



Contents

Chairman's Speech	8
Notice	11
Directors Report	13
Comments of C&AG	29
Report on Corporate Governance	33
Management Discussion and Analysis Report	45
Auditors Report	52
Annual Accounts	57
Vision/Mission/Objectives	95



Board of Directors

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

Management Team

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

Company Secretary

Smt V Kala

Registered Office

Cochin Shipyard Limited
XXXIX/ 6080, Administrative Building
Perumanoor
Kochi – 682015, Kerala, India

Bankers

State Bank of Travancore
State Bank of India
Syndicate Bank
Union Bank of India

Auditors

Babu .A Kallivayalil & Co
Chartered Accountants, Ernakulam

BOARD OF DIRECTORS



Cmde K Subramaniam
Chairman and Managing Director

Cmde Kartik Subramaniam joined Cochin Shipyard Limited (CSL) as Director (Operations) on 02 August 2007. He was appointed as the Chairman & Managing Director on 31 December 2010. A Marine Engineer by training, he served in the Indian Navy for close to three decades before joining CSL. During his tenure in the Indian Navy, he has served on various ships viz missile vessels, destroyers and tankers. He has also served in various afloat billets at Naval Headquarters, Command Headquarters and at Naval Dockyards at Visakhapatnam and Mumbai. He has been trained in shiprepair techniques at Riga, Latvia. He also holds a Masters Degree in Defence studies.



Capt. R S Sundar
Director (Operations)

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



Shri Paul Ranjan D
Director (Finance)

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



Shri Sunny Thomas
Director (Technical)

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



Shri M C Jauhari, IAS
Official Part Time Director
Joint Secretary (Shipping)

Shri M.C. Jauhari, IAS (AM:87) entered in Govt. Service on 24.8.1987. He joined Ministry of Shipping as Joint Secretary (Shipping) on 19 January, 2012. He was born on 02 August, 1962 at Shahjahanpur in UP. He completed his studies from Uttar Pradesh and has done his Post Graduation in Physics from Allahabad University. He has worked in the State Govt. of Assam in various capacities and also as Joint DG/Director in DGFT in Commerce & Industry Ministry, Govt. of India, New Delhi. In addition to this, he has worked as Adviser in the Indian Mission to European Union. He has got vast knowledge in different subjects including land revenue administration, Labour & employment, Town and country planning, Science & Technology, Foreign Trade, Agriculture & Cooperation, Personnel & General Administration, Planning & Programme implementation etc. He is presently Govt. Director on the Boards of Shipping Corporation of India Ltd., Cochin Shipyard Ltd. and Dredging Corporation of India Ltd.



Shri. Elias George, IAS
Official Part Time Director
(Representative of Government of Kerala)

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



Shri L N Vijayaraghavan
IAS (Retd.)

Non Official Part Time Director

Shri L N Vijayaraghavan is a Non Official Part Time Director in our Board w.e.f 16 September 2011. He is a post graduate in commerce and a former member of the Indian Administrative Service. He retired in the rank of Chief Secretary to Government of Tamil Nadu after working for over 35 years in key sectors of government such as Power, Infrastructure, Industry, Rural Development, Education, Housing and Urban Development, Finance, Municipal Administration & Water supply, Women and Child Development. He is credited with turning around the only State owned shipping company in India, the Poompuhar Shipping Corporation from a loss making company to a profit making company during 1989-91. He had been instrumental in the implementation of various housing and urban infrastructure projects in Tamil Nadu, the notable contribution being the execution of the 220 km of water supply pipeline from Veeranam to Chennai city during his tenure as Principal Secretary, Municipal administration and Water supply. Shri Vijayaraghavan has also headed various organizations and has held directorships in various government and semi government organizations. He is also a Director in the Neyveli Lignite Corporation.



VAdm (Retd.) S K K Krishnan

Non Official Part Time Director

VAdm S K K Krishnan is a Non Official Part Time Director in our Board w.e.f 25th January 2012. A Mechanical Engineer by profession with a post graduation in Marine Engineering from Naval Academy, St Petersburg, Russia, Shri Krishnan has served the Indian Navy for 36 years after which he took over charge as CMD of M/s Mazagon Docks Limited (MDL). Shri Krishnan is a highly respected naval officer whose commitment and engineering skills are widely acknowledged. Shri Krishnan is also recognized for the system & procedural improvements that he brought about in Mazagon Docks Limited (MDL), especially with reference to the new ERP environment that was implemented during his tenure.



Shri M Raman, IAS (Retd.)

Non Official Part Time Director

Shri M Raman is a Non Official Part Time Director in our Board w.e.f 25th January 2012. He has more than three decades of experience in various government departments notably in the Chemicals, Petrochemicals, Port and Shipping sector. He was the CMD of Ennore Port Limited from 2001 to 2006 and was fully involved in conceptualization, policy formulation, financial restructuring and funding pattern for the port. He also has extensive experience in handling various portfolios, especially, in the areas of infrastructure, Industrial Development, social development issues etc. He retired as Secretary to the Government of India.



Dr G C Gopala Pillai

Non Official Part Time Director

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



Shri S Mohan

Non Official Part Time Director



Shri N Raghuram

Non Official Part Time Director

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

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

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

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



FINANCIAL HIGHLIGHTS

(₹ in crores)

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

CHAIRMAN'S ADDRESS

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

Shipbuilding Scenario

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

Company Performance -Shipbuilding

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

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



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

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

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

Ship Repair Performance

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

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



CHAIRMAN'S ADDRESS

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

Implementation of Enterprise Resource Planning System (ERP)

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

Future Expansion Plans

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

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

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

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

Corporate Governance

13. The Company continued to comply with good corporate governance practices as stipulated by the various statutes and the guidelines issued by the Department of Public Enterprises (DPE). The total strength of the Board of Directors as on date is 11, out of which five are Independent Directors. The yard has constituted an Audit Committee consisting of three Independent Directors to review financial results, internal control measures, audit recommendations etc. A Remuneration Committee chaired by an Independent Director makes recommendations on the performance related pay policy of the Company. A Corporate Social Responsibility and Sustainable Development (CSR & SD) Committee has been constituted to provide fillip to the CSR, sustainable development initiatives of the Company. A Contracts and Capex Committee has been constituted chaired by an Independent Director reviews and recommends high value contracts and capital expenditure proposals.

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

Industrial Relations

15. The Company continues to have good