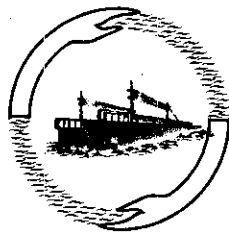


8th ANNUAL REPORT

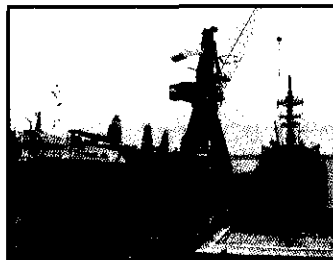
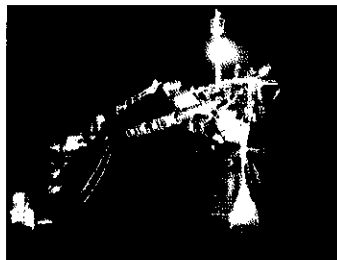
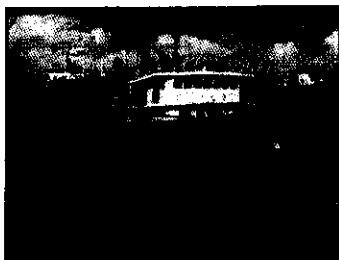
1999-2000



AN ISO 9002 COMPANY

WESTERN INDIA SHIPYARD LIMITED

India's Leading Composite Shiprepair Facility In Private Sector



WESTERN INDIA SHIPYARD LIMITED

Board of Directors : Mr. P. B. Gadgil -- Chairman
 Mr. R. S. Kantak -- (IDBI Nominee)
 Mr. J. K. Ghosh -- (IIBI Nominee)
 Mr. M. J. A. Alvares -- (Nominee - ICICI
 Trustees of the
 Debenture-holders)
 Mr. Atul Joshi -- (ICICI Nominee)
 Mr. D. A. Biwalkar -- (ICICI Nominee)
 Cdr. S. Shekhar Singh (I.N.Retd.)-- Managing Director

Company Secretary : Mr. J. C. F. Sequeira

Statutory Auditors : M/s. V. V. Kale & Co.
 Chartered Accountants

Internal Auditors : M/s. S. B. Billimoria & Co
 Chartered Accountants

Bankers : Bank of India
 State Bank of India
 UTI Bank Ltd.
 Janata Sahakari Bank Ltd.
 Syndicate Bank
 United Western Bank Ltd.
 ICICI Bank Ltd.

Registered Office & : P. B. No. 21,
Shiprepair Yard Mormugao Harbour,
 Mormugao, Goa 403803.

WESTERN INDIA SHIPYARD LIMITED



DIRECTORS' REPORT

TO THE MEMBERS OF THE COMPANY,

Your Directors have pleasure in presenting the Eight Annual Report of the Company together with the Audited Accounts for the financial year from 1.4.1999 to 31.3.2000.

Financial Results	Ended 31.3.2000 (Rs. in Lacs)	Ended 31.3.1999 (Rs. in Lacs)
Total Income	2163.94	3749.47
Operating Expenses	2200.57	2813.58
Profit / (Loss) before Interest & Depreciation	(36.63)	935.89
Less: Interest	1879.74	1846.98
Profit / (Loss) before Depreciation	(1916.37)	(911.09)
Less : Depreciation & Tax	893.37	891.77
Net Profit / (Loss) for the year carried to Balance Sheet	(2809.74)	(1802.86)
Prior period and extraordinary adjustments	568.58	152.23
Net Profit/ (Loss) for the year	(3378.32)	(1650.63)

DIVIDENDS :

In view of the loss for the year, your Directors are unable to recommend any dividend to the shareholders.

REVIEW OF OPERATIONS :

Your Company successfully completed major repairs for 64 Vessels upto 5.8.2000 (40 in dry-dock and 24 for wet repairs) of which 12 were of Foreign origin. Four large vessels are under execution as on date.

However, the operations resulted in a sharp fall in the net sales turnover to Rs. 2163.94 lacs in 1999/2000 as compared to Rs. 3749.47 lacs in 1998/1999. This was on account of depression in the Merchant Shipping Industry world-wide including India which has a share of 30%, as well as working capital constraints and non-completion of the Company's graving dock at Mormugao.

The order book position of the Company is satisfactory upto Sept., 2000 with large repeat orders continuing from our esteemed clients namely Dredging Corporation of India, Reliance Industries, Chowgule Steamships and others. We expect business to continue during the year from our major clients like Great Eastern Shipping, Essar, SCI, Dempo Shipping, Indian Navy, Coast Guard and foreign shipowners. We thank all our patrons for the continued trust and goodwill reposed in the yard.

DREDGING DIVISION :

During the year, the Dredging Division submitted quotations for dredging contracts of the value of approx. Rs. 16 lacs. Other proposals are also under process.

WESTERN INDIA SHIPYARD LIMITED**FINANCE :**

Your Company will be shortly submitting the necessary Restructuring proposal to the Consortium of Lenders with a view to reschedule the repayments, reduce high interest costs of Rupee term loans and inject the necessary working capital to successfully turnaround the business. The completion of the Company's graving dock at Mormugao, Goa which was suspended from 1995 will help increase earnings and repayments to the lenders. The concessions and measures will also enable your Company to be more competitive vis-a-vis foreign yards like China and Malaysia in terms of cost effectiveness, quality and technology upgradation.

You will be pleased to note that despite the adverse conditions in the past years, your Company paid a sum of Rs. 756 lacs to the Consortium of lenders led by ICICI and also funded a sum of Rs. 162 lacs for meeting part of the interest arrears of debenture-holders. Your Company also met its obligations to the Port in respect of licence fees and other Port dues amounting to approx. Rs. 214 lacs during the year.

FUTURE OUTLOOK :

The Indian Shipping Industry is ranked 17th among world maritime nations in term of Gross Registered Tonnage (GRT) and 15th in terms of Dead Weight Tonnage (DWT). Your Company therefore depends to a very large extent on the Indian shipping fleet which is about 7.08 million GRT or 1.42% of the world shipping fleet of 500 mn GRT at the end of February, 2000. The average age of the Indian fleet is 15 years as compared to the world average of 18 years. The gross additions to the Indian shipping fleet during financial year, 2000 are 46 vessels of total 0.59 mn GRT which is about a 155% higher as compared to the previous year.

The Baltic Freight Index (BFI) for bulk carriers also shows a firm recovery trend with a rise to US\$ 13500-14000 per day beginning October, 1999 as against US\$ 5900-7300 per day in 1998 and the worst appears to be over. The BFI for tankers are more or less constant. This has resulted in increase in the growth of import and export trade in India by about 10.5% and 12.5% respectively. The Country's major port traffic was also higher at 272 million M.T. or 8% as compared to the previous year. The increase in oil exploration and refining capacities has also benefited the offshore supply vessel business which is linked to ONGC.

As per the report of the Apex Committee on Shipping, the demand for dry-docking from the Indian shipping fleet is expected to grow to 11900 dry-dock days by the end of the Ninth Plan, as against 3850 days presently available in the Country. All these factors are expected to have a beneficial impact on your Company's business from 2000-2001. The tight liquidity conditions affecting your Company during 1999-2000, is expected to ease with the increased business volumes completed during the first 4 months of the current year. The Company's representations to the concerned Government Ministries for business to run its full capacity, is being looked into favourably and the public sector undertakings like DCI and ONGC have assured higher repair business in the coming months.

Meanwhile, your Company continues to retain its strong position as a leading ISO 9002 shiprepair yard with skilled manpower resources and an International Customer base.

MARKETING STRATEGY :

Your Company has concentrated its marketing efforts on the profitable sectors like dredgers, tankers, bulk carriers and drilling rigs due to the profitable margins. These sectors are dominated by the public sector like DCI, SCI and ONGC and you will be pleased to note that the yard has been short-listed for repairs of ONGC vessels. The Company expects business to continue from the sectors like Coast Guard, Indian Navy, local transhippers and port craft. Your Company is also aiming to complete its graving dock to reach a higher level of operations for taking up trawler and barge repairs. The business from foreign shipowners is expected to grow during the year due to the depreciation of the rupee.

The Company has strengthened its commercial and marketing areas with the infusion of senior managers and this has benefited the operations.

WESTERN INDIA SHIPYARD LIMITED**DIRECTORS :**

Mr. P. B. Gadgil, Director of the Company is retiring by rotation at the ensuing Annual General Meeting and being eligible, he offers himself for re-appointment.

During the year, Mr. Atul Joshi and Mr. D. A. Biwalkar were nominated by ICICI Limited on the Board of your Company in place of Mr. K. M. Jayarao and Mr. V. M. Ketkar. Mr. M. J. A. Alvares was also appointed as additional Director of the Company representing ICICI Ltd., Debenture Trustees and he will hold office upto the date of this Annual General Meeting. Being eligible Mr. Alvares offers himself for re-appointment.

During the year, Mr. G. S. Israni resigned from the Board. The Board places on record the sincere appreciation of the services rendered by Mr. G. S. Israni, Mr. K. M. Jayarao and Mr. V. M. Ketkar, during their tenure as a Director.

AUDITORS AND AUDITORS' REPORT :

M/s. V. V. Kale & Co., Chartered Accountants and Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from the auditors that their appointment if made, would be within the prescribed limits u/s. 224 (1-B) of the Companies Act, 1956. Being eligible, the Board recommends their re-appointment.

The observations of the auditors read with relevant notes to the accounts and part of this report are self-explanatory and therefore do not call for any further explanations.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO :

The details required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-1 and forms part of this Report.

INDUSTRIAL RELATIONS :

During the year under review, Industrial relations continued to be cordial and peaceful.

PERSONNEL :

Your Company has achieved substantial progress in Shiprepair business due to the sincere efforts by the employees at all levels.

Information in accordance with Sec. 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31.3.2000, is annexed.

ACKNOWLEDGEMENT :

Your Directors place on record their appreciation of the goodwill and support received from Mormugao Port Trust, Central and State Government Departments, ICICI, IDBI and IIBI, Bankers, Suppliers and Investors of the Company. Your Directors also place on record their gratitude for the financial support extended by UTI Bank Ltd., Mumbai.

For and on behalf of the Board of Directors

Place : Mormugao, Goa

Date : 30th August, 2000

P. B. Gadgil

Chairman

WESTERN INDIA SHIPYARD LIMITED**ANNEXURE - 1 TO THE DIRECTORS' REPORT****A) Conservation of Energy**

(a) Energy conservation measures taken :

- ◆ Using mix of welding generators with rectifiers.
- ◆ Proper and regular maintenance of compressors to attain maximum efficiency and replacing the old into new ones.
- ◆ Generating air pressures only when needed by installation of constant pressure systems on compressors.
- ◆ Minimised idle running of equipment like pumps, lights and drilling machines.
- ◆ Conduct of regular awareness programmes among workers and managers.

(b) Additional investments and proposals, if any being implemented for reduction of consumption of energy:

- ◆ Using environmental friendly green gas generators for gas cutting operations.
- ◆ Saving energy by supplying bare minimum voltage for lighting circuit.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The measures taken have resulted in savings in the cost of production.

B) Technology Absorption

Research and Development (R & D) :

1. Specific areas in which R & D carried out by the Company

- ◆ Development of new Processes / Methods in existing systems for shiprepair, material handling activities.
- ◆ Testing and Certification of products to conform to international standards.
- ◆ Customisation of imported software to meet the in-house requirements of shiprepairs in Indian environment.
- ◆ Fabrication of typical tools and jigs to improve the existing standard for cost effective and faster results.
- ◆ Training of Sub-Contractors to conform to ISO-9002 standards.

2. Benefits derived as a result of above R & D

- ◆ Indigenisation / Import substitutions.
- ◆ Cost reductions / better utilisation of material and energy.
- ◆ System upgradation.
- ◆ Improvement of Quality and Service to Customer.
- ◆ Minimising environment pollution.
- ◆ Faster delivery and turn-around time.
- ◆ Helping to attain requisite market share.

WESTERN INDIA SHIPYARD LIMITED**3. Future Plan of Action**

- ◆ Continuation of present work in R&D and constant endeavours to further improve systems and shiprepair methodology.
- ◆ Introduction of new products and processes for better results.
- ◆ Improving inter-action with Research / Agencies involved with Shiprepair Technology.

4. Expenditure on R & D

The use of a fully integrated Software covering areas of production and manpower planning, co-ordination, commercial costing, CAD / CAM, Personnel, Inventory and Accounts Management using a customised software are strategic part of the Company's capital expenditure. The recurring costs of manpower and spares maintenance will be a regular expenditure. Besides a sum of Rs. 10 lacs has been earmarked towards R & D as well as automation efforts.

Technology Absorption, Adaptation and Innovation**1. Efforts in brief made towards technology Absorption, adaptation and innovation :**

- ◆ Training of personnel in Institutions of repute for keeping them abreast of the changing technologies and methodology of Shiprepair.
- ◆ Participation of national and international conferences, seminars and exhibition.
- ◆ Imparting Training to Direct / Indirect / Sub-contractor Staff employed for shiprepairs.
- ◆ Technology absorption through interaction with experts.
- ◆ Feedback Analysis from customers.

2. Benefits derived as a result of the above efforts

Eg. Product improvements, Cost reduction, Product development, Import Substitution, etc.

- ◆ Improvement in existing systems, Quality Performance and safety.
- ◆ Cost reduction in production.
- ◆ Reduced dependence on Collaborators.
- ◆ Saving of foreign exchange.

Information regarding Technology imported during the last five years.

<u>Technology imported</u>	<u>Year of Import</u>	<u>Status</u>
1. Shiprepair Systems and Methodology	1996	Absorbed / Customised
2. Installation of new Software	1999	Under absorptions

WESTERN INDIA SHIPYARD LIMITED



C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year ending 31.3.2000, the Company's repair income received in foreign exchange is USD 7,36,861.06 or Rs. 3,20,21,623/- against the total billing of USD 12,18,893.80. The expenditure in foreign exchange during the same period is equivalent to Rs. 23,97,886/-. The details of the same are placed in the Notes annexed to the audited accounts.

For and on behalf of the Board of Directors

Place : Mormugao, Goa
Date : 30th August, 2000

P. B. Gadgil
Chairman

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 2000.

Sl	Name	Age	Designation	Remuneration (Rs.)	Qualification	Exp.	Empl. Dt.	Last Empl.
1.	S. Shekhar Singh	51	Managing Director	10,50,000/-	B.Sc. (Hons.) M.Sc., Special Naval Degrees in Gunnery, Missiles, NBCD & Management	26	16.7.93	Cdr. Indian Navy (Retd).
2.	T. S. Muthukumarasamy	56	Sr. Vice President	6,05,000/-	B. E. (Mech.) Certificate of Competency in Motor.	35	3.4.99	Vigil Group - Sharjah

Notes :

1. The Gross remuneration consists of salary, HRA and cash value of perquisites. The employees are also entitled to encashment of leave, provident fund, medical expenses, etc. in accordance with the Company's rules. The remuneration of the Managing Director has been approved by the Members at their Meeting held on 17.12.97.
2. Nature of employment is Contractual.
3. Information regarding age, experience and last employment is based on particulars furnished by the employee.