



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

AUTHENTICATED

RAKSHA RAJYA MANTRI



VISION, MISSION AND OBJECTIVES OF GRSE

Vision

To become a World class Shipbuilding and Engineering Company

Mission

To become an integral part of defence preparedness of the country aimed at self reliance for India's defence forces and recognized as a leading shipbuilding and ship repairing yard as well as a multidimensional Engineering Company ensuring high quality at competitive prices and timely delivery as well as excellent after sale and repair services.

Objectives

- To achieve steady growth of VOP/Turnover.
- Dedication of advanced infrastructure to GRSE for its utmost utilization, developed through phase-II modernization.
- All around efforts to acquire export orders.
- Thrust towards cost reduction and improvement of productivity.
- Commencement of production of newly designed portable Bridge.
- Special efforts for implementation of healthcare services, education and community development programs in and around GRSE.
- Creation of plan for overall development of GRSE including cultural aspect, beautification and sport activities.

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Board of Directors

Chairman & Managing Director



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

Government Directors



Vice Admiral K R Nair,
AVSM, VSM, IN
CWP & A (From 17 Dec 12)



Shri Ashok K K Meena, IAS
JS (NS) (From 22 Jan 13)

Independent Directors



Shri P.C Sharma
IAS (Retd)



Shri Amarjit Chopra
Ex-President, ICAI



Prof. Shekhar Chaudhuri
Ex-Director, IIM, CAL

Whole Time Directors



Shri Kallol Kumar Rai
Director (Finance)



Cmde R Ghosh, IN (Retd)
Director (Shipbuilding)



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



Cmde (Retd) H.K.Verma
Director (Personnel)
(Up to 04 Sep 12)



Vice Admiral N N Kumar
AVSM, VSM, IN
Ex-CWP & A (Up to 16 Dec 12)



Shri Gyanesh Kumar, IAS
Ex-JS (NS)
(Up to 21 Jan 13)

Former Directors

Permanent Special Invitees

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

Special Invitees

VAdm A G Thapliyal, DGCG
RAdm. R K Shrawat, IN (Retd.), CMD, MDL
RAdm Vineet Bakshi, IN (Retd), CMD, GSL

Bankers

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

Company Secretary

Shri Sandeep Mahapatra

Auditors

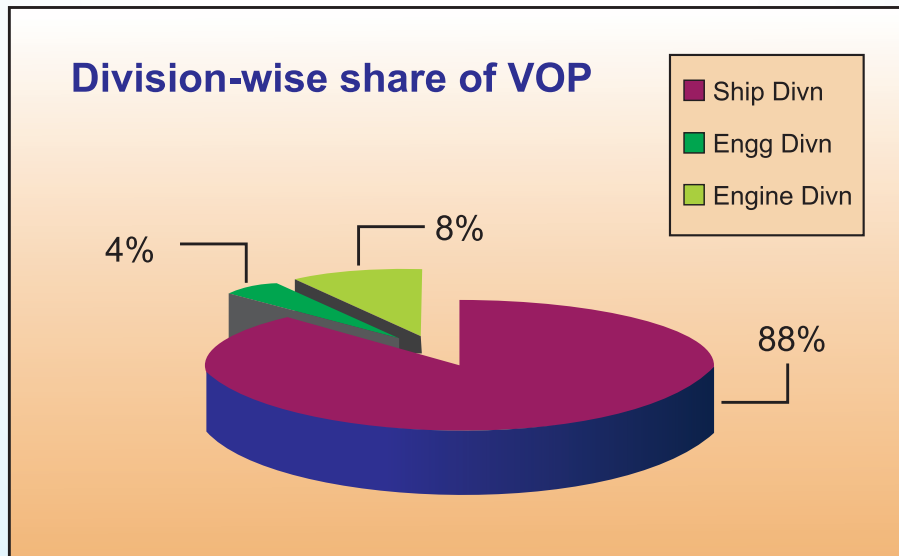
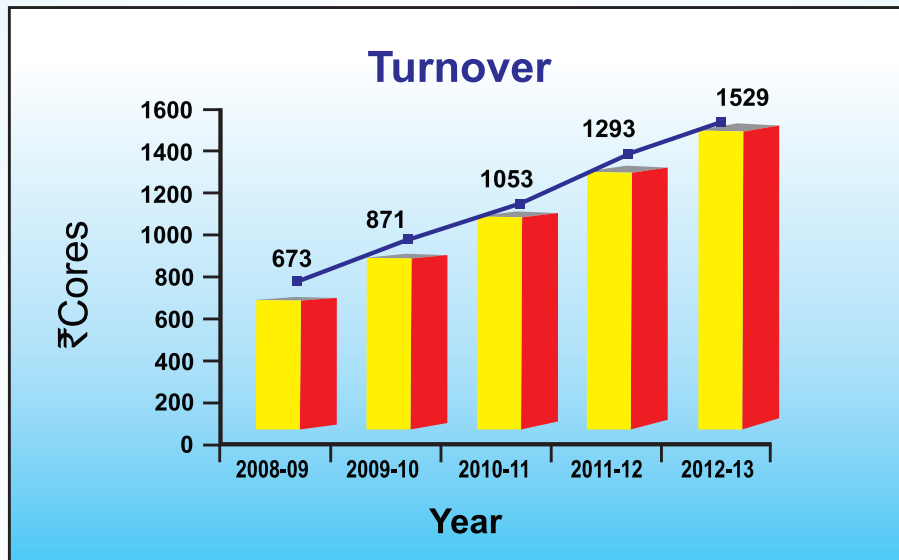
N K Poddar & Co.
Chartered Accountants
Branch Auditor
Poddar & Jain
Chartered Accountants

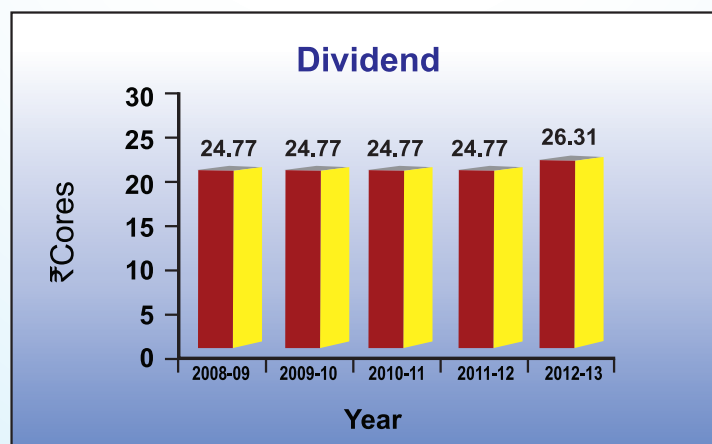
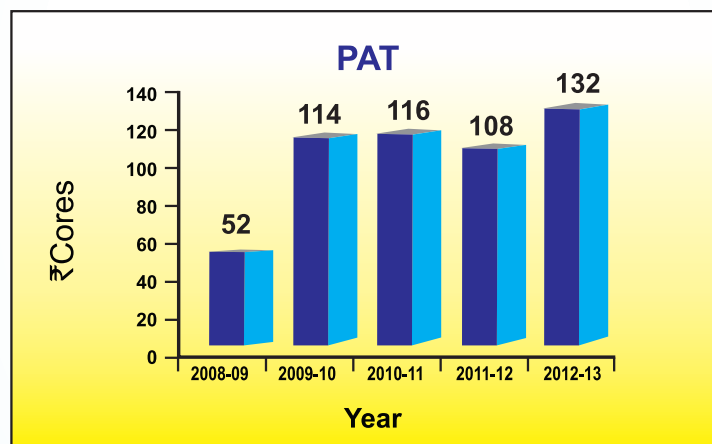
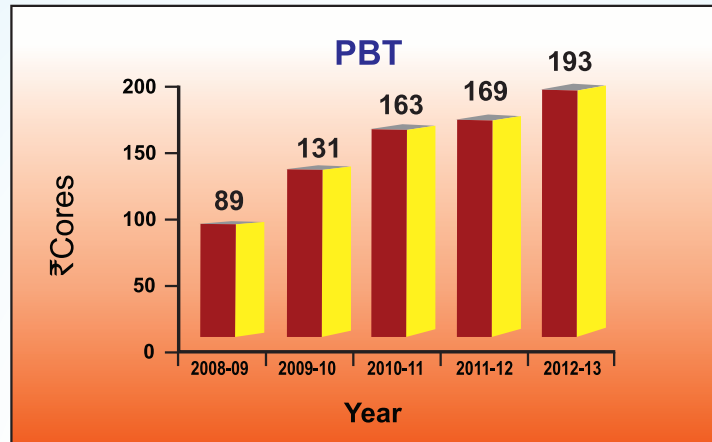
Registered Office

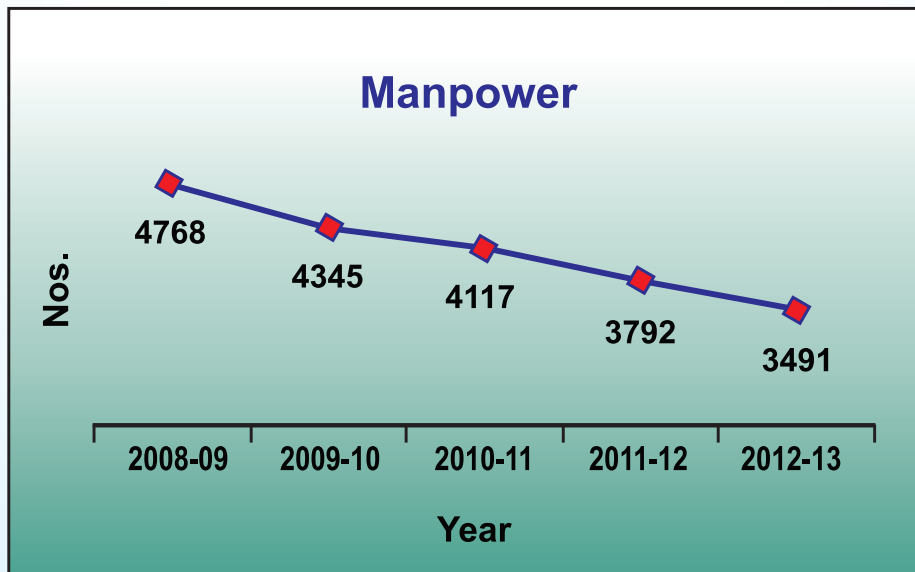
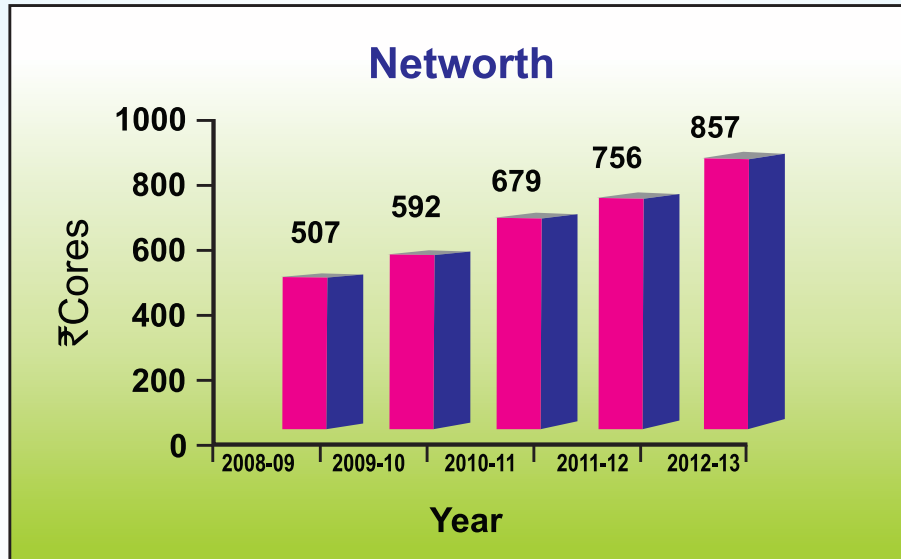
43/46, Garden Reach Road, Kolkata 700 024

SENIOR MANAGEMENT

| | | |
|------------------------------------|---|-------------------------------------|
| Rear Admiral A K Verma, IN (Retd.) | : | Chairman & Managing Director |
| Shri Kallol Kumar Rai | : | Director (Finance) |
| Commodore R Ghosh, IN (Retd) | : | Director (Shipbuilding) |
| Shri R C Nautiyal | : | Director (Personnel) |
| Shri Barun Kumar Sahu, IAS | : | Chief Vigilance Officer |
| Shri Arup Ratan Pal | : | Chief General Manager (C & CP &ERP) |
| Shri Samiran Basu | : | Chief General Manager (Material) |
| Cdr Ajit Kumar Das, IN (Retd) | : | Chief General Manager (FOJ) |
| Cdr S Bhaduri, IN (Retd) | : | Chief General Manager (RBD) |
| Shri K S Verma | : | General Manager (IE&P,ES,Admin) |
| Shri Kanu Priya Chattoraj | : | General Manager (HR) |
| Comde S Mathivanan, IN (Retd) | : | General Manager (MW) |
| Shri Pradip Kumar Mitra | : | General Manager (Finance) |
| Capt SKS Kushwaha, IN (Retd) | : | General Manager (YM, DEP, FIB & PS) |
| Cdr. N D Rao, IN (Retd) | : | General Manager (QA) |
| Shri Aparajita Bhattacharya | : | General Manager (Design) |
| Shri S P Ghosh | : | General Manager (Planning) |
| Shri D Vijayam | : | General Manager (Engineering) |







TEN YEARS AT A GLANCE

(₹ in lakh)

| Ten Years | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| FINANCIAL POSITION: | | | | | | | | | | |
| Equity Share Capital | 12384 | 12384 | 12384 | 12384 | 12384 | 12384 | 12384 | 12384 | 12384 | 12384 |
| Preference Share Capital | | | | | | | | | | |
| Reserve & Surplus | 16005 | 17519 | 22632 | 31862 | 36425 | 38692 | 47255 | 55947 | 63872 | 73948 |
| Cumulative Loss | | | | | | | | | | |
| Net Worth | 28110 | 29590 | 34706 | 43816 | 48412 | 50685 | 59239 | 67932 | 75619 | 85695 |
| Govt. Loan | | | | | | | | | | |
| Capital Employed | 26991 | 29516 | 34251 | 41670 | 46017 | 45284 | 47610 | 55911 | 60062 | 76322 |
| Gross Block | 15480 | 17590 | 17473 | 24128 | 24406 | 25812 | 26224 | 29612 | 30829 | 42732 |
| Net Fixed Assets | 7724 | 9359 | 9066 | 14883 | 14488 | 15144 | 14897 | 17402 | 17481 | 27979 |
| Working Capital * | 19267 | 20157 | 25185 | 26787 | 31529 | 30140 | 32713 | 38509 | 42582 | 48342 |
| OPERATING RESULTS: | | | | | | | | | | |
| Sales | 39077 | 88141 | 98599 | 71374 | 55665 | 74062 | 42427 | 54622 | 54506 | 46434 |
| Cost of Production | 47347 | 42829 | 56974 | 53567 | 47723 | 64325 | 80153 | 96405 | 110752 | 138105 |
| Value of Production | 48690 | 47028 | 66218 | 64166 | 57347 | 67269 | 87074 | 105330 | 129253 | 152937 |
| Value Added | 15157 | 16767 | 25388 | 26021 | 28075 | 23353 | 30771 | 37868 | 49613 | 49609 |
| Profit/(Loss) Before Tax | 5311 | 4856 | 10131 | 17504 | 11040 | 8898 | 13075 | 16276 | 16935 | 19315 |
| Provision for Tax | 2381 | 2104 | 3598 | 5490 | 3593 | 3733 | 1633 | 4705 | 6132 | 6161 |
| Profit/(Loss) after Tax | 2930 | 2752 | 6533 | 12014 | 7447 | 5165 | 11441 | 11571 | 10803 | 13154 |
| APPROPRIATION | | | | | | | | | | |
| Investment Allowance Reserve | | | | | | | | | | |
| Capital Redemption Reserve | | | | | | | | | | |
| CSR Reserve | | | | | | | | 228 | 10 | |
| General Reserve | 293 | 275 | 653 | 1201 | 745 | 517 | 1144 | 1134 | 1079 | 1315 |
| Proposed Dividend Equity | 1028 | 1102 | 1238 | 2477 | 2477 | 2477 | 2477 | 2477 | 2477 | 2631 |
| Dividend Preference Share | | | | | | | | | | |
| Tax on Proposed Dividends | 132 | 147 | 184 | 391 | 421 | 421 | 411 | 402 | 402 | 447 |
| RATIOS | | | | | | | | | | |
| Gross Profit/ Capital Employed | 0.20 | 0.16 | 0.30 | 0.42 | 0.24 | 0.2 | 0.27 | 0.29 | 0.28 | 0.25 |
| PBT/ Production (VOP) | 0.11 | 0.10 | 0.15 | 0.27 | 0.19 | 0.13 | 0.15 | 0.15 | 0.13 | 0.13 |
| Production (VOP)/ Capital Employed | 1.80 | 1.59 | 1.93 | 1.54 | 1.25 | 1.49 | 1.83 | 1.88 | 2.15 | 2.00 |
| Value Added/ Production (VOP) | 0.31 | 0.36 | 0.38 | 0.41 | 0.49 | 0.35 | 0.35 | 0.36 | 0.38 | 0.32 |
| No. of Employees | 5819 | 5524 | 5088 | 5126 | 4971 | 4768 | 4345 | 4117 | 3792 | 3491 |

CHAIRMAN'S STATEMENT



Ladies & Gentlemen,

1. On behalf of the Board of Directors, I have immense pleasure in welcoming all of you to the 97th "Annual General Meeting" of the Company and share with you all, some of the Company's significant achievements during the year 2012-13.
 2. During the year 2012-13, the Company has achieved a **turnover of ₹1,529 crore**, which is a **growth of 18%** over the previous year 2011-12. The Company's **Profit Before Tax** has registered a **growth of 14%** over last year and the Company's **Net Worth** has also gone **up by 13%** compared to 2011-12.
 3. During 2012-13, the Company has delivered four (04) ships to the Indian Coast Guard and progressed the work on eleven (11) other ships including four (04) ASW Corvettes, two (02) IPVS, four (04) LCUs and most prestigious order of MOPV for our neighboring country Mauritius. Overall during the year, the company has progressed the work on fifteen (15) ships which is a remarkable achievement. The Company also launched the 3rd ASW Corvette during the year in the presence of the Chief of the Naval Staff. During the year, the Company has also commenced the production of LCU class of ships for the Indian Navy.
 4. Another very significant achievement of the company during the year has been the award of higher credit rating (AAA) for Working Capital facilities for both fund based and non-fund based segments.
 5. These accomplishments were possible only due to the guidance and unstinted support of the Government of India, especially the Department of Defence Production and I am extremely grateful to them. The active role of the members of the Board of Directors, especially the Independent Directors, the dedicated efforts put in by the Officers, Supervisors and Workers of the Company as well as the trust and confidence reposed by our valued customers, the Indian Navy, the Indian Coast Guard and the Ministry of Home Affairs.
- Performance highlights of the year 2012-13**
6. **Financial Parameters:** The Company has registered **Profit Before Tax of ₹193.15 crore**, registering a **growth of 14%**.
 7. **Turnover/Value of Production:** The Company has achieved a growth of **18%** in its turnover and recorded a turnover of **₹1,529.37 crore**. This turnover is so far the highest achieved by your company.
 8. **Dividend:** For the year 2012-13, the Directors are pleased to recommend a dividend @ **21%** on the Company's paid up equity capital amounting to ₹26.31 crore (approx.) which is 20% on the Company's Net Profit.
 9. **MOU Rating:** In terms of parameters contained in the Memorandum of Understanding signed with the Government for the year 2012-13, the Company is expected to be rated as **"Excellent"** in its performance. This would be the **fourth consecutive year** wherein your company would achieve **"Excellent"** grading in respect of the targets set in MoU.
 10. **Awards & Recognition:** The Company during the year has received **"Best Shipyard Award"** for 2010-11 from Hon'ble Raksha Mantri. The Company also received **"CSR Corporate Governance Award"** from Institute of Public Enterprises for adopting the best practices in CSR activities in the Company and **"Most Caring Company Award"** from World CSR Congress. The QC Team of the Company has also executed very well this year and won **13 Golds** in the National Convention Organised by the Quality Circle Forum of India.
 11. **Corporate Governance:** The Company's philosophy on Corporate Governance is based



on the principles of transparency, compliance of laws, procedures and adhering to the values and business ethics. It believes that all operations must be spearheaded towards attaining the final objective of enhancing stakeholder value. The policies and procedures of the Company are constantly reviewed and updated to ensure transparency in all aspects of the Company's working.

Shipbuilding and Production Achievements

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

(a) **Infrastructure Up-gradation:** The new "Integrated Shipbuilding Facility" has been inaugurated by Hon'ble Raksha Rajya Mantri, Shri Jitendra Singh, on 06 Jun 13.

(b) **Delivery of Ships:** During the year, GRSE has delivered four (04) ships to Indian Coast Guard. ICGS "Rajkiran", ICGS "Rajkamal", ICGS "Rajratan" and ICGS "Rajdoot", the third, fourth, fifth & sixth IPV class of ships were delivered on 27 Jul 12, 09 Nov 12, 28 Jan 13 & 25 Mar 13 respectively.

(c) **Launching of Ships:** During the year GRSE has launched four (04) ships.

(i) The 3rd **ASW Corvette, Yard 3019 was launched** from Inclined Berth of the Main Unit by Smt Chitra Joshi, wife of Admiral D.K.Joshi, PVSM, AVSM, YSM, NM, VSM, ADC, the Chief of Naval Staff in the august presence of distinguished dignitaries on 26 Mar 13.

(ii) **Last three vessels of IPV class of ships, Yards 2077, 2078 & 2079 were launched** from the Raja Bagan Dry Dock-2. Yards 2077-78 were launched simultaneously on 06 Aug 12 by Smt Jayasree Muralidharan, wife of Vice Admiral MP Muralidharan, AVSM, NM, Director General, Indian Coast Guard & Yard 2079 was launched on 29 Jan 13 by Smt J. Pande, wife of Inspector General K.C.Pande, TM, COMCG (NE), ICG.

(d) **Keel Laying:** During the year, GRSE laid the **Keel of the Offshore Patrol Vessel (OPV) for Govt of Mauritius**, the prestigious export order, of the shipyard on 23 Apr 12 at newly built Inclined Berth facility with modern technologies. Subsequently, the said OPV was launched by Smt. K O Fong Weng-Poorun, Senior Chief Executive, PMO, Govt of Republic of Mauritius on 02 Aug 13.

(e) **Start Production:** The Company also commenced the production of four (04) LCU class of ships for the Indian Navy during the year.

Under this class, Navy has placed order for eight (08) LCU ships.

(f) **Portable Steel Bridges:** Your Company has supplied 43 Bridges during 2012-13 amounting to ₹41.30 crore. Towards R&D efforts, the design of our in-house developed Portable Steel Bridge for Single & Double Lane capable of higher load carrying capacity have been successfully verified. The year also saw increase in queries from various State Govt. for supply of Bailey Bridges and Company is gearing up to enhance the production level to meet these demands.

(g) **Deck Machinery:** Your Company has achieved a remarkable task during this year by way of carrying out successful Factory Acceptance Trials of **Rail Less Helo Traversing System** to handle helicopters on board various warships including Anti Submarine Warship Corvette Class of ships (Project P-28) under construction at GRSE. During the year, the company have supplied the **first in-house developed Telescopic Boat Davit** for P-28 Ships. The main feature of this davit is the capability of auto-tensioning the boat during launching & recovery at high seas. This innovative effort enabled us to exploit market opportunities for different capacities of electro-hydraulic telescopic davits for Coast Guard / Naval Ships.

(h) **Pump Unit:** This Unit has indigenized various centrifugal Naval Pumps of ENC (V) and supplied 38 Pumps worth ₹4.48 crore during the year under review.

(i) **Engine Department (Ranchi):** The Value of Production achieved by Engine Department during the year under review amounted to ₹ 128.18 crore as compared to ₹47.54 crore during the previous year.

(j) **New Shipbuilding Order:** GRSE has bagged an order for **four (04) nos follow-on Water Jet Fast Attack Crafts** from **Indian Navy**. The contract for same was signed on 01 Mar 13. These ships will be built in Raja Bagan Dockyard (RBD).

(k) **Order Book Position:** The present order book position of the Company is ₹11,455 crore. Out of these, **sales** of approximately ₹4,249 crore have been completed and the **Balance Order book** is approximate ₹7,206 crore.

Future Outlook

13. GRSE is actively pursuing its goal to become an integral part of defence preparedness of the country aimed at self reliance and being recognized as a leading shipbuilding and ship repairing yard as well as a multidimensional engineering company ensuring high quality at competitive prices and timely delivery.



14. In order to realise its vision '**To become a World Class Shipbuilding and Engineering Company**', GRSE has embarked upon variety of initiatives such as:-
- (a) **Process improvements** at both macro and micro level.
 - (b) **Benchmarking** of our processes with best in the world.
 - (c) Technology and **infrastructure up-gradation** through modernization.
 - (d) Continual improvements in **skill sets** of both operatives and officers relevant to changing times.
 - (e) Development of new quality vendors to ensure timely quality production.
 - (f) Formulation of '**Customer First**' policy giving necessary impetus and thrust to **product support** and **customer relation management** for creating value for customer.
15. **Deep Sea Shipyard:** In addition to upgrading its production and office facilities at Kolkata, GRSE is also considering to undertake a business study for creation of deep sea shipyard in neighbouring state of Odisha. This shipyard will facilitate GRSE to construct large war vessels with higher draft to meet future requirements of Indian Navy as per their Long Term Perspective Plan.
16. **Export Initiatives:** GRSE has gained considerable experience while building first export war vessel in country for the Mauritius government. GRSE design of OPV has won appreciation of the Mauritius government. Buoyed by the response to its products, GRSE is concentrating with a focus agenda on the export market for its products such as "**Landing Ship Tank**", "**Fast Attack Crafts**", "**Offshore Patrol Vessel**", "**Inshore Patrol Vessels**" and "**Portable Bridges**". GRSE has been participating in various defence exhibitions with focused strategy on exporting of its products. During these exhibitions, the response of international customers towards these products of GRSE was very encouraging. Based on the responses and interactions, GRSE is of the opinion that there is a market for GRSE products in the developing nations of Africa, Middle East and Latin America. Accordingly, GRSE has initiated dialogue through Indian Defence Attaché in many of these countries to explore business opportunities. GRSE is also considering deputing target teams to these nations to pursue and develop the business interest in these emerging markets. During the recently held Defence Exhibition at Brazil, Peru has shown a keen interest in Portable Bridges of GRSE. The company is pursuing the business in

that country through our Embassy at Lima, Peru.

17. **Industrial Relations:** Industrial relations situation during the period across all Units of the Company including DEP, Ranchi was generally peaceful and harmonious.
18. **Corporate Social Responsibility:** Corporate Social Responsibility (CSR) is an integral part of the Company's corporate philosophy, integrating business processes with social processes. The Company is committed towards CSR and has a CSR Policy in place to guide its CSR activities. In terms of the policy, the Company focuses on the following thrust areas for its CSR projects:
- (i) Health Care.
 - (ii) Education & Skill Development.
 - (iii) Community Development.
19. The Company has also continued to excel in all other fields including sports, in which the Company has won the **Football Championship in the PSU Games** and our Hindi Department has won **Rajbhasa Shield for Excellent Performance in implementation of Official Language** by Town Official Language Implementation Committee (PSU's), Kolkata.

ACKNOWLEDGEMENTS

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

Thanking you all,

Sd/-

A. K. Verma

Rear Admiral (Retd.)

Kolkata,
24th August, 2013

Chairman & Managing Director

NOTICE FOR ANNUAL GENERAL MEETING

NOTICE is hereby given that the 97th Annual General Meeting of the Shareholders of Garden Reach Shipbuilders & Engineers Ltd. will be held at the **Saturday, the 24 Aug 13 at 1330 hours at Palladian Lounge, BCCI, 6, N. S. Road, Kolkata - 700001** to transact the following business :

ORDINARY BUSINESS:

- (a) To receive, consider and adopt the Directors' Report and the Audited Accounts for the year ended 31 March 2013 along with the Auditors' Report thereon.
- (b) To declare Dividend.
- (c) To fix the remuneration of Auditors to be appointed by the Comptroller & Auditor General of India for the financial year 2013-14.

By Order of the Board
Garden Reach Shipbuilders & Engineers Limited
Sd/-
(Sandeep Mahapatra)
Company Secretary

Registered Office :
43/46, Garden Reach Road,
Kolkata 700 024.
Dated : 29th June, 2013.

Notes :

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxies to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of the Company have not been received so far. These are expected to be received shortly and will be placed before the Meeting.

DIRECTORS' REPORT

To
The Members,
Garden Reach Shipbuilders & Engineers Limited

- Your Directors have great pleasure in presenting the 97th Annual Report on the working of the Company for the financial year 2012-13.
- The audited Profit & Loss Account for the financial year 2012-13 and the Balance Sheet, as on 31 Mar 13, together with the Report of the Auditors of the Company, and the comments of the Comptroller & Auditor General of India on the Auditors' Report under Section 619(4) of the Companies Act, 1956, are appended to this Report.

PERFORMANCE HIGHLIGHTS

- Financial Parameters:** The Directors are delighted to inform that the Company has recorded Profit Before Tax of ₹193.15 crore, registering a growth of 14% of the previous year.
- Turnover / Value of Production:** The Company has achieved a growth of 18% in its turnover and rendered a turnover of ₹1529.37 crore. This turnover is so far the highest achieved by your company.
- Credit Rating / Finance:** The Company has been awarded the **highest Credit Rating (AAA)** for Working Capital Facilities for both, fund based and non-fund based segments. This will enable the company to source funds at the best possible rates.

Grading vide Memorandum of Understanding with DPE

- The Company has been rated "**Excellent**" in the MoU 2011-12 by the Department of Public Enterprises. The Composite score for the year 2011-12 was 1.18.
- The assessment for the year 2012-13 will be done by DPE on the basis of the Annual Report to be submitted to them after Annual General Meeting. As per internal assessment, it is expected that the Company will be rated as "**Excellent**" during this year also.

Awards & Recognition

- The Company has received the following awards / recognitions during the year :
 - "**Best Shipyard Award**" for 2010-11 from Hon'ble Raksha Mantri.
 - "**CSR Corporate Governance Award**" from Institute of Public Enterprises for adopting the best practices in CSR activities in the Company.
 - "**Most Caring Company Award**" from World CSR Congress.

(iv) GRSE Athletes participated in Corporate Games held in Delhi and won **Gold Medal** in Football.

(v) **Rajbhasha Shield** for Excellent performance in implementation of Official Language by Town Official Language Implementation Committee (PSU's), Kolkata.

(vi) Hindi Magazine "Rajbhasha Jagriti" was awarded **1st prize** by Town Official Language Implementation Committee.

- Delivery:** During the year under review the Company has effected following deliveries:

Ship Division :

| Sl. No. | Type | Nos. |
|---------|-----------------------------|------|
| (i) | Inshore Patrol Vessel (IPV) | 4 |

Engineering Division :

| Sl. No. | Product | Nos. |
|---------|---------------|------|
| (i) | Bailey Bridge | 43 |
| (ii) | Pump | 38 |

Engine Division :

| Sl. No. | Product | Nos. |
|---------|-------------|------|
| (i) | MTU Engines | 3 |

SIGNIFICANT ACHIEVEMENTS

- The new "**Integrated Shipbuilding Facility**" has been inaugurated by Shri Jittendra Singh, Hon'ble Raksha Rajya Mantri on 06 Jun 13.



- During the year, GRSE has delivered **04 Inshore Patrol Vessel** to Indian Coast Guard. ICGS "Rajkiran", ICGS "Rajkamal", ICGS "Rajratan" and ICGS "Rajdoot", the third, fourth, fifth & sixth ships on 27 Jul 12, 09 Nov 12, 28 Jan 13 & 25 Mar 13 respectively.

12. Last 03 vessels of IPV class of ships, Yards 2077, 2078 & 2079 have been launched from the Raja Bagan Dry Dock-2. Yards 2077-78 have been launched simultaneously on 06 Aug 12 by Smt Jayasree Muralidharan, wife of Vice Admiral MP Muralidharan, AVSM, NM, Director General, Indian Coast Guard & Yard 2079 has been launched on 29 Jan 13 by Smt J. Pande, wife of Inspector General K.C.Pande, TM COMCG (NE), ICG.



13. 3rd ASW Corvette, Yard 3019 was launched from Inclined Berth of the Main Unit by Smt Chitra Joshi, wife of Admiral D.K.Joshi, PVSM, AVSM, YSM, NM, VSM, ADC, Chief of Naval Staff in the august presence of distinguish dignitaries on 26 Mar 13.



14. Keel of Offshore Patrol Vessel (OPV) for Govt of Mauritius, the prestigious Export order, was laid on 23 Apr 12 at newly built Inclined Berth facilitated with modern technologies.

15. Production (Plate cutting) of 1st, 04 no ships of Landing Craft Utility (LCU) MK-IV series for Indian Navy commenced in 3rd quarter of this financial year.

16. GRSE has bagged an order for 04 nos follow-on Water Jet Fast Attack Crafts from Indian Navy. The contract for same has been signed on 01 Mar 13. These ships will be built in Raja Bagan Dockyard (RBD) from Keel lay to Delivery.

OPERATING RESULTS

17. The summarized operating results for the year 2012-13 and 2011-12 are given below:

(₹ in crore)

| | 2012-13 | 2011-12 |
|--|---------|---------|
| Value of Production | 1529.37 | 1292.53 |
| Sales | 464.34 | 545.06 |
| Profit Before Depreciation, Interest and Tax | 207.58 | 182.05 |
| Interest | 0.52 | - |
| Depreciation | 13.91 | 12.70 |
| Profit Before Tax | 193.15 | 169.35 |
| Provision for Tax | 61.61 | 61.32 |
| Profit After Tax | 131.54 | 108.03 |

18. The financial position of the Company as on 31 March, 2013 and that of the previous year is shown below:

(₹ in crore)

| | 2012-13 | 2011-12 |
|---|---------|---------|
| Capital Employed | 763.22 | 600.62 |
| Gross Block | 427.32 | 308.29 |
| Net Block | 279.79 | 174.81 |
| Working Capital | 483.43 | 425.81 |
| Net Worth | 856.95 | 756.19 |
| Value Added | 496.09 | 496.13 |
| Ratios: (%) | % | % |
| Profit before interest and tax : Capital Employed (%) | 25.38 | 28.20 |
| Profit after tax : Net Worth (%) | 15.35 | 14.29 |

Value of Production & Sales -

(VOP Up by 18% a compared to previous year)

19. During the financial year under review, the Company achieved the highest ever Value of Production of ₹1529.37 crore as against ₹1292.53 crore during the previous year. The Sales for the year amounted to ₹464.34 crore as against ₹545.06 crore during the previous year.



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

(₹ in crore)

| Year | Ship Division | Engineering Division | Engine Division | Total |
|---------|---------------|----------------------|-----------------|---------|
| 2012-13 | 1346.83 | 54.36 | 128.18 | 1529.37 |
| 2011-12 | 1189.79 | 55.20 | 47.54 | 1292.53 |

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

(₹ in crore)

| Year | Ship Division | Engineering Division | Engine Division | Total |
|---------|---------------|----------------------|-----------------|--------|
| 2012-13 | 356.27 | 86.06 | 22.01 | 464.34 |
| 2011-12 | 442.32 | 55.20 | 47.54 | 545.06 |

Profit Before Tax

22. The Company earned a Profit Before Tax of ₹193.15 crore as against ₹169.35 crore in the previous year. The Net Profit recorded to ₹131.54 crore as compared to ₹108.03 crore in the previous year.

Net Worth - (Increase by 14% as compared to previous year)

23. The year under review witnessed a leap forward with the Company's Net Worth going up to ₹ 856.95 crore from ₹ 756.19 crore in 2011-12, representing an increase of 14% over the previous year.

Value Addition

24. The Value Added during the financial year under review was ₹496.09 crore as against ₹496.13 crore during the previous year. The Value Added per Employee was ₹ 14.21 lakh as compared to ₹13.08 lakh during the previous year registering a growth of 9%.

Appropriations & Dividend

25 Considering the financial performance of the Company in the year 2012-13, the Directors are pleased to recommend the following appropriations from the disposable surplus:

(₹ in crore)

| | |
|---|--------|
| Net Profit After Tax | 131.54 |
| Less : | |
| Transfer to General Reserve | 13.15 |
| Dividend of 20% on the Net Profit | 26.31 |
| Dividend Tax | 4.47 |
| Balance retained in Profit & Loss Account | 87.61 |

Contribution to Exchequer

26. Your Company has made a contribution of ₹ 58.98 crore to the national exchequer during the financial year 2012-13 as detailed below:

(₹ in crore)

| | | |
|-----|---------------------------------|-------|
| (a) | Income Tax & Wealth Tax. | 23.88 |
| (b) | Customs Duty | 0.62 |
| (c) | Excise Duty | 2.21 |
| (d) | Sales Tax (Including Entry Tax) | 30.27 |
| (e) | Service Tax | 2.00 |
| | TOTAL | 58.98 |

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

Capital Structure

27. The Authorised Capital of the Company as on 31 Mar 13 was ₹125 crore. During the year under review, the Government of India did not make any fresh investment in the Share Capital of the Company. The Paid-up Capital as on 31 Mar 13, therefore, remained at ₹ 123.84 crore.

Loans from the Government

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

ICD to Hindustan Cables Ltd.

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

Micro, Small and Medium Enterprises

30. The Micro, Small and Medium Enterprises (MSMEs) continue to get support and performance from GRSE. The Company extends technical guidance



and requisite support to these industries wherever required. Our quality control personnel visit the industries to assist and ensure that the quality of the products meet the requisite standards.

31. During 2012-13, the Company procured items worth ₹ 44 crore from the MSMEs. List of items reserved for MSMEs procurement already uploaded in our Website.

Auditors

32. The Comptroller & Auditor General of India, under Section 619(2) of the Companies Act, 1956, have appointed M/s. N K Poddar & Co., Chartered Accountants, Kolkata, as the Statutory Auditors for the Company and M/s. Jain Poddar & Co., Chartered Accountants, Ranchi as Branch Auditors for the Diesel Engine Plant, Ranchi, for the year 2012-13.

Cost Auditors

33. Pursuant to the direction of the Central Government for audit of Cost Accounts. M/s. Subhadra Dutta & Associates, Cost Accountants, has been appointed as Cost Auditors for the Company's Diesel Engine Plant (DEP) for the financial year 2012-13.

34. Manpower

(a) The total Manpower strength under permanent category in the Company as on 31 Mar 13 was 3480 including 496 Officers. A total of 11 employees including 05 officers are working in the Company under contractual service. However, as on 31 Dec 12, a total of 3549 employees were born in the roll of the Company including 13 employees on contractual service. Statements showing the representation of SC / ST / Women etc. as on 31 Dec 12 as well as the total recruitment made during the period from Jan to Dec 12 are given at **Appendices - "A & B"**.

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

Corporate Governance and Management Discussion & Analysis Report

35. The Company has implemented the Guidelines on Corporate Governance for CPSEs 2010 issued by Department of Public Enterprises (DPE) vide OM No. 18(8)/2005-GM dated 14 May 2010. The Company has already laid down Code of Business Conduct & Ethics for all Board Members and Senior Management. The Report on Corporate Governance along with Compliance Certificate from the Auditors of the Company and Management Discussion & Analysis Report as required under the said Guidelines, are placed at **Appendix "C"** and **"D"** hereto, respectively.

Board of Directors

36. The following Directors ceased to be Members of the Board of the Company :

(i) Cmde H K Verma, IN (Retd)

Director (Personnel)

(ii) VAdm N N Kumar, AVSM, VSM, IN

Controller of Warship Production & Acquisition

(iii) Shri Gyanesh Kumar, IAS

Joint Secretary (Naval System)

37. The Board placed on record its deep appreciations for the valuable contributions made by the outgoing Directors during the tenure of their association with the Company.

38. The Board welcomed the appointment of the following new Directors:

(i) VAdm K R Nair, AVSM, VSM, IN

Controller of Warship Production & Acquisition

(ii) Shri Ashok K K Meena, IAS

Joint Secretary (Naval System)

Directors' Responsibility Statement

39. Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, following is hereby confirmed:

(a) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

(b) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 Mar 13 and the profit of the Company for the year ended 31 Mar 13.

(c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(d) That the Directors have prepared the annual accounts on a going concern basis.

Performance of Ship Division

40. The Value of Production of the Ship Division in the financial year 2012-13 has increased to ₹1346.72 crore from ₹1189.79 crore in the previous year registering a growth of more than 13%.

41. With inclusion of various productivity improvement tools, adoption of Integrated construction



technology and continuous effort by all category of employees, GRSE has delivered the sixth IPV (Rajratan) in a record time of 14 months from keel laying.

42. Launching of 3rd ship of ASWC earmarked yet another technological landmark, being the first ship in the country built with superstructure made of carbon fiber composite material which significantly reduces RCS signature and top weight of the ship. With the training provided by M/s TKMSI, GRSE have successfully adopted this modern technology and integrated composite superstructure with steel main hull utilising inhouse manpower. This is a step in right direction in adopting latest technology.
43. Pre-outfitting at block stage, issuance of detail work package, continuous & sustained monitoring on material status & project activities, all-out effort in increasing vendor base in subcontracting area, yard modernization and constant dedication of all employees of GRSE have resulted this improvement in performance of ship division.
44. Following major cardinal events were achieved during the financial year 2012-13 :

Delivery :

| Ship | Yard | Delivery |
|---------|------|-----------|
| 3rd IPV | 2074 | 27 Jul 12 |
| 4th IPV | 2075 | 09 Nov 12 |
| 5th IPV | 2076 | 28 Jan 13 |
| 6th IPV | 2077 | 25 Mar 13 |

Launching :

| Ship | Yard | Delivery |
|----------|------|-----------|
| 3rd ASWC | 3019 | 26 Mar 13 |
| 6th IPV | 2077 | 06 Aug 12 |
| 7th IPV | 2078 | 06 Aug 12 |
| 8th IPV | 2079 | 29 Mar 13 |

Keel laying :

| Ship | Yard | Delivery |
|------|------|-----------|
| MOPV | 3021 | 23 Apr 12 |

Start Production :

| Ship | Yard | Delivery |
|---------|------|-----------|
| 1st LCU | 2092 | 04 Sep 12 |
| 2nd LCU | 2093 | 04 Sep 12 |
| 3rd LCU | 2094 | 05 Nov 12 |
| 4th LCU | 2095 | 27 Dec 12 |

Future Outlook

45. Your Company is fully committed to build quality ships meeting contractual delivery timelines for Indian Navy, Coast Guard and Foreign Customers. After taking over of Raja Bagan Dockyard, the same was refurbished and converted into a full-fledged shipyard for construction of small ships e.g. IPV, WJFAC etc. The production line for construction of these small ships have been streamlined and fine-tuned with an aim of delivering one ship at every two months interval. With this, GRSE is the only DPSU shipyard who has established two independent production lines, one for big ships and one for small ships.
46. Phase – II Modernisation of Shipbuilding infrastructure in Main Yard has been completed. The new Inclined Berth is already being used for construction of OPV for Mauritius, (Yard 3021). With the commissioning of modernisation facilities, shipbuilding capacity of the Company at Main Yard has doubled, with enhanced facilities for integrated construction with an aim to achieve considerable reduction in build period of ships. In order to adopt integrated construction technology optimally, GRSE plans to commence its implementation on last 04 ships of LCU project using in-house knowhow. Full-fledged implementation is planned on P-17A ships, contract for which is under discussion with MoD/ Navy.
47. At the same time, the Shipyard has embarked on developing the quality vendor base for outsourcing hull fabrication, plumbing, cabling, hull outfit etc. In order to meet the demand of steel throughput, keeping in view of P-17A ships, new sub-contractors for fabrication and erection of hull blocks are also being developed to meet the demand. Use of latest technology is being adopted for in-house fabrication and erection of blocks to increase productivity.
48. The total manpower requirement of the Company to meet the construction schedule of all ongoing projects as well as orders in pipe line e.g. P17A project, is under review. The company has already started induction of officers and supervisors to replenish the existing shortfall. The induction of workmen will start during 2013-14.
49. Consistent with the acquisition of the additional facilities, the Company is endeavouring to obtain further orders for Naval and Coast Guard Ships for optimization of capacity utilization. The company is also targeting Export Orders for LST, LCU, FAC and FIB class of ships.

Yard Modernisation

50. The foundation stone for Phase-2 Modernisation was laid on 19 Feb 2009. Part of the Facilities completed and shipbuilding commenced at the new Inclined Berth in Apr 2012. Yard Modernisation completed in May 2013 and inauguration was on 06 Jun 2013.
51. The Objective of Modernisation is to create new shipbuilding infrastructure that would enable Integrated Construction of large ships, using advanced Modular Shipbuilding technology.
52. “Integrated Shipbuilding Facility” comprising of following co-located facilities to enable Modular Shipbuilding, have been created under Phase – II Modernisation :
 - (a) Dry Dock (180M x 29M) of 10000 Tons capacity, for building large ships.
 - (b) Inclined Berth (180M x 23M) of 4500 Tons capacity, for building large ships.
 - (c) Module Hall (99M x 30M) with telescopic sliding roof arrangement, in facilitate integration of Pre-outfitted of Mega Hull blocks weighing upto 200 Tons.
 - (d) Goliath Crane of 250 Tons capacity, covering Dry Dock, Inclined Berth and Module Hall, for handling of Mega Hull blocks weighing upto 200 Tons.
53. In addition to the above, associated facilities like Paint Cell for blasting and painting of hull blocks at controlled conditions of temperature and humidity, Electrical Sub-station of 6 KV capacity to meet power supply requirements the new facilities, River Jetty for berthing ship prior to docking / after undocking. Amenity Block for operatives etc. have also been created as part of Phase – II Modernisation.



54. With commissioning of the new “Integrated Shipbuilding Facility”, GRSE is taking a giant stride towards adopting the latest Modular Shipbuilding

Technology for construction of warships. GRSE would be able to implement modern Build Strategy of constructing ships using 200 Ton Mega Hull blocks, instead of conventional practice of building ships with 40 Ton Hull blocks.

55. Implementation of new Build Strategy involving Modular Shipbuilding would lead to significant reduction in “Build Period” consequent to :-
 - (a) Shorter Keel Laying to Launch time due to use of Mega Hull blocks.
 - (b) Shorter “Fitting Out” time due to higher pre-launch outfitting.
56. Since ‘Modular Shipbuilding’ involves consolidation of Mega Hull-Blocks inside Modular Hall in a protected environment, consequent better workmanship, higher levels of accuracy, lesser distortions, better access for fitting out etc. would result in significant improvement in quality of ship construction.
57. **The new “Integrated Shipbuilding Facility” has been inaugurated by Shri Jitendra Singh, Hon’ble Raksha Rajya Mantri, on 06 Jun 13.**

Engineering Division

58. The Value of Production achieved by the Engineering Division during the financial year 2012-13 amounted to ₹54.48 crore and sales valued at ₹50.09 crore.

Portable Steel Bridge Unit

59. Portable Steel Bridges Unit has supplied 43 - Bridges during 2012-13 amounting to ₹41.30 crore to BRO, NRRDA (National Rural Roads Development Agency), various state PWDs, export to Bhutan and many other private customers. It is pertinent to mention that Indian Army & BRO who used to be the major customers have not procured any Portable Steel Bridges during this year.
60. In view of stiff competition, your Company has decided to cut down the delivery period from normal 6 months to 2-3 months and in good number of cases, supplied has been effected on ex-stock basis.
61. In export business, this year we have supplied bridges worth ₹8.50 crore to various customers in Bhutan against ₹3.67 crore in the previous year.
62. Visualizing a good demand for our Portable Steel Bridges in Rural Roads of India, we have organized a workshop on “Use of GRSE Portable Steel Bridges in Rural Roads of India”. Senior to very senior officials of NRRDA from 6 – Eastern states of India viz. Assam, West Bengal, Bihar,

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Jharkhand, Odisha and Chattisgarh, actively participated in this Workshop and conveyed their requirements.



63. As a result of the above, during 4th Quarter, we have supplied ₹6.61 crore worth bridges to rural roads of Odisha and offers worth ₹72 crore are under active consideration with various NRRDA state wings.
64. Towards our R&D efforts, during this year, we have successfully got verified the design of our in-house developed Portable Steel Bridge for Single & Double Lane with a higher load carrying capacity. This would be the launch pad for new segment of GRSE Bridges on proprietary basis.

Deck Machinery Unit

65. Deck Machinery Unit has achieved a remarkable task during this year by way of carrying out successful Factory Acceptance Trails of Rail Less Helo Traversing System to handle a helicopter on board ships of Anti Submarine Warship Corvette Class of ships under P-28 Project. This is the 'first of its class design' built by GRSE in tie-up with M/s Mac Taggart Scott, UK, who is the pioneer in Helicopter Handling System in the world. This is a simple, safe and full proof system capable of handling any type of helicopter irrespective of its design. This has an indigenous content of about 72%.
66. Subsequent to this, your company have received an order worth ₹14.65 crore from M/s Pipavav for supply of 5 sets of Rail Less Helo Traversing System (RLHTS). OCV RLHTS Systems under active consideration for supply on Indian Navy Ships.
67. During the year, the company have supplied the first in-house developed Telescopic Boat Davit for P-28 Ships. The system feature of this davit is the capability of auto-tensioning the boat during

launching & recovery at high seas. This innovative effort enabled us to exploit market opportunities for different capacities of electro-hydraulic telescopic davits for Coast Guard / Naval Ships.

68. During this year, the company have also supplied Mooring Capstans of 15 Tons capacity, first of its kind for Indigenous Aircraft Carrier Project to M/s Cochin Shipyard Limited.
69. The present order book position for various Deck Machinery items is about ₹43 crore.
70. **Pump Unit** : This Unit has indigenized various centrifugal Naval Pumps of ENC (V) and supplied 38 Pumps worth ₹4.48 crore during the year under review.
71. **Engine Department (Ranchi)** : The Value of Production achieved by Engine Department during the year under review amounted to ₹128.18 crore as compared to ₹47.54 crore during the previous year.
72. An Up-gradation Plan has been approved by the Board of Directors at the cost of ₹12 crore to meet the future business of converting SKD (CKD) Engines to CBU MTU 4000 Series and W6 Routines of these Engines. The project is proceeding as per schedule and is likely to be completed by 31 Mar 2014. On completion of this up-gradation, Engine Division will likely to get a business of ₹428 crore in phased manner in next ten years.

Conservation of Energy

73. The yard continued its endeavor to conserve the energy. Through energy audit conducted in all the units of the shipyard, the company continued to optimize consumption of energy i.e. coal, electricity, petroleum etc. Power factor of the system consistently maintained at optimal level.
74. In accordance with the recommendation out of energy audit the shipyard have introduced energy efficient 250 Watt metal halide luminaries replacing conventional 400 Watt HPMV/HPSV luminaries.
75. Use of Bureau of Energy Efficiency accredited star rated window air conditioners has extensively been adopted in the yard. In centralized AC plants, solid state control system, energy efficient compressors are introduced. Solar water heating systems capable of conserving 9180 units of electricity per annum has been installed at canteen.
76. Consistent effort to minimize distribution loss in compressed air and water supply system has been adopted as part of conservation of energy. Use of aluminum, termed as eco friendly green metal, as roofing and cladding sheets, in shops replacing asbestos has been adopted which reduces direct green house gas emission to the extent of 14%.



77. Measures like introduction of battery operated material handling equipments, increased installation of electronic ballasts, most updated LED lamps, TL5 fluorescent lamps, extensive use of Compact fluorescent lamps, maximum use of translucent sheets in shop floors to combine day light with artificial luminaries for absolute utilization of natural light, etc have been adopted as part of conservation of energy. The cost of energy input during the year under review was 0.71 % of the total value of production as against 0.61 % that of last year, despite 19 % increase in the power tariff in between.
78. The Shipyard has been rated as excellent in MOU criteria in 2011-2012 under the category "Sustainable Development".

Technology Adoption, Absorption and Innovation

79. Solar powered street lighting system is introduced in the shipyard to encourage increased use of renewable non conventional energy technology. This initiative is resulting a recurring saving of ₹2.25 lakh per annum on energy cost of the yard.
80. Energy efficient Thyristor based automatic power factor control mechanism with intelligent reactive power management system in the substation is introduced in the shipyard to ensure more accurate real time control of power factor in the system resulting in reduced demand charges and less expenditure on energy consumption. Use of Bureau of Energy Efficiency accredited star rated window air conditioners has been adopted in the yard extensively.
81. VVVF type control system is introduced in the elevators to reduce the energy consumption by 2% approximately.
82. Radio remote control system is increasingly introduced in shop EOT cranes to ensure user friendly operation, eliminating the requirement for dedicated operator.

ERP & IT in GRSE

83. Since launch of SAP ECC 6.0, in January 2011, SAP has stabilized across the 7 production Units and two Offices amongst 280 Users.
84. The highlights of the year in the area of ERP & IT are as follows:
- Final Accounts are successfully closed in SAP in consecutive two financial years.
 - Complete payroll system of around 4000 employees are running on SAP and stabilised.
 - M/s PWC carried out a thorough SAP System Audit and related activities across the company and found that barring a few exceptions the SAP

implementation in particular and IT initiative in general are going in right direction in GRSE. They also carried out bench marking of SAP implementation w.r.t. International and National entities.

(iv) In January 2013 "Employee Portal" was launched to facilitate employees to get information directly from system. The initiative was very much liked and appreciated by the employees. 2 Nos. interactive Kiosks were also set up on trial basis in Main and FOJ Units. Additional 8 numbers Kiosks are planned to set up in the shop floors of 6 Units in the current Financial Year

(v) To maintain business continuity in case of any unforeseen natural or man made disaster in the main Data Centre, the Company has taken initiative to establish a DR System through 'Co-located Managed Solution' methods. This is expected to be operational by the end of the current Financial Year.

(vi) To leverage maximum benefit out of SAP and other IT initiative in the company a comprehensive training plan for the employees have been made. Top Management from the level of GM up to C&MD were given structured SAP training. Around 80 personnel of different level will be given need based training in the current Financial Year.

(vii) Availability of drawings through system to the shop floors has been established in Main, RBD & FOJ Units.

(viii) A drive has been taken to enable IT to support production activity at docks & berths in the current Financial Year.

Foreign Exchange Earnings & Outgo

85. The information in respect of Foreign Exchange Earnings and Outgo is contained in Note 2.22 of the Annual Accounts.

e-Procurement & Reverse Auction

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

Following Milestone were achieved during the year:

- Value of materials procured through e-mode has been ₹467.99 crore in 2012-13 compared to ₹128.42 crore in 2011-12. From Apr 12 to Mar 13, GRSE Material Department achieved over 90% of total procurement through e-procurement mode.
- Wider participation of vendors in e-procurement



has been achieved. Number of Vendors registered with GRSE e-procurement system has risen from 460 to 1400 during 2012-13.

(c) 578 nos. of tenders floated through e-procurement mode for the FY 2012- 13 compared to 347 nos. of tenders in FY-2011-12.

(d) Approximately 500 nos. of vendors obtained on-line training on e-procurement procedure in FY 2012-13.

87. GRSE officers were part of the sub-committee formed by Additional Secretary (Defence Production) for DPSUs to review and implement major improvement in the e-Procurement practice. Several recommendations have been discussed by the committee and put up for the consideration of AS (DP).

88. MoD audit conducted on 21 Sep 12 by senior team member of OFB & DPSUs. GRSE Internal Audit Dept. also conducted an exhaustive system audit at the Service Provider's facility at Pune. Internal Audit recommendations have been perused with the Service Provider for improvement of the system.

e-Auction

89. In order to leverage the technology resources in achieving speed, efficiency, transparency and higher market value, the Company opted for e-Auction platform for transaction of its disposal activities. Total sale through e-Auction in 2012-13 was ₹1.87 crore.

Quality Assurance

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

(a) In the year 2012-13 GRSE has registered 102 new permanent vendors. This could be achieved by giving special thrust in way of Visiting Exhibition and encouraging the vendors to register with GRSE. GRSE has 1589 Vendor as on 31 Mar 13.

(b) Initiated implementation of ISO 9001 – 2008 and is aiming to get certified by end of 2014-15.

91. **Development of Vendors for Outsourced Jobs:** During the last ten years a number of new vendors have been registered. Online vendor registration process has been started.

Quality Circle Activities

92. Small group activities are encouraged by the Company. The Company continues to enhance its Quality Circle activities at the grass root level work force. Due importance is given to Quality Circle Techniques and Philosophy to enrich the grass root level work force of the company of various

shops / Departments. Employees predominantly at the working level in quality circle are participating through group activities for identification of problems, their solution and their implementation in order to increase production and to improve the quality of work / service, to ensure better work environment and neat and clean work place, to increase safety, morale and to reduce wastages. The cost savings achieved by various QC teams of the Company for the year 2012 is about ₹1.49 crore.

93. The QC teams participated in various QC competitions like Zonal and, National Conventions for self and mutual development. The total QC activities of the company have been spread over to 210 QC teams in various Shops / Departments. More than 81% of Quality Circle projects were completed against total Quality Circle projects undertaken in 2012 and Excellent MoU Grading has been achieved for this activity.

94. The performance of various QC teams of the Company in various competitions viz. Chapter Convention and National convention organized by Quality Circle Forum of India and International Team Competition organized by Quality Circle Forum of India are indicated in the table below:

| Level of convention/ Presentation | No of QC teams participated | Performance Grade achieved by QC | | |
|-----------------------------------|-----------------------------|----------------------------------|--------|--------|
| | | Gold | Silver | Bronze |
| CCQC (Chapter Convention) | 13 | 13 | - | - |

| Level of convention/ Presentation | No of QC teams participated | Performance Grade achieved by QC Teams | | |
|-----------------------------------|-----------------------------|--|-----------|---------------|
| | | Par Excellent | Excellent | Distinguished |
| CCQC (Chapter Convention) | 05 | 01 | 03 | 01 |

95. Implementation of '5S' concept is on throughout the Company. Every year, inter-shop competition on '5S' are conducted at all Units and winners of Production, Production Support and Service categories are awarded during the GRSE Day Celebration.

96. The new initiative, Total Productive Maintenance (TPM) has started in the Company from 2012.

97. 02 TPM teams were nominated to participate in Chapter Convention on Quality Circles (CCQC)

held at Kolkata on 06 Sep 12 and both the teams won Gold Award.



Safety at Work

98. National Safety Week was observed in all the Units of the Shipyard from 4th to 10th March 2013, when safety banners were displayed. Safety Shield was awarded to the best performing Unit for adherence to safety norms and procedures during GRSE Day Celebration on 19th April 2013. The Shipyard has maintained accident frequency rate during 2012 – 13 in line with that of the MoU target and achieved “Excellent” target. The yard continued its endeavor to maintain high standard of safety at considerably hazardous modernization work site. Fire and Safety training programmes are conducted regularly in the yard for all categories of employees including business associates to revoke safety awareness.

HUMAN RESOURCE & ADMINISTRATION

99. Industrial Relations

- (a) Industrial Relations during the period under report across all the Units including DEP Unit at Ranchi were peaceful and harmonious.
- (b) The wage settlement in respect of operatives (workers) and office assistants have since expired on 31 Dec 11. Fresh wage settlements are due from 01 Jan 12. The unions have submitted their charter of demand. DPE's guidelines in respect of next round of wage settlement is awaited.
- (c) All major trade Unions called a country wide industrial strike on 21 & 22 Feb 2013 on various demands.
- (d) GRSE Ltd. Workmen's Union staged demonstrations / dharna for died-in-harness appointment. The Union also demanded upward revision of performance linked incentive scheme applicable to the unionised category of employees.

Discussion with Union are being held for resolution.

(e) Contract Labourer Unions have staged demonstrations demanding canteen facilities for the contract labourers. Discussion on the subject with contractors welfare association and contract labourer Unions were held on diverse dates.

100. Welfare Activities

(a) **Celebration of GRSE Day** : The 54th GRSE Day was celebrated on 19 Apr 13. The main function was held in front of Administrative Building of GRSE Main Unit from 10.00 hrs. The function was started with lighting of lamp by CMD, Directors, CVO and Presidents of Associations and Unions, followed by release of 'V-GRSE' the Vigilance Newsletter, dance programme by an employee's daughter & musical soiree by GRSE employees. On this occasion Chairman's Safety Shield was presented to FOJ (Fitting Out Jetty) Unit and GRSE Football team was also felicitated for having won the championship Gold Medals in Corporate Games – Delhi 2012. Prizes were awarded by C&MD to the winners of Annual Sports. As in every year, the GRSE Excellence/ Exemplary Awards for individual achievement and group activities were conferred on employees for their excellent performance during 2012. “GRSE Shree” was conferred on 03 employees. On this auspicious occasion, a High Tea was organized at Ordnance Club on 20 April 13. The event was graced by His Excellency, Shri M. K. Narayanan, Governor of West Bengal. Shri M. K. Narayanan appreciated GRSE's achievement in bagging the prestigious 'Best Performing Shipyard' Trophy awarded by Raksha Mantri on 05 Oct 12 and encouraged the officers to continue their endeavour in pursuit of excellence in shipbuilding and strengthen indigenization.

(b) **Merit Awards:** GRSE Merit Awards were conferred on 19 Apr 13 by CMD to 27 employees' children for their outstanding academic performance in 2012.

(c) Sports:

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

- (a) Football
- (b) Volleyball
- (c) Carroms
- (d) Chess

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- (e) Table Tennis
- (f) Musical Chair (Exclusively for lady employees)

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

(a) **Football:** The GRSE Football Team won gold medal in the Corporate Games –2012 held in New Delhi for Private and Public Sector Enterprises. The team also participated in AIPSSPB Football Tournament and Kolkata Office League Tournament.

(b) In addition to football, the employees also participated in the following events in Corporate Games – 2012 :

- (i) Table Tennis
- (ii) Chess

101. **Corporate Social Responsibility (CSR)**

(a) Corporate Social Responsibility (CSR) is an integral part of GRSE's corporate philosophy, integrating business processes with social processes. Garden Reach Shipbuilders and Engineers Ltd. (GRSE) is committed towards CSR and has a CSR Policy in place to guide its CSR activities. In terms of the policy, GRSE focuses on the following thrust areas for its CSR projects:

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

(b) GRSE has undertaken the following CSR projects/activities during the year :

(i) **Skill Development / Vocational training programme for unemployed youth of the locality in Metiabruz, Kolkata and Ranchi:**

A growing economy like India needs a large number of skilled workforce. Skill shortage is evident in every sector of the economy. Moreover, Education and Skill Development helps an individual improve the quality of life through gainful employment and earn a decent livelihood, thereby uplifting the society as well. GRSE facilitated vocational training to 517 local unemployed youth of Metiabruz, Kolkata and 99 local unemployed youth of Ranchi in the following modules :

- (a) AC Repair & Maintenance
- (b) Food & Beverage
- (c) Plumbing
- (d) Electrical
- (e) Carpentry

- (f) Media & Entertainment
- (g) Automobile Service Technician
- (h) Retail Skills
- (i) Housekeeping Operations & Services
- (j) Front Office Operations
- (k) Beautician Course



Vocational training in the above modules was imparted by :

- (aa) Bengal Engineering and Science University (BESU).
- (ab) Manipal Global Education, Kolkata
- (ac) Manthan Yuva Sansthan, Ranchi

(ii) **Cataract surgery for the poor and needy people of Metiabruz, Kolkata:** Cataract has been identified as a major health problem in Metiabruz and the local people in the higher age group suffer the most. GRSE has engaged a specialized Agency M/s National Eye Care to conduct cataract surgery and provide spectacles to local poor people. 886 nos. surgeries were conducted during the year. By this initiative, the quality of life of the local citizens has got a fillip.



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



(iv) **Construction/Renovation of toilets in local High Schools:** Metiabruz is a highly congested and densely populated area lacking basic civic amenities such as toilets, garbage disposal etc. Inadequate sanitation facility is a major problem in the locality. Lack of toilet facilities was identified as one of the reasons for lower participation of girl students in education particularly at upper primary level. To mitigate the problem of the girls students, construction of toilets has been carried out in 3 local schools with a student strength of 3322 numbers.

(v) **Supply and Installation of Water Purifier-cum-Coolers at high schools of Metiabruz:** The local area faces acute crisis of clean drinking water. In order to improve the provision of drinking water in the educational institutions of the locality, GRSE has arranged installation of water purifier-cum-coolers in 14 local high schools.

(vi) **Supply and installation of Inverter and Battery towards power backup at high schools of Metiabruz:** The local schools face acute power shortage. In order to improve the school infrastructure and prevent disruption of classes, GRSE has provided power backup systems (Inverter with battery) to 09 local schools during financial year 2012-13.

(vii) **Computers to local High Schools:** Computer education is an integral part of today's school syllabus. Non-availability of computers necessary for computer education was pointed out as a requirement by the Principals/Head of Institutions during interactions. To facilitate the schools in imparting proper computer education to its students computers were provided to 11 local high schools.

(viii) **Indian Institute of Cerebral Palsy:** The Company partners Indian Institute of Cerebral Palsy by adopting classes in their special school consisting of differently-abled children with various degrees of disability. During the year under reporting, GRSE has adopted the following classes:

- (a) Education Development Unit – IV comprising of 12 children.
- (b) Education Development Unit – V comprising of 14 children.
- (c) Life Skills Training Unit – comprising of 15 children.



(ix) **Annual Children Treat:** The children are the future of any country and child rights are a concern for both national and international community. The Company as part of its obligation has undertaken initiatives that can cater to the well-being of the children. GRSE regularly sponsors the Annual Children's Treat organized for slum children by the Rotary Club of Calcutta. The Annual Children's Treat was last held on 18 Nov 12.

(x) **Blood Donation Camp:** A gift of blood is a gift of life, especially to patients suffering from Thalassaemia, Haemophilia or the victims of road accident. There is acute shortage of blood in Blood Banks. In order to supplement the



crisis of fresh blood and to contribute as socially responsible citizens, blood donation camps are periodically organized by the Company.

(xi) A blood donation camp was held on 19 Feb 13 at Medicare Centre, Main Works where 142 personnel donated blood which was collected by Hemophilia Society.

(xii) Assistance was given to provide blankets for the poor and marginalized people at Barabanki, UP through National Commission for SC.

(c) **CSR Accolades**

In recognition of the Company's CSR efforts, GRSE has been conferred with the following Awards :

(i) IPE CSR Corporate Governance Award - Awarded at Mumbai on 24 Nov 12.

(ii) Most Caring Company Award - Awarded at the World CSR Congress on 18 Feb 13.

102. **Training & Development**

(i) Regular programmes, both in-house & out-station were organized during this period which included General Management Programmes, Functional Skill Development Programmes, Skill Up-gradation Programmes, Induction & Mid Career Programmes, Occupational Health & Safety Programmes and programmes related to competency topics, relevant to ship building industry. Programme pedagogy mainly practiced were a combination of latest tools and techniques including lectures, case studies, simulations, small group activities, debates, discussions, information sharing amongst participants to enhance the learning processes of the participants.

(ii) A brief of some training & development activities of GRSE in this period is enumerated below:

(a) **Operatives:** To keep pace with the evolving technical change in the production front, short term training programmes were organized for workers level in the areas of NDT, Welding, Fitting, Electrical Maintenance, Calibration of Linear Instruments, Ultrasonic Testing, RT Level-II Testing.

(b) **Supervisors / Office Assistants:** Change Management programmes were held for the Supervisory and Office Assistant Level of employees of the organization during this period with a view to help the participants to cope up with the changing organizational and business environment and align them with the organizational vision, mission, values, and culture.

(c) **Executives:** During this period selected Officers were sent to reputed Business Schools and Institutes/Organizations like IISWBM Kolkata, IMI, Kolkata, National Productivity Council (NPC), Indian Institute of Public Administration, (IIPA), New Delhi, IMA, New Delhi, ASCI, Hyderabad, XLRI, Jamshedpur, WRI, Trichy, National Safety Council, Jadavpur University, NIRDESH, Calicut, various Chambers of Commerce like CII, FICCI, BCCI etc to name a few. The basic objective of these training initiatives were to equip the Officers with functional & leadership skills to administer the organization in the right direction in the years ahead. Awareness programmes on Quality Management Tools & Technique for Business Excellence were also organized during this period with an objective to give the employees inputs regarding various quality improvement tools and processes. Sensitization programme on Reservation policies were also conducted by dignitaries of SC / ST Commission during this period to familiarize the employees in relation to Scheduled Caste / Scheduled Tribes and Other Backward Classes.

(iii) The Human Resource Officers were exposed to various programmes on Labour laws and statutory compliances to refurbish their existing skills and knowledge.

(iv) The Finance executives were exposed to functional programmes on Financial Issues and Audit related matters.

(v) Structured mandatory Induction programme consisting of 3 to 10 days in-house training, followed by Management Development Programme at IISWBM, Kolkata were organized for newly joined executives. Also, Mid Career programme on Building and Leading High Performance Teams were organized for Managers and Senior Managers to develop their Leadership skills for assuming higher responsibility. Apart from the above, regular in-house programs on Safety, Fire Fighting, Health awareness, Pension and ERP are organized for employees including Officers and Supervisors.

(vi) During the year 2012-13, GRSE personnel have participated in CII Workskills Competition in various trades. In the 24th National Workskills Competition held in June 2012, GRSE participants have won first prize in COPA and Carpentry trades. In the 25th Regional Workskills Competition held in February 2013, six participants from GRSE have won prizes.

(vii) As a whole, Corporate HR Department is committed to ensure the all round growth,

development of team spirit and commitment of its employees towards the organization goals.

103. **Official Language Implementation** Official Language work has increased considerably during the period under review. Quarterly meetings of Official Language Implementation Committee held regularly where various initiatives were decided. In the OLIC meeting held on 20.03.13 it was decided that in future all posters will be prepared in Hindi/Bangla.



(a) Rajbhasha Awards

(i) During the year GRSE was awarded Rajbhasha Shield for excellent performance in Implementation of Official Language by Town Official language Implementation Committee (PSU's), Kolkata.

(ii) 6th edition of Hindi Magazine 'Rajbhasha Jagriti' was awarded 1st prize by Town Official Language Implementation Committee. Sr. Manager (OL) was also awarded appreciation letters for (i) excellent performance in Implementation of Official Language and (ii) editing of Rajbhasha Jagriti Magazine.

(b) Inspection of OL implementation by MOD and MHA(OL)

Inspection regarding Implementation of Official Language policy in the company was held on 09 Nov 12 by Director (OL), MOD and on 17 Dec 12 by Deputy Director (Implementation), Regional Implementation Office (ER), MHA. They appreciated the progress made by the company to implement the official language.

(c) Hindi Day / Fortnight Celebrations

Period from 1-14 Sep 2012 was celebrated as Hindi Fortnight and 14 Sep 12 as Hindi Day. During the period various competitions i.e. Hindi Essay, Hindi Noting-Drafting, Hindi Quiz, Hindi Translation, Self composed Hindi poem, Hindi

skit and Picture Composition were organized and Cash Awards were given to participants as per their performance, on the occasion of Hindi Day function by CMD. Hindi Poems were recited and a Hindi Skit was also played on the occasion.

(d) Hindi / Bilingual Publications

(i) 7th Edition of Hindi Magazine "Rajbhasha Jagriti" was released on the occasion of Hindi Day by CMD.

(ii) "Vigilance Advisory" & "Vigilance News Letter" by Vigilance Deptt in trilingual form i.e. Bangla, Hindi and English was released.

(iii) Health Awareness leaflets by Medical Deptt. in trilingual form i.e. Bangla, Hindi and English were published and circulated.

(e) Hindi Workshops

In order to acquaint the employees with the Official Language Policies and to train them to work on Computers in Hindi, in-house Hindi as well as Computer Workshops were conducted on 08 May 12, 29 Sep 12, 30 Nov. 12, 22 Feb 13 and 19 Mar 13.

(f) In-House arrangement for Hindi Training

In-house arrangement for Hindi Training (Praveen/ Pragma) has been started in the Company w.e.f. 14th February 12 and training of three batches has already been completed. Therefore, Hindi Training of Employees will be completed in a time bound manner as stipulated by Ministry of Home Affairs, Deptt. of Official Language. With this arrangement we are not only saving productive time but it has also reduced the expenditure in terms of TA/DA to employees.

(g) Hindi Library

A separate Hindi Library has already been set up for which Hindi books, Hindi newspapers and magazines are being purchased regularly. During the year an amount of ₹.40,000/- was spent on purchase of Hindi books.

(h) Incentive Schemes:

To enhance the use of Hindi and to motivate the employees towards its use, following incentive schemes are in vogue and employees as well as departments were given cash prizes on Hindi Day ceremony.

(i) **Incentive for doing original work in Hindi:** During the year 21 employees were given cash awards.

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

(iii) **Inter Departmental Annual Incentive Scheme to encourage Hindi correspondence / Hindi Noting/Drafting:** Cash awards of ₹5000/-, ₹3000/- and 1500/- were given to HR, Finance and Security Department respectively.

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

(v) **Inter departmental incentive to encourage Hindi correspondence/ Hindi Noting/Drafting:** Cash awards to three service departments, three production Departments and three production support departments are given on the basis of their quarterly reports regarding progressive use of Hindi.

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

(vii) **Hindi competitions in the local schools to encourage the use of Hindi:** We have decided to promote the use of Official Language not only in yard but also outside yard in the adjoining area by making it a part of our CSR activity. Hindi Essay competitions were conducted on 27 Jun 12, 28 Sep 12, 18 Dec 12 and 22 Mar 13 in various local schools and prizes were distributed to the three successful students in each school.

104. **Publicity and Public Relations:** The best performing defence shipyard has been leveraged its brand equity towards international platform by participating in various overseas exhibitions. Around the nation it has already been established the news & information of its activities across the time. Conscious strategic communication towards the target audience resulted the image of the shipyard as one of the most trust worthy brands in the country. Association with remarkable defence events and memorable celebrations including participation in their technical exhibitions viz SMM, Techyard had helped the Shipyard for projection of its brand in more focused way during last Financial year.

Expenditure on entertainment and foreign Travel

105. Expenditure on business promotion during the year was ₹74 lakh. An amount of ₹69 lakh was spent on foreign travel by the Company's Executives for export promotion and for business visits.

Implementation of RTI Act

106. Implementation of RTI is being complied in line with the RTI Act, 2005. During the year 2012-13

a total of forty eight RTI requests were received and fifty two were replied. Nine nos. First Appeals to FAA were received and six nos. were replied. CIC sent five notices for hearing against Second appeal and the Company had attended all and complied. After hearing CIC passed orders which were fully complied. Annual Return for year (2012-13) has already been uploaded in RTI MIS Updating System developed by NIC.

Vigilance Activities

107. Vigilance Department of the Company is headed by Chief Vigilance Officer, who is appointed by Department of Defence Production and reports to Chairman & Managing Director. Shri Barun Kumar Sahu, IAS was the CVO during the period.
108. The primary responsibility of Vigilance Department is ensuring compliance with orders and guidelines issued by Central Vigilance Commission, promoting honesty among the employees, and recommending system improvements. CVO is authorized to decide vigilance angle in a complaint or disciplinary case. The Department's role is mainly advisory in nature.
109. Emphasis was laid on vigilance awareness, preventive vigilance, and system improvements so that the need for the resorting to punitive vigilance was minimized. This approach was in consonance with the recent instructions of CVC and the Ministry.
110. As part of Vigilance Awareness, a collection of vigilance advisories was published in Hindi, English and Bengali, and was widely circulated. Publication of vigilance newsletter entitled "V-GRSE" was started. It will be a semi annual publication. A Vigilance Corner was also made in the homepage of GRSE Intranet (employee portal).



111. Several workshops were organized in different months of the period. Two workshops were held during the Vigilance Awareness Week (29 October



2012-13 November 2012): one in Main Unit, and another in FOJ Unit. Smt Suman Bala Sahoo, Joint Director CBI was the chief guest in the workshop held in Main Unit. Besides, a number of awareness programmes were held throughout the year. Special awareness programmes were held for Supervisors and junior staffs. Classes on vigilance were taken during the induction training of officers.

112. Synergy between Audit and Vigilance was created for better Vigilance.
113. On the advice of Vigilance Department, synchronization of computer domain and mobile phones with Internet time was introduced. This can improve punctuality and adherence to time.
114. Surprise checks and routine inspections of all units were continued. Several files, especially those pertaining to purchase, were scrutinized, and deficiencies were brought to the notice of concerned officers for remedial and preventive actions.
115. The team from Chief Technical Examiner (CTE) visited the Company in June 2012 for intensive examination of supply, installation and implementation of organization wide area network, security, system integration and supply, delivery, installations of servers and data centre. The CTE made certain observations. Replies were furnished to CTE on their observations. Based on the replies furnished by GRSE, all the observation paragraphs were dropped subsequently by CTE in April 2013. In March 2013, the CTE also dropped all its pending observation paragraphs in the intensive examination of design, engineering manufacture, supply erection, testing and commissioning of 250 metric ton Goliath crane as part of Yard Modernization.
116. GRSE took active part in the Vigilance Study Circle (Kolkata Chapter), including in the 3rd Anniversary Celebrations held in August 2012.
117. Detailed policy guidelines on grant and denial of vigilance clearance was issued on 30 April 2013.
118. Shri Sunil Abraham, Executive Director, Centre for Internet and Society, addressed GRSE officers in a half-day seminar on the topic of Open Source and Open Standards for National Security. The seminar was held on 15 May 2013.

ACKNOWLEDGEMENTS

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

For and on behalf of the
Board of Directors
Sd/-
A K Verma
Rear Admiral (Retd)
Kolkata,
Dated, 29th June 2013 Chairman & Managing Director



APPENDIX – A

STATEMENT SHOWING REPRESENTATION OF SC/ST/OBC, EX-SERVICEMEN, PHYSICALLY CHALLENGED AND WOMEN EMPLOYEES AS ON 31 DEC 12 UNDER PERMANENT & CONTRACT CATEGORIES

| Group / Category | Total Strength | SCs | STs | OBCs | Ex-Servicemen | Physically Challenged | Women Employees |
|-------------------------------------|----------------|------------|------------|------------|---------------|-----------------------|-----------------|
| Group "A" | 473 | 80 | 20 | 73 | 60 | 8 | 29 |
| Group "B" | 19 | 2 | 1 | 6 | 2 | 1 | 1 |
| Group "C" | 2495 | 469 | 123 | 111 | 57 | 24 | 43 |
| Group "D" (Excluding Safaiwalas) | 498 | 122 | 30 | 49 | 70 | 20 | 75 |
| Group "D" (Safaiwalas) | 64 | 59 | - | - | - | - | - |
| Total | 3549 | 732 | 174 | 239 | 189 | 53 | 145 |

APPENDIX – B

DETAILS OF RECRUITMENT MADE DURING 2012 UNDER PERMANENT & CONTRACT CATEGORIES

| Group / Category | Total Strength | SCs | STs | OBCs | Ex-Servicemen | Physically Challenged | Women Employees |
|-------------------------------------|----------------|-----------|----------|-----------|---------------|-----------------------|-----------------|
| Group "A" | 21 | 6 | 1 | 7 | 2 | 1 | 2 |
| Group "B" | - | - | - | - | - | - | - |
| Group "C" | 44 | 8 | 1 | 15 | - | - | 5 |
| Group "D" (Excluding Safaiwalas) | - | - | - | - | - | - | - |
| Group "D" (Safaiwalas) | - | - | - | - | - | - | - |
| Total | 65 | 14 | 2 | 22 | 2 | 1 | 2 |

APPENDIX – C
CORPORATE GOVERNANCE REPORT
(For the Year 2012-13)

Philosophy on Corporate Governance

1. The Company's philosophy on Corporate Governance is based on the principles of transparency, compliance of laws, procedures and meeting ethical standards to take care of the interest of all the shareholders. It believes that all operations must be spearheaded towards attaining the final objective of enhancing stakeholder value.
2. The Company has implemented the guidelines enunciated by the Department of Public Enterprises, Govt. of India, on Corporate Governance. The Company believes that good Corporate Governance is a continuous exercise and reiterates its commitment to pursue highest standard of Corporate Governance in the overall interest of all its stakeholders. It has a strong and well laid down administrative set up to facilitate decentralized and transparent decision making. For effective implementation, the following good governance practices have been put in place :
 - Code of Conduct for Senior Management and Board of Directors
 - Integrity Pact
 - Whistle Blower Mechanism
 - Conduct, Discipline and Appeal Rules for Employees

7. The details of the Members of the Board during the year ended 31 Mar 13 are given below :

| Name of the Directors | Period | No. of other Directorship | No. of Committee position held in other Companies | |
|---|-----------------------|---------------------------|---|--------|
| | | | Chairman | Member |
| Whole Time Directors | | | | |
| RAdm A K Verma, IN (Retd) Chairman & Mg. Director | 01 .04.12 to 31.03.13 | - | - | - |
| Cmde H K Verma, IN (Retd) Director (Personnel) | 01 .04.12 to 04.09.12 | - | - | - |
| Shri K K Rai Director (Finance) | 01 .04.12 to 31.03.13 | - | - | - |
| Cmde Ratnakar Ghosh, IN (Retd) Director (Shipbuilding) | 01 .04.12 to 31.03.13 | - | - | - |

Board of Directors

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

Composition

5. The composition of the Board of Directors of the Company is in line with the Guidelines on Corporate Governance issued by the Department of Public Enterprises, Govt. of India. The Board of Directors consists of Chairman & Managing Director, 3 Whole time Directors, 2 Government Directors and 3 Independent Directors.
6. Addl. FA (K) & Joint Secretary, MoD, Director General Naval Design, Indian Navy, Chief Controller (R&D)(NS), DRDO and Addl. FA (RK) & Joint Secretary, MoD are Permanent Special Invitees and Chairman & Managing Director, Mazagon Dock Ltd. and Goa Shipyard Ltd. are Special Invitees to all the Board Meetings of the Company.



| Part time Government Directors | | | | |
|--|-----------------------|---|---|---|
| VAdm N N Kumar, AVSM, VSM, IN | 01.04.12 to 17.12.12 | 2 | - | - |
| VAdm K R Nair, AVSM, VSM, IN | 16.12.12 to 31.03.13 | 2 | - | - |
| Shri Gyanesh Kumar, IAS | 01.04.12 to 21.01.13 | 1 | - | - |
| Shi Ashok K K Meena, IAS | 22.01.13 to 31.03.13 | 1 | - | - |
| Part time Independent Directors | | | | |
| Shri PC Sharma | 01 .04.12 to 31.03.13 | 2 | 1 | 1 |
| Shri Shekhar Chaudhuri | 01 .04.12 to 31.03.13 | 4 | 1 | 4 |
| Shri Amarjit Chopra | 01 .04.12 to 31.03.13 | 2 | 2 | 2 |

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

VAdm K R Nair

Vice Admiral K R Nair, AVSM, VSM was commissioned in the Electrical Branch of the Indian Navy on 01 Jan 1977. He started his service to the nation in the Navy as WMO of the decommissioned Singhudurg in 1981. He as subsequently served onboard INS Gomti and Godavari and as Fleet Electrical Officer in the Western Fleet. In his illustrious career, he has served as ANA in London, Commanding Officer of Tunir and Admiral Superintendent of Naval Dockyard, Visakhapatnam. He has also rich experience of serving in IHQ as ACOM (IT&S) and PDWE. Presently he is Controller Warship Production and Acquisition since 01 Nov 12.

He is from the 47th NDC course having undertaken the course in 2007. During his exemplary service tenure spanning 30 years, he has been awarded the AVSM and the VSM.

VAdm K R Nair, AVSM, VSM was appointed as a Part-time Official Director of the Company with effect from 17 Dec 12.

Shri Ashok K K Meena

Shri Ashok K K Meena, IAS, Joint Secretary (Naval Design), Ministry of Defence (MoD) was appointed as a Part-time Official Director of the Company with effect from 22 Jan 13.

Shri Ashok K K Meena is B.Tech from IIT, Kanpur, Shri Meena belongs to the 1993 batch of the Indian

Administrative Service. He was posted as Director (Vig), DoPT, New Delhi, CEO, Jagannath Temple, Puri, Revenue Divisional Commissioner, Cuttack and PS to MOWR, New Delhi.

Board Procedure

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

Directors' Attendance

10. Details of Directors' attendance at the Board Meetings and Annual General Meetings held during the F.Y. 2012-13 are given below :



| Name of the Directors | Board Meetings | | Attendance at the last Annual General Meeting |
|---|--|--------------------------|---|
| | No. of Meetings held during respective Tenure of Directors | No. of Meetings attended | |
| Whole Time Directors | | | |
| RAdm A K Verma, IN (Retd) Chairman & Managing Director | 5 | 5 | Attended |
| Cmde H.K Verma, IN (Retd.) Director (Personnel) | 2 | 2 | Attended |
| Shri Kallol Kumar Rai, Director (Finance) | 5 | 5 | Attended |
| Cmde Ratnakar Ghosh, IN (Retd) Director (Shipbuilding) | 5 | 5 | Attended |
| Part Time Government Directors | | | |
| VAdm N N Kumar | 4 | 1 | Not Attended |
| Shri Gyanesh Kumar | 4 | 1 | Not Attended |
| VAdm K R Nair | 1 | 1 | Not Applicable |
| Shri Ashok K K Meena | 1 | 1 | Not Applicable |
| Part Time Independent Directors | | | |
| Shri Prafulla Chandra Sharma | 5 | 5 | Attended |
| Shri Amarjit Chopra | 5 | 5 | Attended |
| Prof. Shekhar Chaudhuri | 5 | 2 | Not Attended |

11. During the year 2012-13 (5) (five) Board Meetings were held on 22 Jun 12, 24 Aug 12, 09 Oct 12, 12 Dec 12 and 06 Mar 13 The maximum interval between any two Board Meetings was 83 days.

Audit Committee

12. The Composition of the Audit Committee is in the line with Section 292A of the Companies Act, 1956 and the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises (DPE Guidelines).

13. The present composition of the Audit Committee is as under :

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

14. Director (Finance) and Statutory Auditors of the Company are permanent special invitees to the Audit Committee. Company Secretary is the Secretary of the Audit Committee.

15. General Manager (Finance) and Dy. General Manager (Internal Audit) also attends the Meeting of the Audit Committee regularly.

16. The terms of reference of the Audit Committee are as specified in Sec. 292A of the Companies Act, 1956 and the guidelines issued by the Department of Public Enterprises. The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.

17. The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors and discusses their findings, suggestions and other related matters and reviews major accounting policies followed by the Company. The Audit Committee reviews the half yearly and annual financial statements before their submission to the Board.

18. The Chairman of the Audit Committee apprises the Board about the observations of the Audit Committee during the Board Meetings. The Minutes of the Audit Committee Meetings are placed before the Board in their subsequent meetings for information.



Annual Report 2012-13

19. During the financial year 2012-13, seven meetings of the Audit Committee were held on 20 Apr 12, 21 Jun 12, 23 Aug 12, 11 Dec 12, 16 Jan 13, 18 Jan 13 and 23 Feb 13.
20. The attendance of the members of the Audit Committee during the financial year 2012-13 is given below :

| Name of the Directors | Meeting held during respective Tenure of Directors | No. of Meetings Attended |
|-------------------------|--|--------------------------|
| Shri Amarjit Chopra | 7 | 7 |
| Shri P C Sharma | 7 | 6 |
| Cmdr R Ghosh, IN (Retd) | 7 | 5 |

21. Prof. Shekhar Chaudhuri appointed as Member of the Audit Committee by the Board at its Meeting held on 06 Mar 13. No meeting was held in 2012-13 subsequent to his appointment as member of Audit Committee.
22. The Chairman of the Audit Committee was present at the last Annual General Meeting.

HR & Remuneration Committee

23. The Composition of the HR & Remuneration Committee is in line with the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises (DPE Guidelines)
24. The HR & Remuneration Committee consists of three Independent Directors. The present composition of the HR & Remuneration Committee is as under:

| | | |
|-----|-------------------------|----------|
| (a) | Shri P.C.Sharma | Chairman |
| (b) | Shri Amarjit Chopra | Member |
| (c) | Prof. Shekhar Chaudhuri | Member |

25. Director (Personnel) is the Permanent Special Invitee to the Committee. Company Secretary is the Secretary to the Committee.
26. The terms of reference of HR & Remuneration Committee as follows :
- (a) To decide the annual bonus / variable pay pool Performance Related Pay (PRP) and policy for its distribution across the executives (including Board Level executives) and non-unionised supervisors within the prescribed limits for each financial year.
- (b) To examine all the proposals related to HR

issue and give its recommendations.

- (c) The recommendations of the "HR & Remuneration Committee" is placed before the Board of Directors for approval.
27. During the financial year 2012-13, 4 (Four) Meetings of the HR & Remuneration Committee were held on 21 Jun 12, 08 Oct 12, 11 Dec 12 and 23 Feb 13.
28. The attendance of the Members of the HR & Remuneration Committee during the financial year 2012-13 is given below :

| Name of the Directors | Meeting held during respective Tenure of Directors | No. of Meetings Attended |
|-------------------------|--|--------------------------|
| Shri P C Sharma | 4 | 4 |
| Shri Amarjit Chopra | 4 | 4 |
| Prof. Shekhar Chaudhuri | 4 | 3 |

Procurement Committee

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

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

30. The Procurement Committee has been delegated full powers of the Board in respect of :
- (i) Approval of proposals in excess of ₹30 crore for placement of orders for procurement of materials, equipment, tools, stores and spares, imports including from Russian Sources, approval of works, sub-contracts and facility hire etc. for sanctioned projects.
- (ii) Approval of proposals for capital expenditure in excess of ₹5 crore in respect of the items provided for in the Capital Budget approved by the Board / Government.



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

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

31. The Chairman of the Procurement Committee appraises the Board about the observations of the Procurement Committee, during the Board Meeting.
32. During the financial year 2012-13, four meetings and of the Procurement Committee were held on 24 Aug 12, 15 Sep 12, 11 Dec 12 and 27 Dec 12.
33. The attendance of the Member of the Procurement Committee during the financial year 2012-13 is given below :

| Name of the Directors | Meeting held during respective Tenure of Directors | No. of Meetings Attended |
|---------------------------|--|--------------------------|
| RAdm A K Verma, IN (Retd) | 4 | 4 |
| Shri P C Sharma | 4 | 4 |
| Shri K K Rai | 4 | 4 |
| Cmde R Ghosh, IN (Retd) | 4 | 4 |

Business Strategy and Capacity Augmentation Committee

34. To formulate future business strategy of the company to expand its spheres of activities, explore possibilities of export, identifying new product which company can manufacture and market, imbibe new technologies, identify partners for possible collaboration, identify state-of-the-art equipment and machineries from India and abroad to improve the quality of ships and other products etc, the Board constituted a Business Strategy and Capacity Augmentation Committee of the Board to look into aforesaid aspects and advise the Board on aspects beneficial for Company's business.

35. The Committee consists of the following members :

| | | |
|-----|---|----------|
| (a) | RAdm A K Verma Chairman & Managing Director | Chairman |
| (b) | Prof. Shekhar Chaudhuri Part Time Independent Director | Member |
| (c) | Shri P C Sharma Part Time Independent Director | Member |
| (d) | Shri Kallol Kumar Rai Director (Finance) | Member |
| (e) | Cmde (Retd) Ratnakar Ghosh Director (Shipbuilding) | Member |

36. The Committee has been tasked with :
 - (a) Business Strategy formulation for future growth
 - (b) Infusion of new technologies
 - (c) Identify Schemes for Productivity improvement
 - (d) Finalise the Infrastructure Augmentation / Capacity Enhancement to meet future business strategy and to improve shipbuilding efficiency.
37. The recommendation of the Committee is placed to the Board for consideration and approval.
38. During the financial year 2012-13, the Committee met once on 04 Jun 12. All the Members of the Committee were present at the Meeting.

Project Review Sub-Committee

39. The Project Review Sub-Committee of the Board of Directors has been constituted to review the Project in a Structured manner and to focus on the improvement of the system and augmentation of the infrastructure. The Committee while reviewing, analyse the reasons for delay and find out the ways and means to rectify the same.
40. The Committee submits the report to C&MD and the Board from time to time.
41. The Committee constituted with following Members:

| | | |
|-----|---|----------|
| (a) | Prof. Shekhar Chaudhuri Part Time Independent Director | Chairman |
| (b) | Shri Kallol Kumar Rai Director (Finance) | Member |
| (c) | Cmde R Ghosh, IN (Retd) Director (Shipbuilding) | Member |

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

42. The Board of Directors of the Company has approved the CSR Policy formulated as per the Guidelines of the Department of Public Enterprises (DPE).



A CSR & SD committee under the Chairmanship of an Independent Director has been constituted for planning, implementation and monitoring the CSR & SD activities of the Company.

Annual General Meetings

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

| Year | Date | Time | Venue |
|---------|-----------|----------|--|
| 2009-10 | 20 Aug 10 | 1330 hrs | CII-Suresh Neotia Centre of Excellence for Leadership, Kolkata |
| 2010-11 | 17 Aug 11 | 1230 hrs | CII-Suresh Neotia Centre of Excellence for Leadership, Kolkata |
| 2011-12 | 24 Aug 12 | 1330 hrs | Palladian Lounge, BCCI, Kolkata |

Remuneration of Whole Time Directors

44. The remuneration of the Whole Time Directors is fixed by the Government as the Company is a "Government Company" within the meaning of Sec. 617 of the Companies Act, 1956.

Remuneration of Part-time Directors

45. Part Time Government Directors are not eligible for Sitting Fees for the meetings attended by them. The Part Time Independent Directors are paid Sitting Fees as per the provisions of the Companies Act, 1956 for attending each meeting of the Board / Committee(s) of the Board and are reimbursed actual expenditure for attending the meeting of Board / Board Committee(s).

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

46. The Board of Directors of the Company has formulated "Code of Business Conduct and Ethics for Board Members and Senior Management" for better Corporate Governance and fair / transparent practices as per guidelines issued by the Department of Public Enterprises. A copy of the same has been circulated to all concerned and posted at Company's website. The Board members and senior management personnel to whom the said Code is applicable have affirmed compliance of the same for the year ended 31 Mar 13. A declaration to this effect signed by the Chairman & Managing Director of the Company is appended at the end of this report.

47. Disclosures

(a) **Conflict of Interest:** During the year 2012-13, the Company has not entered into any transactions

with the Directors that may have potential conflict with the interests of the Company at large. The members of the Board, apart from receiving Directors' remuneration (wherever applicable), do not have any material pecuniary relationship or transaction with the Company which, in the judgement of the Board, may affect independence of judgement of the Directors.

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

(c) **Whistle Blower Policy:** The Whistle Blower mechanism, inter alia, contains a provision enabling any Personnel to approach the Chairman of the Audit Committee in exceptional cases.

The Company is promulgating a Whistle Blower Policy with a view to establish a mechanism for the employees to report to the management about their concerns on unethical behavior or the cases of suspected fraud, violation of Company's general guidelines to conduct and ethics.

(d) **Integrity Pact:** The Central Vigilance Commission (CVC) issued a circular on 04 Dec 07 recommending adoption and implementation of the Integrity Pact (IP) in respect of all major procurements of the Government Organisations. Accordingly, the Company adopted Integrity Pact in procurement of material and / or service for a value above ₹100 crore initially. Subsequently, the value has been reduced to ₹20 crore. The IP envisages formation of a panel of Independent External Monitors (IEMs). Accordingly, the Company has following IEMs considered by CVC:

- (i) Shri Sakti Kumar Banerjee, Ex-CMD, NALCO
- (ii) Shri Prabir Roy, Ex-CMD, Bengal Chemical & Pharmaceuticals Ltd.

The IEMs are reviewing independently and objectively, whether and what extent parties have complied with the obligations under the Pact and examine complain received by them and submit a report to CMD.

During the year four number of Structured Meeting of the IEMs with the CMD were held. Presently six number of high value cases are monitored by the IEMs.

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

The Company has not incurred any expenditure which is not for the purpose of the Company's business, nor has the Company incurred any



expenditure which are personal in nature for the Board of Directors and top management.

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

(₹ in Crore)

| Sl. | Particulars | 2012-13 | 2011-12 |
|-----|--|---------|---------|
| (a) | Total Expenditure (Other than materials) | 454.01 | 433.43 |
| (b) | Administrative & Office Expenses | 8.44 | 9.14 |
| (c) | Percentage of (b) on (a) | 1.86 | 2.13 |

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

(g) **Compliance of Accounting Principles:** The Company continuously strives to maintain accounts in transparent, true and fair manner in conformity with the accounting principles generally accepted in India. During the last twelve years (1999-2000 to 2011-2012) there have been no audit qualifications. The Company has also received "Nil" comments from the CAG during these years.

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

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

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

Declaration

Pursuant to the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises as contained in the DPE OM No. 18(8)/2005-GM dated 14 May 2010, it is hereby declared that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct & Ethics for Board Members and Senior Management Personnel of Garden Reach Shipbuilders & Engineers Limited for the year ended 31st March, 2013.

For Garden Reach Shipbuilders & Engineers Limited

Kolkata
29th June, 2013

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



Maheshwari R & Associates
Company Secretaries

“Delta House”
1st Floor, Room No. ID
4, Government Place (North)
Kolkata-700 001
26389129 (R)
Mobile : 9432232757
Email : rashmi3309@rediffmail.com

CORPORATE GOVERNANCE

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

We have examined the Compliance of the guidelines issued by the Department of Public Enterprises, Government of India on Corporate Governance by Garden Reach Shipbuilders & Engineers Limited, Kolkata, a Government Company within the meaning of Sec 617 of the Companies Act, 1956 for the year ended 31st March 2013.

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

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

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

For Maheshwari R & Associates
Company Secretaries

Place : Kolkata
Date : 29th June'2013

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

APPENDIX – “D”

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

Industry Structure & Development

1. Survey of global shipbuilding industry revealed that, some of the top European shipyards building warships for Navies of the world are DCNS (France), Fincantieri (Italy), Kockums AB (Sweden), Navantia (Spain), TKMS (Germany) etc. The main advantages these shipyards offer are latest technology, top quality in construction and quick delivery due to shorter build periods. This is primarily due to the modern shipbuilding infrastructure available and modern shipbuilding processes followed in these yards, besides the ship design & build procedures and work culture prevalent there. Further, the fact that ship design is frozen prior to commencement of construction is one of the most important factor that contributes to reduced build periods, abroad.
2. In recent times, the Indian Shipbuilding Industry has witnessed entry of new players in the Private Sector. The existing Yards are also expanding their capacity and infrastructure through modernization. Due to Government's policy of liberalization, a very stiff competition has emerged in shipbuilding industry, specifically in the Defence Sector. With the market for Defence shipbuilding being thrown open to the players in the Private Sector, the Company is facing increased competition. The management of your Company is evolving suitable strategies to meet this competition.
3. The ambitious modernization project in its Main Yard, with an outlay of approximately ₹530 crore has been completed. With completion of this Integrated Shipbuilding Facility, the Company now in a position to meet the challenges and be competitive in domestic and global markets. The Raja Bagan Dock (RBD) Unit, acquired from CIWTC in Jul 2006, is also being renovated and upgraded. Acquisition of this Unit has led to considerable enhancement of the Company's shipbuilding capacity.

SWOT Analysis

- 4 In the changing environment, your Company has carried out SWOT analysis and identified following

strengths, weaknesses, opportunities and threats:

Strengths

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

Weaknesses

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

Opportunities

7. (a) Acquisition plan for Warships by Indian Navy and Indian Coast Guard and consequent indigenous shipbuilding orders. Demand for Patrol Vessels and Fast Interceptor Boats for Coastal Security.
- (b) Ship-repair opportunities due to high cost of replacement tonnage.
- (c) Scaling-up business in Marine pumps developed for Indian Navy. Joint Venture / Collaboration Agreements / MOUs for upgrading technology of various Engineering products. Market for Double Lane portable steel bridges, developed in-house and Fast Bridges, which are planned to be inducted under TOT agreement.
- (d) Product support for MTU engines in service with Indian Navy, Coast Guard and various other customers.



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

Threats, Challenges, Risks and Concerns

8. (a) Increased competition from other players in the field.
(b) Non-availability of qualified and reliable vendors for outsourced services / works.
(c) Geographical location and political environment [HP,HS].
9. From the above SWOT analysis it emerges that there are great opportunities available for the Company to build Defence and Coastal Security Vessels. Accordingly, Company's efforts are being focused on exploiting such opportunities based on the Company's strength and on minimizing the adverse effect of its weaknesses. The strength of infrastructure and production facilities are leveraged to have strategic alliances to address the emerging opportunities and reducing the impact of perceived threats.

Major initiatives undertaken and planned to ensure sustained performance and growth

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

Research & Development and Technology Absorption, Adaptation & Innovation

11. The Company continues its efforts in the field of development of design of warships as also development of its engineering products. The core strength of the Company lies in its own in-house design capability. Recently the Company has given an impetus to Research and Development (R & D) activities in indigenous shipbuilding by successfully inducting Water Jet Fast Attack Crafts in the service of Indian Navy. In the area of Ship Design, the Company has made major contribution to the design of ASW Corvettes being built for the Indian Navy.
12. The Company have successfully got verified the design of our in-house developed Portable Steel Bridge for Single & Double Lane with a higher load carrying capacity. This would be the launch pad for new segment of GRSE Bridges on proprietary basis.

Infrastructure Modernisation and Diversification

13. In order to construct warships of larger size, your company has embarked upon a modernisation programme in its main unit at a cost of ₹530 crore. The modernisation is completed in May 2013 and inaugurated in June 13. Availability of

such modernisation infrastructure facilities enable the shipyard to undertake construction of large-size ships with modular construction concept in a shorter time frame with more accuracy.

IT Initiatives – ERP System

14. GRSE in its modernisation drive has fully made operational the state of the Art Information and Communication System in the company. The hardware and software are in place and GRSE is already started deriving rich benefit out of this drive.
15. As part of ERP-IT improvement, the Company has taken initiative to establish a DR System through 'Co-located Managed Solution' methods to avoid unforeseen natural or manmade disaster in the Main Data Centre.
16. In January 2013 "employee portal" was launched to facilitate employees to get information directly from system. Availability of drawings through system to the shop floors has been established in Main, RBD & FOJ Units.
17. With a view to consolidate the progress made on the IT front, users are being given training on continuous basis.

Marketing & Business Development

18. GRSE for the past few years has been expanding both internally and externally. Both these developments have been possible because of increased productivity. It has resulted in the healthy order Book. Accordingly, GRSE has been in the process of formulating a strong and magnified marketing policy based on design, promotion and price line.
19. The Central Design Office in GRSE has been the core area of all round shipbuilding activities and GRSE has, over the years, been in a constant process of upgrading the technology. This up-gradation of technology through design efforts has brought laurels as well as capturing order from Navy with sole design efforts. Our input design for LCU submitted to Navy has received wide recognition and acceptance, as a result of which we have been awarded with the orders of LCU.
20. GRSE with a view to expand the horizon of shipbuilding activities has also embarked upon business promotion through direct correspondence with foreign countries for acquiring orders from overseas market as well as by participation in various exhibitions occurring at different places of the world.
21. In fact, we have received enquiries from overseas about our products. We are executing order from Govt. of Mauritius for OPV. The ongoing support services coupled with timely delivery of materials



has also encouraged the existing customers to place new orders on GRSE. We have received order for delivery of WJFAC to Indian Navy during 2012-13.

22. GRSE has also established a separate department for looking after business development and marketing activities and the main thrust area of the said department is as follows:

(a) Development of business opportunities in India and abroad, including Market Survey for assessing business prospect in India and abroad.

(b) Interaction with customers, including broadening of customer base and customer relation management.

(c) Selection and Appointment of Marketing Representatives in India and abroad to explore new market for launching the products of GRSE.

(d) Publicity and advertisement for projecting entity profile and product profile of the company.

Customer Satisfaction

23. The Company has received Excellent Grading on Customer Satisfaction in Design Segment of Ship and Very Good in Delivery Segment of Ship conducted by an external agency M/s. Neilsen for the financial year 2012-13.

Quality Assurance

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

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

Risk Management

25. Over the years, the Company has evolved adequate risk management measures. These are internally

reviewed from time to time to identify new risks associated with different areas of its operations and to evolve suitable mitigation measures.

Cost Reduction

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

Import Substitution / Indigenisation

27. The Company continues to encourage indigenous manufacturers for production and supply of critical items required for ship construction and manufacture of engineering products.

28. The Deck Machinery Unit of the Company has achieved a remarkable task during this year by way of carrying out successful Factory Acceptance Trials of Rail less Helo Traversing System to handle a helicopter on board ships of P-28 Class ASWC. This is the 'first of its class design' built by GRSE in tie-up with M/s Mac Taggart Scott, UK, who is the pioneer in Helicopter Handling System in the world. This is a simple, safe and full proof system capable of handling any type of helicopter irrespective of its design. This has an indigenous content of about 72%.

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

Internal Control System and their adequacy

30. The Company has an effective internal control system supported by Enterprise Resource Planning (ERP) platform i.e. SAP for its main business processes. The internal control system of the Company has withstood the test scrutiny of the Internal Auditors as well as the Statutory Auditors. These cover various important aspects of the business processes pertaining to financial propriety, safety and utilization of the resources of the Company, accurate reporting and compliance with applicable statutes as also the policies laid down by the Audit Committee and Board of Directors from time to time.

31. The Company prepares an Internal Audit Plan every year, duly approved by the Audit Committee, and conducts reviews covering financial, operational and risk mitigation areas.

32. The Internal Control System in vogue in the Company ensures that the resources of the



Company are optimally used for the business purpose and are safeguarded from loss, misuse and physical impairment. It also ensures that the accounting records reflect the true picture and that the financial information are reliable.

33. The role and scope of the Internal Audit is reviewed by the Audit Committee of the Board of Directors. All findings and suggestions are reported to the Audit Committee and to the Board periodically and corrective actions, wherever required, are initiated.
34. The Company, being a Government Company, is also subject to audit by Comptroller & Auditor General of India.

Financial / Operational Performance Strategy & Objectives

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

Performance Highlights

38. The Performance Highlights of the Company during the year ended 31 Mar 13 are as follows :

(₹ in crore)

| | As on 31.03.13 | As on 31.03.12 |
|---|-------------------|-------------------|
| Capital Employed | 763.22 | 600.62 |
| Gross Block | 427.32 | 308.29 |
| Net Block | 279.79 | 174.81 |
| Working Capital | 483.43 | 425.81 |
| Net Worth | 856.95 | 756.19 |
| Value Added | 490.33 | 490.44 |
| Ratios : | % | % |
| Gross Profit : Capital Employed | 25.30 | 28.20 |
| Profit Before Tax : Value of Production | 12.63 | 13.10 |
| Value of Production : Capital Employed | 200.38 | 215.20 |
| Sundry Debtors : Sales | 21.23 | 21.72 |

Development in Human Resources Industrial Relations

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

Environmental aspects and abatement of Pollution

40. GRSE is committed to prevent pollution and comply relevant environmental legislations and regulations. The shipyard is also committed to provide a healthy and safe workplace for our employees, business partners, visitors and to ensure a neutral or positive environmental impact from our operations. Our vision is to continue to be an environmentally responsible organisation through an Integrated Environment Management approach making continuous improvements in the management of the environmental impact of our operations.

41. The Company has taken following actions in this direction:-

- (a) Effluent treatment plants of combined capacity 6.5 Cu Mtrs per day installed in the yard to prevent water pollution is in operation round the clock to treat the automobile waste.
- (b) Fume filtration system for CNC air plasma plate cutting machine have been introduced to reduce air pollution in an effort to provide a healthy and safe working environment for our employees, business associates, personnel visiting the yard and neighbours.
- (c) Fume extraction system for extraction of fumes generated during welding process is instituted in structural shops as well as on board ships.
- (d) Open blasting that used to cause air pollution has been discontinued; instead vacuum blasting process has been adopted.
- (e) Chipping operation that generates high level of noise is being carried out during off working hours and ear plugs are provided to all the employees who are involved in this activities. Arc gouging is being carried out to the extent possible in lieu of chipping.
- (f) Afforestation activity in the shipyard is vigorously followed to provide green and clean environment. A lush green belt in and around the factory is an example of Company's commitment to pollution control, Safety, Health Protection and Environment. At an average 300 saplings are planted every year in the yard.



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

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

(i) Galvanising operation has been discontinued.

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

(k) Translucent sheets in workshops are extensively used as a routine activity to utilize natural lighting to the maximum extent possible to reduce energy consumption and in turn CO₂ emission indirectly.

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

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

(n) Other energy conservation measures like installation of electronic ballasts, compact fluorescent lamps, TL5 luminaires, LED luminaires, Solar powered street lighting system, VVVF type control systems, Bureau of Energy Efficiency accredited star rated window AC machines, solid state control system and energy efficient compressors, solar water heating systems etc have been taken in the yard to reduce CO₂ emission indirectly.

42. GRSE has obtained consent to emit gaseous effluent and to discharge liquid effluent under the provisions of the Air (Prevention and Control of Pollution) Act, 1981, Environmental (Protection) Act, 1986 and Water (Prevention and Control of Pollution) Act, 1974 respectively from West Bengal Pollution Control Board.

43. GRSE has also obtained authorization from West Bengal Pollution Control Board for storage, transport and disposal of hazardous waste under the purview of Hazardous Wastes (Management, Handling & Tran boundary Movement) Rules, 2008 and in accordance with Environment (Protection) Act, 1986.

Conservation of Energy

44. The yard continued its endeavor to conserve the energy. Through energy audit conducted in all the units of the shipyard in Kolkata, we continue to

optimize consumption of energy i.e. coal, electricity, petroleum etc.. Power factor of the system is consistently maintained at optimal level.

45. In accordance with the recommendation of energy audit the shipyard has introduced energy saving 250 Watt metal luminaries replacing conventional 400 Watt HPMV/HPSV Luminaries.

46. Use of Bureau of Energy Efficiency accredited star rated window air conditioners has been adopted extensively in the yard. In centralized AC plants, solid state control system, energy efficient compressors are introduced. Solar water heating systems capable of conserving 9180 units of electricity per annum has been installed at canteen.

47. Consistent effort to minimize distribution loss in compressed air and water supply system has been adopted as part of conservation of energy. Use of aluminum, termed as eco-friendly green metal, as roofing and cladding sheets, in shops replacing asbestos has been adopted which reduces direct green house gas emission to the extent of 14%.

48. The Shipyard has been rated as excellent in MoU criteria in 2011-12 under the category sustainable development.

Corporate Social Responsibility

49. Corporate Social Responsibility (CSR) is an integral part of GRSE's corporate philosophy, integrating business processes with social processes. Garden Reach Shipbuilders and Engineers Ltd. (GRSE) is committed towards CSR and has a CSR Policy in place to guide its CSR activities. In terms of the policy, GRSE focuses on the following thrust areas for its CSR projects:

(i) Health Care.

(ii) Education & Skill Development.

(iii) Community Development.

50. In accordance with the Guidelines on Corporate Social Responsibility for CPSEs 2010 issued by Government of India, Ministry of Heavy Industries & Public Enterprises, Department of Public Enterprises, New Delhi, the Company has incorporated its CSR activities in the MOU for FY 2011-12 and budgetary provision has been made for enhanced CSR activities.

51. Details of CSR activities undertaken by the Company during the year are furnished in the Directors' Report.



**AUDITORS' REPORT
TO THE MEMBERS OF
GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED**

Report on the Financial Statements

We have audited the accompanying Financial Statements of GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED ("the Company"), which comprises of the Balance Sheet as at 31st March, 2013, the Statement of Profit & 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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial

statements give the information required by the act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013; and
- (ii) In the case of the Statement of Profit and Loss of the profits for the year ended on that date; and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirement

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matter specified in paragraphs 4 & 5 of the Order.
2. As required by section 227(3) of the Act, we report that :
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) Disclosure in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required for Government Companies as per Notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.

For N K PODDAR & CO.

Chartered Accountants
Firms' Registration No. 308054E
Sd/-
(PADAM KUMAR PODDAR)
PARTNER
Membership No. 50125

Kolkata: 29th day of June, 2013

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of our report of even dated to the members of Garden Reach Shipbuilders & Engineers Limited]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed.
- (c) There is no sale of a substantial part of fixed assets affecting the going concerns status of the company.
- (ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) The procedure of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of its inventory and no material discrepancies were noticed on such physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods and services. During the course of audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) According to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Act during the year to be entered in the register required to be maintained under that section.
- (vi) According to the information and explanations given to us, the company has not accepted any deposits within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the products of the company except for Power Driven Pumps and Diesel Engines. With respect to these products, as per reported dated 4th June, 2013 of the Branch Auditors, M/s. Jain Poddar & Co., Chartered Accountants, prima facie, the prescribed accounts and records have been made and maintained by the company pursuant to the Rules made by the Central Government of India under clause (d) of sub-section (1) of Section 209 of the Act.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education & protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable with the appropriate authorities.
- (b) According to the information and explanation given to us, the particulars of dues of income tax, sales tax, excise duty and service tax as at 31st March, 2013 which have not been deposited on account of a dispute are as under:



| Name of Statute | Nature of Dues | Amount (₹ in lac) | Period to which the amount relates | Forum where Dispute is pending |
|---------------------------------------|---------------------------|-----------------------------|------------------------------------|---|
| Bengal Finance (Sales Tax) Act, 1941 | Sales Tax | 96.38 | 1988-89 | West Bengal Commercial Taxes & Revisional Board |
| Central Sales Tax Act, 1956 | Central Sales Tax | 7.52 | 2003-04 | West Bengal Commercial Taxes & Revisional Board |
| | | 13.16 13.27 | 2008-09 2009-10 | Additional Commissioner of Commercial Tax |
| West Bengal Value Added Tax Act, 2003 | Value Added Tax | 506.83 1,582.22 59.35 | 2007-08 2008-09 2009-10 | Additional Commissioner of Commercial Tax |
| Central Excise Act, 1944 | Central Excise | 17.90 | 2001-02 to 2005-06 | Central Excise and Service Tax Appellate Tribunal |
| Service Tax | Service Tax | 121.30 | 2003-04 to 2007-08 | Central Excise and Service Tax Appellate Tribunal |
| Income Tax Act, 1961 | Income Tax | 1,166.44 | A.Y 2008-09 | Income Tax Appellate Tribunal |
| | Dividend Distribution Tax | 18.56 | A.Y 2010-11 | Rectification U/s. 156 |

- (x) The Company does not have any accumulated losses as at 31st March, 2013 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has no dues to any financial institutions and has not defaulted in repayment of dues to any bank nor has it issued any debentures as at the 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 securities by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund or a nidhi or mutual benefit fund or society 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, accordingly, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion, the Company has not given any guarantees for loan taken by others from banks or financial institutions during the year. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xvi) In our opinion, the company has not obtained any term loans.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, there are no funds raised on a short-term basis which have been used for long term investment.
- (xviii) According to the information and explanations given to us the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.
- (xix) The company has not issued any debentures during the year nor any debentures were outstanding at the year end.
- (xx) The Company has not raised any money by public issues 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 any such case by the management.

For N K PODDAR & CO.
Chartered Accountants
Firms' Registration No. 308054E
Sd/-
(PADAM KUMAR PODDAR)
PARTNER
Membership No. 50125

Kolkata: 29th day of June, 2013

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED, KOLKATA FOR THE YEAR ENDED 31 MARCH 2013.

The preparation of financial statements of Garden Reach Shipbuilders & Engineers Limited, Kolkata for the year ended 31 March, 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 June 2013.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Garden Reach Shipbuilders & Engineers Limited, Kolkata for the year ended 31 March, 2013. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

Sd/-

(V K Girijavallabhan)

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

Bangalore

Dated : 17 July, 2013



BALANCE SHEET AS AT 31ST MARCH 2013

(₹ in lakh)

| Particulars | Note No | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|---|---------|-------------------------------------|-------------------------------------|
| (I) EQUITY AND LIABILITIES | | | |
| (1) Shareholder's Funds | | | |
| (a) Share Capital | 2.1 | 12384.00 | 12384.00 |
| (b) Reserves and Surplus | 2.2 | 73947.98 | 63871.70 |
| (2) Share application money pending allotment | | 0.00 | 0.00 |
| (3) Non Current Liabilities | | | |
| (a) Long-term borrowings | 2.3 | 2199.85 | 1867.37 |
| (b) Deferred tax Liabilities (net) | 2.4 | 505.96 | 60.28 |
| (c) Other Long term Liabilities | 2.5 | 415.09 | 457.36 |
| (d) Long term provisions | 2.6 | 398.47 | 441.97 |
| (4) Current Liabilities | | | |
| (a) Trade payables | 2.7 | 44281.31 | 47080.63 |
| (b) Other current liabilities | 2.8 | 475426.70 | 374878.31 |
| (c) Short-term provisions | 2.9 | 3983.59 | 4014.74 |
| Total | | 613542.95 | 505056.36 |
| II Assets | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 2.10 | 27263.07 | 16590.37 |
| (ii) Intangible assets | 2.10 | 715.93 | 890.22 |
| (iii) Capital work-in-progress | 2.10 | 7676.21 | 6048.88 |
| (b) Non-current investments | 2.11 | 0.44 | 0.44 |
| (c) Deferred tax assets (net) | 2.4 | 0.00 | 0.00 |
| (d) Long term loans and advances | 2.12 | 5177.73 | 12843.00 |
| (e) Other non-current assets | 2.13 | 674.78 | 128.39 |
| (2) Current assets | | | |
| (a) Inventories | 2.14 | 409696.36 | 331706.46 |
| (b) Trade receivables | 2.15 | 9182.84 | 11714.12 |
| (c) Cash and cash equivalents | 2.16 | 105855.61 | 68602.49 |
| (d) Short-term loans and advances | 2.17 | 44459.06 | 53863.93 |
| (e) Other current assets | 2.18 | 2840.92 | 2668.06 |
| Total | | 613542.95 | 505056.38 |
| Contingent liabilities and commitments | 2.19 | | |
| Significant accounting Policies and notes to accounts | 1 & 2 | | |

Sd/-
S. Mahapatra
Company Secretary

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

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

For N.K. Poddar & Co.
Chartered Accountants
Sd/-
Padam Kumar Poddar
Partner
Membership No. 50125
Firm Registration No. 308054E

Kolkata
29th June 2013

Statement of Profit and Loss for the year ended 31st March, 2013

(₹ in lakh)

| | Particulars | Note No | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|-------|---|---------|-------------------------------------|-------------------------------------|
| 1. | Revenue from Operations | 2.20 | 153136.31 | 129602.10 |
| | Less : Excise duty | | 443.18 | 439.88 |
| | | | 152693.13 | 129162.22 |
| II | Other Income | 2.21 | 7587.66 | 3570.98 |
| III. | Total Revenue (I + II) | | 160280.79 | 132733.20 |
| IV. | Expenditure : | | | |
| | Consumption of Raw Materials | 2.22 | 87782.88 | 61989.93 |
| | Purchase of Products for resale | | 8894.39 | 10869.12 |
| | (Increase) / Decrease in Inventory | | (1,065.92) | (544.18) |
| | Sub-contracting charges | | 7568.86 | 7280.63 |
| | Other Expenses - project related | 2.23 | 1067.10 | 551.75 |
| | Employee benefits expense | 2.24 | 29016.10 | 27628.04 |
| | Finance cost | 2.25 | 97.70 | 18.89 |
| | Depreciation and amortization expense | 2.10 | 1390.99 | 1270.45 |
| | Other expenses | 2.26 | 6260.39 | 6593.15 |
| | Total Expenses | | 141012.49 | 115657.78 |
| V. | Profit before exceptional and extraordinary items and tax | | 19268.30 | 17075.42 |
| VI. | Exceptional Items | 2.27 | 46.37 | (140.32) |
| VII. | Profit before extraordinary items and tax | | 19314.67 | 16935.10 |
| VIII. | Extraordinary Items | | | |
| IX. | Profit before tax | | 19314.67 | 16935.10 |
| X. | Tax expense : | | | |
| | (1) Current tax | | | |
| | Current year | | 5586.99 | 5366.56 |
| | Adj. Prior years | | 127.76 | 468.16 |
| | (2) Deferred tax | | 445.68 | 297.49 |
| XI. | Profit (Loss) from the period from continuing operations | | 13154.24 | 10802.89 |
| XII. | Profit/(Loss) from discontinuing operations | | | |
| XIII. | Tax expense of discontinuing operations | | | |
| XIV. | Profit/(Loss) from discontinuing operations | | | |
| XV. | Profit/(Loss) for the period | | 13154.24 | 10802.89 |
| XVI. | Earning per equity share : | | | |
| | Basic and Diluted | | 106.22 | 87.23 |

For N.K. Poddar & Co.
Chartered Accountants

Sd/-
S. Mahapatra
Company Secretary

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

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

Sd/-
Padam Kumar Poddar
Partner
Membership No. 50125
Firm Registration No. 308054E

Kolkata
29th June 2013



Notes to Accounts

(₹ in lakh)

| Particulars | No of Share as at 31 March 2013 | As at 31 March 2013 | No of Share as at 31 March 2012 | As at 31 March 2012 |
|---|---------------------------------|---------------------|---------------------------------|---------------------|
| 2.1 Share Capital | | | | |
| Equity Share Capital | | | | |
| Authorised Share Capital | | | | |
| Equity shares of ₹ 100/- each | 12500000 | 12500.00 | 12500000 | 12500.00 |
| Issued, subscribed and fully paid share capital | | | | |
| Equity shares of ₹ 100/- each | 12384000 | 12384.00 | 12384000 | 12384.00 |
| Total | | 12384.00 | | 12384.00 |

| Shareholder | 2012-2013 | | 2011-2012 | |
|---|-------------|------------|-------------|------------|
| | No of Share | Percentage | No of Share | Percentage |
| President of India including his nominees | 12384000 | 100% | 12384000 | 100% |

(₹ in lakh)

| Particulars | | As at 31 March 2013 | As at 31 March 2012 |
|--|-----|---------------------|---------------------|
| 2.2. Reseves and Surplus | | | |
| Capital Reseves - Opening balance | (a) | 399.24 | 399.24 |
| Contract Contingency Reserve | (b) | 2100.00 | 2100.00 |
| Corporate Social Responsibility Reserve | | 237.86 | 228.07 |
| Add : Transferred from Surplus | | 0.00 | 9.79 |
| | (c) | 237.86 | 237.86 |
| General Reserve : Opening Balance | | 9086.28 | 8006.97 |
| Add : Transferred from Surplus | | 1315.42 | 1079.31 |
| | (d) | 10401.70 | 9086.28 |
| Surplus : Opening Balance | | 52048.32 | 45213.13 |
| Add : Net profit after tax transferred from Statement of Profit and Loss | | 13154.24 | 10802.89 |
| Amount available for appropriation | | 65202.56 | 56016.02 |
| Appropriation : | | | |
| CSR Reseve | | 0.00 | 9.79 |
| General Reserve | | 1315.42 | 1079.31 |
| Dividend | | 2630.85 | 2476.80 |
| Dividend Tax | | 447.11 | 401.80 |
| Surplus - Closing balance | (e) | 60809.18 | 52048.32 |
| Total (a+b+c+d+e) | | 73947.98 | 63871.70 |

Notes to Accounts

(₹ in lakh)

| Particulars | | As at 31 March 2013 | | As at 31 March 2012 |
|---|-----------|------------------------|-----------|------------------------|
| 2.3 Long Term borrowings | | | | |
| Foreign Suppliers, Deferred Credit | | 2199.85 | | 1867.37 |
| | | 2199.85 | | 1867.37 |
| (Refer Note No. 2.28.5) | | | | |
| 2.4 Deferred Tax | | | | |
| Deferred Tax Assets | | | | |
| i) Provision for Bad & Doubtful Debts & Advances | | 320.04 | | 298.05 |
| ii) Voluntary Retirement Scheme | | 20.10 | | 38.37 |
| iii) Provision for Leave encashment | | 1542.13 | | 1289.19 |
| iv) Provision for Guarantee period liability | | 203.37 | | 213.84 |
| | | 2085.64 | | 1839.45 |
| Deferred Tax Liability | | | | |
| Depreciation on Fixed Assets | | 2591.60 | | 1899.73 |
| Net Deferred Tax | | (505.96) | | (60.28) |
| 2.5 Other Long-term liabilities | | | | |
| Advance received from customer | | 415.09 | | 457.36 |
| Total | | 415.09 | | 457.36 |
| 2.6 Long-term provisions | | | | |
| Leave liability | 3712.92 | | 3593.92 | |
| Less : Leave fund with LIC | (3712.92) | 0.00 | (3593.92) | 0.00 |
| Liability for post retirement medical benefit | | 398.47 | | 441.97 |
| Total | | 398.47 | | 441.97 |
| 2.7 Trade payable | | | | |
| MSME Vendors | | 66.04 | | 0.71 |
| Other Vendors (Refer to Note No. 2.28.11 for MSME due) | | 44215.27 | | 47079.92 |
| | | 44281.31 | | 47080.63 |



Notes to Accounts

(₹ in lakh)

| Particulars | As at 31st March 2013 | | As at 31st March 2012 |
|---|--------------------------|--|--------------------------|
| 2.8 Other current liabilities | | | |
| Security Deposit | 421.10 | | 392.70 |
| Advance received from Customer | 464987.86 | | 367636.53 |
| Accrued salaries and benefits | 6498.74 | | 3620.45 |
| Other payables : | | | |
| Power & Fuel | 90.28 | | 76.15 |
| Rent | 100.85 | | 99.21 |
| Liquidated Damage | 2394.64 | | 2190.26 |
| Other Liability | 673.01 | | 438.26 |
| Wealth Tax (Net of Advance Tax ₹ 0.95 lacs Previous Year- ₹ 2.27 lacs) | 0.53 | | 0.46 |
| Sales Tax | 42.06 | | 147.86 |
| Service Tax, TDS and WC tax | 121.98 | | 198.62 |
| Deferred Payment Liability payable within 12 months | 95.65 | | 77.81 |
| Total | 475426.70 | | 374878.31 |

| | | | | |
|---|----------|----------------|----------|----------------|
| 2.9 Short-term provisions | | | | |
| Provision for Leave Encashment | 824.09 | | 719.45 | |
| Less : Leave fund with LIC | (637.57) | 186.52 | (379.45) | 340.00 |
| Provision for post retirement medical benefit | | 120.78 | | 130.35 |
| Guarantee Repair | | 598.33 | | 665.79 |
| Proposed Dividend | | 2630.85 | | 2476.80 |
| Tax on distributed profit | | 447.11 | | 401.80 |
| Total | | 3983.59 | | 4014.74 |

FIXED ASSETS 2012-13

| Description | GROSS BLOCK AT COST | | | | | DEPRECIATION | | | | NET BLOCK | |
|--|---------------------|-----------------|--------------------------|-------------------|------------------|--------------------------|--------------|----------------|-----------------|-------------------|-------------------|
| | As at 31.03. 2012 | Additions | Deductions / Adjustments | As at 31.03. 2013 | Up to 31.03.2012 | Deductions / Adjustments | Prior Period | For the year | Upto 31.03.2013 | As at 31.03. 2013 | As at 31.03. 2012 |
| | | | | | | | | | | | |
| TANGIBLE ASSETS | | | | | | | | | | | |
| Land - Freehold | 5125.71 | | | 5125.71 | | | | | | 5125.71 | 5125.71 |
| Building | 3776.51 | 39.45 | 56.49 | 3872.45 | 1853.34 | 15.10 | | 98.42 | 1966.86 | 1905.59 | 1923.17 |
| Plant & Equipment | 11009.82 | 11436.85 | | 22446.67 | 5779.67 | | 0.02 | 459.21 | 6238.90 | 16207.77 | 5230.15 |
| Docks & Jetties | 3156.33 | 230.72 | | 3387.05 | 1737.11 | | | 89.50 | 1826.61 | 1560.44 | 1419.22 |
| Furniture, Fixtures & Office Equipments | 1620.04 | 89.30 | (2.09) | 1707.25 | 1116.35 | (1.99) | | 180.00 | 1294.36 | 412.89 | 503.69 |
| Computer | 1962.43 | 36.47 | | 1998.90 | 1120.38 | 59.66 | | 199.16 | 1379.20 | 619.70 | 842.05 |
| Launches, Barges & Boats | 75.87 | | | 75.87 | 58.95 | | | 5.28 | 64.23 | 11.64 | 16.92 |
| Motor Car | 67.80 | 11.15 | | 78.95 | 54.71 | | | 2.17 | 56.88 | 22.07 | 13.10 |
| Motor Lorries, Trailers, Mobile Cranes etc | 1064.21 | 4.02 | | 1068.23 | 483.41 | | | 81.76 | 565.17 | 503.06 | 580.79 |
| Asset jointly funded by GRSE and Indian Navy. | | | | | | | | | | | |
| Building | 2680.46 | | | 2680.46 | | | | | | | |
| Less : Indian Navy | (1441.69) | | | (1441.69) | | | | | | | |
| Funded by GRSE | 1238.77 | | | 1238.77 | 303.20 | | | 41.37 | 344.57 | 894.20 | 935.57 |
| Total of Tangible Assets | 29097.49 | 11847.96 | 54.40 | 40999.85 | 12507.12 | 72.77 | 0.02 | 1156.87 | 13736.78 | 27263.07 | 16590.37 |
| INTANGIBLE ASSETS | | | | | | | | | | | |
| Software | 1731.98 | 0.17 | | 1732.15 | 841.76 | (59.66) | | 234.12 | 1016.22 | 715.93 | 890.22 |
| Total of Intangible Assets | 1731.98 | 0.17 | | 1732.15 | 841.76 | (59.66) | | 234.12 | 1016.22 | 715.93 | 890.22 |
| GRAND TOTAL | 30829.47 | 11848.13 | 54.40 | 42732.00 | 13348.88 | 13.11 | 0.02 | 1390.99 | 14753.00 | 27979.00 | 17480.59 |
| Last Year 2011-12 | 29411.29 | 1521.62 | 103.44 | 30829.47 | 12134.36 | 58.04 | 2.11 | 1270.45 | 13348.88 | 17480.59 | |

Notes to Accounts - 2.10

(₹ In Lakh)



Notes to Accounts - 2.10 cont

A] Capital Work-in-Progress

(₹ in lakh)

| Description | As at 31.03.2013 | As at 31.03.2012 |
|--|------------------|------------------|
| Building | | 14.44 |
| Plant & Equipment | 45.77 | 338.30 |
| Docks & Jetties | 213.04 | 210.09 |
| Furniture, Fixtures, Office Equipments | 0.53 | 0.34 |
| TOTAL | 259.34 | 563.17 |

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

| Description | As at 31.03.2013 | As at 31.03.2012 |
|---------------------------------------|------------------|------------------|
| Building | 2849.15 | 1950.77 |
| Docks & Jetties | 4186.51 | 3153.73 |
| Consultancy Charges for Modernisation | 381.21 | 381.21 |
| TOTAL | 7416.87 | 5485.71 |
| Grand Total | 7676.21 | 6048.88 |

Notes :

- Adjustment column includes due adjustment for Retired Assets. Retired Asset as on 31.03.2013 comprise of ₹ 29.43 lakh, Original Cost ₹ 604.10 lakh (Previous year ₹ 71.01 lakh, original cost ₹ 649.27 lakh), valued at estimated scrap value being 5% of original cost .
- Depreciation includes amortisation in case of software.
- The Fixed Asset include Modern Hull Shop, the creation of which has been partly funded by Indian Navy as part of ongoing modernisation of infrastructure. The original cost of Modern Hull shop capitalised under the head building ₹ 1238.77 Lakh and WDV as on 31st March 2013 is ₹ 894.20 Lakh (Previous year ₹ 935.57 Lakh). In addition, the Modern Hull shop was also co-funded by Indian Navy for an amount of ₹ 1441.69 Lakh as part of P-28 Project, which forms part of total expenditure of ₹ 32287.68 lakh as on 31st March 2013.
- Building include ₹ 67.29 Lakh (Original Cost) for Delhi Shipyard House being one third share in the property jointly held by the Company, Mazagon Dock Limited and Goa Shipyard Limited.

5. Other Assets Funded by Navy

(₹ in lakh)

| Description | As at 31.03.2013 | As at 31.03.2012 |
|---------------------|------------------|------------------|
| Building | 483.10 | 483.10 |
| Computer & Software | 318.13 | 318.13 |
| TOTAL | 801.23 | 801.23 |

6 Capital Work-In-Progress Funded by Navy.

| Description | As at 31.03.2013 | As at 31.03.2012 |
|---------------------------------------|------------------|------------------|
| Building | 2073.19 | 1345.73 |
| Plant & Equipment | 694.56 | 55.59 |
| Docks & Jetties | 25234.69 | 21355.53 |
| Consultancy Charges for Modernisation | 2042.32 | 1936.80 |
| TOTAL | 30044.76 | 24693.65 |



NOTES TO ACCOUNTS

(₹ in Lakh)

| Description | As at 31 March 2013 | As at 31 March 2012 |
|---|---------------------|---------------------|
| 2.11 Non-current investments | | |
| Woodlands Multispeciality Hospital Ltd (unquoted at cost) : 6145 Equity Share of ₹ 10/- each , fully paid (Following a scheme of re-arrangement and conversion) | 0.44 | 0.44 |
| TOTAL | 0.44 | 0.44 |

| | | | | |
|--|----------|----------------|----------|-----------------|
| 2.12 Long Term Loan and Advances | | | | |
| Capital Advances | | | | |
| Unsecured considered good | | 972.74 | | 8768.83 |
| Deposits with Electricity Board & others | | | | |
| Unsecured considered good | | 423.25 | | 425.28 |
| Other Loans and advances | | | | |
| Unsecured, considered Doubtful | 200.00 | | 200.00 | |
| Less : Provision for Doubtful Deposits | (200.00) | 0.00 | (200.00) | 0.00 |
| Advance Income Tax & TDS [Net of Provisions ₹ 15159.56 lacs (Previous Year - ₹ 13916.06 lacs)] | | 1496.71 | | 1682.99 |
| Prepaid Expenses | | 85.18 | | 98.53 |
| Amount receivable from Navy (Foreign Suppliers, Deferred Credit) | | 2199.85 | | 1867.37 |
| Total | | 5177.73 | | 12843.00 |

| | | | | |
|--------------------------------------|--|---------------|--|---------------|
| 2.13 Other Non-current assets | | | | |
| Long term Trade Receivables | | | | |
| Unsecured considered Good | | 674.78 | | 128.39 |
| Doubtful | | 941.58 | | 918.60 |
| | | 1616.36 | | 1046.99 |
| Less : Provision for Doubtful Debts | | 941.58 | | 918.60 |
| Total | | 674.78 | | 128.39 |

| | | | | |
|--------------------------|--|------------------|--|------------------|
| 2.14 Inventories | | | | |
| Raw materials | | 83791.45 | | 113669.71 |
| Raw materials in Transit | | 1912.65 | | 1239.49 |
| Work in progress | | 323290.51 | | 215721.80 |
| Stores and spares | | 464.13 | | 774.74 |
| Loose tools | | 237.62 | | 300.72 |
| Total | | 409696.36 | | 331706.46 |

| | | | | |
|---|--|----------------|--|-----------------|
| 2.15 Trade receivables | | | | |
| a) Outstanding for a period exceeding six months from due date | | | | |
| Unsecured, Considered good | | 2827.21 | | 2758.70 |
| b) Others | | | | |
| Unsecured, Considered good | | 6355.63 | | 8955.42 |
| Total | | 9182.84 | | 11714.12 |



NOTES TO ACCOUNTS

(₹ in Lakh)

| Description | As at 31March 2013 | As at 31 March 2012 |
|---|--------------------|---------------------|
| 2.16 Cash and cash equivalents | | |
| Balances with banks | | |
| Current accounts | 1491.91 | 1939.16 |
| Margin money | 57.40 | 187.31 |
| Short term Deposit | 104300.00 | 66468.90 |
| Cash on hand | 6.30 | 7.12 |
| Total | 105855.61 | 68602.49 |
| 2.17 Short term loans and advances | | |
| Advance to Vendors | 43078.36 | 52760.38 |
| Less: Provision for Doubtful Advances | 0.31 | 0.31 |
| | 43078.05 | 52760.07 |
| Deposit with Customs,Port Trust | 3.95 | 6.70 |
| Sales Tax Refundable | 190.55 | 174.54 |
| Excise Advance | 221.71 | 103.45 |
| Advance to Gratuity Trust | 155.75 | 110.88 |
| Pre-paid Expenses | 652.89 | 534.55 |
| Loans and advances to employees | | |
| Festival Advance | 151.02 | 158.21 |
| Other Advance | 5.14 | 15.53 |
| Total | 44459.06 | 53863.93 |
| 2.18 Other Current Assets | | |
| Interest Accrued/ Receivable | 2535.93 | 2458.22 |
| Less : Provision for Doubtful Interest Receivable | 257.75 | 258.72 |
| | 2278.18 | 2199.50 |
| Other Receivables | 437.66 | 319.74 |
| Amount receivable from Navy within 12 months | 95.65 | 77.81 |
| Assets held for sale | 29.43 | 71.01 |
| Total | 2840.92 | 2668.06 |
| 2.19 Contingent liabilities and commitments (to the extent not provided for) | | |
| Contingent liabilities | | |
| a) Claims against the company not acknowledge as debt. | 2042.75 | 2082.28 |
| b) Guarantees given by Banks | 2557.56 | 1329.79 |
| c) Indemnity Bonds for Performance & Warranty | 67737.38 | 15114.78 |
| d) Unexpired letter of Credit | 6397.50 | 15953.30 |
| e) Liquidated Damages (Yard No 3017) | 8244.00 | 0.00 |
| f) Other money for which the company is contingently liable : | | |
| Sales Tax | 2278.73 | 2523.60 |
| Excise Duty | 17.90 | 17.90 |
| Service Tax | 121.30 | 121.30 |
| Income Tax | 1185.00 | 1323.56 |
| Commitments | | |
| Estimated amount of contracts unexecuted on capital account | 3410.19 | 7433.88 |



- 2.19 Contingent liability on account of Sales Tax amounts to ₹ 2278.73 lakhs (Previous Year ₹ 2523.60 lakhs) which comprises of ₹ 2174.83 lakhs towards assessment dues for the years, 2007-08 and 2008-09 and 2009-10 and ₹7.52 lakhs on disallowance made by Sales Tax Authorities for the year 2003-04 on account of transit sales for Talcher Project. Besides, Sales Tax Authorities have considered certain sale made from DEP for the year 1988-89 as being sale from West Bengal for which a demand was raised for ₹ 96.38 lakhs.
- 2.19.1 Central Excise Authorities have raised a demand of ₹17.90 lakhs (Previous Year ₹ 17.90 lakhs) against clearance to goods to Naval Stores Dept of Indian Navy. Since GRSE has made appeal before CESTAT, EZB, Kolkata against the impugned demand, the same has not been acknowledged as debt and accordingly not provided for in the accounts.
- Service Tax Authorities have raised a demand of ₹121.30 lakhs (Previous Year ₹121.30 lakhs) against imposition of Service Tax on technical fees paid to foreign technicians prior to 18.04.2006. Since GRSE has made appeal before the CESTAT, EZB, Kolkata against the impugned demand with due approval of CoD, the same has not been acknowledged as debt and accordingly not provided for in the accounts.
- 2.19.2 Contingent liability on account of income tax amounts to ₹1185.00 lakhs (Previous year ₹1323.56 lakhs) towards disallowance made by Income tax authority for the A.Y.2008-09 on account of Provision for Liquidated Damages, addition in the closing stock for slow moving and obsolete items (₹1166.44 lakhs) and for excess dividend Tax liability computed (₹18.56 lakhs) for AY 2010-11. All these disputes have not been acknowledged as debts and accordingly not provided for in the accounts as all the issues are under different appeal stage.
- 2.19.3 The contractual delivery date of yard 3017 was October 2012. Due to various reasons not attributable to and beyond the control of the company, delay in delivery of the ship is being experienced. The issue of such delays has been taken up with the customer, Indian Navy for appropriately addressing and assisting in controlling such delays and refix the delivery date of the ship. Warship Overseeing Superintendent, thea onsite representative of customer, Indian Navy has recommended for extenssion of delivery of the ship for further precessing at IHQ (Navy) for sanction by Competent Authority. As there is no present obligation nor any likelihood of any economic outflow taking place, no provision has been made in the Accounts in this regard. A contingent liability of ₹8244.00 lakhs, however has been shown.

(₹ in Lakh)

| Particulars | For the year ended 31 March 2013 | For the year ended 31March 2012 |
|--|-------------------------------------|------------------------------------|
| 2.20 Revenue from Operation | | |
| Sales Revenue | | |
| Ship Construction | 23954.83 | 30090.66 |
| Ship Repair | 2110.89 | 2457.55 |
| B & D Spares | 9561.41 | 11683.87 |
| General Engineering | 8605.93 | 5519.62 |
| Diesel Engine | 2201.42 | 4754.08 |
| Add/Less : | 46434.48 | 54505.78 |
| Accretion / (Decretion) to WIP - Ship Construction & Repair | 106502.79 | 74747.48 |
| Turnover | 152937.27 | 129253.26 |
| Other Operating Revenue : | | |
| Scrap sales | 199.04 | 348.84 |
| Total | 153136.31 | 129602.10 |



(₹ in Lakh)

| Particulars | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|-------------------------------|-------------------------------------|-------------------------------------|
| 2.21 Other Income | | |
| Interest on deposits | 6996.91 | 3173.06 |
| Rent | 30.77 | 10.68 |
| L.D. Recovered from Suppliers | 227.74 | 269.69 |
| Insurance Claim | 1.19 | 4.42 |
| Other Misc. Income | 331.05 | 113.13 |
| Total | 7587.66 | 3570.98 |

(₹ in Lakh)

| Particulars | For the year ended 31 March 2013 | | For the year ended 31 March 2012 | |
|--|-------------------------------------|-------------|-------------------------------------|-------------|
| 2.22 CONSUMPTION OF RAW MATERIALS & COMPONENTS (INCLUDING STORES & SPARES) | | | | |
| Consumptions - Material consumed | 87782.88 | | 61989.93 | |
| Additional Information | | | | |
| Raw Material Consumption - Manufacturing Company | | | | |
| Steel | 1945.23 | | 1798.32 | |
| Equipment | 71593.47 | | 56033.10 | |
| Others | 14244.18 | | 4158.51 | |
| | 87782.88 | | 61989.93 | |
| Consumption of Imported & Indigenous Raw Materials, Spare Parts & Components and percentage of each to the total Consumption | | | | |
| Imp | 34304.08 | 39% | 13985.52 | 23% |
| Ind | 53478.80 | 61% | 48004.41 | 77% |
| Total* | 87782.88 | 100% | 61989.93 | 100% |
| *(a) Value shown relates to Raw Materials, Spare Parts (including Stores) & Components | | | | |
| Traded Goods Purchase | | | | |
| B & D Spares | 8894.39 | | 10869.12 | |
| Traded Goods - Purchase of Imported & Indigenous B & D Spares and percentage of each to the total | | | | |
| Imp | 3687.86 | 41% | 2224.61 | 20% |
| Ind | 5206.53 | 59% | 8644.51 | 80% |
| Total* | 8894.39 | 100% | 10869.12 | 100% |

| | 2012-13 | 2011-12 |
|---|-----------------|-----------------|
| Value of Import on C.I.F Basis | | |
| 1. Raw Materials | 10363.12 | 69.68 |
| 2. Components & Spare Parts | 17678.35 | 23570.53 |
| 3. Capital Goods | 169.85 | 315.28 |
| | 28211.32 | 23955.49 |
| Payment in Foreign Currency | | |
| 1. Consultation / Service Fees | 173.90 | 850.59 |
| 2. Deferred payment to foreign suppliers | 95.65 | 77.80 |
| 3. Other Payments (for Equipment/Materials, etc.) | 24515.56 | 21152.19 |
| | 24785.11 | 22080.58 |

(₹ in Lakh)

| Particulars | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|--|-------------------------------------|-------------------------------------|
| 2.23 Other Expenses - Project related | | |
| Facility Hire | 605.45 | 382.01 |
| Insurance | 96.52 | |
| Travelling Expenses | 149.64 | 73.62 |
| Technicians' Fees | 14.05 | 13.18 |
| Launching & Commissioning Expenses | 81.35 | 77.69 |
| Service Tax | 15.09 | 0.00 |
| Miscellaneous Expenses | 105.00 | 5.25 |
| Total | 1067.10 | 551.75 |

| | | |
|--|-----------------|-----------------|
| 2.24 Employee Benefits Expense | | |
| Salaries and wages | 23042.25 | 21869.52 |
| Contribution to provident fund & Family Pension Scheme | 1507.84 | 1364.91 |
| Contribution to ESI | 5.52 | 9.49 |
| Pension | 41.57 | 38.26 |
| Gratuity | 1482.55 | 1797.78 |
| Staff welfare expenses | 2936.37 | 2548.08 |
| Total | 29016.10 | 27628.04 |

| | | |
|--------------------------------|--------------|--------------|
| 2.25 Finance Cost | | |
| Interest expenses : | | |
| Bank Borrowings | 6.84 | 0.24 |
| Interest Liability to Customer | 45.18 | 0.00 |
| Others | 0.14 | 0.02 |
| Bank charges & Commission | 45.54 | 18.63 |
| Total | 97.70 | 18.89 |



(₹ in Lakh)

| Particulars | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| 2.26 Other expenses | | |
| Consumption of Consumables | 217.45 | 114.51 |
| Power and Fuel | 1092.29 | 816.79 |
| Rent | 151.49 | 144.82 |
| Repair to Buildings | 615.30 | 555.67 |
| Repair to Plant & Machinery | 302.87 | 319.98 |
| Other Repair | 553.95 | 465.78 |
| Insurance | 106.14 | 33.41 |
| Rates and Taxes | 119.69 | 100.97 |
| Marketing Expenses | 124.88 | 128.65 |
| Stores Clearing & Despatch Expenses | 100.18 | 133.06 |
| Liquidated Damages | 1470.79 | 2038.39 |
| Travelling Expenses | 300.44 | 337.29 |
| Advertisement & Publicity | 249.03 | 328.92 |
| Printing & Stationary | 10.09 | 14.42 |
| Postage & Courier | 7.87 | 8.35 |
| Telephone & Fax | 79.10 | 81.37 |
| Loss in Exchange Rate Fluctuations | 39.88 | 166.95 |
| Legal Expenses | 34.77 | 43.67 |
| Corporate Social Responsibility | 300.54 | 290.21 |
| Auditors' Remuneration : | | |
| (a) Statutory Audit | 2.28 | 1.65 |
| (b) Tax Audit | 0.45 | 0.35 |
| Prior period adjustment | 0.02 | 0.64 |
| Provision for bad debt | 50.33 | 122.43 |
| Service Tax | 94.74 | 106.16 |
| R & D Expenses | 56.90 | 28.03 |
| Other Miscellaneous expenses | 178.92 | 210.68 |
| Total | 6260.39 | 6593.15 |

| | | |
|---|--------------|-----------------|
| 2.27 Exceptional Items | | |
| Written down value of Inventories | (67.80) | (549.46) |
| Profit /(Loss) on sale of fixed assets | 0.45 | 27.57 |
| Profit on sale of Retired Assets (net) | (0.17) | 77.43 |
| Liability/Provision written back | 113.89 | 304.14 |
| Total | 46.37 | (140.32) |



CASH FLOW STATEMENT

(₹ in Lakh)

| | | For the year ended 31 March 2013 | | For the year ended 31 March 2012 |
|---|------------|-------------------------------------|-------------|-------------------------------------|
| A. Cash flow from operating activities: | | | | |
| Profit before tax for the year | | 19314.67 | | 16935.10 |
| Adjustments for - | | | | |
| Profit on sale of Fixed Assets | | (0.45) | | (27.57) |
| Profit on sale of Retired Assets | | - | | (79.09) |
| Interest on Loans, Advances, Investments & Deposits | | (6961.75) | | (3173.06) |
| Depreciation | | 1390.99 | | 1270.45 |
| Retirement of Assets - (Profit) / Loss | | 0.17 | | 1.66 |
| Interest | | 52.16 | | 0.26 |
| Unrealized loss/ (gain) on FE variation | | (28.22) | | 165.84 |
| Prior Period adjustments | | 0.02 | | 0.64 |
| Operating profit before working capital changes | | 13767.59 | | 15094.23 |
| Adjustments for changes in working capital : | | | | |
| (INCREASE)/DECREASE in Trade Receivables | 1984.89 | | 2457.43 | |
| (INCREASE)/DECREASE in Other Receivables | 16983.04 | | 14175.47 | |
| (INCREASE)/DECREASE in Inventories | (77989.90) | | (101011.11) | |
| INCREASE/(DECREASE) in Trade and Other Payables | 97748.31 | | 130446.47 | |
| | | 38726.34 | | 46068.26 |
| Cash generated from/ (used in) operations | | 52493.93 | | 61162.49 |
| Taxes Paid (net of refunds) | | (5528.47) | | (5327.05) |
| Net cash from operating activities | | 46965.46 | | 55835.44 |
| B. Cash flow from Investing activities | | | | |
| Purchase of fixed assets | | (13475.47) | | (4303.77) |
| Proceeds from Sale of fixed assets | | 0.56 | | 27.97 |
| Proceeds from Sale of retired fixed assets | | 0.02 | | 90.29 |
| Net cash used in investing activities | | (13474.89) | | (4185.51) |
| C. Cash flow from financing activities: | | | | |
| Interest received | | 6778.04 | | 1353.90 |
| Interest paid | | (6.98) | | (98.92) |
| Dividend paid | | (2476.80) | | (2476.80) |
| Dividend tax paid | | (401.80) | | (401.80) |
| Net cash used in financing activities | | 3892.46 | | (1623.62) |
| Net Increase / (Decrease) in Cash & Cash Equivalents | | 37383.03 | | 50026.31 |

(₹ in Lakh)

| Cash and Cash Equivalents | | | | | | |
|---|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 31.03.13 | 31.03.12 | diff | 31.03.12 | 31.03.11 | diff |
| Cash and Bank Balance (Note No 2.16) | 105855.61 | 68602.49 | | 68602.49 | 18566.88 | |
| Less : Margin Money Deposit | 57.40 | 187.31 | | 187.31 | 178.01 | |
| Cash and Cash Equivalents as above | 105798.21 | 68415.18 | 37383.03 | 68415.18 | 18388.87 | 50026.31 |

Sd/-
S. Mahapatra
Company Secretary

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

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

Interns of our report of even date
For N.K. Poddar & Co.
Chartered Accountants

Sd/-
Padam Kumar Poddar
Partner
Membership No. 50125
Firm Registration No. 308054E

Kolkata
29th June 2013



**SEGMENT REPORTING
ANNEXURE - A**

| Particulars | Year 2012-13 | | | | | Year 2011-12 | | | | |
|---------------------------------|---------------|-----------|------------|----------|----------|---------------|-----------|------------|---------|---------|
| | Total Company | Ship | B&D Spares | Engg | Engine | Total Company | Ship | B&D Spares | Engg | Engine |
| A SEGMENT REVENUE | | | | | | | | | | |
| Sales to External Customers | 46434.48 | 26065.71 | 9561.41 | 8605.92 | 2201.43 | 54505.78 | 32548.21 | 11683.87 | 5519.63 | 4754.08 |
| +/- Increase/Decrease in WIP | 106502.79 | 99055.76 | | -3169.27 | 10616.31 | 74747.48 | 74747.48 | | | |
| Turnover (VOP) | 152937.27 | 125121.47 | 9561.41 | 5436.65 | 12817.73 | 129253.26 | 107295.69 | 11683.87 | 5519.63 | 4754.08 |
| Inter Transfer | | -69.18 | | | 69.18 | | -995.34 | | 889.94 | 105.40 |
| B SEGMENT RESULTS | | | | | | | | | | |
| Turnover (VOP) | 152937.27 | 125121.47 | 9561.41 | 5436.65 | 12817.73 | 129253.26 | 107295.69 | 11683.87 | 5519.63 | 4754.08 |
| Less : COP | 138104.78 | 113055.85 | 8894.39 | 4177.39 | 11977.15 | 110751.78 | 91851.67 | | 3806.33 | 4224.66 |
| Less : | 14832.49 | 12065.62 | 667.03 | 1259.26 | 840.58 | 18501.48 | 15444.02 | 814.75 | 1713.30 | 529.42 |
| Segment Expenses/Prov/Adj (Net) | 1685.89 | 1,217.25 | | 465.44 | 3.19 | 2456.42 | 2101.49 | 10869.12 | 290.48 | 64.45 |
| Segment Results | 13146.60 | 10848.37 | 667.03 | 793.82 | 837.39 | 16045.06 | 13342.53 | 814.75 | 1422.82 | 464.97 |
| C PROFIT BEFORE TAX | | | | | | | | | | |
| Other Revenues | 7587.66 | | | | | 3570.98 | | | | |
| Exceptional Items | 46.37 | | | | | -140.32 | | | | |
| Scrap Sale | 199.04 | | | | | 348.84 | | | | |
| Segment Result Profit/Loss | 13146.60 | | | | | 16045.06 | | | | |
| Less : | 20979.67 | | | | | 19824.56 | | | | |
| Unallocated Expenses (Net) | 1567.30 | | | | | 2870.57 | | | | |
| Finance Cost | 97.70 | | | | | 18.89 | | | | |
| Profit Before Tax | 1665.00 | | | | | 2889.46 | | | | |
| | 19314.67 | | | | | 16935.10 | | | | |

Year 2012-13

₹ in lakhs

₹ in lakhs

**SEGMENT REPORTING
ANNEXURE - A**

| Year 2012-13 | | Year 2011-12 | | | | | | ₹ in lakhs | | | |
|--------------|-----------------------------------|---------------|----------|------------|------------|--------|---------------|------------|------------|--------|--------|
| | | ₹ in lakhs | | | ₹ in lakhs | | | ₹ in lakhs | | | |
| | Particulars | Total Company | Ship | B&D Spares | Engg | Engine | Total Company | Ship | B&D Spares | Engg | Engine |
| D | SEGMENT ASSETS @ | | | | | | | | | | |
| | NET BLOCK | 27979.00 | 27043.99 | | 402.78 | 532.23 | 17480.59 | 16475.73 | | 438.66 | 566.20 |
| | CAPITAL WIP | 7676.21 | 7676.21 | | | | 6048.88 | 6048.88 | | | |
| | FIXED ASSETS ** | 35655.21 | 34720.20 | | 402.78 | 532.23 | 23529.47 | 22524.61 | | 438.66 | 566.20 |
| | NON CURRENT ASSETS | 5852.51 | | | | | 12971.39 | | | | |
| | CURRENT ASSETS | 572034.79 | | | | | 468555.06 | | | | |
| | TOTAL INVESTMENT | 577887.30 | | | | | 481526.45 | | | | |
| | | 0.44 | | | | | 0.44 | | | | |
| E | SEGMENT LIABILITIES | | | | | | | | | | |
| | NON CURRENT LIABILITIES | 3519.37 | | | | | 2826.98 | | | | |
| | CURRENT LIABILITIES | 523691.60 | | | | | 425973.68 | | | | |
| F | CAPITAL EMPLOYED | 76322.19 | | | | | 60061.97 | | | | |
| G | ADDITION TO SEGMENT ASSETS | | | | | | | | | | |
| | ADDITION TO GROSS BLOCK (Net) | 11904.62 | 11900.68 | | 3.77 | 0.17 | 1521.62 | 1312.62 | | 6.53 | 202.47 |
| | ADDITION TO CAPITAL WIP (Net) | 1627.33 | 1627.33 | | | | 2782.15 | 2782.15 | | | |
| | ADDITION TO FIXED ASSET ** | 13531.95 | 13528.01 | | 3.77 | 0.17 | 4303.77 | 4094.77 | | 6.53 | 202.47 |

@ including Corporate, Delhi & Mumbai Office

** includes assets of Corporate Office and other assets not specific to Activities

NOTES

1. Generally liabilities are managed at Corporate Office, except for some discharge of liabilities from Ranchi. Control on Debtors/Suppliers' payments in general are exercised by Corporate Office located at Kolkata.
2. Labour and other expenses are allocated to jobs on the basis of predetermined recovery rates computed on the basi normal cost accounting principles and subject to revision as appropriate.
3. Addition to Gross Block (Net) is exclusive of assets retired.



Additional Notes to Accounts - Informative

- 2.28.1 The classification of assets and liabilities, wherever applicable, are based on normal operating cycles of different business activities of the Company, which are as under:
- (a) In case of Shipbuilding and Ship Repair and Refit activities, normal operating cycle is considered vesselwise, as the time period from the effective date of contract/ Letter of Intent to the date of expiry of guarantee period.
- (b) In case of other Business Activities Normal Operating Cycle will be 12 months.
- 2.28.2 The estimated cost to completion of an undelivered ship is comprised of costs incurred till the reporting date as also further costs to be incurred till the projected date of delivery. Such further costs to be incurred are computed on an estimated basis for all elements of costs including for guarantee repair obligations after delivery.
- 2.28.3 Post dated cheques, in favour of Kolkata Port Trust (KOPT) for rent for 13 years as per Estate Rules of KOPT were issued earlier and are pending on 31.3.2013 as under:
- a) In respect of lease of land of Taratalla Unit (each cheque dated 1st January due for presentation starting from the year 2009 and ending in the year 2021 aggregating to ₹312.25 lakhs (Previous Year ₹343.26 lakhs);
- b) In respect of lease of open land (each cheque dated 1st December and 17th November due for presentation starting from the year 2008 and ending in the year 2020 aggregating to ₹164.18 lakhs and ₹58.29 lakhs respectively (Previous year ₹180.49 lakhs and ₹64.07 lakhs respectively).
- 2.28.4 Letters seeking confirmation of balances in the accounts of sundry creditors were sent to vendors constituting about 70% in value. On the basis of replies received from certain vendors, adjustments wherever necessary have been made in the accounts.
- 2.28.5 **Russian (USSR) deferred State Credit**
- An inter-governmental agreement between Russian Federation and Government of India was reached for restructuring of Russian deferred state credit in Rouble in connection with procurement of weapon systems for cost-plus P25 ships built and delivered by GRSE to Indian Navy. As per the said agreement, the outstanding debt in Rouble as on 01.04.1992 was converted to Indian Rupees at the difference in Rupee-Rouble exchange rate between 1.4.1990 and 01.04.1992 and such amount of exchange rate difference was rescheduled by Government of India under a deferred rupee payment arrangement payable over 45 years till 2037. These rescheduled payments are also reimbursable by Indian Navy. Such amount is accordingly held as Foreign Suppliers Deferred Credit as at 31.03.2013 and aggregated to ₹2295.50 lakhs (Previous year ₹1945.18 lakhs).
- 2.28.6 **Employees Benefits**
- The Company has adopted Accounting Standard 15 (AS-15) on Employee Benefits. Accordingly, the Company maintains three defined benefit plans.
- (a) Gratuity Benefit
- (b) Leave Encashment Benefit
- (c) Post Retirement Medical Benefit
- (a) **Gratuity Benefits:**
- Gratuity liability is a defined benefit obligation and is administered by a Trust. Such Liability is determined on the basis of actuarial valuation done by Life Insurance Corporation of India. Gratuity Fund is maintained jointly with India First Life with a contribution of 20% and balance with LIC by the Trust.

(₹ in Lakh)

| Sl.No. | Assumptions as at | Valuation Date 31 March 2013 | Valuation Date 31 March 2012 |
|--------|---|---|--|
| 1. | Discount Rate Rate of increase in compensation | 8.00% 6.50% | 8.00% 5.00% |
| 2. | Changes in present value of obligations Present Value of Obligations at beginning of period Interest cost Current Service Cost Benefits Paid Actuarial (gain)/loss on obligation Present Value of Obligations at end of period | 10208.04 801.55 385.33 (1817.14) 1177.68 10755.46 | 9560.22 764.82 397.01 (2021.10) 1507.09 10208.04 |
| 3. | Changes in fair value of plan assets Fair Value of Plan Assets at beginning of period Expected return on Plan Assets Contributions Benefit Paid Actuarial gain/(loss) on plan assets Fair Value of Plan assets at end of period | 10609.35 918.28 1482.55 (1817.14) Nil 11193.04 | 9980.06 852.61 1797.78 (2021.10) Nil 10609.35 |
| 4. | Fair Value of Plan Assets Fair Value of Plan Assets at beginning of period Actual Return on Plan Asset Contributions Benefit Paid Fair Value of Plan Assets at end of period Funded Status Excess of actual over estimated return on Plan Assets | 10609.35 918.28 1482.55 (1817.14) 11193.04 437.58 Nil | 9980.06 852.61 1797.78 (2021.10) 10609.35 401.31 Nil |
| 5. | Actuarial Gain/Loss Recognized Actuarial (Gain)/Loss for the period obligation Actuarial (Gain)/Loss for the period -Plan Assets Total (Gain)/Loss for the period Actuarial (Gain)/Loss recognized for the period | 1177.68 Nil 1177.68 1177.68 | 1507.09 Nil 1507.09 1507.09 |
| 6. | Amounts to be recognized in Balance Sheet and Profit & Loss Account Present Value of Obligations at end of period Fair Value of Plan Assets at end of period Funded Status Unrecognized Actuarial (Gain)/Loss Net Asset/(Liability) recognized in the balance sheet | 10755.46 11193.04 437.58 (437.58) | 10208.04 10609.35 401.31 (401.31) |



(₹ in Lakh)

| Sl.No. | Assumptions as at | Valuation Date 31 March 2013 | Valuation Date 31 March 2012 |
|--------|---|---------------------------------|---------------------------------|
| 7. | Expense recognized in the statement of Profit & Loss Account | | |
| | Current Service Cost | 385.33 | 397.01 |
| | Interest cost | 801.55 | 764.82 |
| | Expected Return on Plan Assets | (918.28) | (852.61) |
| | Net Actuarial (Gain)/Loss recognized for the period | 1177.68 | 1507.09 |
| | Expense recognized in the statement of Profit & Loss Account | 1482.55 | 1797.78 |

- b) Leave liability has been provided in the accounts as per actuarial valuation as on 31.03.2013. The total provision as on 31.03.2013 is ₹4537.01 lakhs (previous year ₹4313.37 lakhs). Leave liability Fund is maintained with Life Insurance Corporation of India based on actuarial valuation of the same as of 31.03.2013.

(₹ in Lakh)

| Sl.No. | Assumptions as at | Valuation Date 31 March 2013 | Valuation Date 31 March 2012 |
|--------|---|---------------------------------|---------------------------------|
| 1. | Discount Rate | 8.00% | 8.00% |
| | Rate of increase in compensation | 5.00% | 5.00% |
| 2. | Changes in present value of obligations | | |
| | Present Value of Obligations at beginning of period | 4313.37 | 3964.09 |
| | Interest cost | 314.82 | 291.12 |
| | Current Service Cost | 269.71 | 350.18 |
| | Benefits Paid | (756.22) | (650.13) |
| | Actuarial (gain)/loss on obligation | 395.34 | 358.10 |
| | Present Value of Obligations at end of period | 4537.01 | 4313.37 |
| 3. | Changes in fair value of plan assets | | |
| | Fair Value of Plan Assets at beginning of period | | |
| | Expected return on Plan Assets | | |
| | Contributions | | |
| | Benefit Paid | (756.22) | (650.13) |
| | Actuarial gain/(loss) on plan assets | | |
| | Fair Value of Plan assets at end of period | | |
| 4. | Fair Value of Plan Assets | | |
| | Fair Value of Plan Assets at beginning of period | | |
| | Actual Return on Plan Asset | | |
| | Contributions | | |
| | Benefit Paid | (756.22) | (650.13) |
| | Fair Value of Plan Assets at end of period | (4537.01) | (4313.37) |
| | Funded Status | | |
| | Excess of actual over estimated return on Plan Assets | | |
| 5. | Actuarial Gain/Loss Recognized | | |
| | Actuarial (Gain)/Loss for the period obligation | 395.34 | 358.10 |
| | Actuarial (Gain)/Loss for the period -Plan Assets | - | - |
| | Total (Gain)/Loss for the period | 395.34 | 358.10 |
| | Actuarial (Gain)/Loss recognized for the period | 395.34 | 358.10 |



| | | | |
|----|--|-----------|-----------|
| 6. | Amounts to be recognized in Balance Sheet and Profit & Loss Account | | |
| | Present Value of Obligations at end of period | 4537.01 | 4313.37 |
| | Fair Value of Plan Assets at end of period | – | – |
| | Funded Status | (4537.01) | (4313.37) |
| | Unrecognized Actuarial (Gain)/Loss | – | – |
| | Net Asset/(Liability) recognized in the balance sheet | (4537.01) | (4313.37) |
| 7. | Expense recognized in the statement of Profit & Loss Account | | |
| | Current Service Cost | 269.71 | 350.18 |
| | Interest cost | 314.82 | 291.12 |
| | Expected Return on Plan Assets | – | – |
| | Net Actuarial (Gain)/Loss recognized for the period | 395.34 | 358.10 |
| | Expense recognized in the statement of Profit & Loss Account | 602.75 | 659.50 |

(c) **Post Retirement Medical Benefit:**

Post Retirement Medical Benefit Liability has also been actuarially assessed as at the end of Financial year, which stood at ₹519.25 lakhs (Previous year ₹572.32 lakhs) and has been provided in the accounts.

2.28.7 There is an ongoing infrastructure project being co-funded by Indian Navy. The status of the project execution is given below:

| | As of 31.03.13 | As of 31.03.12 |
|-------------------------------------|-----------------------|-----------------------|
| a) Expenses Incurred | ₹ 32288 lakhs | ₹ 26937 lakhs |
| b) Amount received from Indian Navy | ₹ 33127 lakhs | ₹ 33127 lakhs |

2.28.8. **Disclosure pertaining to Accounting Standard (AS-7)(Construction Contract)**

₹ in Lakh

| | | |
|-------|---|-----------|
| (i) | Contract revenue recognized for the year ended 31st March 2013 | 136954.63 |
| (ii) | Aggregate amount of costs incurred and recognized profit (less recognized losses) upto 31st March 2013 for all contracts in progress as at that date. | 319999.35 |
| (iii) | Amount of customer advances outstanding for contracts in progress as at 31st March 2013 | 436724.01 |
| (iv) | Amounts retained by customers for contracts in progress as at 31st March 2013 | Nil |

2.28.9 (a) Out of three docks and two slipways taken over from CIWTC Ltd. on 1st July 2006, Dry Dock No.2 has been capitalized. Dry dock No 1 which has so long been held in capital-work –in progress has become operational and will be capitalised in 2013-14. Other facilities are still under repair and have remained non-operational, due to which cost of acquisition of these assets and subsequent capital expenditure have continued to be carried forward as capital work-in progress.

(b) As per decision of the Board of Directors in a meeting held on 09th May 2013 five residential flats at 3 N.N.Datta Road, Kolkata are to be utilised for the accommodation of officers as per prevailing rules of the company. The said decision was taken in view of applications received from some officers showing interest in availing company's accommodation. Accordingly the said flats which were earlier shown in the books accounts as assets held for sale under other current assets as on 31st March 2012 have now been re-classified as fixed assets, with necessary charging of depreciation for the year 2012-13.

(c) The land for setting up Diesel Engine Plant at Ranchi was obtained free of cost from Heavy Engineering Corporation Ltd., Ranchi. Deed for transfer of land is yet to be executed and status quo is being maintained.



- 2.28.10 **ICD to Hindustan Cables Ltd** An amount of ₹ 457.75 lakhs (₹200 lakhs as Principal and ₹ 257.75 lakhs as interest) was outstanding as on 31st March 02 from Hindustan Cables Ltd (HCL), which is a sick PSU. As the case was registered by BIFR, full provision was made in the Accounts of 2003-04. As per directive of BRPSE, the revival scheme as prepared by HCL's consultants was put up before Dept. of Heavy Industry, BRPSE & BIFR. Dept. of Heavy Industries (DHI) made advertisement inviting expression of interest from interested PSUs for joint venture formation. In response, Rashtriya Ispat Nigam Ltd. (RINL) had shown interest in HCL's Hyderabad Unit. HCL has informed that recently Ordnance Factory Board (OFB) has shown keen interest for taking over all units of HCL and discussions are currently in progress both with OFB and RINL. No modalities however, have been decided yet. HCL has confirmed that GRSE's dues will be taken care of in the Restructuring Scheme.
- 2.28.11 Details of the dues to Micro, Small and Medium Enterprises (MSME), as defined in the Micro, Small and Medium Enterprises Development Act, 2008, outstanding as on 31st March 2013 is ₹ 66.04 Lakhs (Previous Year ₹ 0.71 Lakh).
- 2.28.12 Total expenditure on sustainable development of ₹55.80 lakhs, which includes capital expenditure of ₹24.60 lakhs.
- 2.28.13 Rent under Other expenses includes Amortisation of Leasehold Land (under operating Lease) ₹13.34 lakhs (Previous year ₹13.34 lakhs). Accordingly, Prepaid expenses under note no 2.12 represents unamortised amount of Leasehold Land. Also Prepaid expenses under Note no 2.17 includes unamortised amount of Leasehold Land of ₹13.34 lakhs (Previous year ₹13.34 lakhs).
- 2.28.14 The Board of Directors at its 308th Meeting held on 12 Dec 12 considered and approved the capitalisation of ₹61.92 Crore out of Company's Free Reserve by issuing 61,92,000 Equity Shares of ₹100/- each on the basis of 1:2 Equity Shares to the President of India. The Board also directed that the Government of India be approached for according their approval under Article 55 of the Articles of Association of the Company. Accordingly, the Department of Defence Production, Ministry of Defence has been requested for approval of the President of India to increase the Authorised Capital of the Company from ₹125 crore to ₹250 crore and to increase Subscribed, Issued and Paid-up Capital by issuing 61,92,000 Equity Shares of @ ₹100/- each aggregating to ₹61,92,00,000 to President of India as Bonus Share out of Company's free reserve. The approval from MoD is awaited.
- 2.28.15 Figures for the previous year have been re-grouped / re-arranged wherever necessary to correspond to those of the current year.

Sd/-
S. Mahapatra
Company Secretary

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

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

For N.K. Poddar & Co.
Chartered Accountants

Sd/-
Padam Kumar Poddar
Partner

Membership No. 50125
Firm Registration No. 308054E

Kolkata
29th June 2013



SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF ACCOUNTING:

- i) The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles accounting standards issued by the Institute of Chartered Accountants of India, as applicable and the relevant provisions of the Companies Act, 1956.
- ii) In preparing the financial statements in conformity with accounting principles generally accepted in India, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and the accounts of revenue and expenses during the reported period. Actual result could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

II. FIXED ASSETS :

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

Cost means cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs.
- ii) Software cost is capitalized where it is expected to provide future enduring economic benefits. Capitalization costs include license fees and costs of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.
- iii) Retirement of Assets: Unserviceable fixed assets are valued at the net realisable value. In case the net realisable value is not available, the same is considered at 5% of original cost as scrap value.

III. DEPRECIATION :

A. Depreciation on Fixed Assets

- (i) Depreciation on Fixed Assets, not being assets mentioned in (ii) to (iv) below, is charged on straight-line method based on Schedule XIV of the Companies Act, 1956 as amended from time to time.
- (ii) Depreciation on software, computer hardware & accessories—
 - a) For assets acquired up to 31 Mar 01 depreciation is charged on straight-line method @ 16.21%.
 - b) In respect of assets acquired after 31 Mar 01, depreciation is charged on straight-line method @ 19% so as to write off 95 % of the original cost on the expiry of 5 years.
- (iii) The rates of depreciation of Furniture, Fixture and office equipment have been applied on straight -line method at @19% w.e.f 1st April 2010.
- (iv) Depreciation on second hand assets –

Depreciation on second hand assets is charged on straight-line method to write off 95% of the cost on the basis of estimated life of asset.

Prorate depreciation/amortization is charged from/upto the date on which the assets are ready to be put to use/are deleted or discarded.

B. Leasehold properties

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

IV. IMPAIRMENT OF ASSETS:

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

V. VALUE OF INVENTORIES:

- i) **(a) Raw materials, stores and spares :**
Valued at weighted average rates.
- (b) Inplant items :**
Valued at standard cost.



ii) **Equipment for specific projects**

Valued at cost.

(iii) **Stores in transit and non-stock items :**

Valued at cost.

Note:

(a) Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location. Cost includes taxes and duties and is net of credit under CENVAT and VAT, where applicable.

(b) Inplant items are valued at standard cost for convenience taking into account normal level of activity and regularly reviewed.

iv) Obsolete, slow-moving and defective inventories are identified at the time of physical verification and where necessary provision is made for such inventories. Project specific stores not moving for 4 years and more from the date of delivery of a vessel are valued at 50% on review. Such valuation at 50% on review is also made in respect of materials not for any specific project which do not move for 4 years or more from the date of receipt.

v) **Scrap :**

Valued at estimated realisable value.

vi) **Inter-transfer items (Pending final transfer):**

At cost, limited to transfer price.

vii) **Work-in-progress :**

Valuation of work-in-progress is done on the following basis and the term cost includes all overheads.

1. Recognition of revenue – Valuation of Work in Progress

A. Cost Plus Contracts:

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

B. Fixed Price Contracts:

(a) Where profit can be reliably measured:

“At costs incurred up to the reporting date plus profits recognized under percentage completion method in the proportion the actual

costs incurred bear to the estimated total cost to completion as on that date”.

(b) Where loss is anticipated:

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

C. Ship Repair Contracts:

(a) Work done against contracts extending up to 12 months is valued at cost or realizable value, whichever is lower. Profit, if any, is recognized in the year in which the repair is completed.

(b) For contracts extending beyond 12 months the valuation is done as per policy for construction contracts as stated above.

VI. REVENUE RECOGNITION :

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

(A) SALES :

1. Sales other than Turnkey Projects :

a) Sales against contracts are reflected in the accounts of the year in which the deliveries are made to the customer.

b) Sale values are ascertained in accordance with contractual provisions.

c) Where the contract prices are not finalized, sales are accounted for on provisional basis.

d) Additional revenue, in respect of contracts completed in earlier years, is accounted for as Sales in the year in which such revenue materializes.

e) Credit notes issued to customers and deductions accepted are reduced from sales in the year in which they are effected.

f) Sales include Excise duty and Service Tax, wherever applicable, and excludes Value Added Tax, Central Sales Tax, Works Contract Tax etc.

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



2. Sales in case of Turnkey Projects :

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

(B) INTEREST INCOME :

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

VII. GRANTS/SUBSIDY :

(i) Capital Grants / Subsidies

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

(ii) Revenue Grants / Subsidies

Revenue Grants are credited to Profit & Loss A/c or deducted from the related expenses.

VIII. BORROWING COST

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

IX. INSURANCE CLAIMS :

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

X. TAXES ON INCOME :

Current tax is determined as the amount of tax payable in respect of taxable income for the period and provided for as per the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date.

Deferred tax is recognized on timing difference between taxable income and accounting income subject to consideration of prudence and provided for. Deferred tax assets on unabsorbed depreciation and

carrying-forward of losses are not recognized unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

XI. RETIREMENT BENEFITS:

(i) Provident Fund and Pension :

Contributions to secure retiral benefits in respect of Provident Funds and Pension based on applicable rules/statutes are made on regular monthly basis and charged to revenue. Provident Fund is administered through duly constituted and approved independent Trust.

(ii) Gratuity:

Gratuity Fund is administered through duly constituted independent Trust and yearly contributions on actuarial valuation as determined by LIC are charged to revenue. Any additional provision as may be required, is provided for on the basis of actuarial valuation as per AS-15.

(iii) Leave Liability:

Liability towards Earn Leave in respect of all employees is provided based on actuarial valuation as per AS – 15.

(iv) Voluntary Retirement Scheme:

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

XII. VARIATION IN FOREIGN EXCHANGE RATES :

(1) Initial Recognition

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

(2) Conversion

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



(3) Exchange Difference

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

XIII. LICENCE FEE:

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

XIV. RESEARCH AND DEVELOPMENT :

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

XV. MISCELLANEOUS :

i) Loose Tools and Tackles :

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

ii) Materials with contractors:

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

iii) Liquidated Damages :

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

iv) Guarantee repair :

Provision for guarantee liability in respect of delivered ships is made on the basis of actuarial estimates. Such provision for all

other products is made, as applicable, on the basis of management estimates.

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

vi) Advance from customers :

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

XVI. CLAIMS :

Claims against the company are assessed on the basis of evaluation of facts and legal aspects of the matter involved. Where such assessment indicate probable obligation, adequate provision is made otherwise claims against the company are disclosed as claims not acknowledged as debts.

XVII. SEGMENT REPORTING:

Segments are identified having regard to the dominant source and nature of risk and returns and the internal organization and management structure. Inter-segment revenue are accounted for on the basis of transfer price acceptable to the final customer. Assets pertaining to Corporate Office or not specific to segment activities are separately indicated.

XVIII. PROPOSED DIVIDEND:

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

XIV. TRADE RECEIVABLES.

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