23	-
Closing balance	D	1.23	-
Other Reserves			
General Reserve			
As per last Balance Sheet		4176.21	3249.87
Add: current year transfer		971.21	926.34
Closing balance	E	5147.42	4176.21
Hedge Reserve			
As per last Balance Sheet - gain/(loss)		(22.50)	115.09
Add: Net gain/(loss) during the year		245.38	(137.59)
Closing balance - gain/(loss)	F	222.88	(22.50)
Surplus			
As per last Balance Sheet		89910.77	78212.53
Add : Net Profit for the current year		19424.22	18526.76
		109334.99	96739.29
Less: Transfer to Capital Redemption Reserve		0.00	3914.20
Less: Transfer to Debenture Redemption Reserve		82.61	0.00
Less: Transfer to Reserves		971.21	926.34
Less: Proposed dividend		1699.20	1699.20
Less : Tax on dividend		288.78	288.78
Closing balance	G	106293.19	89910.77
Total: A+B+C+D+E+F+G		123925.09	106242.24

Debenture Redemption Reserve

3.1 In accordance with provisions of Section 117C of the Companies Act, 1956 as further clarified by Circular No. 4/2013 dated 11.02.2013 issued by Ministry of Corporate Affairs, Govt. of India, the Company has created Debenture Redemption Reserve (DRR) amounting to Rs 82.61 lakhs as per SEBI (Issue and Listing of Debt Securities) Regulations, 2008 at 25% of the value of debenture issued during the year, over the maturity period of such debentures, proportionately for the period upto 31st March 2014.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

- 3.2. Capital reserve represents restoration charges received from M/s Indian Oil Corporation for laying pipeline through the Company's land.
- 3.3. (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 Hedge Reserve Account and the ineffective portion is recognized immediately in the Statement of Profit and Loss.

(ii) The Company has the following outstanding effective derivative contracts, which have been designated as cash flow hedges, as on 31st March, 2014:

(₹ in Lakhs)

Particulars	31 st March 2014		31 st March 2013	
	Notional amount of contracts	Fair Value Gain/ (Loss)	Notional amount of contracts	Fair Value Gain/ (Loss)
Forward contracts	13584.18	222.88	10790.41	(22.50)
Total	13584.18	222.88	10790.41	(22.50)

(iii) The movement in hedge reserve during the year ended 31st March 2014 for derivatives designated as Cashflow hedges are as follows:

(₹ in Lakhs)

	Year ended 31 st March 2014	Year ended 31 st March 2013
Balance at the beginning of the year Cr/(Dr)	(22.50)	115.09
Gains/(losses) on hedge transactions (effective hedges) recognized during the year	323.69	(185.81)
Changes in the fair value of effective portion of outstanding cash flow derivatives (Net)	301.19	(70.72)
Net derivative gain/(losses) related to a discounted cash flow hedge	-	-
(Gains)/losses transferred to Statement of Profit and Loss on recognition of financial asset	78.31	48.22
Balance at the end of the year	222.88	(22.50)

(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 which do not conform to the norms of hedge effectiveness as per Accounting Standard 30 (AS-30) aggregating to Nil (Previous year ₹ 27373.83 lakhs). Fair value determination of these contracts as on 31st March 2014 results in a profit of Nil (Previous year profit of ₹ 105.58 lakhs).



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014

Note 4 : Long Term Borrowings

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Tax Free Secured Redeemable Non Convertible Bonds -Series 2013-14	12300.00	0.00
Total	12300.00	0.00

Tax free infrastructure bond series 2013-14

4.1 a) Tranche 2: 230 bonds of face value of ₹10 lakhs totalling ₹2300 lakhs with interest rate of 8.72% payable annually, redeemable at par due for redemption on 28th March 2029 .

b) Tranche 1: 1000 bonds of face value of ₹10 lakhs totalling ₹10000 lakhs with interest rate of 8.51% payable annually, redeemable at par due for redemption on 02nd December 2023

4.2 These bonds are secured against the landed properties of the Company admeasuring 197.12 ares (487.00 cents) made up of 34.30 ares in Sy No. 713/11, 23.57 ares in Sy No. 713/12, 59.12 ares in Sy No. 713/13, 50.18 ares in Sy No. 714/06, 10.12 ares in Sy No. 714/2, 8.90 ares in Sy No. 714/4 and 10.93 ares in Sy No. 714/5 of land all are lying contiguously in Elamkulam village, Kanayannur taluk, Ernakulam Dist.

4.3 Utilisation : Out of the issue proceeds of ₹12300 lakhs received, the Company has utilised/adjusted funds to the extent of ₹10000 lakhs towards various expenditure incurred on International Ship Repair Facility project. Balance ₹2300 lakhs has been parked with Company's Bankers for meeting the expenditure in the due course of implementation of the project.

Note 4A : Other Long Term Liabilities

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Trade payables (Unsecured)	299.97	251.81
Total	299.97	251.81

There are no dues to Micro, Small and Medium Enterprises as on 31st March 2014 (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 : Short Term Borrowings

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Short term borrowings from banks (secured) *	11531.84	0.00
Short term borrowings from banks (unsecured)	9560.00	0.00
Total	21091.84	0.00

*Secured by hypothecation of current assets.

Note 5A : Trade Payables

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Trade payables (Unsecured)	23165.38	24964.09
Total	23165.38	24964.09

5.1. Out of trade payables ₹436.10 lakhs is dues to Micro Small and Medium Enterprises as on 31st March 2014 (previous year - ₹253.05 lakhs) 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.

5.2. This includes an amount of ₹7011.86 lakhs (previous year ₹11348.70 lakhs) pertaining to building of Indigenous Aircraft Carrier which is funded by Indian Navy.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 6 : Other Current Liabilities

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Advance for Indigenous Aircraft Carrier infrastructure	19177.06	19177.06
Less: Assets on infrastructure	19177.06	18956.80
Less: WIP/advance to contractors for infrastructure	0.00	6.30
	0.00	213.96
Advance for Indigenous Aircraft Carrier (Cost plus)	264026.49	241247.13
Amount advanced by the Company for Cost plus	9560.00	0.00
	273586.49	241247.13
Less: Indigenous Aircraft carrier inventory in stock	55280.98	55928.06
Less: Material issued	152014.35	105866.43
Less: Design and other direct expenses	27458.75	27171.08
Less: Advance for purchase of materials	14683.33	13238.84
Less: Income from cost plus activities	24149.08	24632.23
	0.00	14410.49
Advance for Indigenous Aircraft Carrier fixed price contract	112520.00	104100.00
Less: Income recognized so far	112520.00	104100.00
	0.00	0.00
Advance outstanding for Indigenous Aircraft Carrier works (Net)	0.00	14624.45
Advances for other shipbuilding contracts	47852.55	58115.65
Advances for shiprepair and others	364.24	767.17
Forward contract	(228.96)	(13.86)
Income received but not due	0.00	37.56
Interest accrued but not due	281.98	0.00
Creditors for expenses	956.51	533.68
Other liabilities	4566.54	3371.44
Total	53792.86	77436.09



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

6.1 (i) The Phase I contract signed with Indian Navy for the construction of Indigenous Aircraft Carrier (IAC) has two parts (a) Fixed price (b) Cost Plus. An amount of ₹ 112520 lakhs (Previous year ₹104100 lakhs) has been received against various stage payments due under the fixed price part of Phase I contract. This amount has already been adjusted against ₹116000.00 lakhs (Previous year ₹106238.09 lakhs) being income recognized under Phase I of fixed price contract. Balance ₹3480.00 lakhs (Previous year ₹2138.09 lakhs) is yet to be received and shown under trade receivables. The contract for Phase II is being concluded between Indian Navy and CSL. Pending the signing of the Phase II contract, the Company is continuing the construction activities of the IAC which will fall under Phase II contract. However, in the absence of a formal contract, income in respect of Phase II scope of work amounting to ₹ 32304.85 lakhs has been recognized at the rate of Phase I contract and shown under trade receivables.

(ii) An amount of ₹264026.49 lakhs (Previous year ₹241247.13 lakhs) has been received as advance towards the cost plus part of the contract. As the upward revision of cost for IAC is pending with the Cabinet Committee on Security, Government of India, Company has funded the project to the extent of ₹9560 lakhs through a short term loan from Union Bank of India for continuing the work on IAC as per schedule. Details are as follows:

(₹ in Lakhs)

	Details	2013-14	2012-13
I (i)	Advance from Indian Navy	264026.49	241247.13
(ii)	Amount advanced by CSL	9560.00	0.00
	Total (i + ii)	273586.49	241247.13
(a)	Amount adjusted by Indian Navy for Materials	184580.15	146113.60
(b)	Other expenditure adjusted by Indian Navy	53916.14	47733.78
II	Total Expenditure adjusted by Navy (a+b)	238496.29	193847.38
III	Expenditure yet to be adjusted by Navy	35090.20	32989.26
IV	Total Expenditure (II + III)	273586.49	226836.64
(c)	Balance of funds (Cost plus)	0.00	14410.49

An amount of ₹5067.72 lakhs towards income from cost plus activities receivables from Indian Navy has also been shown as trade receivables under current assets.

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

Materials/Consumables

(₹ in Lakhs)

	2013-14	2012-13
Purchases (till date) - Steel	49416.65	48123.93
- Bought out components	157878.68	113670.56
- Total	207295.33	161794.49
Issued (till date) - Steel	43381.95	38678.49
- Bought out components	108632.40	67187.94
- Total	152014.35	105866.43
Closing stock - Steel	6034.70	9445.44
- Bought out components	49246.28	46482.62
- Total	55280.98	55928.06

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(iv) An amount of ₹19177.06 lakhs (previous year ₹19177.06 lakhs) has been received from Indian Navy towards augmentation of infrastructure facilities for the construction of Indigenous Air Craft Carrier (IAC) project. Against ₹ 19177.06 lakhs received for infrastructure facilities, the Company has spent ₹19307.83 lakhs (previous year ₹18963.10 lakhs) till date. Of this amount, ₹16713.94 lakhs (previous year ₹16694.94 lakhs) has been adjusted by Indian Navy and the balance amount of ₹2593.89 lakhs (previous year ₹2268.16 lakhs) is pending for adjustment by Indian Navy. Since the proposal for upward revision of infrastructure fund allocation is pending for clearance of the Cabinet Committee on Security, Government of India, the excess amount of ₹130.77 lakhs spent by the Company has been shown under Short Term Loans and Advances as receivables from 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	2013-14	2012-13
Buildings and civil structures	1471.43	1452.44
Data processing equipment	1186.57	1186.57
Plant and machinery	14055.94	14055.93
Total	16713.94	16694.94

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

(₹ in Lakhs)

Details	2013-14	2012-13
Buildings and civil structures	101.54	101.54
Plant and Machinery	2321.03	2047.08
Others	171.32	119.54
Total	2593.89	2268.16

Since the ownership of the above assets vests with Indian Navy, these are not included under fixed assets and hence no depreciation has been charged on these assets.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014****Note 7 : Short Term Provisions**

Particulars	As at 31st March 2014	As at 31st March 2013
	₹ in lakhs	₹ in lakhs
Provision for employee benefits		
Salary, allowances and reimbursements	3424.29	1401.18
Gratuity	110.39	969.27
Encashable leave salary	2614.80	2981.15
A	6149.48	5351.60
Other provisions		
For taxation	9846.18	8146.66
For proposed dividend	1699.20	1699.20
For dividend tax	288.78	288.78
For taxes and duties	127.71	127.71
For sales tax liability	538.64	419.38
For guarantee repairs	893.29	809.01
For liquidated damages	1669.95	1796.12
For expenditure / contingencies	2958.90	1532.85
Conveyance loan reserve fund	1.17	1.17
B	18023.82	14820.88
Total A + B	24173.30	20172.48

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 8 : Fixed Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	As at 1st April 2013	Additions/ adjustments during the year	Disposal/ adjustments during the year	As at 31st March 2014	As at 1st April 2013	For the year	Adjustment/ (withdrawal)	As at 31st March 2014	As at 31st March 2014	As at 31st March 2013	
i. Tangible assets											
Land (Freehold)	563.59	0.00	0.00	563.59	0.00	0.00	0.00	0.00	563.59	563.59	
Buildings	10896.77	1568.09	0.00	12464.86	3341.99	388.34	0.00	3730.33	8734.53	7554.78	
Plant and equipment	23456.78	1432.00	54.20	24834.58	9099.22	1210.29	(51.65)	10257.86	14576.72	14357.56	
Furniture and fixtures	563.28	43.32	0.55	606.05	219.81	34.31	(0.47)	253.65	352.40	343.47	
Vehicles	738.67	39.11	25.05	752.73	422.66	76.51	(23.79)	475.38	277.35	316.01	
Office equipment	153.53	33.83	1.41	185.95	34.53	7.97	(0.56)	41.94	144.01	119.00	
Others											
Docks and quays	5720.17	4622.97	0.00	10343.14	5228.21	217.53	0.00	5445.74	4897.40	491.96	
Railway sidings	22.09	0.00	0.00	22.09	20.99	0.00	0.00	20.99	1.10	1.10	
Electrical installation	1714.55	612.92	0.00	2327.47	829.38	61.85	0.00	891.23	1436.24	885.17	
Drainage and water supply	133.45	0.00	0.00	133.45	77.44	1.58	0.00	79.02	54.43	56.01	
Vessels	158.85	0.00	0.00	158.85	129.55	9.59	0.00	139.14	19.71	29.30	
Books	13.20	0.00	0.00	13.20	13.20	0.00	0.00	13.20	0.00	0.00	
ii. Intangible Assets	44134.93	8352.24	81.21	52405.96	19416.98	2007.97	(76.47)	21348.48	31057.48	24717.95	
Computer software	300.42	31.72	0.00	332.14	287.82	10.54	0.00	298.36	33.78	12.60	
Right to use of land and ship repair facility	0.00	7500.00	0.00	7500.00	0.00	250.00	0.00	250.00	7250.00	0.00	
Total (i+ii)	44435.35	15883.96	81.21	60238.10	19704.80	2268.51	(76.47)	21896.84	38341.26	24730.55	
Previous year	37672.97	6944.74	182.36	44435.35	18412.03	1450.73	(157.96)	19704.80	24730.55	19260.94	

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) for laying pipeline and (b) land held by Kerala State Electricity Board (0.47 hectare) and (c) land leased to M/s Cochin Air Products (0.30 hectare).

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 (33.19 hectares) have not yet been received from Government of Kerala. In this case Government of Kerala has already issued G.O. (Ms) No. 252/14/RD dated 11.06.2014 assigning the land to the Company and directing the District Collector Ernakulam to take further action in this regard.

8.4. Assets taken over from Cochin Port Trust (₹ 1291.52 lakhs) have been valued and life assessed by technical experts. This life has been taken as a base for arriving at the rates of depreciation for these assets.

8.5. The Right to use of land and ship repair facility shown under Intangible Assets represents the upfront fee paid to Cochin Port Trust towards setting up of International Ship Repair Facility project, to be amortised over the contract period of 30 years commencing from 2013-14 onwards.

8.6. The Company has created mortgage for ₹123 Crs on the landed properties of the Company as security for the tax free bonds issued by the Company during the year 2013-14.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014****Note 8 : Fixed Assets**

iii. Capital Work in Progress	As at 31st March 2014	As at 31st March 2013
Particulars	₹ in lakhs	₹ in lakhs
Buildings and civil work-in-progress	236.30	13,514.16
Plant and machinery	237.90	50.55
Construction material in stock	14.50	8.35
Capital goods pending inspection and in transit	267.82	227.78
Total	756.52	13,800.84

Note 9 : Non Current Investments

Particulars	As at 31st March 2014	As at 31st March 2013
	₹ in lakhs	₹ in lakhs
UNQUOTED AT COST (NON TRADE)		
Investment in Cochin Shipyard Employees Consumer Co-operative Society Limited 2180 'B Class' shares of ₹ 100 each	2.18	2.18
Investment in Kerala Enviro Infrastructure Limited 70000 equity shares of ₹ 10 each fully paid up	7.00	7.00
Investment in Cochin Waste to Energy Private Limited -100000 equity shares of ₹ 10 each fully paid up	10.00	10.00
Total	19.18	19.18

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 10: Deferred Tax Asset

The break-up of deferred tax assets and liabilities as on 31st March 2014 as against 31st March 2013 is detailed below, which results in increase in net deferred tax asset. Consequent to this the amount credited to Statement of Profit and Loss is ₹70.50 lakhs (Previous year: the amount debited to Statement of Profit and Loss ₹924.31 lakhs)

(₹ in Lakhs)

Particulars	Deferred tax asset /liability as at 31 st March 2013	Current year Charge/ (credit) 2013-14	Deferred tax asset /liability as at 31 st March 2014
Deferred tax asset :			
Provision for liabilities	1819.56	199.85	2019.41
Provision for obsolete inventory	110.83	35.70	146.53
Provision for doubtful debts	784.42	606.39	1390.81
Provision for taxes and duties	100.77	43.67	144.44
Provision for expenditure	205.00		205.00
Provision for contingencies	257.79		257.79
Total (A)	3278.37	885.61	4163.98
Deferred tax liability: Depreciation	3231.11	815.11	4046.22
Total (B)	3231.11	815.11	4046.22
Deferred tax asset (A-B)	47.26	70.50	117.76

The Company expects sufficient future profits for absorbing the deferred tax asset as at the end of the year. Considering the virtual certainty in realizing the deferred tax asset, it has been recognized as an asset in the financial statements.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 11 : Long Term Loans & Advances

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Capital advances (Unsecured, considered good)	163.52	48.52
A.	163.52	48.52
Other loans and advances		
Employee advances (Secured, considered good) *	140.31	175.80
Others	439.39	0.00
B.	579.70	175.80
Total A+B	743.22	224.32

* Secured by hypothecation of movable assets

Note 12 : Other Non Current Assets

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Unsecured		
Long term trade receivables		
Considered good	4447.27	3629.33
Considered doubtful	4251.82	2467.79
Less: Provision for doubtful debts	(4251.82)	(2467.79)
A	4447.27	3629.33
Unsecured		
Others		
Balances with Customs department	261.23	261.23
Other deposits	228.14	208.74
Income tax refund due	2281.41	2547.62
B	2770.78	3017.59
Total A+B	7218.05	6646.92

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

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

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Raw Materials and components (Valued at cost)	25797.92	13702.85
Less : Provision for obsolescence, non-usability and deterioration in inventory.	(381.04)	(280.05)
Goods-in transit and pending inspection	4182.10	6343.88
A	29598.98	19766.68
Work-in-progress (Valued at cost)	3832.67	7854.24
Work-in-progress (Valued at realisable value)	4406.53	5860.15
B	8239.20	13714.39
Stores (Valued at cost)	630.68	790.24
Less : Provision for obsolescence, non-usability and deterioration in stores.	(31.24)	(27.23)
Goods-in transit and pending inspection	130.25	46.05
Spares	99.86	25.09
Less : Provision for obsolescence, non-usability and deterioration in spares.	(18.80)	(18.78)
Goods-in transit and pending inspection	20.40	8.02
C	831.15	823.39
Loose Tools (Valued at cost)	903.64	1078.68
Goods-in transit and pending inspection	12.71	0.43
D	916.35	1079.11
Scrap (Valued at net realisable value)	51.04	302.30
E	51.04	302.30
Total A+B+C+D+E	39636.72	35685.87

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 ₹ 55280.98 lakhs (previous year ₹55928.06 lakhs) held on behalf of Indian Navy lying with the Company. This has been shown as reduction against the advance received from Indian Navy.

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



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 14 : Trade Receivables

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Trade receivables outstanding for a period less than six months from due date		
Unsecured, considered good	89885.03	69188.00
Trade receivables outstanding for a period exceeding six months from due date		
Unsecured, considered good	3023.44	973.16
Total	92908.47	70161.16

14.1. Trade receivables include debts amounting to ₹68256.35 lakhs (previous year ₹60420.23 lakhs) on account of income recognized under proportionate completion method pertaining to incomplete vessels, against which stage payments received amounting to ₹33799.65 lakhs (previous year ₹11995.30 lakhs) for completed stages is shown as advance under current liabilities.

14.2 The due date for 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 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Cash and Cash Equivalents		
Balances with banks in current account	803.13	24,545.25
Cash on hand	1.83	1.24
Deposits with banks of less than 3 months maturity	500.00	6550.00
Other Bank Balances		
Deposits with banks of more than 3 months maturity	54338.24	39300.00
Total	55643.20	70396.49

15.1 Bank balances in current account includes ₹89.40 lakhs (Previous year ₹23866.90 lakhs) being balance in flexi-deposit account maintained for advances received from Indian Navy for the construction of Indigenous Aircraft Carrier.

Note 16 : Short-term loans and advances

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Other than to related parties		
Unsecured, considered good	18433.22	6338.95
Unsecured, considered doubtful	0.07	0.07
	18433.29	6339.02
Less: Provision for doubtful advances	0.07	0.07
Total	18433.22	6338.95

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 17 : Other current assets

Particulars	As at 31 st March 2014	As at 31 st March 2013
	₹ in lakhs	₹ in lakhs
Interest accrued on bank deposits	3040.70	1490.08
Interest accrued on employee advances	31.09	37.83
Others (Including claims receivable)	2750.89	1858.31
Advance income tax	10339.63	8377.50
Balances with Customs, Port Trust and Excise	81.93	161.32
Gratuity Trust advance/adjustment account	0.00	414.00
Other deposits	14.60	4.13
Total	16258.84	12343.17

Note 18 : Revenue From Operation

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Sale of products		
Shipbuilding:		
Indigenous Aircraft Carrier (IAC)	93320.39	52889.79
Vessels other than IAC	47633.76	74242.83
Engineering works	2.31	0.33
	140956.46	127132.95
Less: Excise duty	0.00	373.58
A	140956.46	126759.37
Sale of services		
Shiprepairs	22788.41	28656.83
B	22788.41	28656.83
Total A+B	163744.87	155416.20

18.1. Shipbuilding income of ₹140954.15 lakhs (previous year ₹126759.04 lakhs) includes revenue recognized under percentage of completion method amounting to ₹100322.43 lakhs (previous year ₹95119.76 lakhs) against incomplete vessels. Ship repair income includes income recognised under proportionate completion method amounting to ₹7535 lakhs (previous year ₹10636 lakhs)

18.2. The income recognized in respect of indigenous aircraft carrier includes income pertaining to phase-II contract recognized provisionally at phase-I rates pending finalization of terms and conditions of the phase-II contract. This also includes an amount of ₹8648 lakhs pertaining to phase-II works completed in previous year, the expenditure of which has been charged in that year.

18.3. Income from shiprepair is net of actual / anticipated reductions amounting to ₹1273.45 lakhs (previous year



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

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

	2013 - 14	2012- 13
(a) Contract revenue recognized in the period	114891.12	100437.67
(b) Contract cost incurred and recognized profits (less recognized losses) upto the reporting period	392946.25	322131.63
(c) Advance received from customers	361972.73	294847.78
(d) Gross amount due to customers	24899.06	0.00
(e) Gross amount due from customers	55872.57	27283.86

(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.

Note 19 : Other Income

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Training facilities	408.14	374.96
Income from scrap and stores	134.37	803.19
Income from sale of stock items	3.20	35.47
Profit on sale of fixed assets	0.16	0.00
Income from laboratory services	23.39	23.84
Rent received	63.74	77.03
Hire charges received	7.11	25.96
Interest on deposits	5058.94	5845.46
Interest from others	23.92	51.72
Dividend income	0.85	6.05
Excess provision written back	1501.20	821.97
Miscellaneous income	307.94	751.71
Total	7532.96	8817.36

19.1. Income from scrap and stores is net of import duty paid amounting to ₹ 125.84 lakhs (previous year ₹ 37.87 lakhs) on sale of bonded scrap and stores.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 20 : Cost of Materials Consumed

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Raw Materials		
Steel	6416.78	6327.20
Pipe	817.93	856.23
Paint	772.03	832.88
Bought out components	69568.21	79803.83
Total	77574.95	87820.14

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 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Work -in-progress at cost:		
At the beginning of the year	7854.24	2549.59
Less: at the end of the year	3832.67	7854.24
Decretion/(Accretion) to work-in-progress	4021.57	(5304.65)

Note 22 : Sub Contract and Other Direct Expenses

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Sub contract and off loaded jobs	11378.48	13596.38
Hull insurance	217.31	268.98
Brokerage and commission	127.70	754.57
Other direct expenses	4574.09	6720.07
Total	16297.58	21340.00



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014

Note 23 : Employee Benefits Expense

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Salaries, wages, bonus/exgratia and allowances	17284.67	15439.03
Contribution to Provident Fund and Family Pension Fund	1125.49	958.06
Contribution to Group Gratuity Trust	199.39	971.40
Welfare expenses	1184.13	724.76
Total	19793.68	18093.25

23.1. Includes provident fund inspection and administration charges ₹14.66 lakhs (previous year ₹13.92 lakhs)

23.2. Employee benefits as per Accounting standard 15 (**Revised**)

'Employee Benefits' for the below mentioned defined benefits schemes have been provided in the accounts.

- Gratuity
- Earned leave entitlement

In respect of Leave Travel Concession relating to the block period 2010-2013, provision amounting to ₹27 lakhs towards unavailed portion has been retained considering the full eligibility of the employees in this behalf.

Actuarial valuation of leave entitlement and gratuity has been done with the following assumptions.

Particulars	2013-14		2012-13	
	Leave Entitlement (Unfunded) 31/03/2014	Gratuity (Funded) 31/03/2014	Leave Entitlement (Unfunded) 31/03/2013	Gratuity (Funded) 31/03/2013
Discount rate	9.10 %	9.10 %	8.10 %	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 TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(₹ in lakhs)

Change in defined benefit obligation	2013-14		2012-13	
	Leave Entitlement (Unfunded) 31/03/2014	Gratuity (Funded) 31/03/2014	Leave Entitlement (Unfunded) 31/03/2013	Gratuity (Funded) 31/03/2013
Present value of obligation as at the beginning of the year	2981.14	6836.07	2708.45	7517.60
Interest cost	189.53	488.28	172.04	537.32
Current service cost	107.49	129.13	100.68	216.03
Benefits paid/Provision withdrawn	(976.25)	(1465.24)	(825.24)	(2241.80)
Past service cost	-	-	-	-
Actuarial (gain)/ loss on obligations	312.89	97.23	825.21	806.92
Present value of obligation as at the end of the year	2614.80	6085.47	2981.14	6836.07

(₹ in lakhs)

Change in the fair value of Plan Assets:	2013-14		2012-13	
	Leave Entitlement 31/03/2014	Gratuity (Funded) 31/03/2014	Leave Entitlement 31/03/2013	Gratuity (Funded) 31/03/2013
Fair value of Plan assets as at The beginning of the year	-	6280.80	-	7773.96
Expected return on Plan assets	-	528.19	-	605.87
Actuarial gain/(loss)	-	(9.94)	-	(14.87)
Contributions:	728.51	641.27	825.24	157.64
Benefits paid	(728.51)	(1465.24)	(825.24)	(2241.80)
Fair value of Plan assets as at the end of the year	-	5975.08	-	6280.80



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(₹ in lakhs)

Expenses recognized in the Statement of Profit and Loss	2013-14		2012-13	
	Leave Entitlement 31/03/2014	Gratuity (Funded) 31/03/2014	Leave Entitlement 31/03/2013	Gratuity (Funded) 31/03/2013
Current service cost	107.49	129.13	100.68	216.02
Interest cost	189.53	488.27	172.04	537.32
Expected return on plan assets	-	(528.19)	-	(605.87)
Net actuarial (gain) / Loss recognized in the year	312.89	107.18	825.21	821.80
Past service cost	-	-	-	-
Expenses recognized in statement of profit and loss	609.91	196.39	1097.93	969.27

Gratuity expenses includes ₹3.00 lakhs (Previous year ₹2.19 lakhs), being amount paid towards insurance premium (Risk care).

The provision for sick leave encashment created in the accounts in the past years has been reversed during the year on account of the inadmissibility of the sick leave for encashment as directed by the Ministry of Shipping/DPE.

Note 24 : Finance costs

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Bank interest	1606.84	2249.75
Interest others	6.15	6.19
Interest under Income Tax Act	30.57	7.69
Interest on tax free bonds	281.98	0.00
Bank charges	51.77	49.54
Total	1977.31	2313.17

Note 25 : Depreciation and Amortisation Expense

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Depreciation on tangible assets	2007.97	1441.75
Amortisation of intangible asset	260.54	8.98
Loss on revaluation of tools	374.78	446.46
Write off of stores and spares	28.76	0.00
Loss on sale and write off of fixed assets	6.57	24.40
Total	2678.62	1921.59

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 26: Other Expenses

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Consumption of stores	1165.35	1125.33
Consumption of spares	270.32	209.48
Rates and taxes	345.92	58.30
Power	1594.63	1348.06
Fuel	808.89	770.85
Water	159.25	143.99
Repairs and maintenance:		
Building and roads	544.62	488.03
Plant and machinery	376.60	275.26
Others	551.63	641.73
Maintenance dredging	1152.22	607.38
Transport and stores handling	202.44	190.55
Travelling and conveyance expenses	415.10	358.89
Printing and stationery	68.71	56.49
Postage, telephone and telex	44.67	45.97
Advertisement and publicity	181.96	141.73
Lease rent	514.35	23.12
Hire charges	185.16	158.80
Insurance	236.53	177.93
Security expenses	803.10	527.61
Auditors remuneration	7.42	5.99
Auditors remuneration for other services	0.00	0.28
Training	188.74	183.61
Legal expenses	15.47	8.30
Liquidated damages	1131.31	1846.96
Consultancy	36.55	40.63
Loss on derivative contracts(Net)	2789.74	911.21
Corporate social responsibility	360.00	300.00
Expenditure on exchange variation	(68.70)	(731.16)
Prior period expenses	(557.43)	0.00
Miscellaneous expenses	218.32	305.54
Total	13742.87	10220.86

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014****Note 27 : Provision for Anticipated Losses and Expenditure**

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	₹ in lakhs	₹ in lakhs
Provision for:		
Doubtful debts / advances	1858.52	9.24
Non moving inventory	105.03	74.89
Liquidated damages	1031.22	190.00
Employee benefits	1910.83	0.00
Expenses and contingencies	1190.07	0.00
Total	6095.67	274.13

Note 28. Earnings per Equity Share

	2013-14	2012-13
Net Profit after tax (₹ in lakhs)	19424.22	18526.76
Number of Equity Shares	113280000	113280000
Basic and Diluted Earnings Per Share (EPS) (in ₹)	17.15	16.35

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 29: CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	As on		Brief Description of the nature and obligation
	31 st Mar 2014 (₹ in Lakhs)	31 st Mar 2013 (₹ in Lakhs)	
A CONTINGENT LIABILITY (To the extent not provided for)			
a Claims against the Company not acknowledged as debt (Other than mentioned in the Notes)			
i M/s Vigil Marine Services	3951.62	3330.60	Claim for agency commission of USD 2.5 million + interest @ 18 % pa thereon for 9 years. Presently under arbitration
b Guarantees			
i Letters of credit	21247.96	19533.59	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	69.06	69.06	Claim raised by GCDA for the land acquired for the Company is settled. However, 8 Land Acquisition Revision petition Cases (Valued at ₹69.06 lakhs filed by evictees is pending with the Hon'ble Supreme Court and High Court)
ii Customs duties	8700.00	20548.47	Customs duty for materials under Bond
iii Penalty levied by KVAT authorities on export of ships	0.00	2546.82	Appeal allowed in favour of the company by KVAT Appellate Tribunal. Presently no demand exists. Detailed notes in 29.1. III



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014

(Contd..)

iv	Demand for KGST/KVAT for the Assessment Years 2001-02, 2004-05, 2005-06 & 2007-08 mainly due to levy of KVAT on the export turnover of ships	1396.30	8651.08	2000-01 - ₹ 111.93 Lakhs 2001-02 - ₹ 73.44 Lakhs 2004-05 - ₹ 202.22 Lakhs 2005-06 - ₹ 652.24 Lakhs 2007-08 - ₹ 356.47 Lakhs. Under appeal. Stay of collection of tax obtained in all cases. Demand reduced due to appeal allowed by DC(A). Detailed notes in 29.1. II
v	Income Tax	773.01	422.58	Demand relating to Assessment Years: AY 2000-01 - ₹63.27 Lakhs AY 2002-03 - ₹8.28 Lakhs AY 2003-04 - ₹0.27 Lakhs AY 2010-11 - ₹288.60 Lakhs AY 2011-12 - ₹412.59 Lakhs Detailed notes in 29.1. I
vi	a. Service Tax	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 Department side.
	b. Service Tax	0.00	322.90	Service Tax on the amount paid towards Brokerage and commission. Appeal allowed in favour of the Company. Presently no demand exists.
	c. Service Tax	0.00	242.40	Demand of Service Tax raised by the Department on the income tax remitted by the Company on the foreign payments made has been paid by the Company and appeal has been filed against the above demand.
B	COMMITMENTS (To the extent not provided for)			
a	Estimated amount of contracts remaining to be executed on capital account and not provided for:	368.92	334.72	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

29.1 CONTINGENCIES AND COMMITMENTS

(I) Income Tax Assessments

The Income Tax Assessments of the Company have been completed up to AY 2011-12. Demands as per the assessment orders totaling ₹773.01 lakhs for the Assessment Years 2000-01 to 2011-12 except for the years 2000-01, 2002-03, 2003-04, 2010-11 and 2011-12 where there is no demand has been shown under contingent liability pending disposal of the appeals filed before the Commissioner of Income Tax (Appeals). The demands are mainly due to disallowance of the expenditure such as loss on revaluation of loose tools, amount paid towards brokerage and commission, depreciation on temporary structures and additional depreciation on plant and machinery claimed, etc.

II) Sales Tax Assessments under KGST Act

The Sales Tax assessments under Kerala General Sales Tax Act upto the assessment year 2004-05 have been completed and orders were issued for all the years except for the year 2002-03 & 2003-04. Due to apparent mistake in the orders issued for the year 2000-01 and 2001-02, applications have been filed for rectification of the orders. Pending rectification to the assessment orders the demands thereto have been shown under contingent liabilities. For the Assessment Year 2004-05, against the demand for ₹202.22 lakhs, Company has filed appeal before the Deputy Commissioner (Appeals) 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) Sales Tax Assessments under KVAT Act

(i) The appeal filed by the Company before the Kerala Value Added Tax Appellate Tribunal against the order of the Intelligence Officer, Department of Commercial Taxes, Cochin demanding ₹2546.82 Lakhs as penalty towards purported non-payment for KVAT on export of ships made during the year 2008-09 was decided by the Tribunal in favour of the Company and hence no demand exists.

(ii) The KVAT assessments from AY 2005-06 to AY 2007-08 have been completed and assessment orders were issued for AY 2005-06 and AY 2007-08 with a demand of ₹2836.63 lakhs and ₹5474.71 lakhs. Assessment order for the year 2006-07 is pending. The above demands were mainly due to denial of exemption towards export turnover on export of ships. On the appeals filed by the Company against the above order, the Deputy Commissioner (Appeals) remanded the assessments with a direction to the Assessing Authority for reassessment taking into consideration, the decisions of the KVAT Appellate Tribunal in the case of export of ships as mentioned at III (i) above. Accordingly the demands as per the original assessment orders have become null. As such no demand exists as on reporting date. Fresh assessment for the above years is pending.

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 account, 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. Balance of sundry debtors, loans and advances, deposits, claims and sundry creditors are subject to confirmation and consequent reconciliation, if any.

33. Figures in brackets denotes minus figures.

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



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

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
External sales	140956.46	22788.41	0.00	163744.87
Interest	0.00	0.00	5082.86	5082.86
Total revenue	140956.46	22788.41	7532.96	171277.83
Accretion/(decretion) To work in progress	(4379.48)	357.91	0.00	(4021.57)
Segment result	31507.56	(44.50)	(2367.48)	29095.58
Tax (net)				9671.36
NET PROFIT				19424.22
OTHER INFORMATION				
Segment assets	150052.60	37173.55	82850.29	270076.44
Segment liabilities	103360.15	5176.78	161539.52	270076.44
Capital expenditure	5669.58	9260.15	954.23	15883.96
Depreciation	1067.45	917.25	283.81	2268.51

36. Value of imports on CIF basis

(₹ in lakhs)

Particulars	2013-14	2012-13
Raw materials	25442.86	37261.45
Components & Spares	11600.34	17068.70
Capital goods	635.71	43.86
	37678.91	54374.01

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

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

Particulars	2013-14		2012-13	
	Value (₹ in lakhs)	%	Value (₹ in lakhs)	%
<u>Raw Materials</u>				
Imported	2877.17	35.93	2533.41	31.60
Indigenous	5129.56	64.07	5482.90	68.40
	8006.73	100.00	8016.31	100.00
<u>Bought out components</u>				
Imported	37361.40	53.70	51752.02	64.85
Indigenous	32206.82	46.30	28051.81	35.15
	69568.22	100.00	79803.83	100.00
<u>Spares</u>				
Imported	38.93	14.40	48.16	22.99
Indigenous	231.39	85.60	161.32	77.01
	270.32	100.00	209.48	100.00

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

Particulars	2013-14	2012-13
Payments to foreign consultants	700.63	752.12
Commissioning and installation charges	351.62	742.57
Brokerage & commission	0.00	663.92
Advance payments to suppliers	1304.01	2229.87
Design & documentation charges	17152.55	1311.57
Others	1365.06	952.28

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH 2014****39. Earnings in foreign exchange (on due basis)**

(₹ in lakhs)

Particulars	2013-14	2012-13
Income from shipbuilding	7364.85	61251.55
Income from shiprepair	15.29	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	35.02
Shri Ravikumar Roddam	Director (Finance)	Remuneration	29.18
Capt R S Sundar	Director (Operations)	Remuneration	27.30
Shri P Vinayakumar	Director (Technical)	Remuneration	26.72

For and on behalf of Board of Directors

V KALA

Company Secretary

D PAUL RANJAN

Director (Finance)

CMDE K SUBRAMANIAM

Chairman and Managing Director

Kochi, dated 23rd July 2014

Per our report attached

For **BABU A KALLIVAYALIL & CO.,**

Chartered Accountants,

(Firm Registration No. 05374S)

E V THOMAS (Partner)

(Membership Number 03679)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
A. Cash flow from Operating Activities		
Net profit before tax	29095.58	27555.07
Adjustments for :		
Depreciation and amortisation	2268.51	1450.73
Interest expense	1925.54	2263.63
Interest income	(5082.86)	(5897.18)
Loss /(profit)on sale of fixed assets	4.55	24.40
Loss on derivative contracts (Net)	2759.48	1250.43
Exchange difference from FE transactions	(68.70)	(731.16)
Dividend income	(0.85)	(6.05)
Unrealised loss/(gain) on derivative contracts (Net)	30.26	(339.22)
Operating cash flow before working capital changes	30931.51	25570.65
Adjustments for working capital changes:		
Inventories	(3950.85)	567.79
Trade and other receivables	(29352.39)	18999.80
Trade and other payables	(31201.68)	(39927.73)
Cash generated from operation	(33573.41)	5210.51
Income tax paid	8836.00	7666.50
Net cash generated from Operating Activities (A)	(42409.41)	(2455.99)
B. Cashflow from Investing Activities		
Capital expenditure on fixed assets (After adjustment of increase/decrease in capital work-in-progress and advances for capital expenditure)	(2954.46)	(14034.22)
Loss on derivative contracts (Net)	(2,759.48)	(1,250.43)
Interest received	3538.98	4981.44
Dividend income	0.85	6.05
Net cash from investing operation (B)	(2174.11)	(10297.16)
C. Cashflow from Financing Activities		
Issue of Tax free Bonds	12300.00	0.00
Premium on issue of Tax free Bonds	1.23	0.00
Proceeds from Short term borrowings	21091.84	0.00
Redemption of Preference Shares	0.00	(3914.20)

(Contd..)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

(Contd..)

Particulars	For the year ended 31 st March 2014	For the year ended 31 st March 2013
	₹ in lakhs	₹ in lakhs
Loss on exchange difference from FE transactions	68.70	731.16
Dividend paid	(1699.20)	(1973.19)
Dividend tax paid	(288.78)	(320.10)
Interest paid	(1643.56)	(2263.63)
Net cash from financing activities (C)	29830.23	(7739.96)
D. Net Increase in Cash & Cash Equivalent (A)+(B)+(C)	(14753.29)	(20493.11)
Cash and cash equivalent at the beginning of the year	70396.49	90889.60
Cash and cash equivalent at the end of the year	55643.20	70396.49
Net cash increase/(decrease)	(14753.29)	(20493.11)

For and on behalf of Board of Directors

V KALA
Company Secretary

D PAUL RANJAN
Director (Finance)

CMDE K SUBRAMANIAM
Chairman and Managing Director

Kochi, dated 23rd July 2014

Per our report attached

For **BABU A KALLIVAYALIL & CO**
Chartered Accountants
(Firm Registration No.05374S)

E V THOMAS (Partner)
(Membership Number 03679)

Kochi, dated 20th August 2014

DETAILS OF MAINTENANCE ON TOWNSHIP AND OTHER SOCIAL OVERHEADS

(₹ in lakhs)

	2013-14	2012-13
1. Township expenses (Net including depreciation)	34.83	50.93
2. Medical expenses	325.15	215.41
3. Canteen subsidy	272.41	219.48
4. Leave Travel Concession	24.43	26.68
5. Liveries & Uniforms	79.10	60.95
6. Workmens Compensation	2.29	3.02
7. Death Benevolent Fund	20.61	21.18
8. Interest Subsidy to employee	34.67	32.91
9. Group personal accident insurance	9.12	6.73
10. Other Welfare expenses	416.35	138.40
TOTAL	1218.95	775.69

STATEMENT SHOWING EXPENDITURE ON PUBLIC RELATIONS AND PUBLICITY

(₹ in lakhs)

	2013-14	2012-13	2011-12
1. Advertisement	86.92	61.46	52.59
2. Publicity	54.14	54.47	35.37
3. Entertainment	33.36	40.34	15.20
4. Guest house expenses	7.98	5.82	4.35



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.