



COCHIN SHIPYARD LTD

New Opportunities New Horizons



46th ANNUAL REPORT
2017- 2018

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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.

HIGHLIGHTS OF THE YEAR

- Cochin Shipyard Limited was **LISTED** on BSE and NSE on August 11, 2017.
- Achieved an all time **RECORD TURNOVER** of Rs.2355 crores.
- Achieved an all time **RECORD SHIP REPAIR TURNOVER** of Rs.623.27 crores.
- Achieved an all time **RECORD PROFIT** after tax of Rs.396.75 crores.
- **SIGNED MOU** with Central Institute of Fisheries Technology on August 30, 2017 for building fishing vessels.
- **INCORPORATED** Joint Venture Company viz., Hooghly Cochin Shipyard Ltd in partnership with Hooghly Dock and Port Engineers Limited on October 23, 2017.
- **FOUNDATION STONE** for International Ship Repair Facility (ISRF) project was laid on November 17, 2017 by Shri Nitin Gadkari ji, Hon'ble Union Minister for Shipping, Road Transport & Highways, Water Resources, River Development and Ganga Rejuvenation.
- **SIGNED MOU** with the Mumbai Port Trust on January 11, 2018 for operations and management of ship repair facility at Indira Dock. CSL shall utilize the facilities for the purpose of ship repair and allied services and for further expansion in the field of ship repair.
- **SIGNED MOI** with Defence Research and Development Organisation (DRDO) on January 18, 2018 for export of Defence vessels incorporating Defence systems developed by DRDO and produced by Indian OEMs.
- **SIGNED CONTRACT** on January 29, 2018 for construction of 16 nos Tuna Long Lining & Gillnetting Fishing Vessels under the diversification of trawl fishing boats from palk bay into deep sea fishing boats under Central sector on Blue Revolution Scheme with financial assistance from Government of India and the Government of Tamil Nadu.
- **SIGNED MOU** with Joint Stock Company United Shipbuilding Corporation (USC), Russia, on February 02, 2018 to collaborate and engage in design, development and execution of high-end 'state of the art' vessels for inland and coastal waterways.
- **SIGNED MOU** with Kolkata Port Trust on March 17, 2018 for operations and management of ship repair facility at Netaji Subhas Dock. CSL shall utilize the facilities for the purpose of ship repair and allied services and for the growth of ship repair in the region.
- **EMERGED L1 BIDDER** for 16 x ASW SWC project for Indian Navy.

TURNOVER

₹ **2355** Crore

PROFIT AFTER TAX

₹ **396.75** Crore

SHIPBUILDING TURNOVER

₹ **1731.86** Crore

SHIP REPAIR TURNOVER

₹ **623.27** Crore



ABOUT US

Cochin Shipyard Ltd (CSL) was incorporated in the year 1972 as a fully owned Government of India company. After the IPO in 2017 the Government of India holds 75% of equity share capital in the Company. In the last four decades, the company has emerged as a forerunner in the Indian shipbuilding & ship repair industry and also a well-known player on the global shipbuilding front. CSL has exported 45 ships to various commercial clients outside India such as National Petroleum Construction Company (Abu Dhabi), the Clipper Group (Bahamas), 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 Indigenous Aircraft Carrier for the Indian Navy. Over the years, CSL has successfully responded to fluctuations in the shipbuilding requirements of the markets and have evolved from building bulk carriers to smaller and more technically sophisticated vessels such as Platform Supply Vessel (PSV) and Anchor Handling Tug Supply Vessel (AHTS). CSL has worked with several leading technology firms in the industry including Rolls Royce Marine (Norway), GTT (France), Vard Group (Norway) etc. This has added to our credibility in the international markets. Our key shipbuilding clients on the domestic front include the Indian Navy, the Indian Coast Guard and the Shipping Corporation of India Limited. CSL has also 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. CSL is presently one of the best performing shipyards in India.

HOW WE CREATE VALUE



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 customers.



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 existing and emerging technologies in shipbuilding processes.

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 through CSR & Sustainability projects and compliance to Corporate Governance principles.

CHAIRMAN'S ADDRESS

The Ship repair market in India is promising and CSL with its long experience, competitive advantages and strong ecosystem of sub-vendors, service providers etc remains the dominant shiprepairer in India by a large margin.



Madhu S Nair
Chairman and Managing Director

It gives me immense pleasure to welcome you all, on behalf of the Board of Directors, to the 46th Annual General Meeting of your company Cochin Shipyard Limited (CSL). I have had the privilege of leading this prestigious organization as the Chairman & Managing Director over the last two and a half years and it has been an exhilarating journey. I take this opportunity to apprise you on the achievements of your company in the year 17-18, the operating scenario and the initiatives for the future.

OPERATING SCENARIO

The Government of India has unveiled a host of initiatives aimed to develop and sustain growth of the shipbuilding and ship repair sector. The Government of India's focus on development of Inland and coastal waterways infrastructure is an opportunity to be explored. The positive signs of progress in the sector will open up opportunities which could be converted into Company's business. In the defence sector also, the industry outlook remained positive. However,

2017 was another difficult year for the global shipbuilding industry, with contracting remaining well below trend. However certain segments have seen ordering in the recent months. At this stage the Company will be focussing on domestic orders in shipbuilding continuously keeping a watch on appropriate projects in the international market.

The Ship repair market in India is promising and CSL with its long experience, competitive advantages and strong ecosystem of sub-vendors, service providers etc remains the dominant shiprepairer in India by a large margin. The Government of India is also keen to significantly increase ship repair activities in the country and has advised major ports to try and team up with CSL to develop ship repair capabilities in ports. We are leveraging this opportunity and are in advanced stages of discussions which could lead to CSL setting up ship repair operations in Mumbai, Kolkata and Port Blair shortly. There is a growing optimism and I would

like to thank Government of India for all the support and initiatives provided for the shipbuilding and repair sector.

ACHIEVEMENTS DURING THE YEAR

Your company achieved an all time high turnover of Rs.2,355.12 crores and a Profit After Tax of Rs.396.75 crores during the FY 2018. The turnover from Shipbuilding was Rs.1,731.86 crores and that from Shiprepair was Rs.623.27 crores.

The shipbuilding front has been steady, the TDV for DRDO is in advanced stages of outfitting and the 2x 500 PAX vessels for A&N administration is presently in the erection and consolidation phase in the drydock. The 2x 1200 PAX vessels for A&N are closely following and are in the block fabrication stage. Outfitting activities are progressing well on the IAC and testing/ trials phase has been initiated on certain critical

equipment. It is a matter of great pride and satisfaction that we have emerged L1 in the tender for the prestigious ASW corvette project of the Indian Navy and expect contracts to be signed shortly. These contracts will contribute approximately Rs. 5,400 crores to CSL's turnover in the coming years.

Ship Repair continued to do extremely well and we have posted an alltime high turnover of Rs.623 crores in FY 2017-18. To our list of MOU clients like DCI and LDCL we added A&N Administration and 4 of their vessels were handled in 2017. We have handled about 116 Nos of ships, including 18 Naval vessels. We have been aggressive in our marketing efforts and have bagged the major refit contracts of ONGC's 'Sagar Bhushan' and DRDO's 'Sagardhwani' amidst stiff competition from public and private shipyards. We expect significant order intake in the coming year also.

2017 will be etched in history of CSL as the year in which we changed character in more ways than one. After a hugely acclaimed IPO, we became a public listed company with a market-cap of above USD 1 billion. Our major expansion projects have secured all relevant clearances and have crossed critical milestones. On November 17, 2017 the foundation stone was laid for the Rs. 970 crores International Ship Repair Facility (ISRF) project being executed in 42 acres of land leased from Cochin Port Trust. This project marks the first ever expansion outside our 170 acre campus. Subsequently in May 2018, we have awarded the turnkey contract for civil, electrical and mechanical works for the new large drydock in CSL which project is being undertaken at an overall estimated cost of Rs. 1,799 crores.

Another significant milestone was the incorporation of Hooghly Cochin Shipyard Limited (HCSL) at Kolkata, as a

On November 17, 2017 the foundation stone was laid for the Rs. 970 crores ISRF project being executed in 42 acres of land leased from Cochin Port Trust. This project marks the first ever expansion outside our 170 acre campus. Subsequently in May 2018, we have awarded the turnkey contract for civil, electrical and mechanical works for the new large drydock in CSL which project is being undertaken at an overall estimated cost of ₹ 1,799 crores.

Commenced
ISRF project

₹ **970** Crores

Estimated Cost of
new Drydock

₹ **1,799** Crores

joint venture between CSL and Hooghly Dock & Port Engineers Limited (HDPEL) and marked the first geographical expansion of the Company. CSL holds 74% and HDPEL 24% stake in the equity of HCSL. HCSL has subsequently entered into Lease and Concession agreement with HDPEL for taking over the old units at Nazirgunge and Salkia on 60 year lease and to operationalize these facilities by putting up modern infrastructure. HCSL targets to develop various types of vessels like Ro-Ro Vessels, River-Sea Cargo Vessels for bulk, liquids, containers, Passenger Vessels, other watercrafts for the inland waterways.

Towards this, the Company has signed a Memorandum of Understanding (MoU) with United Shipbuilding Corporation (USC) which is the largest shipbuilding group in Russia to collaborate and engage in Design, Development and Execution of High-End, State-of-Art vessels for Inland and Coastal Waterways. Going with the Company's plans of expanding its shiprepair business the Company signed MoUs with Mumbai Port Trust (MbPT) and Kolkata Port Trust (KoPT) for upgradation, operation and management of their Ship repair Facilities by leasing the facilities for 30 years and are in the process of signing binding agreements.

During the year the Company marked its entry into a new segment when we signed contracts for construction of 16 nos Tuna Long Lining & Gillnetting Fishing Vessels. These vessels are being built under Central Sector Blue Revolution Scheme with financial assistance from Government of India and the Government of Tamil Nadu to enable diversification of trawl fishing boats from Palk bay into deep sea fishing boats. CSL expects this novel initiative of partnering Central Institute of Fisheries technology (CIFT) and involving IIT Kharagpur, Indian Register of Shipping (IRS) and reputed OEM's to create the impetus for further business opportunities for delivering technologically sound vessels in this hitherto unorganized but socially very relevant sector.

The Company also signed Memorandum of Intent (MOI) with Defence Research and Development Organisation (DRDO) for the export of defence vessels incorporating defence systems developed by Defence Research and Development Organisation and produced by Indian OEM's, at the Defence Industry Development Meet chaired by Defence Minister Smt. Nirmala Sitaraman on January 18, 2018.

FIRE ACCIDENT IN CSL

Your Company has laid topmost priority in integrating health, safety and environmental (HSE) aspects into business operations. However, CSL witnessed an unfortunate fire accident on February 13, 2018, onboard MODU Sagar Bhushan, the drillship of ONGC which was docked in the repair drydock. Despite concerted efforts by the Safety and Fire department of the yard, we lost 5 precious lives in the accident and 7 others were injured. This accident happened despite CSL having one of the most robust safety systems in the country, been the recipient of successive safety awards and has been giving high emphasis on employee safety training. This accident has triggered root cause analysis, and we are determined to do a deep introspection of all our systems and safety culture. CSL has subsequently implemented various additional measures, having closer vigil on systems and is now planning a major enterprise wide exercise involving reputed external agencies to significantly upgrade the culture of safety in the company.

We have reached out benevolently to the families of the deceased by providing Rs. 10 lakhs to each family over and above all the statutory dues, have offered employment to one immediate member in the family and have offered to

take care of all educational and allied expenditure of children till the graduation stage. For the injured, their salaries are being paid by the company and all medical expenditure is being taken care of.

It is a matter of great satisfaction that during these testing times the entire CSL family stood as one and received great support from the Central and State governments and from all walks of the society.

MAJOR EXPANSION PLANS

It gives me immense pleasure to inform that CSL is embarking on major expansion plans. The two major expansion plans of the company include the International Ship Repair Facility (ISRF) at the Cochin Port Trust premises and the new Drydock at the shipyard's existing premises. These new facilities will expand the Company's existing capabilities significantly. The new drydock will enable the yard to build and repair a broader variety of vessels including new generation aircraft carriers and oil rigs. The new International Shiprepair Facility will allow the Company to undertake repair of a broader range of smaller vessels and significantly increase shiprepair capacities. The progress on these expansion projects have been satisfactory.

INTERNATIONAL SHIP REPAIR FACILITY (ISRF)

On November 17, 2017 Shri Nitin Gadkari, the Hon'ble Minister of Shipping, Road Transport & Highways and Water Resources, River Development and Ganga Rejuvenation laid the foundation stone for the ISRF after Cochin Port Trust (CoPT) allotted the second phase land area (8.134 ha) to the Company. The project is targeted to be commissioned by November 2019 at an estimated investment of Rs.970 Crores.

DRY DOCK

The new Dry Dock being set up by CSL at an estimate of Rs. 1,799 Crores, is expected to augment the Company's shipbuilding/ ship repair capacity essentially required to tap the market potential of building and repairing specialized and technologically advanced large vessels such as LNG vessels, larger aircraft carriers, drill ships, and dry-dock repairs of semi-submersibles, jack-up rigs, etc. Subsequent to the receipt of all statutory clearances for the Dry Dock Project, the construction contract for the Plant & Machinery has been awarded in May 2018. Procurement process for the 600 T Gantry crane is at an advanced stage. The facility is targeted to be commissioned by June 2021.

The new drydock will enable the yard to build and repair a broader variety of vessels including new generation aircraft carriers and oil rigs. The new ISRF facility will allow the Company to undertake repair of a broader range of smaller vessels and significantly increase shiprepair capacities.

NEW INITIATIVES

Geographical expansion is the key area in focus for CSL during the year 2018-19. By teaming up with the major ports on the eastern and western coasts of India, CSL will be able to leverage its competitive advantage in Ship building and Ship Repair to achieve new heights in the industry by exploiting the wider opportunities in Inland and Coastal Shipping. CSL has already inked MoUs with Mumbai Port Trust and Kolkata Port Trust and is confident to commence its Ship Repair Operations during this year. Subsidiary HCSL will cater to the upcoming demand for the Small and medium sized vessels for Coastal segments and Inland waterway segments specifically at NW-1, NW-2 and NW-5, which are now on the key focus of Government of India.

CSL has already received clearance for 10 Nos. Ro-Ro vessels for Inland Waterways Authority of India (IWAI) which will showcase capabilities in the emerging Inland vessel segment. CSL is keeping a close watch on new and green technologies like Electric Propulsion, Fuel Cells, LNG and Methanol fuelled engines etc in the shipping sector in India. As a first step towards its adaptation to the changing needs for alternate clean fuels, CSL is actively developing Methanol fuelled vessels for Inland Water Authority of India (IWAI) and the

first vessel is expected to be in waters by 2019.

Imbibing the digital technology trends in Shipping Industry, CSL is teaming up with M/s. ABB by integrating centralized electrical and automation systems in the 1200 pax vessels being built for A&N Administration, that allows predictability in operations and focusses primarily on safety and reliability of the onboard systems. These systems also enable remote trouble shooting. These ships complying with the International Maritime Organization's Safe Return to Port (SRtP) requirements for passenger ships will be a key differentiator and will be the First-of-its kind in this part of the world.

CSL has kept its doors open for the Innovation, Technology Inception, Automation and Modernisation in the yard, its operations and its processes; and is looking forward to take steps towards achieving a significant transformation to adapt itself to ever changing technology trends in the market.

CORPORATE GOVERNANCE

The Company continued to comply with good corporate governance practices as stipulated by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and guidelines of the Department of Public Enterprises (DPE). The total strength of the

Board of Directors as on July 18, 2018 is twelve out of which six are Independent Directors. The Company has constituted an Audit Committee consisting of three Independent Directors. A Nomination and Remuneration Committee, CSR Committee and Stakeholder Relationship Committee chaired by an Independent Director have been constituted. Shri Pravir Krishna IAS, demitted office of director on relinquishing his charge as the Joint Secretary, Shipping. Shri Satinder Pal Singh IPS, the present Joint Secretary, Shipping was appointed on the board on October 04 2017. Shri Bejoy Bhasker took over charge as Director (Technical) on April 05, 2018 in place of Shri Sunny Thomas who superannuated on November 30, 2017. Shri Jyothilal K R, IAS, Principal Secretary (Transport) Government of Kerala, was appointed on the Board on April 20, 2018.

HUMAN RESOURCE DEVELOPMENT

The success of your company is attributable to its employees and to keep its employees motivated and well trained various programmes have been devised. On the HR front, we have institutionalized syllabus based structured training programme for our officers and workmen. Our officers are being exposed to the best practices in other industries and are undergoing courses in prestigious management