

ABG Shipyard Limited



Annual Report 2004-05

ABG SHIPYARD LIMITED

Board of Directors

Mr. Kamlesh Kumar Agarwal - Chairman
Mr. Rishi Agarwal- Managing Director
Mr. Saket Agarwal
Mr. R.S.Nakra- Technical Director
Mr. M.J.Subbaiah- Nominee of ICICI Bank
Mr. Mehernosh Pardiwala – Additional Director
Mr. R. Sundararaman – Additional Director

Company Secretary

Mr. Manoj G. Raichandani

Auditors

M/s Nisar & Kumar
Chartered Accountants,
A-17, Everest Building,
156, Tardeo Road,
Mumbai - 400 034.

Bankers

ICICI Bank
State Bank of India
Oriental Bank of Commerce
Development Credit Bank
Bank of Baroda
Bank of India
IDBI Bank
Punjab National Bank
Bharat Overseas Bank

Registered Office

Near Magdalla Port,
Dumas Road, Surat - 395 007.

Corporate Office

5th Floor, Bhupati Chambers,
13, Mathew Road,
Mumbai - 400 004.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Twentieth Annual Report on the business and operations of the Company and the financial accounts for the year ended 31st March 2005.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2004-05	2003-04
Gross sales/income	37678.73	29939.81
Profit before interest & depreciation	7643.01	2753.20
Interest	441.44	501.32
Depreciation	313.20	301.74
Profit before taxation	6888.37	1950.14
Provision for taxation	2413.81	658.78
Profit after tax	4474.56	1291.36
Balance brought forward from earlier period	1971.99	1180.63
Net profit available for appropriation	6446.55	2471.99
Transfer to General Reserves	1300.00	500.00
Balance carried to Balance Sheet	5146.55	1971.99

OPERATIONS

Your company has over the years successfully delivered more than 86 vessels. During the year under review the company delivered, amongst other vessels, its state of the art, DP2 vessel to Consolidated Contractors Company, Abu Dhabi. The Company has achieved its highest ever sales of Rs.376.64 crores during the year. Your Company has achieved profit after tax of Rs. 44.75 crores (Rs.12.91 crores in the previous year) despite rise in steel prices and strengthening of EURO.

Company's quality, competitive prices and timely delivery of vessels has resulted in getting repeat orders from the satisfied customers and enlarging its customer base including well known Norwegian buyers. Your company has bagged orders worth about Rs.1350 crores which comprises repeated orders from satisfied customers, Indian Coast Guard and other well known and established companies all over the Globe.

The company's Ship Repairs Division is also doing very well. During the year under review your company earned an income of Rs.15.46 crores (Rs.10.81 crores in the previous year) from the Ship Repairs Division. However in view of Company's focus on building of new ships, Company could not take many orders in this division.

Your Company's Wind Mill Tower Division has delivered 38 (25 in the previous year) wind mill towers during the year, fetching revenue of Rs. 13.89 crores (Rs.10.45 crores in the previous year).

OUTLOOK FOR THE FUTURE

After World War II, the maritime scenario witnessed momentous changes and a shift from European dominated ship building industry to Asian Countries. In the process Japan has emerged as one of the largest shipbuilding nation outside Europe. South Korea also emerged as a strong player. China and India are two major countries that are now likely to compete for a share in deciding the future of ship building in Asia. The Indian shipyards stand to gain in ship building and ship repair market due to the following factors:

- Favorable policy changes by way of 100% FDI, now permitted in ship building and extension of subsidies (30%) to private sector yards.
- Lower labour cost in comparison to Singapore, Korea, Japan and European yards.
- Availability of large pool of technically qualified personnel with proven skills in ship building and other maritime areas as compared to China, Korea, Japan etc.
- A vast coast line of India with many suitable sites for large yards.
- Rise in domestic Indian coastal and overseas trade.
- The quality of Indian built ships is perceived better.
- Input cost of material and machinery are now available to Indian shipyards at global benchmarked prices with economic liberalization.

In view of the above your management expects continuing upswing in the industry not only this year but also in near long term future. The company expects continued buoyancy in exports as well as Coast Guard and other requirements at domestic front. In order to take advantage of the emerging scenario, it has been decided to augment additional capacity by putting up new yard in the State of Gujarat with a capacity to build vessels up to 120,000 DWT. In the process, your company is planning to raise the resources by issue of equity shares of the Company at a premium to institutional investors and to the general public by way of private placement and initial public offering (IPO) as per SEBI guidelines respectively.

DIVIDEND

In order to conserve the funds of the company and use it for its growth, the Directors do not recommend any dividend for the period under review.

DIRECTORS

During the year ICICI Bank withdrew the nomination of Dr. H.S. Vachha from the Directorship of the Company. Shri Amitabh Bhargava was nominated in place of Dr. H. S. Vachha. However, subsequently ICICI Bank Limited decided to have one nominee on the Board of the Company, accordingly nomination of Shri Amitabh Bhargava was also withdrawn.

The Board places on record its gratitude for the services rendered and contributions made by Dr. H. S. Vachha and Shri Amitabh Bhargava as Directors of the Company during their tenure.

In accordance with the Articles of Association of the Company, Shri R S Nakra and Shri Rishi Agarwal, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS

M/s Nisar & Kumar, Auditors of the company hold office until the conclusion of the ensuing Annual General Meeting and have given their consent for reappointment.

Your Directors request you to appoint Auditors for current year and fix their remuneration.

DEPOSITS

The company has not accepted deposits by way of invitation to the public and has complied with all the provisions of Section 58A of the Companies Act, 1956.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956.

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given hereunder:

Sr. No.	Name of the employee	Designation & Nature of duties	Age	Gross remuneration (Rs. in Lacs)	Qualification	Experience in No. of years	Last employment held	Commencement of Employment
1.	Shri Rishi Agarwal	Managing Director	38	47.40	MBA	12	1 st Employment	1 st Jan.1993
2.	Shri R S Nakra	Executive Director (Technical)	67	50.71	B. Tech (Naval Architect)	44	Essar Investment Ltd.	1 st Jan.1998

NOTES

1. Gross remuneration comprises of salary, allowances, company's contribution to provident/pension fund and perquisites at actual. It excludes provision for gratuity and leave encashment.
2. The nature of employment in all the cases is contractual.
3. Shri Rishi Agarwal is relative of Shri Saket Agarwal and Shri Kamlesh Kumar Agarwal.

Information relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to this report.

AUDIT COMMITTEE

Audit Committee of the Board was formed in the year 2001. It comprises of two non-executive independent directors and one executive director. The committee met from time to time during the year and discussed about the internal control systems, audit and review of financial statements etc.

DIRECTORS RESPONSIBILITY STATEMENT

In compliance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, confirm that:

- (i) In preparing the Annual Accounts for the period ended on 31st March, 2005, all the applicable accounting standards have been followed.
- (ii) Accounting policies were adopted and applied consistently and made judgements 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 31st March, 2005 and of the profit or loss of the company for the period ended on that date.
- (iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the company and for preventing / detecting fraud and irregularities has been taken.
- (iv) The Annual Accounts have been prepared on a "going concern" basis.

ACKNOWLEDGEMENT

Your Directors express their gratitude to the banks, customers, suppliers various State and Central Government Departments for their assistance and co-operation during the year.

Your Directors also wish to place on record their appreciation of the dedication, devotion and commitment of your company's employees.

For and on behalf of the Board of Directors

Rishi Agarwal
Managing Director

Saket Agarwal
Director

Place : Mumbai
Date: 13th June, 2005

ANNEXURE

Information pursuant to the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

1) Conservation of Energy:

During the period under review, all possible efforts were made to ensure optimum conservation of electricity and fuel at the plant of the company.

2) Foreign Exchange Earnings and Outgo:

	(Rs. in Lacs)	
	2004-05	2003-04
Earnings	8722.00	17225.44
Outgo	9825.04	14256.77

3) Foreign Technical collaboration and technology absorption:

Your company builds vessels of high quality with good workmanship which are comparable with international standards. These vessels are approved by agencies such as ABS, IRS, LRS etc. As such, your company has not gone for any technical collaboration.



AUDITOR'S REPORT TO THE MEMBERS OF ABG SHIPYARD LIMITED

1. We have audited the attached Balance Sheet of ABG Shipyard Limited as at 31st March, 2005 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. 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;
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and 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;
 - v. On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.