Chairman’s Statement

Dear Shareholders,

It gives me immense pleasure in welcoming all of you to this 102nd Annual General Meeting of the Company. I would like to take this opportunity to share with you the current Industry Scenario, the Company’s significant achievements during the past year and the future outlook for the Company.

Industry Scenario & Growth Strategy

Defence shipbuilding in India is emerging as an area of focus for public and private sector shipyards alike. While the public sector shipyards are the frontrunners in the defence shipbuilding space, an increasing number of private shipyards are undertaking specific measures to enhance competence and modify their existing shipbuilding repair facilities to suit the needs of the Indian Navy and the Indian Coast Guard. Few among the private shipyards, who entered the shipbuilding market as commercial shipbuilders, have been repositioning themselves as companies with defence shipbuilding capabilities.

Acknowledging the competition both from public and private shipyards, your Company has stepped up its performance in terms of productivity, cost competitiveness, quality, timely delivery etc. Your Company is striving to set up new profit centers through diversification, product addition, adoption of latest processes & methods, envisaging modern shipbuilding requirements and self-reliance. Your Company is also looking at opportunities to promote and fruitfully implement the real objectives of ‘Make in India’ initiative of the nation to become totally self-reliant in the area of Maritime Security of the country and to also explore opportunities in the export of warships.

Turnaround Performance & Dividend

I am pleased to share that during the Financial Year 2017-18, the topline of your Company has achieved significant growth and recorded an increase of 45% over previous year. The Company’s Profit Before Tax (PBT) was recorded at ₹ 127.75 crore and the Net Profit (PAT) was at ₹ 86.80 crore which are 535% and 657% higher than last year’s results. The Company’s Net Worth stands at ₹ 1015.98 crore as on 31 Mar 2018.
The Board of Directors of the Company has recommended a dividend @ 44.35% on the Company’s paid up equity capital amounting to ₹ 50.80 crore (approx.). During the year, the Company has made a contribution of ₹ 218.61 crore to the National Exchequer by way of payment of dividend, taxes and duties to various Government Agencies.

**Disinvestment and IPO**

The Cabinet Committee on Economic Affairs, on 12 Apr 2017, had approved disinvestment of the Company’s shares through IPO and its subsequent listing. Your Company had filed the Draft Red Herring Prospectus with SEBI on 26 Mar 2018. Thereafter, your Company filed its Red Herring Prospectus with the Registrar of Companies on 07 Sep 2018 for disinvestment of 25.50% of the Equity Share Capital of the Company held by the President of India, through the Ministry of Defence, Government of India. The Issue opened on 24 Sep 2018 and closed on 01 Oct 2018. The Issue saw a reasonable response from the public.

**MoU Rating**

In terms of parameters contained in the Memorandum of Understanding signed by your Company with the Government of India for the year 2017-18, your Company is expected to be rated as “Excellent” in its performance this year, which marks a significant improvement over the ‘Good’ rating received last year.

**Significant Achievements**

- Delivered 06 Warships to Indian Navy in 16 months between Jun 2017 and Sep 2018.
- Delivery of last two LCUs & last WJFAC with Zero Shipbuilders Liability and after completion of Weapon & Sensor Trials
- For the 1st time in the country – Integration of Carbon Composite Superstructure with steel Hull on-board INS Kiltan, 3rd Anti-Submarine Warfare Corvette delivered to the Indian Navy.
- Successful Bidders for construction of 4 Hydrographic Survey Vessels (Large) and 8 Anti-Submarine Warfare Shallow Water Crafts for Indian Navy in Competitive Bidding Process which also included participation from Leading Private Shipyards of the Country.
- Received orders for supply of 28 Nos. 1 MW DG Set for P-17A project at a total value of ₹ 225.82 crore, which is highest ever order received by DEP, Ranchi.
- Commissioned a Virtual Reality Lab.

**Corporate Governance**

Your Company has been upholding highest standards of transparent & ethical Governance practices while creating value for all the stakeholders. In testimony, for 9th year in succession your Company has achieved excellent grading in compliance with the conditions of Corporate Governance for Central Public Sector Enterprises, Government of India.

GRSE also received ‘Nil’ comments from CAG for 18 years in a row.

Your Company also received ICC PSE Excellence Award for Corporate Governance.

**Order Book Position**

As on 31 Jul 2018, the order book position of the Company stands at around ₹ 20,313.61 crore for all our product categories, of which our shipbuilding order book consisted of 13 vessels with an aggregate outstanding revenue value of ₹ 20,029.42 crore. Your Company is continuing with its efforts for bagging more orders for all our business verticals.

I am also pleased to inform you that your Company has emerged as the lowest bidder for the construction of 04 Nos. Survey Vessel (Large) for the Indian Navy and as the L2 bidder for the construction of 08 Nos. Anti-Submarine Warfare-Shallow Water Crafts (ASW-SWC), which we have proposed to build at L1 price. The combined order value for both the orders is approximately ₹ 8,000 crore and is expected to boost our order book by a handsome amount. The two contracts are expected to be signed by end 2018.

**Way Ahead**

Your Company is strategically placed as an institution of excellence and eminence in the warship building. You will be glad to know that the Company has planned to deliver 10 warships in the next 02 financial years. Your Company has set a visionary target for the Value of Production (“VoP”) increasing to three folds over the period of next 05 years (2023-24) from the present level. In order to achieve this VoP target and make the entire ship construction process time and cost effective, your Company has worked out a strategy in consultation with M/s. Fincantieri, Italy to implement Integrated Construction Technology in Project P-17A and future warship projects of existing domestic customers (Indian Navy & Coast Guard) and overseas customers.

We are focusing on the following growth strategies to build this Shipyard into a world class facility:
Further Strengthen Relationship with Indian Navy and Indian Coast Guard by focusing on securing orders for the construction of major weapon vessel platforms to optimize our capacity utilization.

Repair and Refitting of Indian Navy and Indian Coast Guard Vessels since substantial market opportunities are anticipated in the coming decade in these areas.

Upgrading Our Technological Capabilities and Facilities

Enhancing Research and Development Capabilities by investing a greater amount of capital as a percentage of revenue towards R&D for the development and design of warships and engineering products.

Aligning Processes to Changing Market Environments by developing strategies to compete in the competitive marketplace.

Pursuing New Market Opportunities for other products, including ship repair, deck machinery, marine pumps, bridges and marine engines.

**New Initiatives**

Your Company has entered into a MoU with M/s. Elbeit Systems, Israel, for the production of Unmanned Surface Vessel in GRSE under “Make in India” initiative of the Government of India with an eventual indigenisation content of over 60%. Another MoU was entered into by the Company with M/s Khulna Shipyard (KSY), Bangladesh to develop shipbuilding skill and know-how of Khulna Shipyard. The MoU authorizes your Company to jointly participate with KSY for shipbuilding projects of customers of KSY and to set forth understanding under which the parties will work together toward achieving these objectives.

Your Company also entered into a MoU with M/s. Construction Development Corporation Ltd., a state owned company under Druk Holdings and Investments (DHI), Royal Government of Bhutan for promulgation of export business and cooperation on mutual interests for supply of Bailey Bridges.

**Make in India**

In line with the Make in India initiative of the Govt. of India, your company has achieved the distinction of delivering the ASW Corvettes and LCUs with an Indigenous Content of over 90%, a major step towards achieving Self-Reliance in State of the Art Warship Design and Construction.

**Research & Development**

Your Company continues its efforts in working towards developing various concept designs for vessels that can cater to the future requirement of Indian Navy and Indian Coast Guard. Generic design of platforms are also being developed which can cater to requirements of auxiliary vessels like survey and research, pollution control, front-line warships like frigates, corvettes and also the vessels required for inland and coastal security.

Towards this end, your Company has recently inaugurated a Virtual Reality Lab at its Central Design Office for undertaking line out inspection on the CAD model, user reviews of critical departments at a much earlier stage and marketing of future ship designs.

**Information Technology**

Leveraging of technology through ERP & other IT Tools to bring in speed & efficiency in all our processes is a key focus area. Going forward, steps are being initiated to bring in Artificial Intelligence in our Products & Processes.

**Industrial Relations**

Industrial Relations situation during the period across all the Units of your Company including DEP, Ranchi, was generally been peaceful and harmonious.

**HR Initiatives**

Over the years the Company has developed the competency and capabilities of its human resources which has created a talent pool and their rich shipbuilding experience made us stand apart in the field of warship design & construction. The strategic focus of the Company has been to bring in contemporary HR Policies, Processes & Practices so as to constantly nurture & develop talents and build expertise. Value driven HR interventions viz. Leadership Capability Development, Succession Planning and Competency Mapping have contributed significantly to the business. Aligning HR to the requirement of People Capability Maturity Model is on the cards. This initiative will provide a new direction to HR, wherein competency based HR systems will be institutionalised. The various measures taken by HR have been recognized by way of your Company bagging the ICC PSE Excellence Award for “Human Resource Management”.

**Safety First Safety Must – Always a priority**

Upholding the “Safety First Safety Must” Mantra, your Company continues to take Workplace Health, Safety, Security & Environment (HSSE) including Sustainable
Development as an integral component of its business policies and strategic plans. In order to ensure smooth and safe operations across locations, systematic approach to safety management has been adopted through close monitoring of implementation of safety norms and procedures at work place. Renewable Energy and Sustainability are the thrust areas for the Company. During the year, your Company has installed a Bio-Gas Plant for recycling / conversion of food & kitchen waste (from the canteens) at Main Works Unit. Further, your Company has installed total 600kWp rooftop Solar Power Plant at Main Works Unit which reduces consumption of conventional electrical energy and facilitates reduction in emission of greenhouse gas by about 650 ton.

**Sustainable Social Care & Warmth**

Your Company has on a sustained basis contributed to touch over marginalized lives and mainstreamed their aspirations for embarking on a life transforming journey based on health care, education & skill development and community development. Your Company’s modest involvement in grass-root driven programmes for empowering the underprivileged has been recognized and awarded for Economic Times Bengal Corporate Award for “Best CSR Idea” and ICC PSE Excellence Award for “CSR & Sustainability”.

**Skill Development**

Your Company is committed to the Government’s initiative to promote ‘Skill India’ by undertaking various skill development programmes both within and outside the Company. We have undertaken initiatives to support Government ITIs i.e. setting up Centre of Excellence in Advanced Welding at Tollygunge Government ITI and Adoption of Women ITI, Kolkata (Gariahat) to boost the Skill India Mission.

In addition, your Company has imparted technical training, personality development and employability skills training to the apprentices employed by your Company. Further, as part of capacity building exercise, various executives of your Company were sent abroad for advanced training on topics like Integrated Construction, Main Engine, CPP Shafting, Dry Docking and Electronic Control Systems for the P-17A project. Apart from this, various onsite trainings were also conducted for the executives of your Company.

Thanking you all,

Place: Kolkata,
Dated: 4th October, 2018

**Swachh Bharat**

Swachh Bharat Mission (SBM) was launched on 2nd Oct 2014 to fulfill the vision of a cleaner India by 2nd Oct 2021 as a tribute to Mahatma Gandhi on his 150th birth anniversary. Taking cognizance of the National mission and the local needs of the community, your Company has initiated multiple interventions in the school level under the broader guidelines of Swachh Vidyalaya Abhiyan. Your Company has constructed toilet units, hand washing facility, provided colour coded waste bins, installed incinerators and other ancillary support structures / items as per school and community requirement in vicinity of the Production Units of your Company.

Further, your Company has undertaken various in-house initiatives like such as training to employees on cleanliness and hygiene, organizing mini marathon to spread awareness on cleanliness and hygiene, painting and essay competition for employees’ families on topics of cleanliness, tree plantation etc. to create awareness among people.

**ACKNOWLEDGEMENTS**

I would like to conclude by thanking the Central and State Government Authorities, Indian Navy 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, Internal Auditors, Cost Auditors, Secretarial 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 Ministry of Defence, Department of Defence Production, Indian Navy, Indian Coast Guard and Ministry of Home Affairs. 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.

V. K. Saxena
Rear Admiral, IN (Retd.)
Chairman & Managing Director