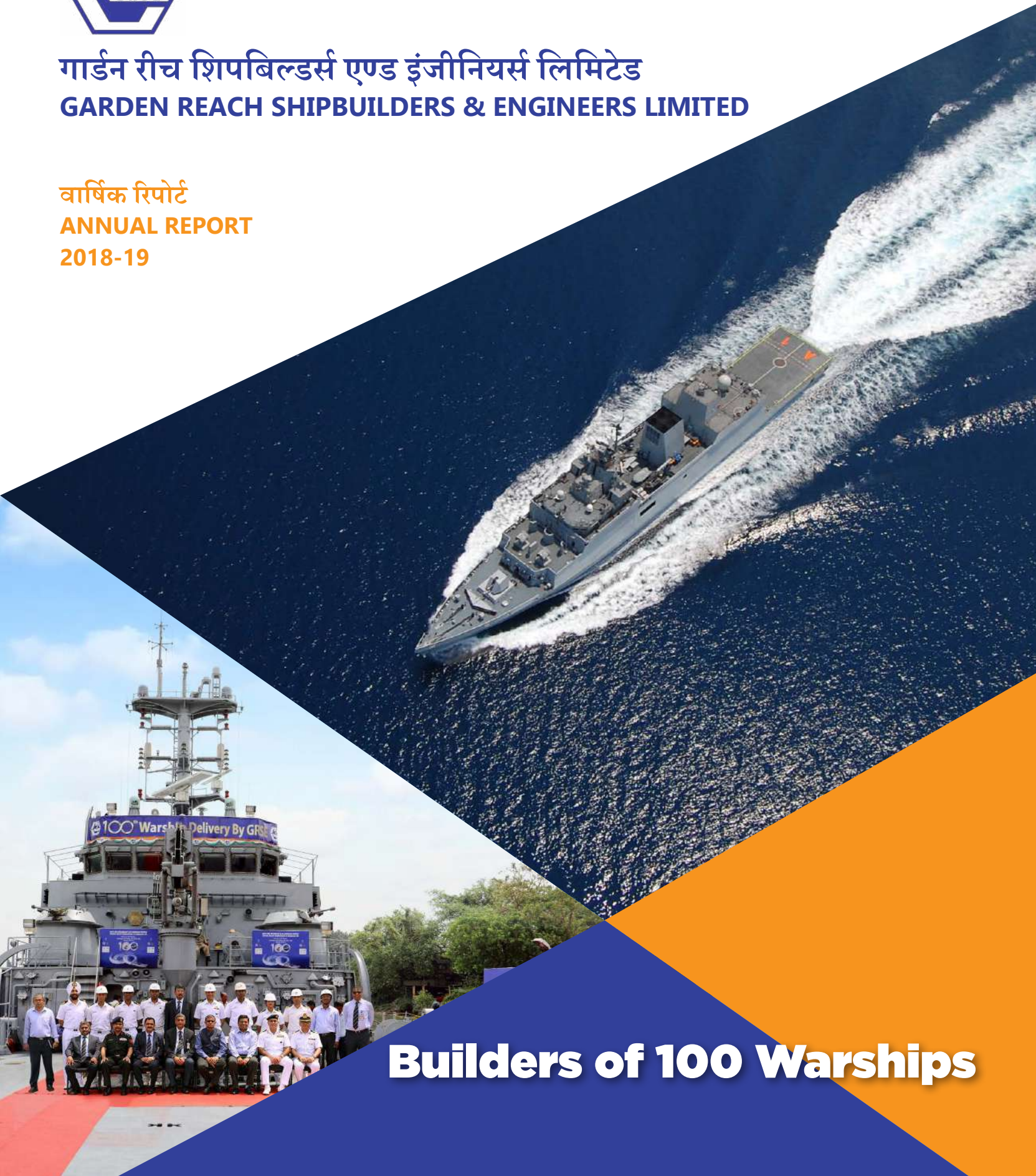




गार्डन रीच शिपबिल्डर्स एण्ड इंजीनियर्स लिमिटेड GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

वार्षिक रिपोर्ट
ANNUAL REPORT
2018-19



Builders of 100 Warships



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GARDEN REACH SHIPBUILDERS & ENGINEERS LTD.

Papers to be laid
on the table of
Lok Sabha / Rajya Sabha

Authenticated

Raksha Rajya Mantri



VISION

To become a Global Leader in Warship Construction

MISSION

To be self-reliant in design capability and deploy state-of-the-art manufacturing processes

To build Quality Warships at competitive prices, exceeding customer's expectation in terms of delivery time and product support

To achieve sustained growth through customer satisfaction, product innovation, capturing export potential and employee satisfaction

CORPORATE OBJECTIVES

Establish a self-reliant design house

Productivity Improvement

Quality Improvement

QMS & ISO 9001 Certification for Ship Division

Ship repair as a Business Venture & Profit Centre

Business Development through concerted marketing efforts

Marketing Deck Machinery items, Portable steel bridges and Diesel engines

Vendor development & building long term partnership

Building GRSE Brand

Material Management / Supply Chain Management

Human Resource Development

CSR & Sustainability



CHAIRMAN'S ADDRESS

Dear Shareholders

It gives me immense pleasure in welcoming you all to the 103rd Annual General Meeting of Garden Reach Shipbuilders & Engineers Limited.

Since taking over as the Chairman & Managing Director of the Company on 01 Mar 2017, the last two and a half years have been quite exciting and eventful. Before delving into the performance of the Company during the year, I would like to state that this Annual General Meeting holds a very special significance as it is our first AGM after the successful IPO of the Company, wherein the Government of India disinvested 25.50% of its shareholding in the Company. The Public issue was well received and the Shares of your Company are now listed at NSE and BSE. I take this opportunity to extend my gratitude to all our investors for their confidence in our Company, which is further reflected by the increased market capitalization post listing of our shares.





CHAIRMAN'S ADDRESS Contd...

OUR STRATEGIC ENVIRONMENT

The global defence shipbuilding market is expected to turn around given the need to replace older vessels in the naval fleets of major economies and the increase in the level of sophistication in combat technology. The global naval shipbuilding market is also expected to grow further, driven by demands for both surface combatants and submarines. Globally, the average age of warships is as high as twenty-five (25) years and a number of procurement programs are either in the pipeline or under execution in various countries.

For the year 2019-20, India's total Defence Budget is ₹ 4,31,010.79 crore, which is 15.47% of total Central Government Expenditure (₹ 27,86,349 crore). When it comes to Indian Navy, more than 60% of the Naval Budget is dedicated to capital expenditure and nearly 70% of this capital budget has been spent on indigenous sourcing. Since the launch of 'Make in India' initiative in the year 2014, 80% of the AoNs (i.e. Acceptance of Necessity) on cost basis have been awarded to Indian companies.

DEFENCE ORDER POTENTIAL UP TO 2027

In the Indian context, the Defence Shipbuilding segment looks promising on account of the ship acquisition plans of the Indian Navy and the Indian Coast Guard.

Currently, the Indian Navy fleet has close to 140 ships and submarines while the Indian Coast Guard fleet includes another about 130 vessels. The Indian Navy and Indian Coast Guard fleets are each expected to grow to about 200 vessels by 2027. The two defence forces have jointly approved a shipbuilding programme spanning over fifteen years, under which they are expected to place orders for significant number of warships in the next couple of years.

Recently, there has been a noticeable increase in defence orders for shipbuilding and ship repairs. According to industry sources, Indian Navy's estimated capital budget upto 2027 amounts to ₹ 4,50,000 crore approx. and an estimated budget of ₹ 32,000 crore is for Indian Coast Guard's capital procurements.

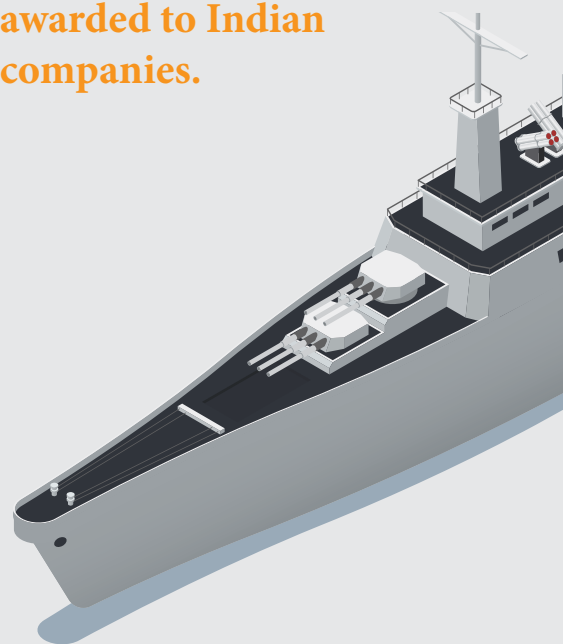
OUR COMPETITIVE STRENGTH

The core purpose of your Company is akin to strengthening India's defence preparedness. With 60 years of experience in warship building and related services, we are a major force behind making India self-reliant in warship building. As India's shipbuilding industry further matures, there is enormous potential to forge strategic partnerships and convert India into a hub for defence shipbuilding exports and repairs to friendly foreign countries. Your Company is well positioned to take advantage of these emerging opportunities within India as well as abroad.

GRSE is predominantly in the defence shipbuilding segment and has gained sufficient expertise in construction of large, medium and small size ships required by Indian Navy and Indian Coast Guard, in particular, and generally enjoys excellent reputation for ships that it has built. GRSE is operating in a highly competitive environment across all its product segments.

“

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We continue to get shipbuilding and related contracts based on competitive bidding as well. Though the era of awarding contracts on nomination basis is coming to an end, we are able to maintain an edge over the new emerging competitors by way of our capacity, design, technology, processes and cost advantages. Our capabilities and knowledge pool in warship building gained from over five decades of experience are not easily replicable by others. However, we are not complacent and we continue to improve our competitive advantages through augmentation of infrastructure, adoption of latest process management tools and technologies in various areas of operations.

With our unique advantages, the shipyard has recently been awarded two contracts for four Survey Vessels (Large) and eight Anti-Submarine Warfare Shallow Water Crafts from the Indian Navy at an order value of ₹ 8,746 crore on competitive bidding.

OUR STRATEGY TO SUSTAIN & GROW

We intend to pursue the following principle strategies to exploit our competitive strengths and grow our business:

- ▶ Expand our operations through partnerships and collaborations.
- ▶ Diversify through expansion in new growth areas.
- ▶ Further strengthen in-house capabilities to design and develop specialised products.
- ▶ Reskill and upskill the Human Capital
- ▶ Enhancing customer satisfaction

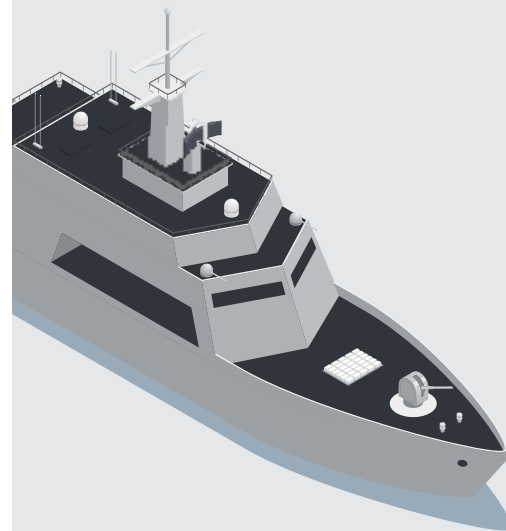
Our Financial Performance

The performance of your Company continued to be strong during the year 2018-19, backed by our good order book position:

- ▶ **Gross Revenue** registered a growth of 1.88% from ₹ 1,52,889.40 lakh in 2017-18 to ₹ 1,55,766.09 lakh in 2018-19.
- ▶ **Value of Production** has increased from ₹ 1,34,552.25 lakh in 2017-18 to ₹ 1,37,877.46 lakh in 2018-19, an increase of 2.47%.
- ▶ **Net Profit (PBT)** has increased from ₹ 12,774.96 lakh in 2017-18 to ₹ 17,896.02 lakh in 2018-19, an increase of 40.09%.
- ▶ **Value Addition per Employee** has increased from ₹ 18.93 lakh in 2017-18 to ₹ 21.05 lakh in 2018-19.
- ▶ **Book Value per Share** has increased from ₹ 89.18 in 2017-18 to ₹ 90.64 in 2018-19.
- ▶ **Net Worth** has increased from ₹ 1,02,153.54 lakh in 2017-18 to ₹ 1,03,830.71 lakh in 2018-19, an increase of 1.64%.

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CHAIRMAN'S ADDRESS Contd...

I am pleased to inform you that the Board of Directors of your Company has recommended a final dividend of ₹ 5.10/- per equity share of face value of ₹ 10/- each for the financial year 2018-19. This is in addition to the interim dividend of ₹ 1.85/- per equity share of face value of ₹ 10/- each paid on 28 Mar 2019. This marks an increase in Dividend per share from ₹ 4.43 in 2017-18 to ₹ 6.95 in 2018-19.

SUSTAINABILITY FOOTPRINTS

Sustainable economic performance is beyond revenue and profits. Our operational activities positively impact multiple stakeholders in our value chain such as our people, society, MSMEs, other suppliers, investors and those working with us on contract basis. During the year, we paid ₹ 291 crore (approx.) towards employees expenses and ₹ 50.24 crore as contribution to the national exchequer.

Our CSR spend during the year stands at ₹ 265 lakh and this outlay positively impacted over 23,000 people through our various CSR initiatives in broad thematic domains such as Skill Development, Swachh Bharat Initiatives, mainstreaming differently abled persons and health related initiatives for improving the quality of life of the marginalized segment of the society. Our contribution towards fulfilling Hon'ble Prime Minister's commitment of providing hygienic sanitation facilities, GRSE has been engaged in construction and maintenance of more than 200 toilets and other ancillary support structures and items to 28 schools located in the vicinity of the Production Units of GRSE, benefitting around 30,000 students during the last 3 years. Further, GRSE has given a lot of thrust to address the challenging issue of unemployment in the country by undertaking Skill development initiatives, inter alia, by supporting three Government Industrial Training Institutes (ITIs) in developing their training infrastructure and organizing developmental programmes for their students.

During the financial year 2018-19, your Company procured items worth ₹ 164.57 crore from the SMEs, which is 27.42% (approx.) of the total annual procurement value. As on 31 Mar 2019, we have 672 MSE as registered vendors.

By way of adopting energy efficient methodologies such as solar, the Company reduced the consumption of conventional energy and the electricity cost was reduced to the tune of ₹ 78 lakh during the year. Further, this facilitates reduction in emission of greenhouse gas by about 950 Ton.

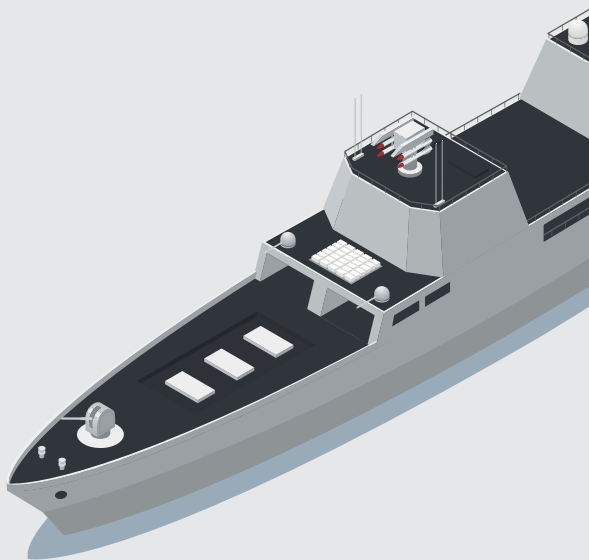
SIGNIFICANT ACHIEVEMENTS AND GROWTH TRAJECTORY

The following are some of the significant achievements of your Company during the FY 2018-19:

- ▶ In terms of parameters contained in the Memorandum of Understanding signed by your Company with the Government of India for the year 2018-19, your Company is expected to be rated as "Excellent" in its performance this year, continuing our track record of 'Excellent' grading from last year as well.



Sustainable economic performance is beyond revenue and profits. Our operational activities positively impact multiple stakeholders in our value chain such as our people, society, MSMEs, other suppliers, investors and those working with us on contract basis.



- ▶ Your Company has delivered 04 Warships to Indian Navy during FY 2018-19
- ▶ During the year under review, your Company has achieved a historic milestone by **delivering its 100th warship** to Indian Navy – a Landing Craft Utility, designed and developed by GRSE with over 90% indigenous content on 30 Mar 2019.

With this, GRSE has become the first shipyard in the country to build and deliver 100 warships to our maritime forces. With this unique feat, the Shipyard boasts of constructing highest number of warships in the country. The journey from the year 1961, when GRSE delivered the 1st indigenously built warship INS Ajay to the Indian Navy to delivery of the 100th warship has been a saga of continuous enhancements in our core competence and augmentation of infrastructure to match world class standards. GRSE has come a long way in developing in-house design capability, enhancing indigenous content in recently built platforms, improving skill sets, quality and ability to handle multiple warships constructions.

- ▶ On 30 Oct 2018, GRSE signed the contract for construction and delivery of four (4) in nos. Survey Vessels (Large) for the Indian Navy for a value of ₹ 2,435 crore under competitive bidding, again a first in the history of the Shipyard.
- ▶ In addition, your Company also signed a contract with the Indian Navy for construction and delivery of eight (8) in nos. Anti-Submarine Warfare Shallow Water Craft on 29 Apr 2019 at an estimated cost of ₹ 6,311.32 crore, through competitive bidding as well.
- ▶ The Company has constructed two bailey bridges near Majerhat, Kolkata which was inaugurated on 12 Oct 2018. The erection followed by installation & commissioning of both the bridges was completed in a record time of 7 days which was hugely appreciated by local populace, media and civil administration during the inauguration ceremony.

ORDER BOOK POSITION

The total order book position of the Company for the three (3) divisions viz. Ship Division, Engineering Division and Engine Division, as on 31 Mar 2019 stands at ₹ 21,644.25 crore.

NEW INITIATIVES

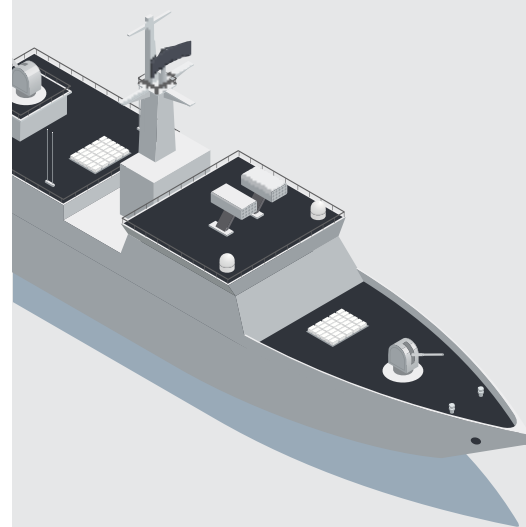
During FY19, your Company signed a MoU with M/s. Elbit Systems, Isreal, for indigenous development and supply of Unmanned Surface Vessels (USV) under the “Make in India” initiative of the Government of India.

MAKE IN INDIA INITIATIVES

Your Company has implemented the “Make in India and Indigenisation” policy whereby indigenous vendors are encouraged to quote with maximum indigenisation content through Licensed production with collaboration, Licensed production by way of Transfer of Technology (ToT), Co-production, Assembling, Design and Manufacture in India with ToT. Your Company has developed in-house capabilities to design & build most



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CHAIRMAN'S ADDRESS Contd...

modern warships in the country. Of these ships, the ongoing ASW Corvettes and LCUs have about 90% indigenous content which is a major step towards achieving self-reliance in state-of-the-art warship design and construction.

Your Company has also indigenised a number of shipbuilding & engineering items of hull & hull outfit, engineering equipment including marine pumps, Deck machinery equipment and spares.

EXPORT INITIATIVES

Our corporate vision is “To become a global leader in warship construction” is. Towards this, your Company is participating in global tenders abiding by all Government Policies & Guidelines to build up a healthy order book position and increase in export of defence platforms and products. In addition, your Company is also aggressively marketing its Portable Steel Bridges with neighbouring countries like Bhutan, Myanmar, Nepal etc. Going forward, we aim to continue to explore business opportunities, globally.

INFRASTRUCTURE ENHANCEMENT

Infrastructure agility is one of our key advantage. We have been expanding our operational capabilities year on year. The key infrastructure expansion initiatives undertaken by your Company during the year are as below:

- ▶ The modern 3D Virtual Reality Lab, a capability multiplier essential for design development of modern and strategic warships has been set-up at Central Design Office of your Company at Kolkata.
- ▶ During the year, your Company established a Data Centre, an innovative IT infrastructure in the Central Design Office at its 61 Park Unit, to enhance computing uptime and scalability and provide safe, economical, clean and highly secure operational environment in ship building.
- ▶ A modern Pump Test Bed facility has been created at your Company's Taratala unit. The objective of the new state-of-the-art pump testing facility is to tap the business opportunities available in this sector and future requirements of Naval Shipbuilding.
- ▶ Modernisation of Rajabagan Dockyard is underway, which will ensure that the shipbuilding capacity of your Company increases from 20 to 24 ships in next 3 – 4 years.

MANPOWER & MAJOR HR INITIATIVES

A team of 2100 people on the permanent roll of the Company are our key assets. As part of Human Capability Building initiatives, we have organised various management, functional and behavioural related development programmes during the year.

CORPORATE GOVERNANCE

Your Company has been upholding highest standards of transparent & ethical Governance practices while creating value for all the stakeholders. In testimony, for 10th year in succession, your Company has achieved ‘Excellent’ grading in compliance with the conditions of Corporate Governance for Central Public Sector Enterprises, Government of India.



During FY19, your Company signed a MoU with M/s. Elbit Systems, Isreal, for indigenous development and supply of Unmanned Surface Vessels (USV) under the “Make in India” initiative of the Government of India.

