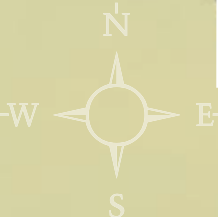




SETTING SAIL FOR DESTINATION: FUTURE



CHAIRMAN'S OVERVIEW



Nikhil P. Gandhi, Chairman

“ WE HAVE BEEN INVESTING NOT ONLY IN CAPACITIES THAT WOULD MAKE PIPAVAV SHIPYARD THE LARGEST IN INDIA, BUT ALSO TO ENSURE ADEQUATE FLEXIBILITY OF INFRASTRUCTURE FOR DIVERSIFIED PRODUCT AND SERVICE OFFERINGS, AND CUSTOMISED SOLUTIONS. ”

Dear all,

The year 2008-09 was the year of a journey's commencement. A journey to build a company like no other. A journey to achieve excellence in whatever we undertake. Above all, journey fuelled by the passion of a likeminded few, pledged to fulfill an audacious commitment. For we shall be satisfied with nothing less than finding India a place of honour on the global shipbuilding map. And I am hugely proud to report the fact that the journey has been well begun indeed.

We live in exciting times! On the one hand, the developed economies are facing a liquidity crisis, leading to lower consumer offtake. With intensified competition, companies are looking to maintaining their margins. The world is shrinking faster and thereby, widening the very scope of business opportunities. On the other hand, therefore, Asia is emerging more and more conspicuously as a preferred manufacturing destination in the wake of vastly increased human resource expenses in the European and the American countries. As both have a large population base with increasing access to disposable income, China and India are emerging as preferred markets for companies in pursuit of sustainable and scalable growth.

The global shipbuilding industry is in an equally vast transit. While South Korea and Japan dominated the shipbuilding industry during the 1970 -1990 decades, China fast emerged as a preferred destination in more recent years. The focus has now shifted to India. India has traditionally enjoyed an edge over China in terms of quality of product. However, offering world-class and world-scale standards in shipbuilding services still remains a challenge most Indian companies are unwilling to envisage, let alone attempt.

Pipavav Shipyard Limited was formed not merely to exploit the immediate opportunity. A shipyard capable of delivering globally competitive services cannot be supported by momentary shifts of competitive balance. This Company is predicated on a much longer-term view, and founded on a bedrock of hard fact. India does indeed

enjoy an edge in its large pool of engineering professionals. The lower cost of resources, the domestic availability of raw materials, the proximity to the key trade centres of the shipping world - Dubai and Singapore - are also advantages that will not only endure but strengthen in the foreseeable future.

Our shipyard will offer products and services at par with the best in the world. We have been investing not only in capacities that would make Pipavav Shipyard the largest in Asia, but also in infrastructure to lend adequate flexibility to ensure diversified product and service offerings, and customised solutions.

We have ensured best in class technology and design expertise by associating with the best shipbuilders in the world like KOMAC and SembCorp.

I feel great pride in the quality of our allies.

However, the best is yet to come - both in terms of opportunities and challenges. The year 2008-09 was very crucial for us. We have a robust order book, proof already of the faith our customers place in our abilities. To live up to their expectations and deliver results would be the biggest focus area for us going forward. I am confident, that with our abilities we can not only reach but raise the bar of performance in the coming year.

So the journey is well begun, and the future is bright.

I take your leave on this note of optimism.

Sincerely,

Nikhil P. Gandhi
Chairman



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Bhavesh P. Gandhi,
Executive Vice Chairman

VICE CHAIRMAN'S OVERVIEW

Dear all,

It gives me great pleasure to share our progress during the year with you. The year 2008-09 was a year of project execution. Our sole focus was on timely completion of the planned activities, as scheduled. I am happy to report that we have largely managed to stick to the timelines: it reflects the single-minded focus, determination and hard work put in by each and every member of our organisation.

Such dedication stems from the pride that each of us literally breathes everyday – to create India's largest shipyard, and equip it with truly world-class infrastructure.

Allow me to give you a quick inventory of what make Pipavav Shipyard India's first world-class shipyard:

1. **Capacity:** the shipyard has the largest dry dock in Asia.
2. **Production expertise:** we use the modular method of ship-building, wherein a ship is built block by block. This method, used in all major international shipyards, makes the operation faster and highly efficient.
3. **Flexibility:** the very size of the shipyard gives it the flexibility to handle a large variety of vessel types and a wide range of services.
4. **A diverse product line:** as a strategy, we ventured into production of large ships and Offshore Supply Vessels, and were thus able to replicate the market opportunity in the order book. Going forward, we will also capitalise on offshore fabrication projects, defence vessels and ship repairs, major opportunity areas for us.
5. **Diverse human resource base:** we have strengthened

workforce by recruiting the best talents from a global pool of experienced professionals. This cultural as well as professional diversity enriches our engagement with our global customer base.

With the Indian shipbuilding sector becoming fiercely competitive everyday, our Company enjoys a first mover advantage in both capacity buildup and adoption of the latest technology. Our timely entry is expected to provide an advantage of three years over the existing shipbuilders in India.

April 1, 2009 onwards, we also commenced the first stage of production – with block-making – at our SEZ unit.

The year 2009-10 will be crucial for us, in terms of order deliveries.

I take this opportunity to acknowledge the invaluable contribution of all our customers, suppliers, bankers for their support, and our employees for their unstinted commitment. Both are integral to our vision and the story of our growth.

I would also like to thank our Board of Directors for their continuing guidance in shaping our vision. And I am grateful to all our investors for the faith they have reposed in our team as it implements this vision.

I am sanguine that our strategic initiatives will ensure robust shareholder value, and go a long way in securing India's preeminent place in the global shipbuilding industry.

Sincerely,

Bhavesh P. Gandhi,
Executive Vice Chairman

“ WITH THE INDIAN SHIPBUILDING SECTOR BECOMING FIERCELY COMPETITIVE EVERY DAY, YOUR COMPANY ENJOYS THE FIRST MOVER ADVANTAGE IN BOTH CAPACITY BUILDUP AND ADOPTION OF THE LATEST TECHNOLOGY. ”

PROFILE OF THE BOARD OF DIRECTORS

1 Mr. Nikhil P. Gandhi, aged 50, is the Non-Executive Chairman of the Company, and is also the Executive Chairman of SKIL Infrastructure Limited. He is a first generation entrepreneur with business interest in marine equipments, marine engineering and infrastructure. He has been with the Company since its inception in 1997 and was one of the first directors appointed pursuant to the Articles upon incorporation of the Company. Mr. Gandhi has approximately 26 years of experience as an entrepreneur of various infrastructure development projects. Under his leadership, the first private port in India was set up through Gujarat Pipavav Port Limited. He was nominated as a trustee of the Mumbai Port Trust on two occasions. In 1990, he received the "Best Young Entrepreneur" award from the Ministry of Chemicals and Petrochemicals, Government of India and in 2001, he was conferred the "Great Son of Soil" award by the All India Conference of Intellectuals.

2 Mr. Atul Punj, aged 51, is a Non-Executive Director and Co-Chairman of the Company and has been nominated by Punj Lloyd. He was appointed as a Director on September 18, 2007. Mr. Punj holds a Bachelor's degree in Commerce from the Shri Ram College of Commerce, Delhi University. He joined the family business at the age of 22. He initiated Punj Lloyd into the pipeline business and helped it focus on the engineering, hydrocarbons and infrastructure sectors. Mr. Punj has overseen Punj Lloyd's diversification into new business opportunities, including tankage and terminals, process plants, power, telecom and highway construction. He has also helped Punj Lloyd grow in international markets, including South Asia, Middle East, Asia Pacific, the Caspian, Europe, China and Africa. Mr. Punj is a Member of the Construction Federation of India, Construction Industry Development Council and the National Council of the Confederation of Indian Industry.

3 Mr. Bhavesh P. Gandhi, aged 43, is the Executive Vice Chairman of the Company, and is also the Vice Chairman of SKIL Infrastructure Limited. He has been a Director since December 30, 2005. He obtained a Bachelor of Commerce degree from the University of Calcutta and commenced his career by joining SKIL as a promoter and director responsible for the business development of the company. Mr. Gandhi has approximately 25 years of experience as an entrepreneur. Mr. Gandhi has particular expertise in infrastructure development projects.

4 Mr. Vimal Kishore Kaushik, aged 61, is a Non-Executive Director of the Company and has been nominated by Punj Lloyd. He was appointed as a Director on September 18, 2007. Mr. Kaushik has been associated with Punj Lloyd since its inception and has approximately 39 years of experience in project and construction management. Mr. Kaushik has a Bachelor's degree in electrical engineering from the Gwalior University. He has worked in most operations in India and overseas with Punj Lloyd. As managing director of Punj Lloyd, he headed the global operations of Punj Lloyd across the Asia Pacific, South Asia, Middle East, Africa and the Caspian.

5 Mr. R.M.V. Raman, aged 63, has been appointed as a nominee Director of EXIM Bank and as such qualified as an Independent Director of the Company. He has been a Director since December 19, 2003. He holds a Master of Financial Management degree from the Jamnalal Bajaj Institute, the University of Mumbai, a Master of Science degree in Physics and a Master of Arts degree in English Literature from Madurai College, Madurai Kamaraj University, Tamil Nadu. Mr. Raman has approximately 35 years of experience in international trade financing, development banking and central banking. He has undertaken project feasibility studies and monitoring assignments in many countries and has also negotiated and concluded many export lines of credit. Prior to joining EXIM Bank in 1982, he had worked in the Reserve Bank of India for two years and in Industrial Development Bank of India for eight years.

6 Mr. Mahesh M. Gandhi, aged 56, is a Non-Executive Director of the Company, and has been appointed as a Director nominated by Trinity Capital (Nine) Limited, a fund listed on the Alternative Investment Market. He was appointed as a Director of the Company on March 8, 2007. He has approximately 32 years of experience in asset management, investment banking and corporate finance etc. Mr. Gandhi has a Bachelor of Science (Hons.) degree from the University of Gujarat, a Master of Financial Management degree from the Jamnalal Bajaj Institute of Management Studies, Mumbai, a Master of Laws degree in International Law and Tax Practice from the University of Gujarat and a Diploma in Journalism (Times of India, Mumbai). He also launched Millennium Capital Management Private Limited in 1998, which provides consultancy and advisory services. Mr. Gandhi has been the Chief Executive Officer of Jardine Fleming Asset Management Fund, the Chief Executive Officer of Unit Trust of

India's Investment Advisory Services from 1995 until 1996, one of the members of Unit Trust of India's think tank from 1986 until 1996 and has also served General Insurance Corporation of India from 1977 until 1986. He was associated with the Unit Trust of India from 1986 until 1994, during which he was instrumental in developing a framework for a domestic listed equity fund.

Mr. Sunil Chawla, aged 46, is a Non-Executive Director of the Company, and has been appointed as a Director nominated by New York Life. He was appointed as a Director on March 8, 2007. He has approximately 22 years of experience in private equity, investment banking and corporate finance. He holds a Bachelor of Commerce (Hons.) degree from the University of Delhi and is a fellow member of the Institute of Chartered Accountants of India. Mr. Chawla's previous work experience includes serving as the Head of Corporate Finance (North) at Tata Finance Limited and as the Controller for the South Asia Regional Office of the International Development Research Centre, Canada. He is a partner at Jacob Ballas Capital India Private Limited and also a director of Gujarat Pipavav Port Limited and Bhilwara Energy Limited.

Mr. S. Venkiteswaran, aged 68, a Senior Advocate, is a non-executive Independent Director of the Company. He was appointed as a Director on September 18, 2007. He has approximately 47 years of experience as a lawyer. He completed his LL.B. degree from the Bombay University. He enrolled to practise in the Bombay High Court in 1962. After practising before the trial courts for a few years, Mr. Venkiteswaran specialized in maritime and aviation related commercial disputes. He was designated as a Senior Advocate and has appeared before State High Courts and the Supreme Court of India. He has also been involved in arbitration in relation to shipping and has appeared as an expert witness on Indian law in foreign arbitration and litigation proceedings. In addition, Mr. Venkiteswaran has been a member of the "Perspective Planning Ports at the Turn of the Century" constituted by the Planning Commission of India and a member of the group constituted for updating admiralty laws.

Mr. R.M. Premkumar, aged 63, is a non executive Independent Director of the Company. He was appointed as a Director on October 15, 2007. Mr. Premkumar has a Master's degree in Arts (History) and a Bachelor's degree in Law from the Madras University. He joined the Indian Administrative Service in 1968 and has approximately 39 years of experience in the Indian Administrative Service. Mr. Premkumar

has handled many important assignments with Government of India and Government of Maharashtra. His prior work experience includes serving as the Additional Secretary to the Government of India for the Department of Atomic Energy, Chief Secretary to the Government of Maharashtra, Chairman of the Food Corporation of India, Managing Director of the Maharashtra State Financial Corporation, Development Commissioner of SEEPZ, Managing Director of Maharashtra State Cooperative Bank Limited and as Chief Executive Officer of Maharashtra Industrial Development Corporation. Mr. Premkumar is currently the Chairman and Director of the State Industrial & Investment Corporation of Maharashtra Limited ("SICOM") and Maharashtra State Electricity Transmission Company Limited ("MSETCL").

Mr. Ajai Vikram Singh, aged 64, is a non executive Independent Director of the Company. He was appointed as a Director on May 30, 2008. He joined the Indian Administrative Service in 1967 and has held various appointments in the State and the Central Governments. He has been a District Magistrate, Commissioner, Secretary Small Industries, Secretary Heavy Industries, Industrial Development Commissioner & Principal Secretary in the Government of Uttar Pradesh. He was the first Chief Secretary of Uttaranchal (now Uttarakhand). In the Government of India, he has held various posts, including that of Additional Secretary and Financial Advisor to the Ministry of Industry, Secretary Revenue, Secretary, Ministry of Non Conventional Energy Resources, Secretary, Ministry of Road Transport and Highways and Defence Secretary. He has also been the Chairman of, inter alia, Indo-Gulf Fertilisers, India Polyfibres and Pashupati Acrylone. He also has been a director on the boards of a number of companies including IFCI, Maruti Udyog limited, BHEL, HMT, Hindustan Aeronautics, Mazagon Docks, Goa Shipyard and Andrew Yule Limited.

Mr. Samar Ballav Mohapatra, aged 65, is a non executive Independent Director of the Company. He was appointed as a Director on May 30, 2008. He has a Bachelor of Arts degree and a Master of Arts degree from the Delhi University. In 1967, Mr. Mohapatra joined the Indian Administrative Service and retired in 2004. Mr. Mohapatra held several key positions in the Government of India including Secretary, Ministry of Textiles; Special Secretary, Ministry of Home Affairs; Additional Secretary and Financial Advisor, Ministry of Commerce and Director General of Foreign Trade and Managing Director of Industrial Development Corporation, Orissa.

DIRECTORS' Report

Dear Members,

Your Directors are delighted to present this Twelfth Directors' Report together with the Audited Annual Accounts for the financial year ended March 31, 2009.

FINANCIAL RESULTS:

The working results for the year under review are as follows:

Particulars	(Rs. in Thousands)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
Income	6,17,780.19	2,77,489.34
Profit/(Loss) before Taxation	95,938.39	1,16,011.53
Less : Provision for Taxation	46,700.00	67,420.92
Profit/(Loss) after Taxation	49,238.39	48,590.61
Previous Year Loss Adjustment	(5,000.83)	(90,345.30)
Balance of Profit/(Loss) carried to the Balance Sheet	2,482.87	(41,754.69)

As regards observation of the Auditors in the Auditors' Report, the relevant notes on the Accounts are self-explanatory.

DIVIDEND:

Considering that the Company commenced commercial operations only on April 1, 2009, it is not recommended that any dividend be paid on the equity shares for the year under review.

SHARE CAPITAL:

During the financial year under review, the Company raised Rs. 5.24 Crores by issue of 6.55 Lakhs Equity Shares of Rs. 10/- each fully paid up.

SHIPBUILDING INDUSTRY:

The past one year has been a difficult time for the world economy. The international shipbuilding industry has also been affected by the global recession. Shipbuilding orders worldwide have dried up due to the credit crunch and decline in sea-borne trade. The huge new-build vessels capacity scheduled to be introduced in the coming months will only drive freight rates downwards, further affecting the demand for new ships. According to the shipping experts,

new-build order cancellations, delayed deliveries and scrapping are inevitable in order to check the vessel demand-supply imbalance which might help in keeping freight rates at reasonable levels. The Container and Tanker sectors are unlikely to recover before 2011. However, there has been some improvement in the Dry-Bulk sector in recent weeks. The Baltic Dry Index, the global benchmark for freight rates of dry bulk carriers had dropped to its 22 year low of 663 in December'08. However, it has recovered since the beginning of this year & has maintained a

steady rise. Until economic conditions in other major economies improve, we do not expect any improvement in global new build orders. The Company is no exception to the downturn in the global commercial new build market. However, the immediate effect of the recession on the Company is being mitigated by negotiations with the Customers.

According to very recent reports, Shipping Corporation of India has planned purchases of USD 2.6 billion in the next four years. Positive signals from policy-makers are also encouraging. The Government, in the last week of February'09, approved a move to disburse about Rs 5,100 Crores as shipbuilding subsidy to domestic shipyards for orders secured till August 14, 2007. The Shipping Ministry is also expected to consider extension of the subsidy scheme, which lapsed in August 2007. The Shipping Ministry is also in favour of setting up a Central Fund of nearly USD 2 billion. This will be used to finance domestic ship owners acquisition plans. The Government is considering linking this facility to ship acquisition at Indian shipyards.

Beyond the traditional market for merchant ships, there is also a huge market for Offshore structures & vessels, Naval ships and Ship-repairs. NELP (New Exploration Licensing Policy) has been instrumental in attracting investments in the Indian E&P (Exploration & Production) sector. Similarly, the Government's commitment to building up the country's indigenous defence capabilities has created significant opportunities in the Naval Vessels sector. In line with this, the company has established its Offshore and Naval divisions, which are fully operational.

Despite the downturn, certain vessels are still in demand. For e.g. dredging vessel sales are still being reported. Similarly, demand for Offshore Support Vessels (OSVs) and Anchor Handling Tug cum Supply Vessels (AHTS Vessels) would also continue due to the steady demand for oil. In the past decade, Indian yards have carved a niche for themselves in this segment. In this regard, the Company has won the contract from ONGC for construction of 12 Offshore Support Vessels in global tender.

work environment that boosts innovation and meritocracy. During the year under review, The Company built management Team by employing experienced personnel with strong capabilities in various aspects. As on March 31, 2009, the Company has employed 514 full time employees (Previous year 254). The Company believes in hiring the best people, retaining them and ensuring their development into an expert talent base.



Shipyards at traditional ship-building nations are saturated and one has to wait for a period, as long as five years for delivery of vessels. Indian shipyards are able to deliver vessels in half of that time.

PROJECT DEVELOPMENT:

The work relating to conversion of existing wet basin into dry dock and creation of other required facilities for the shipyard is completed. The Dry dock of the company is capable of accommodating ships of up to 400,000 DWT and/or multiple combinations of smaller vessels. As already stated, the Company commenced its commercial operations w.e.f. April 1, 2009.

HUMAN RESOURCES:

Employees are the most precious asset of the Company. The Company successfully creating

CORPORATE SOCIAL RESPONSIBILITIES:

The Company is the sole sponsor of training at two Industrial Training Institutes (I.T.I.s) respectively situate at Rajula and Mahuva, Gujarat, in the vicinity of the Company's Shipyard. This initiative of the Company is well received by the local communities. The Company endeavours to make a green shipyard. Towards this objective more than 5,700 sapling/trees have been planted and being maintained at both the units of the Company. Further, the Company plans to plant

additional 9,150 trees during monsoon of 2009. The Company is planting several varieties of mangroves in the sea bed admeasuring about five hectares.

SUBSIDIARY COMPANY:

E Complex Private Limited, the wholly owned subsidiary of the Company is developing a sector specific SEZ. The Company has set up its Block Making facilities in the said SEZ, which is now known as its SEZ Unit.

CORPORATE GOVERNANCE:

The Company has complied with relevant provisions of all applicable laws, statutes and enactments including the Companies Act, 1956.

of Mr. R.M. Premkumar (Chairman of the Audit Committee), Mr. Bhavesh Gandhi, Mr. Atul Punj, Mr. R. M. V. Raman and Mr. S. Venkiteswaran, Directors. The Audit Committee has reviewed the Annual Accounts for the year ended March 31, 2009 enclosed with this Report.

DIRECTORS:

Since the last Annual General Meeting, Mr. T.R. Prasad resigned from the office of the Director of the Company with effect from January 13, 2009. The Board of Directors places on record its appreciation of the valuable services rendered by Mr. T.R. Prasad during his tenure as the Director of the Company.

Mr. Atul Punj, Mr. Vimal Kishore Kaushik and Mr.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors on the basis of information and explanation provided by the executive management confirm that:

- (i) In the preparation of the Annual Accounts for the financial year ended March 31, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The Directors had selected such accounting policies and applied them consistently and made judgements/estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review.
- (iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors had prepared the Annual Accounts for the financial year ended March 31, 2009 on 'going concern' basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

The Company during the year under review has not commenced commercial operations. As stated earlier, Commercial Operations have been commenced with effect from April 1, 2009.

Your Company's philosophy of Corporate Governance, envisages attainment of the highest level of transparency, accountability and equity in all facets of its operations



The Company's philosophy of corporate governance envisages attainment of the highest level of transparency, accountability and equity in all facets of its operations and in all interactions with its stakeholders including the shareholders, employees, governments, lenders, customers and suppliers. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value over a sustained period of time.

AUDIT COMMITTEE:

The Audit Committee of the Board comprises

Mahesh Gandhi, Director are liable to retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

PERSONNEL:

A statement containing prescribed details of the Employees, as required to be provided pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 is annexed and marked as annexure "A" and forms part of this Report.