

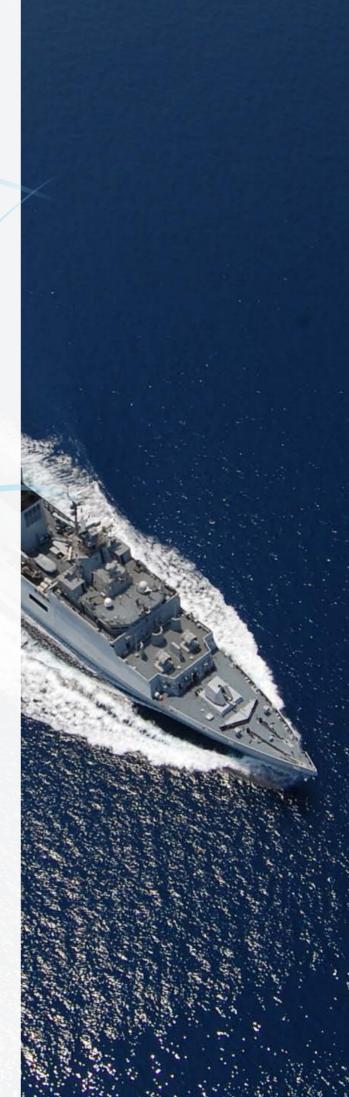


### गार्डन रीच शिपबिल्डर्स एण्ड इंजीनियर्स लिमिटेड GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED



## **ENHANCING CAPABILITIES EXPANDING FRONTIERS**

वार्षिक रिपोर्ट 2020-21 Annual Report 2020-21



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## GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

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

Authenticated

Raksha Rajya Mantri

# **ABOUT GRSE**

GRSE is a premier shipbuilding company in India under the administrative control of the Ministry of Defence, primarily catering to the shipbuilding requirements of the Indian Navy and the Indian Coast Guard. GRSE is a diversified, profit making and dividend paying Company and the first Shipyard in the country to export warships and deliver 100+ warships to the Indian Navy and Indian Coast Guard.

#### **Key Highlights**

Turnover

₹1,133<sub>Crores</sub>

**Number of Employees** 

1900

Warships Delivery Count

107

Order Book (As on 31 March, 2021)





Presently, GRSE has 3 separate facilities for shipbuilding, all of which are located in close vicinity of each other in Kolkata. The ships are built at the Main Works Unit and the Rajabagan Dockyard. GRSE's shipbuilding division is engaged in the construction of warships / vessels for clients mainly in the defence sector, Indian Navy and Indian Coast Guard and interceptor boats for MHA and State Governments towards coastal security.

#### Engineering

We offer portable bridges, deck machinery items and marine pumps as our engineering division's products and merchandise. The engineering division at GRSE was primarily set up in order to indigenize sophisticated deck machinery items in the year 1970.



#### **Diesel Engine Plant**

The Diesel Engine Plant (DEP) at Ranchi is engaged in the testing and overhauling of marine propulsion engines and assembly of semi-knocked down units of diesel engines, while the Engineering segment is engaged in the manufacturing and fabrication of portable steel bridges, deck machineries for ships and marine pumps. The engine production division at DEP supplies and overhauls MTU 396-04; MTU 4000; MTU 1163; and MTU 538 class diesel engines. We also have a license agreement with MTU Germany for semi knocked down assembly of MTU 12V/ 16V 4000M90 engines and production of certain engine parts.

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# HOW WE CREATE VALUE

#### **Key Drivers and Inputs**

#### Demand

Increasing demand from Indian Navy, Coast Guards and friendly countries for state of the art warships and surveillance ships.

#### Inputs

Our Capabilities & Experience State of the art ship building facilities Experienced Manpower Capex/ Financial Capital Orderbook

#### **Relationships**

Government of India Customers Suppliers Society

#### **Our Approach**

#### Vision

To become Global Leader in Warship Construction

#### Mission

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

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, objectives employee, and other Stakeholder engagement and talent development.



#### What We Do

The company is primarily in the business of ship building mainly for clients in the defence sector.

In addition to the shipbuilding, GRSE also builds and supplies various boats, pontoons, barge, sailing dinghy, fishing trawler, fire float, tug, dredger, passenger ferry, motor cutter, deck whaler and launch.

Engineering division of the company. makes portable bridges, deck machinery items and marine pumps.

Engine division assemble, test and overhauls of marine engines.

#### Value Created

#### **Contribution to the nation**

More than 780 vessels delivered since inception including 107 warships.

#### **Economic Value**

FY21 Turnover: ₹ 1133 Crore PAT: ₹ 153 Crore Dividends paid: ₹ 60.14 Crore Taxes paid: ₹ 41.49 Crore Market Cap: ₹ 2117 Crore

#### **Social Value**

1900+ employees Salaries Paid Procurement value: ₹ 3455 Crore CSR outlay: ₹ 370 Lakh

## Message from CMD



Dear Shareholders,

I welcome you all to the 105<sup>th</sup> Annual General Meeting of Garden Reach Shipbuilders & Engineers Ltd. I thank you for attending the virtual AGM of the Company, and hope you and your dear ones have been able to take COVID 19 vaccine and are safe and healthy in these difficult time.

During the financial year 2020-21, the unprecedented Covid-19 pandemic saw our nation's *GDP contract by 7.3%* resulting in a lasting impact on the social fibre and the economic grain of the country. Yet your company, exhibited tenacity and resilience in such a calamity and came out unscathed.

Your Company is a labour intensive industry, with heavy dependence on the supply chain system. On both these fronts, due to lockdowns and other related challenges, company has suffered disruptions in production, especially during the first and second quarters. However, your Company fought back with new mitigation strategies including refinement of various processes, procedures and operations resulting in decent recovery in third and fourth quarters.

#### **Performance Overview**

The Financial performance of the company has been satisfactory. While the Revenue from operations was down by around 20% to ₹ 1,141 Crore during the financial year 2020-21 as against ₹ 1,433 Crore in the previous year, the EBITDA, PBT and PAT margins have improved by 18%, 16% and 12% respectively. A detailed review of our revenue and margins is presented in the Directors' Report.

I am also pleased to inform you that the company has declared a dividend of 50% per equity share of the face value of ₹ 10/- each, and has already paid an interim dividend of 38.50% per equity share. The Board has also recommended a final dividend of 11.50% per equity share of the face value of ₹ 10/- each to be paid after approval of shareholders at this Annual General Meeting.

As regards production performance, I am happy to state that despite the Covid related restrictions and associated uncertainties, we were able to achieve major milestones. During the year, your company launched the first of the three P17A Frigate two months ahead of schedule. The year also saw us delivering three ships, one each to the Indian Navy and Indian Cost Guard and one Fast Patrol Vessel (FPV) to the Govt of Seychelles. It gives me immense pleasure to inform you that one of these ships, the FPV to the Indian Coast Guard, was delivered within two days of resuming normal work post lifting of lockdown during the 1<sup>st</sup> wave of pandemic. Our total warship delivery count now stands at 107, a figure unmatched by any of the Indian Shipyard.

#### **Orderbook Position & Capacity Building**

You would be happy to note that with a healthy orderbook of ₹ 25,707 Crore involving 17 ships under various stages of construction, there is clear revenue visibility over the next 6-7 years. The ships under construction include three major projects of the Indian Navy - 3 Nos P17A Frigates, 4 Nos Survey Vessel (Large) and 8 Nos Anti Submarine Shallow Water Crafts. In addition, one Fast Patrol Vessel of Indian Cost Guard and an Ocean Going Passenger cum Cargo Vessel of 1700T for Govt of Guyana are also under construction.

The focus on capacity building is evident, as the CAPEX in FY21 has almost tripled to ₹ 154 crore as compared to ₹ 52 Crore during the previous year. I am happy to inform that the 250-Ton Goliath Crane weighing around 1600 tons, that was ordered on a South Korean firm has since been received and commissioned at our Main Unit. Availability of Goliath Crane will further boost Integrated Construction and productivity of the company. Further, an open Storage area (3600 sqm area) for staging of hull blocks at Main Unit was created in Sep 2020. In addition, two each non AC and climate-controlled Warehouses have also been commissioned at the Main Works Unit of the Company to further enhance the storage capacity. Two Nos Hull Block Fabrication Complexes having all-weather operations capability, a mini Steel Stock Yard, 80 Ton weigh bridge and a CNC Underwater Plasma Cutting machine have been commissioned at the Rajabagan Dockyard Unit. Revitalizations of the facilities at RBD will enable this unit to be used as a feeder unit by way of concurrent manufacturing of a number of units / blocks to further enhance the Integrated Construction capacity of your company.

#### **Research & Development and Technology Adoption**

I am delighted to inform you that we have made multiple strides in our Research and Development as well as technology adoption programs. Our Design department with 100 plus design experts continues to work on various product development initiatives. We have taken up efforts to develop the design for Green Energy based platforms for Inland Water Transport. Towards this, MoUs have been signed with a Canadian firm for assistance in design development and integration of energy storage solutions and M/s GE Power Conversion for providing solutions for electric/ hybrid propulsion. GRSE has also collaborated with IIT Kharagpur, to develop an efficient hull form for the purpose. Your company is also working on Hovercraft designs in collaboration with a foreign firm looking at the growing demands for Hovercrafts in India and also in friendly countries.

#### **Digital Transformation Journey**

Digital transformation is one of the most significant megatrends of our generation, one which is continuing to grow in scope and scale. It is redefining what business companies are in, forcing a shift in long held organizational principles and practices. Your company recognized this critical need and moving ahead in identifying and adopting suitable industry 4.0 technologies in various areas of its operations with special focus on Design, Production, Planning, Supply Chain Management and HR.

Towards this your company has successfully undertaken the development of an AI-enabled Design Assistant "Jigyasha" in collaboration with an IIIT, Hyderabad incubated startup. "Jigyasha" will enable our designers to extract required information quickly from multiple documents and design guidelines.

Your company is implementing AVEVA Marine based PDM & Siemens Team Centre PLM software and Critical Chain Project management (CCPM) systems besides several digital interventions to make Project Management more efficient and contemporary.

To secure the assets of the Company from any external threats, your Company has installed an Al-enabled high-end CCTV surveillance network at five major units. This state-of-the-art technology will enable surveillance of our units round the clock.

#### **Human Resources**

I am happy to inform you that GRSE has been accorded the 'People Capability Maturity Model (PCMM) Level 2 Certification' in line with the CMMI Institute framework, developed by Carnegie Mellon University (CMU), USA. As one of the few Indian companies to be accorded this certification, GRSE intends further focus on our biggest investment, our human capital, through structured management of HR practices.

#### Export – A Thrust Area

In line with the Gol focus, exports have been a key focus area of your Company, and our sustained efforts have resulted in the Shipyard grabbing export orders from a few countries, a Government of Guyana order for construction of an Ocean-Going Passenger cum Ferry Vessel at the cost of USD 12.73 Million and one Fast Patrol Vessel for Government of Seychelles at the cost of USD 13 Million. Your Company has also exported seven Bridges. (Five Bridges to Bhutan and Two Bridges to Nepal) earning export revenue of ₹ 3.15 Crore.

Our focus areas are the SAARC, ASEAN, African and Latin American countries and we have devised certain strategies to aggressively pursue export opportunities.

#### **Other Business Vertical**

Your company's' foray in refit vertical have started on a good note by getting an order for refit of a Mauritius Coast Guard Ship besides undertaking Refits / Repairs work for Indian Coast Guard Vessels. Being one of our focus area, we are strengthening this division to further expand business opportunities.

#### **Touching Lives**

Serving society is ingrained in our business model and towards this we had a CSR outlay of ₹ 370 lakh in the areas of School Education, Healthcare, Nutrition & Skill Development. I am happy to inform you that your company has ensured 100% utilisation of the allocated funds to complete all the targeted projects. Also, as part of the green energy drive, your Company undertook various projects including installation of Solar Power and Biogas plants, introduction of Electric Vehicles for local commute by officials, changing of conventional lights into LED lights and procurement of energy-efficient welding machines etc.

#### **Aatmanirbhar Bharat**

In pursuance of Hon'ble Prime Minister Shri Narendra Modi's vision of 'Atmanirbhar Bharat' to boost indigenisation in the Defence sector, Raksha Mantri Shri Rajnath Singh has notified the 'Second Positive Indigenisation List' of 108 items. This will give a further boost to indigenisation with the active participation of the public and private sectors for fulfilling the twin objectives of achieving self-reliance and promoting defence exports.

#### **Opportunities....**

On the domestic front, the thrust on 'Make in India' provides us ample opportunities in both Defence and non-Defence Sectors. Earmarking of around 64 % of the Indian Defence modernisation funds under the capital acquisition budget for 2021-22 and allocation of ₹ 33,000 Crore as capital outlay to the Indian Navy for acquisitions and repairs augers well for the cash flow and revenue realisation of our ongoing projects from the governmental outlay, and also more business opportunities.

As I had mentioned earlier, exports is a focus area and "exports provides us an ocean of opportunities". I am hopeful that we will grab a few attractive export orders in the coming years from our targeted nations. The investment under infrastructure funding for roads in border states under the Bharatmala project and the impetus to inland water transport by Govt of India gives new opportunity in these sunrise sectors to our Engineering division that makes Portable Steel Bailey Bridges and a captive market for the likely boom in the river going vessels for inland waterways.

#### **Concluding Remarks**

We are moving forward with our enhanced operational capabilities, technology adoption and a healthy order book. In the coming years, we envision GRSE doing value creation across the financial, social and economic canvas, to usher in prosperity for its' stakeholders, whilst strengthening India's defence capabilities. Let's accelerate our company's forward march with positivity, purpose and passion. While the road ahead is not easy, but let us not be deterred by unexpected and temporary problems such as the pandemic and distraction by unimportant issues that dissipate our energies.

I express my heartfelt thanks to the Ministry of Defence, Central and State Government Authorities and Indian Navy & Indian Coast Guard Authorities for their unstinted support and valuable guidance. I would also like to take this opportunity to convey my heartfelt gratitude to all our esteemed shareholders for their enduring faith and confidence they have reposed in us. Last, but not least, I appreciate the untiring efforts and unflinching commitment of the Team GRSE who rose to the occasion in such testing times, to achieve the goals of the Company. The support and faith reposed by the Board of Directors have helped steer the Company on a steady course and stable growth trajectory.

Jai Hind

V. K. Saxena Rear Admiral, IN (Retd.) Chairman & Managing Director