

Experience
Expertise
Partnership
Growth

45th Annual Report 2016 - 2017



COCHIN SHIPYARD LTD

HIGHLIGHTS OF THE YEAR

- The Company has decided to go ahead with the Initial Public Offer of 3,39,84,000 equity shares of Rs 10/- each amounting to Rs. 33,98,40,000/-.
- Achieved an all-time record turnover of Rs. 543 Crores in Ship repair.
- Completed and delivered twenty Fast Patrol Vessels for the Indian Coast Guard in December 2016 - three months ahead of schedule.
- Completed the first drydock repairs of INS Vikramaditya the latest Aircraft Carrier for the Indian Navy ahead of the delivery schedule.
- Shri Pon Radhakrishnan, Minister of State for Shipping, Road Transport & Highways cut the first steel plate of Ship No. 23 and Shri N K Premachandran, Honourable Member of Parliament cut the first steel plate of Ship No. 24, the two 1200 Passenger cum 1000 Tonne Cargo Ships contracted to be built for the Andaman & Nicobar Administration.

Turnover

₹2058.87
Crores

Record turnover in Ship Repair

₹543
Crores

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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.



EXPERIENCE

Incorporated in the year 1972, CSL commenced shipbuilding operations in 1975, ship repair in 1978, Marine Engineering Training in 1993 and Offshore Upgradation in 1999. CSL also operates a material testing laboratory, which was established in 1972. CSL, since its inception has built 15 large vessels and 50 small and medium vessels 35 Offshore Support Vessels & 20 Fast Patrol Vessels as on 31st March, 2017. CSL has supplied various types of ships and vessels to reputed clientele in India and across the globe including US and Germany.

EXPERTISE

Cochin Shipyard with its proven expertise is perfectly positioned to offer a flexible range of products such as bulk carriers, tankers, Platform Supply Vessels, Anchor Handling Tug Supply vessels, launch barges, tugs, passenger vessels and Fast Patrol Vessels. We are currently building India's first Indigenous Aircraft Carrier for the Indian Navy. CSL is the only shipyard to have undertaken drydock repairs of Indian Navy's aircraft carriers, the INS Viraat and INS Vikramaditya. We can build ships up to 1,10,000 DWT and repair ships up to 1,25,000 DWT. The yard has delivered two of India's largest double hull oil tankers each of 92,000 DWT to the Shipping Corporation of India.

PARTNERSHIP

CSL has major public sector undertakings and overseas entities as its customers and work with them to build various types of ships and vessels. We have entered into MoUs with various clients including with the Lakshadweep Development Corporation Limited, Directorate General of Lighthouses and Lightships and the Dredging Corporation of India. Our key ship repair clients include the Indian Navy, the Indian Coast Guard, UTL, Port Trusts, SCI, the Oil & Natural Gas Corporation and DCI. We have also entered into an MoU with Wartsila for setting up of a workshop within CSL. We have also partnered with Techcross Inc. for technical support, engineering, service support and sharing of information in relation to the Ballast Water Treatment System products. CSL is also in the process of forming a joint venture with Hooghly Dock and Port Engineers Limited to take over the facilities in Salkia and Nazirgunge to explore potential in the emerging Inland Water Transport projects.

GROWTH

CSL is going public through the forthcoming IPO. Objective of the IPO is to build a new large dry dock, and to set up a brand new International Ship Repair Facility (ISRF). CSL have earmarked ₹ 1,799 crore for the dry dock and ₹ 970 crore for ISRF.



CHAIRMAN'S ADDRESS

It gives me immense pleasure to welcome you all to the 45th Annual General Meeting of Cochin Shipyard Limited.

Since taking over as Chairman & Managing Director of CSL on 01 January 2016, the last one and a half years have been extremely challenging but exciting. The Company's ambitions for expansion coupled with strategic projects on challenging timelines and the ensuing IPO transaction kept us on our toes during the entire period.

Operating Scenario

It is encouraging that the Indian economy continues to do well. As per the OECD's India Economic forecast of June 2017, the economic growth of the country is projected to remain strong and India will remain the fastest growing G 20 economy. The robust position of the Indian economy will help us in positioning ourselves in new sectors of operations such as the Inland Waterways, small/ medium LNG vessels/ repairs to rigs etc. The Government of India's drive towards Make in India and the subsidy scheme introduced for the purpose is expected to improve the competitive position of the Indian shipyards. However the global shipping scenario continued to be grim and provided little reason to cheer. It is expected that the downturn in Oil and Gas sector will continue for sometime, thus prolonging the time for recovery of the shipping worldwide.

In view of the grim global scenario, the Company would be concentrating on its Indian commercial and defence business for a while, though marketing efforts in the international scenario will continue.

Achievements during the year

The notable achievements since the last AGM in September 2016 has been the completion and delivery of twenty Fast Patrol Vessels for the Indian Coast Guard in December 2016. The contract was completed three months ahead of schedule despite the initial difficulties faced with respect to steel. CSL was awarded the work of constructing 20 Fast Patrol Vessels for the Indian Coast Guard on 20th October 2010. CSL delivered the first vessel on 25th September 2013 and subsequently delivered vessels in about two months interval. CSL started delivering vessels ahead of schedule from the 13th vessel onwards.

In the repair front, the Shipyard could complete the first drydock repairs of INS Vikramaditya the latest Aircraft Carrier for the Indian Navy within a record timeline of 74 days as against the contractual delivery period of 112 days. CSL has also undertaken the last drydocking of INS Viraat which was a



decommissioning refit in September 2016. This Financial year the yard has achieved an all-time record turnover in Ship repair of Rs. 543 Crores. In addition to the four MOUs which are prevalent for repair of vessels, CSL has entered into MoU with Andaman & Nicobar Island Administration in December 17, for repairs of 10 nos of large vessels owned by them.

The execution of current order book in Shipbuilding is proceeding as per schedule. More than 50% of the Phase II work of the Indigenous Aircraft Carriers has been completed. Commenced trials onboard the vessel including starting of Diesel Generators in December 2016. Some of critical equipments relating to the Aviation Facilities Complex which were long awaited have started arriving. However some more are awaited. Shri Pon Radhakrishnan, Minister of State for Shipping, Road Transport & Highways cut the first steel plate of Ship No. 23 and Shri N K Premachandran, Honourable Member of Parliament cut the first steel plate of Ship No. 24, the two 1200 Passenger cum 1000 Tonne Cargo Ships contracted to be built for the Andaman & Nicobar Administration. The block



fabrication of other two vessels, the 500 Pax being built for A&N Administration also commenced in March 2017. On 15th July 2017, we have commenced the hull erection of Technology Demonstration Vessel being built for DRDO, in the presence of Dr. Satish Reddy, Scientific Advisor to Raksha Mantri.

On 15th & 16th May 2017, CSL organised a two-day National Level Vendor Development Program cum Industrial Exhibition and B2B meeting with the active support of Department of Industry and Commerce, Government of Kerala and MSME development Institute, Thrissur. It was a great success with more than 80 firms in the MSME sector participating in the event.

The company delivered the two Ro-Ro vessels to the Kochi Municipal Corporation on 30th June 2017.

The two major expansion plans of the company include the International Shiprepair Facility at the Cochin Port Trust premises and the new Drydock at the shipyard's existing premises

Major Expansion Plans

The two major expansion plans of the company include the International Shiprepair Facility at the Cochin Port Trust premises and the new Drydock at the shipyard's existing premises. These new facilities will expand our existing capabilities significantly and help us build and repair a broader variety of vessels including new generation aircraft carriers and oil rigs. The new ISRF facility will allow us to undertake repair of a broader range of vessel. The progress on these expansion projects have been satisfactory.

International Ship Repair Facility (ISRF)

The construction of the International Ship Repair Facility (ISRF) with an investment of ₹ 970 crores is progressing. The Environmental Clearance and Coastal Regulation Zone clearance under Environment Impact Assessment (EIA) Notification 2006 and CRZ Notification, 2011 under the Environment Protection Act, 1986 was received for the project from the Ministry of Environment, Forests and Climate Change, Government of India on 22nd June 2017. Approvals from the National Board for Wild Life is awaited for the project which is at the final stages. The contract for the shiplift and transfer system was awarded on 19th January 2017. The construction contract is also in the tendering stage. The contractors for construction have been shortlisted.



All statutory approvals in relation to the Drydock has been received. The procurement of the 600T crane is in progress. CSL has shortlisted construction contractors. After re-engineering, the tender has been prepared and is being readied for final tendering for construction process.

Dry Dock

All statutory approvals in relation to the Drydock has been received. The procurement of the 600T crane is in progress. CSL has shortlisted construction contractors. After re-engineering, the tender has been prepared and is being readied for final tendering for construction process. We expect to commence construction of the Drydock by end of this year. This dock is going to be one of the breakthrough initiative of the yard, because we would be capable of building larger Aircraft carrier, LNG carriers and other such larger niche vessels on completion of this project. A re-entry into the offshore market by way of Dry dock repairs of Jack up rigs and Semi-submersibles are also in cards.

New Initiatives:

The GOI has announced major initiatives in the IWT sector, with new 101 Inland waterways being declared as National waterways. This coupled with major initiatives under the Sagarmala project, has the potential to shift a major part of transportation to the waterways in the future. As part of the Jal Marg Vikas programme, the IWAI is developing 1,398 km of the NW1 from Varanasi to Haldia (Kolkata) by creating multi-modal terminals at Varanasi, Gazipur, Barh, Shahibganj, Haldia etc with rail/ road connectivity, a critical lock at Farakka, undertaking requisite dredging to provide least available depth (LAD) of 2.5 M in the upstream segments (much more is available downstream), navigational aids, fuelling stations etc. Two Shiprepairing units one near Patna and the other one at Haldia is being proposed. The Jal Marg Vikas project is being funded by the World Bank at USD 800 million, Rs. 5,369 crores and contracts for many of the terminals/ locks have already been awarded. It is expected that the Inland water traffic will increase from 3.5 million MT to 11.5 million MT in the first phase of development. At this phase it is estimated that there would be a requirement of 123 ships. In the subsequent phases another 200 ships are estimated to be required and traffic to go upto 22 million MT and later upto 45 million MT.

The Company is of the view that the IWT sector holds enormous potential and CSL should be at the forefront of growth and development as and when it emerges. The potential should be tapped for creating another growth vertical for CSL, leveraging its strengths as the leading shipbuilder and shiprepairer in India. However IWT is a very different space calling for different skillsets, capabilities and commercial approach and this segment is best addressed through entities which are solely dedicated to the IWT space.

CSL proposes to form a joint venture with Hooghly Dock and Port Engineers to take over the facilities in Salkia and Nazirgunge which would operate in the IWT space

In order to create space in the IWT sector, CSL proposes to form a joint venture with Hooghly Dock and Port Engineers to take over the facilities in Salkia and Nazirgunge which would operate in the IWAI space. We are at the final stages of formation of Joint Venture Company at Hooghly, to enter into this new segment of constructing smaller vessels for Inland waterways and coastal shipping. An MoU that was signed between CSL and Engineers India Limited last year will enable CSL to enter into small LNG segments too.

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 July 17, 2017 is twelve out of which six are Independent Directors. The Company has constituted an Audit Committee consisting of two Independent Directors and one Nominee Director. A remuneration Committee and CSR Committee chaired by an Independent Director have been constituted.

Shri Barun Mitra IAS, demitted office of director on relinquishing his charge as the Joint Secretary, Shipping. Shri Pravir Krishna IAS, the present Joint Secretary, Shipping was appointed on the board on 17th April 2017. Shri Jiji Thomson IAS (Retd.), former Chief Secretary of Kerala, Shri Nanda Kumaran Puthethath, former MD of SBT and Shri Pradipta Banerji, former Director of IIT Roorke were inducted as Non Official Part Time (Independent Director) on 15 July 2017.

Industrial Relations

The Industrial relation scenario was by and large peaceful, except for the one day strike called by the trade unions of the permanent workmen against the IPO on 28th April 2017 and the shade of protest still lingers around the Company.

Research and Development

The Company could develop weld procedures for the welding of the austenitic stainless steel plates of the cargo containment system of LNG carrier. This would help the Company in its endeavour to enter the domestic LNG carrier segment.

Skill Development

CSL is a member of Strategic manufacturing sector skill council which has been set up to take forward the Skill India Mission. The council has developed the training curriculum for the job role of pipe fitter shipbuilding. CSL has commenced this course on May 24. The council is developing courses for other job roles in the shipbuilding / shiprepair segment as well.

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

The Company continues to fulfil its obligation towards society through its CSR initiatives. The Company has identified and implemented socially impactful projects in a time bound manner. The total amount spent on CSR projects during the year 2016-17 was Rs 7.24 crores as against the mandated amount of Rs 7.22 crores as per the provisions of the Act.

Initial Public Offer

The Company is going ahead with the Initial Public Offer of 3,39,84,000 (3.3984 crs) equity shares of Rs 10 each amounting Rs 33,98,40,000 (33.984 crs) Equity Capital ,consisting of:

- (a) Sale of shares by GOI – 1,13,28,000 (1.1328 crs) equity shares of Rs 10 each amounting to Rs 11,32,80,000 (11.328 crs) Equity Capital
- (b) Fresh Issue of Shares – 2,26,56,000 (2.2656 crs) Equity shares of Rs 10 each amounting to Rs 22,65,60,000 (22.656 crs) Equity Capital

The Employee reservation in the above issue would be 8,24,000 shares. The Company has completed appointment of all intermediaries. The Draft Red Herring Prospectus was filed with SEBI on 24th March 2017. The Company is presently at the RHP filing stage.

Significant milestone

The Company is all set to maintain its “Excellent” rating against the MOU targets set by the Department of Public Enterprises, Government of India for the year 2016-17. However, the final rating from the Department of Public Enterprises is awaited. Cochin Shipyard has received awards from Government of Kerala and National Safety council for outstanding safety performance. The Company has won the award for top 50 PSU organisations with innovative HR practices presented by Times Ascent at Asia Pacific HRM Congress. The Company has also received the KMA excellence award for best CSR activities undertaken. The company was also the winner in category III corporate citizen award by National institute of Personnel management. The WIPS CSL unit won the “Recognition of WIPS activities award” in the National meet held at Nagpur.

Conclusion

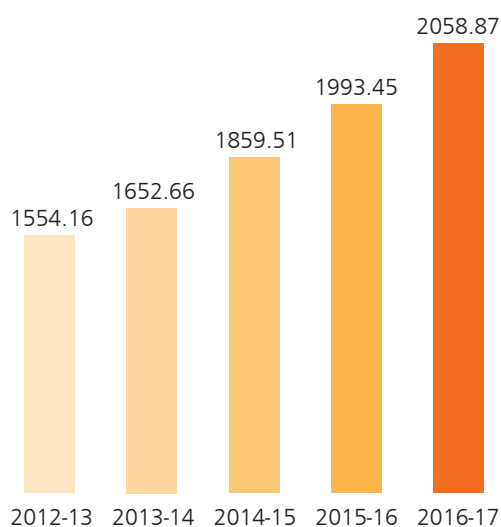
CSL is presently at a very critical stage of growth. To sustain and develop from this point calls for immense investment of commitment and capability from each and every member of the CSL family. Going forward, our aim is to build up this Company as a robust, technology oriented, multi-segment operations company with focus on Human development. With the heavy investment in the tangibles and intangibles we are confident that CSL’s growth trajectory would be consistent in future.

Thanking You

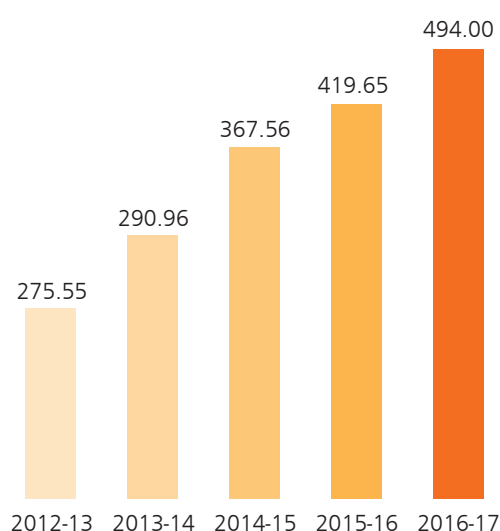
Jai Hind
Madhu S Nair
Chairman and Managing Director
DIN: 07376798
17th July 2017

FINANCIAL HIGHLIGHTS

Turnover
(₹ in crores)



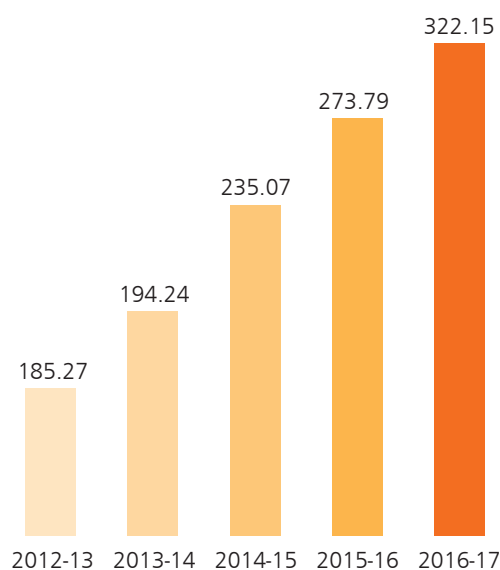
Profit Before Tax
(₹ in crores)



Particulars	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
● Turnover	2058.87	1993.45	1859.51	1652.66	1554.16	1404.85	1461.72	1248.50	1256.21	833.79
● Total income	2222.45	2107.37	1952.97	1728.64	1642.33	1481.54	1589.17	1326.49	1383.26	857.17
● Profit Before Tax (PBT)	494.00	419.65	367.56	290.96	275.55	252.97	344.23	331.25	247.63	149.40
● Depreciation & write offs	38.51	37.19	38.33	26.43	19.22	18.07	17.06	15.24	9.80	9.69
● Profit After Tax (PAT)	322.15	273.79	235.07	194.24	185.27	172.33	227.53	223.04	160.07	93.85
● 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	1917.83	1701.05	1447.79	1239.25	1062.42	898.41	775.38	490.54	336.70	199.64
● Net Worth	2031.11	1814.33	1561.07	1352.53	1175.70	1050.83	967.80	680.32	566.49	429.43
● Gross Fixed Assets	599.97	569.53	636.84	602.38	444.35	376.73	362.10	349.68	270.39	233.46
● Net Fixed Assets	302.85	296.44	377.44	383.41	247.30	192.61	190.67	189.75	121.64	92.16
● Number of Employees	1829	1671	1786	1751	1656	1900	1818	1907	1962	2059

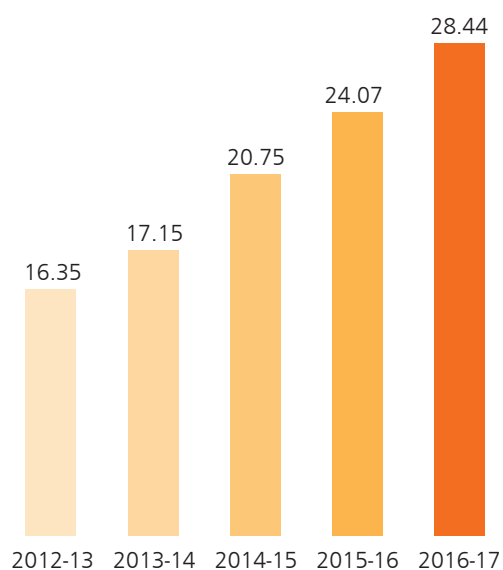
Profit After Tax

(₹ in crores)



EPS

(₹ Per share)



Key Indicators	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
● EPS (Rs. per share)	28.44	24.07	20.75	17.15	16.35	15.21	20.09	19.69	14.13	828.51
● Face Value Per Share (Rs.)	10	10	10	10	10	10	10	10	10	1000
● EBDIT/ Gross Turnover (%)	26.38	23.52	22.81	20.37	20.45	20.21	26.70	29.20	22.00	19.50
● Net Profit Margin %	15.65	13.73	12.64	11.75	11.92	12.27	15.57	17.86	12.74	11.26
● Return on Net Worth %	15.86	15.09	15.06	14.15	15.76	16.40	23.51	32.78	28.26	21.85
● Return on Capital Employed %	16.41	17.14	14.61	13.97	19.08	18.76	27.44	38.57	29.09	23.28

ABOUT COCHIN SHIPYARD LIMITED

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 45 ships to various commercial clients outside India such as NPCC, the Clipper Group (Bahamas) and Vroon Offshore (Netherlands) and SIGBA AS (Norway).

The company has built and repaired some of the largest ships in India and is presently building the prestigious warship, Indigenous Aircraft Carrier for the Indian Navy. Over the years, we have successfully responded to fluctuations in the shipbuilding requirements of the markets we operate in and

have evolved from building bulk carriers to building smaller and more technically sophisticated vessels such as PSVs and AHTSs. We have worked with several leading technology firms in our industry including Rolls Royce Marine (Norway), and GTT (Gaztransport & Technigaz) SA ("GTT"). We believe this has added to our credibility in the international markets. Our key shipbuilding clients include the Indian Navy, the Indian Coast Guard and the SCI. CSL have undertaken repairs of various types of vessels including upgradation of ships of the oil exploration industry as well as periodical maintenance, repairs and life extension of ships. Our shipyard has, over the years, developed capabilities to handle various repair jobs.

