

# ABG

# ABG Shipyard Limited



**Annual Report 2011 - 2012**

## ABG SHIPYARD LIMITED

### Board of Directors

Shri. Rishi Agarwal - *Chairman*  
 Shri. Ram Swaroop Nakra - *Managing Director*  
 Major Arun Phatak - *Executive Director*  
 Shri. Ashok R. Chitnis - *Director*  
 Shri. Shahzaad Dalal - *Director*  
 Shri. Ashwani Kumar - *Director*  
 Shri. Dhananjay Datar - *Whole Time Director* (w.e.f. 29/07/2011)

### 27<sup>th</sup> Annual General Meeting

Day : Thursday  
 Date : 27<sup>th</sup> September, 2012  
 Time : 12.00 Noon  
 Venue : At the Registered Office of the Company  
 Near Magdalla Port,  
 Dumas Road, Surat - 395007.  
 Gujarat - India

### Auditors

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

### Bankers

ICICI Bank Ltd.  
 State Bank of India  
 Bank of Baroda  
 Bank of India  
 IDBI Bank Ltd.  
 Export-Import Bank of India  
 Standard Chartered Bank  
 Oriental Bank of Commerce  
 Development Credit Bank  
 Indian Overseas Bank  
 Punjab National Bank  
 Andhra Bank  
 Yes Bank

### Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.  
 C-13, Pannalal Silk Mills Compound,  
 L.B.S. Marg, Bhandup (West),  
 Mumbai - 400 078.  
 Tel.: 91-22-25946970  
 Fax: 91-22-25946979  
 e-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

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### Registered Office

Near Magdalla Port, Dumas Road,  
 Surat - 395007. Gujarat - India  
 Tele.: 91-261-2725191  
 Fax: 91-261-3048243

### Corporate Office

4<sup>th</sup>/5<sup>th</sup> floor, Bhupati Chambers,  
 13, Mathew Road,  
 Mumbai-400 004.  
 Tel.: 91-22-66563000  
 Fax: 91-22-66223050  
 Website: [www.abgindia.com](http://www.abgindia.com)  
 E-mail: [shipyard@abgindia.com](mailto:shipyard@abgindia.com)

## NOTICE

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the Members of **ABG Shipyard Limited** will be held at the Registered Office of the Company Near Magdalla Port, Dumas Road, Surat-395 007 on Thursday **the 27<sup>th</sup> of September, 2012 at 12.00 noon**, to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the Audited Accounts for the year ended 31<sup>st</sup> March 2012 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri. Ashwani Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. Rishi Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Nisar & Kumar, Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting of the Company until conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

### Special Business:

1. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :-

**“RESOLVED** that pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the “SEBI ICDR Regulations”), the provisions of the Foreign Exchange Management Act, 1999, and rules and regulations made hereunder, including the Foreign Exchange management (Transfer and Issue of Securities by a person Resident outside India) Regulation, 2000, if applicable, the provisions of Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and subject to any other applicable law or laws, rules and regulations (including any amendment thereto or reenactment thereto or reenactment thereof for the time being in force) and subject to enabling provisions in the Memorandum and Articles of Association of the Company and Listing Agreements, entered into by the Company with the Stock Exchanges where the shares of the company are listed and subject to any approval, consent, permission and/or sanction of the members of the Company by way of special resolution, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies, Securities and Exchange Board of India and /or any other competent authorities, institutions or bodies, within or outside India, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed by the Board of Directors (hereinafter referred to as “Board” which term shall include any committee thereof, whether constituted or to be constituted), approval of the Company is hereby accorded to the Board to create, offer, issue and allot in one or more tranche(s), in the course of **domestic and / or international offerings and /or Qualified Institutional Placements (“QIP”)**, with or without an over allotment/ green shoe issue option, in one or more foreign markets or domestic markets, to domestic institutions, foreign institutions, non-resident Indians, Indian public, companies, corporate bodies, mutual funds, banks, insurance companies, pension funds, individuals, qualified institutional buyers or other persons or entities, whether shareholders of the Company or not, through a public issue and/or on a private placement basis and/or qualified institutional placement within the meaning of Chapter VIII of the SEBI ICDR Regulations and /or preferential issue and/or other kind of public issue and /or private placement or through a combination of the foregoing as may be permitted under applicable law from time to time, with or without an over allotment/ green shoe option, equity share, secured or unsecured debentures, bonds or any other securities whether convertible into equity share or not, including, but not limited to, Foreign Currency Convertible Bonds (“FCCBs”), Optionally Convertible Debentures (“OCD”), Bonds with share warrant attached, Global Depository Receipts (“GDRs”), American Depository Receipts (“ADRs”) or any other equity related instrument of the Company or a combination of the foregoing including but not limited to a combination of equity shares with bonds and/or any other securities whether convertible into equity shares or not (hereinafter referred to as “Securities”) for a value of upto Rs. 1,000/- crores (Rupees One Thousand Crores), whether to be listed on any stock exchange inside India or any international stock exchanges outside India, through an offer document and/or prospectus and/or offer letter, and/or offering circular, and/or on public and/or private or preferential basis, whether rupee denominated in foreign currency at such time or times, at such price or prices in such manner and on such terms and conditions including security, rate of interest etc, as may be decided by and deemed appropriate by the board as per applicable law, including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made, considering, the prevailing market conditions and other relevant factors wherever necessary in consultation with its advisors, as the Board in its absolute discretion may deem fit and appropriate.

**RESOLVED FURTHER** that in addition to all applicable Indian laws, the securities issued in pursuance of this resolution shall also be governed by all applicable laws and regulations of any jurisdiction outside India where they are listed or that may in any other manner apply to such securities or provided in the terms of their issue.

**RESOLVED FURTHER** that any securities that are not subscribed in issues mentioned above, may be disposed off by the board in its absolute discretion in such manner, as the board may deem fit and as permissible by the law.

**RESOLVED FURTHER** that in case of a Qualified Institutional Placement pursuant to Chapter VIII of the SEBI ICDR Regulations, the allotment of specified securities shall only be to Qualified Institutional Buyers within the meaning of Chapter

VIII and the relevant date for the determination of the price of the equity shares to be issued or issued pursuant to conversion, shall be the date on which the board decides to open the issue of securities or such other time as may be allowed by SEBI ICDR Regulations from time to time and allotment of specified securities shall be completed within twelve months from the date of this resolution.

**RESOLVED FURTHER** that in case of an issuance of FCCBs/ADRs/GDRs, the relevant date for the determination of the issue price of the securities offered, shall be determined in accordance with the Issue of Foreign Currency Convertible Bonds and Ordinary shares (through Depository Receipt Mechanism) Scheme, 1993 as may be amended from time to time.

**RESOLVED FURTHER** that the issue of Securities shall be subject to the following terms and conditions:

- (a) The Securities shall be subject to the provisions of Memorandum and Articles of Association of the Company and in accordance with the terms of the issue; and
- (b) The number and/or price of the Securities shall be appropriately adjusted for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of division or any such capital or corporate restructuring.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolutions, the Board be and is hereby authorized to do all such acts, deeds, matters and things including but not limited to determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, execution of various transaction documents, creation of mortgage/ charge in accordance with Section 293(1)(a) of the Act, in respect of any Securities as may be required either on pari-passu basis or otherwise, as it may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

**RESOLVED FURTHER** that the Board be and is hereby authorized to form a committee or delegate all or any of its powers to any Directors (s) or Committee of Directors or other persons authorized by the Board to give effect to the aforesaid resolutions.

**RESOLVED FURTHER** that subject to the applicable laws the Board and/or the Committee authorized by the Board be and is hereby authorized to do such acts, deeds and things as the Boards in its absolute discretion deems necessary or desirable in connection with the issue of the securities, including, without limitation of the following;

- (a) Decide the date for the opening of the issue of securities;
- (b) Decide the price band for the issue;
- (c) Finalization of the Issue Price;
- (d) Finalization of the allotment of the securities on the basis of the subscriptions received;
- (e) Finalization of, signing of and arrangement for the submission of the preliminary and final offering circulars/prospectus(es)/offer document(s), and any amendments and supplements thereto, along with supporting papers needed to be filed for seeking listing approval with any applicable government and regulatory authorities, institutions or bodies as may be required;
- (f) Deciding the pricing and terms of the securities, and all other related matters, including taking any action on two-way fungibility for conversion of underlying equity shares into FCCBs/ GDRs/ ADRs, as per applicable laws, regulations or guidelines;
- (g) Appoint, in its absolute discretion, managers (including lead manager), Investment Bankers, Merchant Bankers, underwriters, guarantors, financial and /or legal advisors, depositories, custodians, principal paying/transfer/conversion agents, listing agents, registrars, trustees and all other agencies, whether in India or abroad, entering into or execution of all such agreements/ arrangements/ MoUs/ documents with any such agencies, in connection with the proposed offering of the securities;
- (h) Approval of the Deposit Agreements(s), the Purchase/Underwriting Agreement(s), the Trust Deed(s), the Indenture(s), the Master/Global GDRs/ADRs/FCCBs/other securities, letters of allotment, listing application, engagement letter(s), memoranda of understanding and any other agreements of documents, as may be necessary in connection with the issue/offering (including amending, varying or modifying the same, as may be considered desirable or expedient), in accordance with all applicable laws, rules, regulations and guidelines;
- (i) Settle all questions, difficulties or doubts that may arise in regards to the issue, offer or allotment of securities and utilization of the proceeds of the issue in such manner and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit.

**RESOLVED FURTHER** the Board and/or the Committee authorized by the Board be and is hereby authorized to accept any modifications in the proposals as may be required by the authorities involved in such issues but subject to such conditions as the SEBI/Gol/RBI or such other appropriate authorities may impose at the time of their approval and as agreed to by the Board;

**RESOLVED FURTHER** that without prejudice to the generality of the foregoing, issue of the securities may be done upon all or any terms or combination of terms in accordance with international practices relating to the payment of interest, additional interest, premium on redemption, prepayment or any other debt service payments and all such terms as are provided customarily in an issue of securities of this nature.

**RESOLVED FURTHER** that the Company may enter into any arrangement with any agency or body authorized by the Company for the issue of depository receipts representing the underlying equity shares issued by the Company with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability of free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international markets."

**By Order of the Board of Directors**

Place : Mumbai  
Date : 14<sup>th</sup> August 2012

**Ch. Rajashekhar Reddy**  
Company Secretary &  
Associate Vice-President (Legal)

#### NOTES :

- A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.**
- Proxies in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- The details under clause 49 of the Listing Agreement with the Stock Exchange(s) in respect of the directors proposed to be re-appointed at the Annual General Meeting is annexed hereto.
- The Register of Members and Share transfer books of the Company will remain closed from 22<sup>nd</sup> September, 2012 to 27<sup>th</sup> September, 2012 (both days inclusive) in connection with the Annual General Meeting.
- Members are requested to intimate all changes with respect to their bank details, nomination, power of attorney, change of address, change in name, etc. to their respective depository participant (DP).
- Members are requested to bring their copy of Annual Report to the meeting.
- Members/Proxies are requested to bring the attendance slip duly filled in.
- Members desirous of obtaining any information as regards accounts and operations of the Company are requested to write to the Company at least one week before the meeting, so that information required is made available at the meeting.
- As per Section 205C of the Companies Act, 1956, the amount remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payments shall be made by IEPF, in respect of any claims. Members who have not yet encashed their dividend warrants for the financial year ended March 31, 2006 and subsequent years are requested to make their claims directly to the Company's Registrar and Share Transfer Agent, Link Intime India Private Ltd., without any delay. It may be noted that the unclaimed dividend for the financial years 2005-06 to 2010-11 are due for transfer to the IEPF as per table given below:

Financial Year	Due Date for Transfer
2005-06	17 <sup>th</sup> September, 2013
2006-07	26 <sup>th</sup> October, 2014
2007-08	21 <sup>st</sup> October, 2015
2008-09	29 <sup>th</sup> October, 2016
2009-10	29 <sup>th</sup> October, 2017
2010-11	26 <sup>th</sup> October, 2018

#### Unclaimed IPO Refund Money

Pursuant to section 205C of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, the amount remaining unclaimed/unpaid for a period of seven years from the date of closure of IPO of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. No claim shall lie against the Company or IEPF, in respect of unclaimed money lying in IPO refund accounts after the said amount is transferred to the fund. The Unclaimed IPO refund money is due for transferred to IEPF on 9<sup>th</sup> December, 2012. Members who have not yet

claimed their refund of share application money, are requested to make their claim without any delay to the Company's Registrar and Transfer Agents, Link Intime India Private Limited.

10. All statutory registers are open for inspection at the Registered Office of the Company on all working days, from the date hereof upto the conclusion of this meeting between 10.00 a.m. and 5.00 p.m.
11. Corporate Members intending to send their authorized representatives to attend the Annual General Meeting are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting.
12. Members are requested to address all correspondence, including dividend matters, to the Registrar and Share Transfer Agent, M/s. Link Intime India Private Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078.

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

The Company proposes to raise funds to the tune of Rs. 1,000/- crores (Rupees One Thousand Crores), in one or more tranches through a public issues and/or on a private placement basis and/or QIP within the meaning of Chapter VIII of the SEBI ICDR Regulations and/or preferential issue and/or any other kind of public issue and/or private placement as may be permitted under applicable law from time to time. The resolution contained in the business of the Notice is regarding proposal to create, offer, issue and allot equity shares and/or such other Securities as stated in the Special Resolution (the "Securities") which seeks to empower the Board of Directors (hereinafter referred to as "Board" which include any Committee thereof, whether constituted or to be constituted) to undertake such issue or offer of securities.

#### **1. Object of the issue**

Taking into account the performance and positive outlook of the Company, the Company proposes to raise long term capital by issue of further securities to cater its fund requirements for expansion of its activities, finance, additional working capital requirements and general corporate purpose.

#### **2. Pricing**

In case of an **issue of the Securities to Qualified Institutional Buyers pursuant to Chapter VIII of the SEBI ICDR Regulations**, the issue price of Securities shall be at a price, being not less than the price calculated in accordance with Chapter VIII of SEBI ICDR Regulations as may be amended from time to time and the Relevant Date in this regard shall be the date on which the board decides to open the issue of securities or such other time as may be allowed by SEBI ICDR Regulations from time to time.

In case of a Qualified Institutional Placement pursuant to Chapter VIII of the SEBI ICDR Regulations, the allotment of securities shall be completed within twelve months from the date of passing of this resolution.

In case of **issue of ADRs/GDRs** the issue price shall be at a price, being not less than the price calculated in accordance with applicable law including the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) Scheme, 1993, as may be amended from time to time.

#### **3. Terms and Conditions**

The detailed terms and conditions for the offer will be determined by the Board in consultation with Advisors, Lead Manager/Book Runners, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors.

The issue/ allotment/ conversion would be subject to the availability of regulatory approvals, if any. The conversion of securities, held by foreign investors, into shares would be subject to the applicable foreign investment limits.

The Special Resolution seeks to empower the Board and/or Committee authorized by the Board, to issue Securities in one or more tranche or tranches, at such time / times, and to such person(s) as the Board may in its absolute discretion deem fit.

Section 81(1A) of the Companies Act, 1956 and the relevant clause of the Listing Agreement with the Stock Exchanges where the Equity Shares of the Company are listed provides, inter alia, that when it is proposed to increase the issued capital of a company by allotment of further shares, such further shares shall be offered to the existing shareholders of such company in the manner laid down in Section 81 unless the shareholders in a general meeting decide otherwise. Since the Special Resolution proposed in the business of the Notice results in the issue of shares of the Company otherwise than to the members of the Company, consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and the Listing Agreement.

The Special Resolution, if passed, will have the effect of allowing the Board and/or the Committee authorized by the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company and the Board and/or the Committee authorized by the Board will have the power to decide the date of opening of the Issue.

The Directors of the Company may be deemed to be concerned or interested in the above resolution only to the extent of shares held by them in the Company.

The Board of Directors recommend the special resolution for your approval.

**Details of Directors seeking appointment/re-appointment in the 27<sup>th</sup> Annual General Meeting**

<b>Name of Director</b>	<b>Shri Rishi Agarwal</b>	<b>Shri Ashwani Kumar</b>
Date of Birth	03/09/1966	15/08/1948
Date of Appointment / Re-appointment as Director	30/09/2010	30/09/2010
Qualification	MBA (Finance) from Purdue University, USA.	Post Graduate in Political Science from Allahabad University
Experience and Expertise in Specific functional area	Has over 26 years of rich experience in Shipbuilding, Ship Repairing and Shipping Industry.	Joined Indian Revenue Service in November 1973, during the tenure, worked in various capacities and at various places like, Kolkata, Jaipur, Bhopal, Jodhpur, Mumbai and retired as Chief Commissioner of Income Tax from Chennai in August, 2008.
Directorships held in other companies	ABG International Pvt Limited Indian Register of Shipping ABG Cement Limited ABG Energy (Gujarat) Ltd.	Western Indian Shipyard Limited J. Kumar Infraprojects Limited
Committee positions held in other companies	Nil	Audit Committee-Western India Shipyard
No. of shares held in ABG Shipyard Ltd.	140625	NIL

## DIRECTORS' REPORT

### TO THE MEMBERS,

Your Directors are pleased to present the Twenty Seventh Annual Report on the business and operations of your Company along with the Audited Accounts for the year ended 31<sup>st</sup> March 2012.

### 1. FINANCIAL PERFORMANCE

(₹ in crores)

Particulars	2011-2012	2010-11
Sales and Other Income	2,432.86	2,082.66
Profit before Interest, Depreciation & Tax	604.92	505.39
Less: Interest (Net)	226.89	162.15
Profit before Depreciation & Tax	378.03	343.24
Less: Depreciation	99.25	63.03
Profit before Tax	278.78	280.21
Less: Provisions for Taxation	98.49	91.41
Net Profit after Tax	180.29	188.80
Balance brought forward from previous year	416.63	383.58
Profit available for appropriations	596.92	572.38
Appropriations		
Transfer to Debenture Redemption Reserve	92.00	92.00
Transfer to General Reserve	16.00	40.00
Proposed Dividend Equity shares	-	20.37
Corporate Dividend Tax	-	3.38
Balance carried to Balance Sheet	488.92	416.63

\* Figures regrouped wherever necessary.

### 2. OPERATIONS

Your company has successfully delivered 14 vessels during the financial year under review which has taken to the total sum to 152 vessels delivered so far by the Company.

Your Company has posted a turnover of ₹ 2432.86 crores, an increase of about 16.82% as compared to ₹ 2082.66 Crores in the previous Financial Year. The Company recorded a net profit of ₹ 180.29 Crores, for the financial year under consideration.

EBIDITA for the Financial Year 2011-12 stood at ₹ 604.92 Crores with an increase of 19.69% as compared to ₹ 505.39 Crores in the previous Financial Year.

The Government of India had provided for a Shipbuilding Subsidy Scheme, for both export and domestic orders to all the Indian Shipyards, which was expired in August, 2007 and The Government had issued modified guidelines dated 25<sup>th</sup> March 2009, for liquidation of the liability for the payment of subsidy for ongoing eligible contracts entered upto 14<sup>th</sup> August 2007, by virtue of the same, your company has received an amount of ₹ 16.08 Crores towards subsidy in the Financial Year 2011-12.

During the Financial Year 2011-12, your company has bagged a prestigious order of USD 101.14 Mio from Shipping Corporation of India (SCI) for construction of 6 Nos. of 63.4 meters Twin Screw Diesel Engine driven 2000DWT 80T Bollard Pull AHTS Vessels.

### 3. DIVIDEND

Considering the Capital expansion plans coupled with working capital requirement and needs of general corporate purposes, the Board believes that the Company needs to conserve its resources to pursue aforesaid purposes. In view of the same, the Board has not recommended any payment of dividend for the year.

### 4. OUTLOOK

Economic Survey for 2012- 13 estimated the Indian GDP at 7.6% for the financial year 2012- 2013 as against a growth of 6.9% for the financial year 2011-2012. The Survey indicates that the Indian Economy is likely to get back on track from this fiscal year due to changes in interest rates, greater savings and capital formations.

Currently, majority of the new-build orders at Indian private shipyards are from foreign ship owners. Also, Indian private shipyards cater almost entirely to the commercial shipping segment. However, due to the shipping downturn as well as the global economic scenario, the future of the shipbuilding industry beyond 2012 seems uncertain. Even though shipyards globally had managed to run profitably till 2011, they started taking measures to cut costs in anticipation of a lull in business then after. In view of the looming crisis, these shipyards are on a hunt to find other avenues of demand for new ships.

Nearly 70% of new-builds in Indian commercial order book are export oriented. It reflects the notion that Indian fleet owners prefer acquiring ships from outside India. During the boom time, Indian shipyards benefited from spill over of orders from the overbooked foreign yards. But now, they will have to attract domestic ship owners as the world demand has slowed down.

There are a total of around 900 vessels under the Indian flag and almost all of them are Indian owned. The average age of the fleet is 24 years. Within the next 5 years - 10 years, a large number of these ships will need to be replaced, and it is important that these shipbuilding orders go to Indian Shipyards.

The Government has been encouraging PPP (Public Private Partnership) in the ports sector to infuse funds, to induct latest technology and improved management practices, and above all for addition of capacity, 100% Foreign Direct investment under the automatic route is permitted for port development projects. 100% income tax exemption is also available for a period of ten years. The proposed investment during the next ten years is expected to be ₹ 2.77 lakh cr. out of which ₹ 1.09 lakh cr. for Major Ports and ₹ 1.68 lakh cr. for non-major ports. The budgetary allocation, towards subsidy required for the development of Shipping Industry, for the year 2012-2013 is ₹ 400 crore.

Regarding the perspective plan “**Maritime Agenda 2020**” prepared by the Shipping Ministry, the Agenda encompasses development of 12 major ports functioning under the Union Government and also the 176 notified non-major ports. The objective of the Agenda inter alia includes creation of port capacity of around 3200 million MT to handle the expected traffic of about 2500 million MT by 2020. The Government of India has given top priority to the modernization of ports through various expansion/upgradation projects for berths, construction of new berths/terminals, installation of new and modern equipment, upgradation/replacement through higher capacity of cargo handling equipment's, mechanization of cargo handling operations, deepening of channels/berths etc. along with schemes for quicker evacuation of cargo through road and rail connectivity. Under National Maritime Development Programme (NMDP), 276 projects have been identified for mechanization and 69 have been completed.

The Indian Navy could be the saviour of the Indian shipbuilding industry. In the interest of national security, before private participation was invited, the naval orders were usually awarded to domestic public sector shipyards. The Public Sector shipyards were allowed to make joint ventures with private sector shipyard to cater the requirements of Indian Navy, which are highly attractive because of long delivery time allowed, absorption of price increase due to cost overruns by the Government besides very little chance of an order being cancelled. However, a private shipyard needs to obtain a license to build naval ships, for which it needs to satisfy technical requirements. Amongst very few other shipyards, your Company has obtained this license and successfully entered into the segment. With the Government of India's aim to make Indian Navy as “Blue Water Navy” by 2020 coupled with substantial estimated allocation/expenditure in this sector, the potential in the shipbuilding sector seems enormous.

The current commercial shipbuilding order book of Indian shipyards values at ₹ 280 billion till 2012, which translates into approximately ₹ 70 billion per year. Riding on the assumption that the Indian Navy will be spending ₹ 950 billion, starting in 2013 up to 2030, the Indian shipping industry would see an annual spending of ₹ 53 billion per year. However, the defence segment alone cannot help sustain the current performance of Indian shipyards. Hence, another alternative needs to be considered is Shipbuilding for offshore sector.

## 5. SUBSIDIARIES.

Your Company has three (3) subsidiaries i.e. Western India Shipyard Limited (a BSE listed Company), ABG Shipyard Singapore Pte Limited and ABG FPSO Private Limited as at the end of financial year. In view of the General exemption granted by The Ministry of Corporate Affairs, under Sec. 212 of the Companies Act, 1956, vide General Circular no. 2/2011 dated 8<sup>th</sup> February, 2011, from the requirement of attaching the Balance Sheet, Profit & Loss Account, etc of its subsidiaries to its accounts, your Company has decided to take the benefit of the said exemption.

The consolidated financial statement is forming part of this Annual Report.

Your Company undertakes that the annual accounts of the subsidiary Companies and the related detailed information will be made available to the members on request. Further, the annual accounts of the subsidiary Companies will also be kept at the registered office of the Company and of its subsidiary Companies for inspection by any member.

## 6. DIRECTORS

In accordance with Section 255 & 256 of the Companies Act, 1956 read with Article 190 of the Articles of Association of the Company, Shri. Ashwani Kumar and Shri. Rishi Agarwal are liable to retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Your Directors recommend the re-appointment of Shri. Ashwani Kumar and Shri. Rishi Agarwal as directors.

None of these directors is disqualified as per the provisions of Section 274 (1) (g) of the Companies Act, 1956, to be re-appointed as directors of your Company.

## 7. AUDITORS

M/s. Nisar & Kumar, Chartered Accountants, Statutory Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and have consented for their re-appointment.

Your Directors recommend their appointment as the Auditors of the Company for the current year and fix their remuneration.

## 8. ISSUE OF SECURITIES

Taking into account the performance and positive outlook of the Company, the Company proposes to raise long term capital by issue of further securities including but not limited to Convertible Bonds, Preference Shares, Equity Shares and other securities whether convertible or not, etc., upto Rs. 1000/-Crs. (Rupees One Thousand Crores) to cater its fund requirements for expansion of its activities, finance, additional working capital requirements and general corporate purpose.

Accordingly the resolution mentioned in the Notice of meeting is commended for your approval.

## 9. DEPOSITS

The Company has not accepted deposits by way of invitation to the public and therefore, provisions of Section 58A of the Companies Act, 1956 are not applicable to the Company.

## 10. CORPORATE GOVERNANCE

Your Company believes in implementing the corporate governance practice that go beyond just meeting of letter of law. Corporate Governance is a way of life, rather than a mere legal compliance. It further inspires and strengthens investor's confidence and commitment to the Company, Your Company is committed to adhering to good corporate governance practices to effectively meet its Statutory, Financial and Social obligations. Your company has not only adopted practices mandated in the clause 49 of the Listing Agreement, but also incorporated some of the non-mandatory recommendations to uphold its core values of Customer Focus, Community, Performance, Leadership, Innovation and Quality.

A detailed report on compliance of Corporate Governance and Management's Discussion and Analysis as stipulated in Clause 49 of the Listing Agreement is enclosed and forms part of this Report.

In line with the applicable provisions, the Company has obtained requisite Certificate from the Auditors of the Company, which is annexed and forms part of this Report.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- i. *in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;*
- ii. *the Directors have selected such accounting policies and applied them 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 at the end of the financial year and of the profit or loss of the company for that period;*
- iii. *the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities;*
- iv. *the Directors have prepared the annual accounts on a going concern basis.*

## 12. STATUTORY INFORMATION

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, and Companies (Particulars of Employees) Amendment Rules, 2011, are required to be annexed to the Directors' Report. Having regard to the provisions of Section 219 (1)(b)(iv) of the said Act, the annual report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Corporate Office of the Company.

## 13. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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, as amended, is given in the annexure to this Report.

## 14. INDUSTRIAL RELATIONS

The Industrial relations at the manufacturing facilities of your Company have been cordial during the year.

Your directors would like to express their sincere thanks and appreciation to all the employees for their commendable teamwork and exemplary contribution to the operations and performance of the company and looks forward to their continued co-operation and support.

## 15. APPRECIATION

Your Company's Board and employees are inspired by their vision of sustaining ABG's position as one of the India's most admired and valuable Shipyard through world-class performance, creating enduring value for all stakeholders and the Indian Society.

The directors wish to place on record their profound sense of appreciation to the employees at all levels of the Company for their dedication and commitment throughout the year.

The directors would also like to express their sincere appreciation for assistance and co-operation from the Bankers, Financial Institutions, Government Authorities, Business Associates and Company's Shareholders/Members for their contribution in enhancing the esteem of the Company.

**For and on behalf of the Board**

Place: Mumbai  
Date: 14<sup>th</sup> August 2012

**R.S. Nakra**  
Managing Director

**Major Arun Phatak**  
Executive Director

**Dhananjay Datar**  
Whole Time Director &  
Chief Financial Officer