

AN ISO 9001:2000 COMPANY



WESTERN INDIA SHIPYARD LIMITED

India's Largest Composite Shiprepair Facility in Private Sector

12th Annual Report

2003-2004

RIG PRIDE PENNSYLVANIA
(ON REPAIR AT WISL)

WESTERN INDIA SHIPYARD LIMITED

Board of Directors	:	Shri. P. B. Gadgil. Shri. M. J. A. Alvares Shri I. D. Agarwal Shri. P. Nagaraju Rear Admiral R. K. Whig Smt. Prabha S. Agarwal Shri. Nilanjan Sinha Shri. S. Ramalingam Cdr. S. Shekhar Singh (Retd.)	— — — — — — — — —	(Nominee of Western India Trustee & Executor Co. Ltd, Debenture Trustees) (Nominee of UTI Asset Management Co. Pvt. Ltd.) (Nominee of IDBI) (Nominee of ICICI Bank Ltd) (Nominee Bank of India) (Nominee of ICICI Bank Ltd) (Nominee of IIBI Ltd.) Managing Director
Company Secretary	:	Shri. J. C. F. Sequeira		
Statutory Auditors	:	M/s. V. V. Kale & Co. Chartered Accountants.		
Internal Auditors	:	M/s. M. P. Chitale & Co. Chartered Accountants.		
Financial Institutions & Bankers	:	Industrial Development Bank of India Industrial Investment Bank of India Ltd. ICICI Bank Limited Bank of India State Bank of India UTI Asset Management Co. Pvt. Ltd. UTI Bank Limited Janata Sahakari Bank Limited Syndicate Bank		
Debenture Trustees:		The Western India Trustees and Executor Company Limited 161/C, Mittal Court, Nariman Point, Mumbai – 400 021		
Registrars & Share Transfer Agent	:	Intime Spectrum Registry Ltd. C – 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai – 400 072		
Senior Management Team:		Shri J. K. Roy – Sr. Vice President (Operations) Shri R. S. Singh – Sr. Vice President (Logistics) Shri K. Chandramouli – Chief Financial Officer Shri B. Eremita – G.M (Production) Cdr. C. D. Srinath, Rtd. - G. M. (QS) Shri R. Gallyot – G. M. (FDD) Shri Sharukh Engineer – G. M. (Production) Shri N. Suresh - Jt. G. M. (Commercial) Shri Anil Kumar - DGM (HRD & Pers) Shri G. Sahoo -AGM (Accounts) Shri S. R. Khorjuvekar -AGM (Purchase)		
Registered Office, Share Department & Shiprepair Yard	:	P. B. No. 21, Mormugao Harbour, Mormugao, Goa – 403 803.		



DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting their 12th Annual Report on the business and operations of your Company together with the Audited Accounts for the year ended March 31, 2004.

FINANCIAL HIGHLIGHTS

Particulars	31.3. 2004	31.3.2003
	(Rs. In Lacs)	(Rs. In Lacs)
Total Income	6343.92	6684.26
Operating Expenses	5172.83	4379.36
Profit /(Loss) before Interest & Depreciation	1171.09	2304.90
Interest	1565.78	1420.65
Profit / (Loss) before Depreciation	(394.69)	884.26
Depreciation	896.99	894.65
Provision for Taxation	-	0.40
Net Profit / (Loss) for the year	(1291.68)	(10.79)
Prior period and extraordinary adjustments	240.90	23.29
Net Profit / (Loss) for the year	(1050.78)	12.50

DIVIDEND

In view of the accumulated losses, your Directors are unable to recommend any dividend to the shareholders.

ECONOMIC SCENARIO

Forex reserves touched USD 110 billion mark due to healthy FII inflows, export receipts and inward remittances. The Rupee rallied during the year to breach the Rs. 44 level against the US dollar. The interest rates are lower and call money rates are between 4% to 4.5 %. The exports rose by 13.5% to USD 42.4 billion and imports showed a rise by 25% to USD 55 billion. For the most part of FY 2004, inflation was contained at inside 5%. The Initial Public Offer of equity shares of public sector companies like ONGC, DCI and Power Trading Corporation during the year were successful.

YEAR IN RETROSPECT

The Shipping Industry globally registered a substantial increase in business volumes from the middle of the current year, aided by the improved economic conditions in Europe and USA. The freight rates too rose sharply, encouraging the ship-owners to defer major repairs to their ships to take advantage of the substantial increase in ocean freight rates. However, this vastly improved earnings of the ship owners and the deferment of repairs originally stated for the previous year is expected to translate into better business volumes for your Company during the year 2004-2005.

You will be pleased to know that several major projects were taken up during the last quarter and the yard has been full from Jan, 04 to March, 04. Your Company achieved a sales turnover of Rs. 6343.92 Lacs in the financial year 2003-04 as compared to Rs. 6684.26 Lacs in 2002-03. This represented a slight decrease of 5% over the sales of the previous year. Your Company repaired 52 vessels and one rig namely, JUR Pride Pennsylvania during the financial year ended 31.3.04, as against 30 vessels and one rig namely, Aban III during the previous financial year. The Company touched a monthly turnover of Rs.10 crore during the last quarter, which was a milestone achievement.

WESTERN INDIA SHIPYARD LIMITED

The Company continues to aggressively market its facilities, with select focus on foreign ship owner and private sector to improve the customer mix to take advantage of more favorable terms. Besides, your Company has taken a leadership position in rig repairs and this segment is targeted for substantial growth, thanks to the continued explosive growth in the off-shore activities in the Country, especially on the West Coast. Your Company continues to enjoy a competitive advantage because of its proximity to international shipping routes, west coast offshore oilfields and the major ports.

Your Company thanks all its esteemed clients in the private and public sectors and foreign Ship owners and the Rig owners, for their continued patronage and support.

RESTRUCTURING:

Your Directors are pleased to inform you that during the financial year ended March 31, 2004, Bank of India have approved the rehabilitation packages, in addition to ICICI Bank Limited, IDBI, IIBI and UTI. The Company has allotted secured Optional Fully Convertible Debentures (OFCDs) (series -I) of the value of Rs. 24,67,41,900/- and unsecured OFCDs (series II) of the value of Rs. 51,21,87,880/- to them pursuant to the terms of the rehabilitation packages. These OFCDs bear zero coupon rate and is expected to reduce the cost of debt with favorable impact on the Company's cash flows in the long run. The Board wishes to thank these Institutions and Banks for their continuous support.

As regards working capital, your Company continues to operate within limited resources from the Banks namely, ICICI Bank Limited, Janata Sahakari Bank Limited (Pune) and UTI Bank Limited for the major projects.

YEAR IN PROSPECT:

As regards Shiprepairs, the average age of the Indian Shipping fleet is 15 years and there are about 515 coastal and overseas vessels of about 115,23,197 DWT and 70,85,794 GRT (Source: Indian Tonnage Statement as on 31.3.2000 - D. G. Shipping). The Government policy towards shiprepairs continues to remain encouraging with license free and duty free imports. Therefore there is considerable opportunity for Indian yards to carry out life enhancement measures like replacement of aging steel plate, painting, engine and propeller repairs, etc. However, the Company will have to rely on its competitive edge by cutting labour costs, cost of operations, and relying on quality and productivity to reach higher levels. Your Company continues to enjoy the competitive advantages because of its proximity to international shipping routes, excellent dry docking arrangements and modern infrastructure facilities. Your Company has also retained its strong position as a leading ISO 9001:2000 quality shiprepair yard with certificates from IRQS and BVQI, and an International customer base which will stand the Company in good stead in the years to come.

The Company sees in the Rig repair business a bright future. The Rig repair business also brings with it an attendant clientele in the form of offshore supply vessels, which support the rigs.

Your Company had emerged as one of the leading Rig repairs in India with the repair of its third rig namely, JUR Pride Pennsylvania at Goa. As rig repair involves a separate resource planning facility and technology, your Company has set up an independent Rigrepair Division at Goa as a part of its long-term diversification strategy and is confident of bagging at least two rigs during the current financial year and thereafter. Your Company received several inquiries from leading Rig Operators for repairs at Goa and established Rigrepair Services have also approached the Company for technical and marketing possibilities for new business opportunities. The Company expects the prospects for rig repair business to be bright with long term growth and stability, and expects to surpass the previous year's performance in 2004-05.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion and Analysis Report is appended as an Annexure - I to this Report.



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

Details of energy conservation and research and development activities undertaken by the Company along with the information required in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure – II to this Report.

DIRECTORS

During the year, Mr. S. Ramalingam, nominee Director representing Industrial Investment Bank of India Ltd. Rear Admiral Ranjit Kumar Whig and Mr. Nilanjan Sinha nominee Directors representing ICICI Bank Limited, Mr. P. Nagaraju nominee Director representing IDBI and Mrs. Prabha S. Agarwal nominee Director representing Bank of India joined the Board of your Company. Being nominee directors, they are not liable to retire by rotation. The particulars of the new Directors are as under:

Sr	Name	Age	Qualification	Expereince
1.	RADM. R. K. Whig	62	Naval Architect	25 years in Senior Positions with the Indian Navy and about 10 years experience in the shipbuilding Industry. He retired as CMD of Cochin Shipyard Ltd. He is presently a Consultant.
2.	Mr. P.Nagaraju	50	M. Tech	28 years of experience in Finance & Banking and presently is DGM in IDBI.
3.	Mr. Nilanjan Sinha	36	B.Com, LLB & ACS	He has several years of experience in the legal field and is presently Chief Manager in ICICI Bank Ltd.
4.	Mr. S. Ramalingam	47	B.Tech, MBA & CAIIB	24 years experience in Banking and Finance and is presently DGM in IIBI.
5.	Mrs. Prabha S Agarwal	53	MSc, CAIIB	30 years experience in Banking and Finance and is presently AGM in Bank of India, Zonal Office.

The details of directorships and memberships on Committees of Companies other than this Company are provided in the Corporate Governance Report.

Mr. P. B. Gadgil, Director is liable to retire by rotation at this meeting but being eligible, is entitled to be re-appointed. Mr. Gadgil is aged 80 years and has long and diversified experience in Trade and Industry. The Board recommends his re-appointment at this AGM.

Mr. S. K. Maheshka, Mr. S. V. Nilakantan, Mr. S. Kishore, Mr. M. J. Subbaiah and Mr. M. Sudhendranath, nominee Directors of ICICI Bank Limited, Mr. K. N. Dupare, nominee Director of IDBI and Mr. T. K. Basu nominee Directors of IIBI, resigned from the Board during the year. The Board places on record the appreciation of the services rendered by them during their tenure on the Board.

WESTERN INDIA SHIPYARD LIMITED**PARTICULARS OF EMPLOYEES**

There were no employees in the Company who worked throughout the year and were in receipt of remuneration of more than Rs. 24 Lac per annum or were employed for part of the year and in receipt of remuneration of more than Rs. 2 Lac per month. As such, the disclosure of particulars required in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not applicable.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2A) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i. That in the preparation of the Annual Accounts for the Financial Year ended March 31, 2004, the applicable Accounting Standards have been followed alongwith proper explanations relating to material departures;
- ii. That the Directors have adopted such accounting policies and applied them consistently and made judgements and 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 profit and loss account of the Company for that year;
- iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the Directors have prepared the annual accounts on a going concern basis.

APPRECIATION

Your Directors would like to express their sincere appreciation for the cooperation and assistance received from the Financial Institutions and Banks. Your Directors would also like to thank the shareholders and debenture holders for their continued support and goodwill.

Your Directors would like to place on record grateful thanks to the Ministry of Shipping, other Ministries of the Central and State Governments, Mormugao Port Trust, other local Authorities and the Classification Societies for all the cooperation and encouragement extended to the yard.

On behalf of the Board we would like to place on record deep sense of appreciation of the efforts and contribution made by the managerial personnel and all other employees at various levels for their continued contribution in the operational and financial performance of the Company during the year.

For & On behalf of the Board of Directors

Sd/-

Cdr. S. Shekhar Singh

Managing Director

Place: Mormugao, Goa

Date: 25th April 2004



Annexure - I to the Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry Structure and Developments:

Shiprepair units are manufacturing units as per the provisions of the Factories Act and rules thereunder. Ship parts are continuously replaced by measures to enhance the life, value and operating performance of the vessel. The Industry, therefore, is dependent on the Shipping Industry and non-shipping sectors like dredgers, Naval vessels, Coast Guard, ONGC rigs, OSV, Port craft, etc.

In India, the major shipyards consist of the Public sector yards like Mazgaon Docks, Hindustan Shipyard Limited, Cochin Shipyard Limited and Goa Shipyard Limited. There are about 9 private sector shiprepair yards of which WISL is the largest and most modern.

Indian shipyards have the competitive advantage like low labor costs, availability of skilled work force and qualitative performance. With the growing requirements of strict pollution control measures and stricter standards and regulations, ship repair units are busy.

The Company with its composite facilities is well positioned in this respect because of its ideal location at Goa, proximity to the major sea-lanes, excellent dry docking arrangements and modern infrastructure facilities. The Company continues to maintain very high quality of its services with timely delivery and competitive pricing. The Company continues to retain its strong position as a leading ISO 9001:2000 ship repair yard with quality certification from IRQS and BVQI. This has helped the Company in building customer confidence and an international customer base. As a result, despite the slowdown in the economy, the Company has been able to maintain its performance.

II. Opportunities and threats

Your Company is focussing more on private sector and foreign ship owners and rig owners who, in the opinion of the company, would be the main drivers of growth in the future. Besides, this segment offers your Company better terms and affords liquidity. The public sector units are also being continuously cultivated. These proactive actions would aid your Company in gaining a larger market share, besides making for an ideal customer mix.

Your Company sees in the Rig repair business a bright future. The Rig repair business also brings with it an attendant clientele in the form of offshore supply vessels, which support the rigs.

Your Company has emerged as one of the leading Rig repairers in India with the repair of its third rig namely, JUR Pride Pennsylvania at Goa. As rig repair involves a separate resource planning facility and technology, your Company has set up an independent Rig repair Division at Goa as a part of its long-term diversification strategy and is confident of bagging at least two rigs during the current financial year and thereafter. Your Company received several inquiries from leading Rig Operators for repairs at Goa and established Rig repair Contractors have also approached the Company for technical and marketing possibilities for new business opportunities. The Company expects the prospects for rig repair business to be bright with long term growth and stability, and expects to surpass the previous year's performance in 2004-05.

The intense competition in the Shiprepair business mainly from international players like China, Colombo and Dubai, poses a threat. However, your Company is able to meet this challenge head-on due to excellence in quality, network of agents internationally, frequent interaction with ship owners, etc.

Future plan of action:

Your Company has also set in motion an action plan whereby we are exploring the possibility of tying up with specialist groups internationally in the area of ship repairs, with a special emphasis on rig repair and offshore

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services. Your Company is examining introduction of new and modern equipment and services to enhance the production volume and quality.

III. Internal control systems and their adequacy

The Company has adequate internal control systems for its business processes, monitoring the efficiency of operations, financial reporting, compliance with applicable laws and regulations etc. The audits are conducted on quarterly basis to review the adequacy and effectiveness of internal controls and suggest improvements for strengthening them.

Audit plans are made out with due weightage to the risk parameters associated with the business processes. Action taken reviews are made to follow up on the audit observations.

The Company has an Audit Committee and Committee of Directors, which regularly review the significant observations of internal auditors and also the follow-up actions.

IV. Financial

During the financial year ended March 31, 2004, Bank of India has approved the rehabilitation packages in addition to those of ICICI Bank Limited, IDBI, IIBI Ltd. and UTI Asset Management Company Private Limited. The rehabilitation package is to have a favourable impact on the working of the Company in the long run by increasing liquidity, postponement of repayment of debts and reduction of interest outflow.

V. Material developments in human resources / industrial relations front.

The Company has a well defined appraisal system to assess and reward its employees. There are ongoing programs for training in safety, production and quality control methods. The Industrial relations are harmonious and cordial.

CAUTIONARY STATEMENT

The statements made in this Management and Discussion Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of security laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include working capital and raw material availability, prices, demand patterns, Company's price tariffs, changes in Government regulations, tax regime, economic developments within India and the countries in which the Company has clients, rehabilitation measures and other incidental factors.

Annexure - II to the Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) Conservation of Energy

(a) Energy conservation measures taken :

- Maintaining correct Power Factor to reduce low power factor charges.
- Conduct of regular awareness programs among employees.
- Generating air pressures only when needed by installation of constant pressure systems on compressors, mainly in blasting and painting facilities.
- Minimized idle running of equipment like pumps, lights and drilling machines.
- Preventive maintenance of compressors to attain maximum efficiency and replacing the old with new ones.
- Using mix of welding generators with rectifiers to improve the quality of the welding.



- (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 drawing low voltage on the 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) :

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

- Development of new processes / methods/ procedures in existing systems for Shiprepair and material handling jobs.
- Testing and certification of products both in-house and through accredited Certification Agencies to conform to international standards/ Certification Authorities.
- Customization of imported software to meet the in-house requirements of Shiprepair services in the Indian environment.
- Fabrication of typical tools, jigs and fixtures to improve the existing standard for cost effective and faster results.
- Training of contractors to conform to ISO-9001:2000 standards.

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

- Indigenisation / Import substitutions.
- Cost reductions / better utilization of material and energy.
- System upgradation.
- Improvement in Quality and Customer Service, including Customer Satisfaction.
- Minimizing environment pollution.
- Faster delivery and turnaround time for vessels and Rigs.
- Helping to increase market share.

3. **Future Plan of Action**

- Improvement of systems and shiprepair /Rig repair methodology.
- Introduction of new products and processes for better results.
- Improving interaction with Research agencies involved with Shiprepair and Rig repair technology.

4. **Expenditure on R & D**

The use of fully integrated software covering areas of production and manpower planning, co-ordination, commercial costing, CAD /CAM, personnel, inventory and Accounts Management using a customized software are a strategic part of the Company's capital expenditure. The recurring costs of system maintenance and upgradation will be a regular expenditure.

Technology Absorption, Adaptation and Innovation. :

1. Efforts in brief made towards Technology Absorption, adaptation and innovation :
 - Use of trained and experienced personnel from Technical Institutions/ Shipbuilding Institutions, for keeping them abreast of the changing technologies and methodology of Ship repair.
 - Participation in national and international conferences, seminars and exhibition.
 - Imparting Training to Direct / Indirect / Contractor Staff employed for ship repairs.

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- 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 Assurance , Safety and Customer Satisfaction.
 - 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. Ship Repair Systems and Methodology	1996	Absorbed / Customized
2. Installation of new Software	1999	Under absorption.

C) Foreign Exchange Earnings And Outgo :

During the year ended 31.3.2004, the Company's repair income received in foreign exchange is Rs. 1701.06 lacs. The expenditure in foreign exchange during the same period is equivalent to Rs. 1387.82 lacs. The details of the same are placed in the Notes annexed to the audited accounts.

Place : Mormugao, Goa
Dated : 25th April 2004

For and on behalf of the Board of Directors
Sd/-

Cdr. S. Shekhar Singh
Managing Director