



COCHIN SHIPYARD LTD

44th Annual Report

Propelling Growth

2015 - 2016



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Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.



ABOUT US

Cochin Shipyard Ltd (CSL) was incorporated in the year 1972 as a fully owned Government of India company. In the last four decades the company has emerged as a forerunner in the Indian shipbuilding & ship repair industry and also an emergent player in the global map. CSL has exported close to 50 ships and vessels to many countries including USA, Germany, Netherlands, Cyprus and Saudi Arabia.

The company has built and repaired some of the largest ships in India and is presently building the prestigious warship, Indigenous Aircraft Carrier. Shipyard commenced ship repair operations in the year 1981 and has undertaken repairs of all types of ships including upgradation of ships of oil exploration industry as well as periodical lay up repairs and life extension of ships of Indian Navy, Indian Coast Guard, SCI, ONGC, Port Trust etc. The yard has, over the years, developed adequate capabilities to handle complex and sophisticated repair jobs. The Shipyard also trains graduate engineers to marine engineers who later join ships both Indian and foreign as 5th Engineers.

Shipbuilding

Upto 1,10,000 DWT

Shiprepair

Upto 1,25,000 DWT

CORPORATE INFORMATION

Board of Directors

Shri Madhu S Nair
Chairman & Managing Director

Shri Paul Ranjan D
Director (Finance)

Shri Sunny Thomas
Director (Technical)

Shri N V Sureshbabu
Director (Operations)

Shri Barun Mitra IAS
Joint Secretary (Shipping),
Ministry of Shipping, Govt. of India

Shri Elias George IAS
Official Part Time Director,
Government of Kerala

Smt. Roopa Shekhar Rai
Non Official Part Time Director

Shri Radhakrishna Menon
Non Official Part Time Director

Adv. Krishnadas E
Non Official Part Time Director

Management Team

Shri Bejoy Bhasker
Chief General Manager
(Design & Defence Projects)

Shri Ramesh K J
Chief General Manager
(Human Resource)

Shri Murugaiah M
Chief General Manager (Tech & HSE)

Shri Varghese M D
General Manager
(Industrial Relations & Administration)
and Head CSR

Shri Neelakandhan A N
General Manager (Materials)

Shri Sreejith K N
General Manager (IAC)

Shri Suresh Kumar A V
General Manager (Ship Building)

Shri Varadarajan S
General Manager
(Internal Quality Control & Skill
Development)

Shri Joseph N J
General Manager (ISRF)

Shri Rajesh Gopalakrishnan
General Manager (Shiprepair)

Shri Harikrishnan S
General Manager (LNG, PM & PPC)

Shri Eldho John
General Manager (Infra Projects)

Company Secretary

V Kala

Registered Office

Cochin Shipyard Limited
39/6080, Administrative Building,
Cochin Shipyard Premises,
Perumanoor, Kochi, Kerala,
India – 682 015

Bankers

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

Statutory Auditors

M/s. Krishnamoorthy &
Krishnamoorthy
Chartered Accountants,
XXXIX/3217, Paliam Road,
Cochin - 682016

Secretarial Auditors

Shri P Sivakumar
SVJS & Associates, Company
Secretaries
39/3519B, Padmam Apartments,
Manikkath Road
Ravipuram, Cochin 682 016

Cost Auditors

Shri K A Felix
D31/670, Parvathy Nilayam,
Opp. Welcare Hospital, Vyttila P.O.,
Ernakulam – 682 019

Debenture Trustees

SBICAP Trustee Company Ltd.
6th Floor, Apeejay House,
3, Dinshaw Wachha Road,
Churchgate, Mumbai - 400 020

VISION

Emerge as an internationally preferred shipyard to construct world class Merchant and Naval ships, Offshore vessels and structures.

Be the market leader in India for ship repairs, including conversions and up-gradation.

To be admired for our achievements, respected for our ethics and trusted for our service excellence by our valued customer.

MISSION

To build and repair ships and off-shore structures to international standards and provide value added quality engineering services.

Sustain corporate growth in competitive environment.

To adopt and undertake practices towards becoming a responsible corporate citizen.

OBJECTIVES

To sustain and enhance shipbuilding and shiprepair activities through technology up-gradation and capacity augmentation

To continuously endeavor to expand/diversify activities of the shipyard including setting up new facilities.

To carry out Research & Development in emerging technologies in shipbuilding process.

To move towards international benchmarking, benchmark with the best shipbuilding standards followed in India.

To motivate employees through improved specific training programs.

To adopt best practices for clean and safe environment.

Ride the down time with aggressive bidding and secure orders to maximize capacity.

To ensure positive customer oriented initiatives

To build a responsible corporate citizen image thro CSR & Sustainability projects and compliance to Corporate Governance principles

CREDENTIALS



Shipbuilding

- Has built various types of vessels including Oil Tankers, Bulk Carriers, Bollard Pull Tugs, Dredger, Platform Supply Vessel, Passenger Vessels, Anchor Handling Tugs etc
- Reputed international clientele
- Currently building Aircraft Carrier, Fast Patrol Vessel, Jacket Launch Barge, Double Ended Ro-Ro Ferry, Technology Demonstration Vessel and Passenger Vessels.

Shiprepair

- Only yard in India which has undertaken repairs of Aircraft Carriers INS Viraat and INS Vikramaditya
- Can undertake complex and sophisticated repairs to all types of vessels including Oil Rigs, Naval and Coast Guard Vessels, Offshore Vessels, Dredgers, Fishing Vessels, Passenger Ships, Port Crafts, and all other Merchant Vessels



Offshore

- Has undertaken a variety of complex and sophisticated offshore Upgradation contracts

Others

- CSL conforms to the Integrated Management System comprising of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007
- Has a NABL accredited laboratory for destructive and non-destructive testing.

CHAIRMAN'S ADDRESS



Madhu S Nair
Chairman & Managing Director

It gives me immense pleasure to welcome you all to the 44th Annual General Meeting of Cochin Shipyard Limited.

I took over as the Chairman & Managing Director of CSL on 01 Jan 2016. It is a matter of great pride that having joined CSL as an Executive Trainee about 27 years back, I have now been assigned to lead this wonderful yard as the 10th C&MD. I wish to place on record the substantial contributions made by my predecessor Cmde. K. Subramaniam during his tenure as C&MD of CSL. Let me take this opportunity to share with you the Company's significant achievements during the past year and the future outlook for the Company.

Operating Scenario

The global shipping and shipbuilding industry is facing one of the worst cyclical downturns in recent history. Given the global nature of the industry it is only

natural that the Indian industry has also been no exception. Shipyards are facing extremely challenging market conditions and are being tested to the core. Cochin Shipyard is able to sail through in these difficult times; thanks to our mix of portfolios – Shipbuilding and Shiprepair, both in the commercial and defence space. Despite such a grim scenario, our competitiveness, inherent quality, adherence to timeframes, the never say die attitude of our workforce and unstinted support from the Government have been key factors that has helped the Company post impressive results as also secure some key contracts during this challenging period.

During this period of global recession in the sector, initiatives in India like the Prime Minister's 'Make in India' programme, and other sector specific initiatives like new Shipbuilding Financial Assistance policy, granting of infrastructure status to

shipyards, introduction of right of first refusal for Indian Yards for new building / repair etc are worth mentioning.

The Company has contracted to build one Technology Demonstration Vessel for Defence Research & Development Organisation, two Nos. 1200 pax-cum-1000 MT cargo vessels and two Nos. 500 pax-cum-150 MT cargo vessels for the Andaman & Nicobar Administration. On the Ship Repair front, after having recorded an all time high performance during 2015-16 CSL has just completed the ERDD refit of aircraft carrier 'INS Viraat', which would be the vessel's last refit prior to her scheduled decommissioning shortly. CSL has maintained her in top fighting condition over the past 25 years through 13 refits, all ahead or on schedule. We are again privileged to be awarded the first drydocking refit in India of our latest aircraft carrier 'INS Vikramaditya' and welcome her to CSL this month.

Company Performance

Shipbuilding

The year 2015-16 witnessed a record financial performance for the Company. The Company achieved a turnover of Rs.1995.89 crores against the previous year turnover of Rs. 1859.51 crores, an increase of 7%. The Company's Profit Before Tax (PBT) was Rs.424.08 crores as against Rs.367.56 crores in the previous year registering an increase of 15 %. Profit After Tax (PAT) grew from Rs.235.07 crores last year to Rs.275.03 crores in 2015-16, registering an increase of 17%. The Company contributed Rs.215.87 crores to the Government exchequer, by way of Value Added Tax, Income Tax, Excise Duty, Customs Duty, Service Tax and Dividend Tax. The Board of Directors has recommended a dividend of Rs.7.65 per share on the 11,32,80,000 fully paid up equity shares of Rs.10 each. The total dividend including dividend tax would be approximately Rs. 104.29 crores.

During 2015-16, the Company has delivered six Fast Patrol Vessels (FPV) to Indian Coast Guard and one Buoy Tender Vessel to the Directorate General of Lighthouses and Lightships (DGLL). CSL is marching ahead with the construction of the Indigenous Aircraft Carrier with targeted delivery to the Indian Navy by Dec 2018. Outfitting works are progressing well and we expect to start equipment trials shortly. 18 out of the 20 Fast Patrol Vessels have already been delivered to the Coast Guard and the 19th vessel is being delivered today, 20 Sep 16. Construction of the large Jacket Launch cum Deck Cargo Barge for the National Petroleum Construction Company, Abu Dhabi has been completed on 18th September 2016 on time as contracted, and we are expecting to tow her to Abu Dhabi and effect delivery to NPCC ahead of contracted timeframes. The progress of various activities on the Technology Demonstration Vessel for DRDO, for which steel was cut on 10 Aug 2016, and on the two Ro-Ro vessels for Kochi Corporation is satisfactory.

Ship Repair

Ship repair has done very well during the year 2015-16. The Company has an all time

high turnover in ship repair at Rs.367.49 crores. Indian Navy continued to be one of our main customers and the Medium Refit of tanker INS Aditya, has been the major work undertaken by Company during the year. The Company has entered into an MOU with the Dredging Corporation of India Limited (DCI) for repair of dredgers and we are expecting various dredgers of DCI at CSL for repairs, this year. We have also entered into an MOU with DGLL for repair of their vessels in the yard. MOUs have been signed with M/s. Techcross, Korea, for Ballast Water Treatment plants and with M/s. Wartsila India Ltd. for technical services for undertaking repairs of Wartsila equipment. This is in addition to the existing MOUs in place with Union Territory of Lakshadweep (UTL) and Lakshadweep Development Corporation Limited (LDCL) and the one with CIFNET, for repair of their ships in Cochin Shipyard Ltd. In addition to refits of 'INS Viraat' and 'INS Vikramaditya', we are also expecting contracts for refits of various Indian Naval vessels this year.

New Business initiatives

LNG carriers

As part of Make in India programme, Government of India is keen that three out of the nine ships required by GAIL for transportation of LNG from USA to India are to be built in India. CSL has forged a partnership with M/s Samsung Heavy Industries, Korea who are amongst the leading builders of LNG carriers in the world. CSL has also become the first shipyard in India to be licensed by GTT France to use their patented Mark III Flex Membrane Technology for the LNG carrier containment system. CSL has submitted offers to two leading international consortiums, who have taken part in the GAIL tender, and are participating in various discussions in this regard. The outcome of the tender is awaited.

Major Expansion plans

International Ship Repair Facility (ISRF)

The construction of the International Ship Repair Facility (ISRF) with an investment of

Rs.970 crores, in the 8.12 ha of land and 15 ha of water area, taken on lease from Cochin Port Trust is progressing satisfactorily. CSL intends to set up a ship lift of 130 m x 25 m with transfer system and 6 workstations, and the allied facilities. Government of India approval has been accorded for the project on 19 May 2016 and final environmental clearance for the project is expected shortly. The contract for ship lift and transfer system and construction will be awarded immediately after receipt of environmental clearance. The project is scheduled to be completed in August 2019. CSL is already utilizing the existing small dry-dock and other facilities at the ISRF and is expecting increased revenues from the facility this year.

New Dry Dock

Preparatory work for the new large Dry Dock, measuring 310 x 75/60 x13 m at the northern end of CSL premises at a project cost of Rs.1799 crores is progressing well. Formal CCEA approval has been accorded on 20 July 16. The Public hearing has been completed on 24 June 2016, subsequently the Kerala Coastal Zone Management Authority has recommended the CRZ clearance on 18 Aug 16. Various formalities for obtaining formal environmental clearance are in advanced stages and the final clearance is expected shortly. Tender for construction work is planned to be floated shortly and construction contract to be awarded by end of this year. The Dry Dock is scheduled to be commissioned by end 2018.

Corporate Governance

The Company continued to comply with good corporate governance practices as stipulated by various statutes and guidelines of the Department of Public Enterprises (DPE). The total strength of the Board of Directors as on date is nine out of which three are Independent Directors. The Company has constituted an Audit Committee consisting of two Independent Directors and one Nominee Director. A remuneration Committee chaired by an Independent Director, and CSR Committee have been constituted.



Shri Sureshbabu N V has assumed as the Director (Operations) of the Company on 26 April 2016. Shri Radhakrishna Menon, Smt. Roopa Shekhar Rai and Adv. E Krishnadas were appointed as new Independent Directors of the Company with effect from 21 March 2016.

The Company has placed high emphasis in complying with the Presidential guidelines and Government guidelines regarding reservation for citizens belonging to Scheduled Caste (SC) and Scheduled Tribes (ST), Other Backward Classes (OBC) and Persons with Disabilities (PWD). Rules for safeguard of women at workplace are strictly complied with. CSL has been proactively working to implement the official language policy of the Government of India. Measures to conserve energy, proactive and holistic approach towards comprehensive Health, Safety and Environmental (HSE) aspects have also been the areas of focused attention. Continual review of industrial security, mock drills and interactions with various connected agencies has kept the yard incident free.

Industrial Relations

The industrial relation scenario has been peaceful in the Company. In the background of the CCEA approval for the disinvestment cum IPO of CSL, there have been concerns raised by the recognized trade unions against the same who have resorted to various means of protests to highlight their concerns. All such protests have been within the framework of legitimate and democratic trade union activities and have been peaceful. There has been no loss of working days in CSL due to any trade union activity.

A significant milestone has been achieved by implementation of superannuation pension scheme for officers and supervisors (w.e.f. 01.01.2007) as also a superannuation pension scheme for regular workmen (w.e.f. 01.04.2007).

The Company continued to have a participative management by encouraging Joint council & Shop councils. These councils have been very active in suggesting measures towards better working conditions in the yard.

Research & Development

In-house R&D activities have been undertaken in the areas of duplex stainless steel welding. Duplex stainless steel is extensively used in cargo tanks, construction for chemical tankers and capacity development of welding. This steel will enable the Company to venture into chemical tanker construction and fabrication of storage tanks for chemicals.

Skill Development

The Company takes up various skill development initiatives within and outside the Company. Prominent among them is the apprenticeship training imparted to the fresh Graduate Engineers/ Diploma/ ITI trainees. Presently, 530 ITI apprentices, 129 Engineering Graduates, 280 Diploma Holders and 30 Vocational Trainees are being trained at yard under Apprentices Act and various advanced training programmes at CSL.

The Company operates a Marine Engineering Training Institute, with a capacity to train 109 marine engineering trainees. The Company is setting up an international campus for skill development

with state of art facilities and the new centre is scheduled to be dedicated in 2018.

CSL has also imparted specialised training programmes at various levels of employees as a pre-requisite for undertaking the challenging LNG carrier construction project. A 15 member team was imparted training at GTT, France, and a 13 member team was trained at Samsung Heavy Industries (SHI), Korea. Training workshops and sessions on various aspects of Construction & Inspection technologies for building of LNG carriers were also conducted by CSL through American Bureau of Shipping (ABS). Many executives have gone through technology familiarization visit to SHI.

Integrated Management System

The Shipyard continues to be compliant with the Integrated Management System (IMS) consisting of ISO 9001 Quality Management System, ISO 14001 Environment Standards and OHSAS 18001 Occupational Health and Safety Standards.

Corporate Social Responsibility

As a responsible Corporate Citizen, the Company continues to fulfill its obligation through CSR initiatives. In accordance with the guidelines on CSR and sustainability development as per the Companies Act, 2013, the Company has identified projects as per rules, for implementation during the year. The total amount spent on CSR projects during the year 2015-16 was Rs.627.16 lakhs as against the mandated amount of Rs.623 lakhs as per provisions of the Act.