



AN ISO 9001:2000 COMPANY

Western India Shipyard Ltd.

INDIA'S LARGEST COMPOSITE SHIPREPAIR FACILITY IN PRIVATE SECTOR

17th
Annual Report
2008-2009

Report  www.reportjunction.com



WESTERN INDIA SHIPYARD LIMITED

Board of Directors	:	Shri. R. S. Nakra	- (Nominee of ICICI Bank Ltd)
		Shri. T. Asokraj	- (Nominee of ICICI Bank Ltd)
		Shri. R. Gopalakrishna	- (Nominee of Bank of India)
		Shri. I. D. Agarwal	- (Nominee of SUUTI)
		Shri. P. B. Gadgil	
		Cdr. S. K. Mutreja (Retd)	- Whole Time Director & Chief Executive Officer
Company Secretary	:	Shri. J. C. F. Sequeira	
Statutory Auditors	:	M/s. V. V. Kale & Co,Chartered Accountants.	
Financial Institutions & Banks:		ICICI Bank Limited	
		State Bank of India	
		Bank of India	
		Industrial Investment Bank of India	
		Stressed Assets Stabilization Fund	
		Specified Undertaking of UTI	
		Axis Bank Limited	
		HDFC Bank Limited	
		Federal Bank Limited	
		Janata Sahakari Bank (Pune)	
		Syndicate Bank	
Registrars	:	Link Intime India Pvt. Ltd.	
		C – 13, Pannalal Silk Mills Compound,	
		L.B.S. Marg, Bhandup (W),	
		Mumbai – 400 072.	
Regd. Office & Shipyard	:	P. B. No. 21,	
		Mormugao Harbour,	
		Mormugao, Goa – 403 803	

Contents	Page no.
1. Notice to the Shareholders	2
2. Directors' Report to the Shareholders	7
3. Management Discussion & Analysis Report	14
4. Report on Corporate Governance	17
5. Auditors' Report to the Shareholders	25
6. Balance Sheet	28
7. Profit and Loss Account	29
8. Schedules	30
9. Notes on Accounts	40
10. Cash Flow Statement	47

NOTICE

The 17th Annual General Meeting of the members of Western India Shipyard Limited will be held at the Registered Office & Shiprepair Yard at P.B. No. 21, Mormugao Harbour, Mormugao, Goa - 403 803, on the 26th day of September, 2009 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2009 and the Profit and Loss Account for the year ended on that date, with the Report of the Directors and Auditors thereon.
2. To appoint the Director in place of Mr. P. B. Gadgil who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration

SPECIAL BUSINESS :

4. To consider and if thought fit to pass, with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or reenactment thereof, Shri R. Gopalakrishna, who was appointed as an additional director pursuant to section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation."

5. To consider and if thought fit to pass, with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED that pursuant to Sections 267, 268, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Central Government, if any, and the consent of the members in general meeting, Cdr. Subhash Kumar Mutreja (Retd) be and is hereby appointed as a Whole Time Director & Chief Executive Officer of the Company for a term of one (1) year w.e.f. 17.07.2009, including the following:

1. To negotiate, finalise and approve the terms and conditions of all the tenders, prequalification of bids, agreement to execute works contracts etc. on behalf of the Company and to modify, alter, change the terms and conditions of the said tenders, agreement etc. and sign and execute documents relating to the same.
2. To finalize and approve the terms and conditions of all the contracts to be given for execution of works of the Company and modify, alter, change the terms & conditions of such contracts, agreements and sign and execute documents related to the same.
3. To negotiate and conclude guarantees, letter of credit and other banking facilities which are required for the Company in its normal course of business from any banks / financial institutions etc. as may be required from time to time and to give counter guarantees against these facilities on behalf of the Company as may be required by the said banks / financial institutions etc.
4. To enter into, modify or terminate contracts for supply of material, services or insurance, the maintenance and repairs of the Company's assets and other matters of revenue nature.
5. To appoint, supervise and remove agents, executives, officers, employees or other persons in connection with the business of the Company.
6. To initiate legal proceedings and to defend any action against the Company in all matters pertaining to the business of the Company and for this purpose appoint, change, terminate and instruct solicitors, advocates, accountants and consultants.
7. To delegate to the executives, officers and employees of the Company any of the aforesaid powers either in full or in part as may be deemed necessary and to grant powers of attorney in their favour wherever necessary in order to carry out efficiently and effectively the performance of the duties."



WESTERN INDIA SHIPYARD LIMITED

8. The remuneration payable to Cdr. S. K. Mutreja shall be as under:

- a) Salary: Rs. 1,60,000/- per month.
- b) House Rent Allowance: The Whole Time Director & CEO shall be entitled to perquisites including rent-free furnished accommodation or house rent allowance of 50% of basic Salary, subject to a limit of Rs. 80,000/- per month.
- c) Commission: Commission may be paid on such basis as may be decided by the Board.
- d) Perquisites:
 - i) Gas, electricity, water, furnishings, medical reimbursements and leave travel concessions for self and family, club fees, medical and personal accident insurance, etc. in accordance with the rules of the Company. The perquisites shall be computed as per the Income Tax Rules as applicable.
 - ii) The Whole Time Director & CEO shall be entitled to Company's contribution to Provident Fund upto tax exempt limit, benefits of Gratuity, earned leave and encashment of earned leave at the end of the tenure and long service awards, as per the rules of the Company and these shall not be included in the computation of perquisites.
 - iii) Car for use on Company's business, telephone and other communication facilities at residence will not be considered as perquisites.
- e) The Company shall reimburse to the Whole Time Director & CEO entertainment, traveling and all other expenses incurred by him for the business of the Company.
- f) In the event of loss or inadequacy of profits in any financial year, the Whole Time Director & CEO shall be paid remuneration by way of salary and perquisites as specified above.
- g) The Whole Time Director & CEO, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or committee thereof.
- h) The monthly remuneration including perquisites shall not exceed Rs. 2,86,300/-.
- i) The Company shall have right to terminate the agreement with one (1) month's notice or pay in lieu thereof.

Resolved further that in the event the number of non-rotational directors exceed one-third of the total number of directors on the Board, the office of the Whole Time Director and Chief Executive Officer shall be deemed as 'rotational' and liable to retire by rotation in accordance with the provisions of the Companies Act, 1956 & Articles of Association of the Company.

Resolved further that pursuant to subsection (2) of Section 269 read with part III of Schedule XIII of the Act, the necessary return be filed with the Registrar of the Companies."

By the Order of the Board
For Western India Shipyard Limited

Sd/-
J. C. F. Sequeira
Vice President (Corporate Affairs)
& Company Secretary

Date: 31.07.2009

Place: Mormugao

Notes:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A proxy to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.**
2. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the business set out in the accompanying notice is annexed thereto.

17TH ANNUAL REPORT 2008-2009

3. The Register of Members and Share Transfer Books of the Company will remain closed from 15.09.2009 to 26.09.2009 (both days inclusive).
4. Members holding shares in the dematerialized form, are requested to inform their changes with respect to their bank details, nomination, power of attorney, change of address, etc to their respective Depository Participant (DP). Members holding shares in physical form are requested to note that the equity shares of the Company have been notified by SEBI for compulsory demat for trading purpose. The Company has appointed M/s Link Intime India Pvt. Limited as Registrars with Registered Office at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 072. Investors are requested to demat their shareholding at the earliest.
5. Members are requested to bring their copy of Annual Report to the 17th Annual General Meeting and the attendance slip duly filled in.
6. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days during working hours upto the date of the meeting.

ANNEXURE TO NOTICE

Details of Directors seeking appointment/re-appointment in the 17th Annual General Meeting in pursuance of Clause 49 (G) (I) of the Listing Agreement:

Name of Director	Cdr. S. K. Mutreja	Shri R. Gopalkrishna
Date of Birth	24.09.1946	24.08.1951
Date of Appointment/ Re-appointment as Director	17.07.2007	28.01.2009
Qualification	B.E. (MECH.), Professional Course in Marine Engg.	B.SC., M.A., D.P.A., C.A.I.I.B.
Experience and Expertise	Cdr. Mutreja had long service of 41 years in the Indian Navy and 20 years in the shipbuilding and shiprepair Industry in the public and private sectors in India. He is entrusted with the day to day management and operations of the Company under the superintendence & control of the Board.	He has long service with Bank of India in field of Banking and Finance. Currently he is working as Zonal Manager of Bank of India, at Goa.
Directorships held in other Companies	NIL	NIL
Committee positions held in other Companies	NIL	NIL
No. of Shares held in WISL	1000	NIL



EXPLANATORY STATEMENT

The Explanatory Statement u/s. 173 (2) of the Companies Act, 1956 for item Nos. 4, 5 and 6 of the accompanying Notice is as under :

Item No. 4 : Appointment of Mr. R. Gopalkrishna as Director

Mr. R. Gopalkrishna has been appointed as the Additional Director by the Board at its meeting held on 28.01.2009 as a nominee director and retires by rotation at this AGM according to Section of 257 of the Companies Act, 1956, as Additional Director he will hold office only upto the period of ensuing AGM. The Company has received his consent as nominee director and the Board recommends his re-appointment.

Item No. 5 : Re-appointment of Cdr. S. K. Mutreja as Whole Time Director & CEO

Cdr. Subhash Kumar Mutreja (Retd) is appointed as the Whole Time Director and Chief Executive Officer of the Company for a term of one (1) year by the Board at its meeting held on 17.07.2008. The Company has received the NOC from the CDR members for the said appointment vide letter dated 07.07.09. His term of office will come to an end on 16.07.2009. Cdr. Mutreja had a long service of 41 years in the Indian Navy and 20 years in the shipbuilding and shiprepair Industry in the public and private sectors in India. He has been entrusted with the management and operations of the Company. He looks after the day to day operations of the Company under the superintendence & control of the Board.

The General information on the Company is as under:

1. Nature of the Ship Repair Industry :The Ship Repair Industry caters to the Shipping Industry consisting of Indian and foreign vessels consisting of such diverse sectors like Indian Navy, Coast Guard, Port craft, Dredgers, passenger vessels, cargo and product carriers, tankers, Offshore Support vessels and Oil Rigs.

Your Company (WISL) caters to repair of older vessels which require periodical dry docking and wet repairs at its dry docking and wet repair facilities at Mormugao Harbour, Goa. Western India Shipyard is Public Limited Co. engaged in the business of shiprepairs since 01.01.1996 at Mormugao Harbour, Mormugao, Goa, situated on the west coast of India. Your Company started commercial production in January, 1996 and has repaired over 383 vessels of all types and 7 deep water Oil Rigs at its facilities.

2. Financial Performance: Your Company earns and saves valuable foreign exchange for the Country details of which appear in the Notes to the Accounts. The financial performances of your Company over last 2 years, is as under:

Year	Turnover (Rs. In crore)	Net Profit/ (loss) (Rs. In crore)
2007-08	38	(29)
2008-09	75	(21)

Information about the Appointee: Cdr. S. K. Mutreja (I.N Retd.) was born on 24.09.46 at Muzafargarh (Punjab). He was engaged in the service of the Indian Navy and at the time of leaving service held the post of Commander (I. N.). Cdr. Mutreja joined WISL as CEO on 17.07.2007 and has been re-appointed on a term of one year at a time. He possesses the qualifications of B.E (Mech) and has undergone courses in ISO 9000, Shipyard Management and Production Planning and Control. He is 61 years with more than 41 years of experience in the Indian Navy and in the public and private sector with Goa Shipyard Limited and ABG Shipyard Limited. His focus is on new business development during 2009-10. His past remuneration for 2007-08 was Rs. 31.93 lacs as compared to Rs. 31.23 lacs for 2008-09. The remuneration of Cdr. Mutreja is comparative to other shipyards in the private and public sector considering the nature and size of the Company, its business and his expertise and position in the Company. He has no pecuniary relationship directly or indirectly other than his remuneration.

Other information: The Company has been incurring continuous losses since inception in 1996 due to lack of working capital, poor utilization of infrastructure and low volume of operations. The Company has submitted a scheme of arrangement and compromise with the secured creditors to improve performance through business and

17TH ANNUAL REPORT 2008-2009

financial restructuring with the infusion of funds, and diversification into rig repair and ship building with alliance of strategic investors. The Company has approved the Business Plan for repair of 37 vessels valued at Rs.120 crore during 2009-10. The target for Rig repairs during the year is Rs. 18 crore. The confirmed orders in hand during Q1 are about Rs. 525 lacs.

The Board recommends the special resolution to the shareholders for approval. Other than the Whole Time Director & CEO, no other Director of the Company is in any way concerned or interested in the said resolution. A copy of the resolutions passed by the Board and the Remuneration & Compensation Committee on 31.07.2009 and other material documents are open for inspection of the members at the Registered Office of the Company on all working days during working hours upto the date of the meeting.

By the Order of the Board
For Western India Shipyard Limited

Sd/-
J. C. F. Sequeira
Vice President (Corporate Affairs)
& Company Secretary

Date: 31.07.2009
Place: Mormugao

Report  Junction.com



WESTERN INDIA SHIPYARD LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting their 17th Annual Report on the business and operations of your Company together with the Audited Accounts for the year ended March 31, 2009.

FINANCIAL HIGHLIGHTS

Particulars	31.03.2009 (Rs. In Lacs)	31.03.2008 (Rs. In Lacs)
Total Income	7478.74	3754.24
Operating Expenses	6477.81	4024.10
Profit/(Loss) before Interest & Depreciation	1000.46	(269.86)
Provision for Interest	2469.38	2116.34
Profit / (Loss) before Depreciation	(1468.57)	(2386.20)
Provision for Depreciation	1069.01	1075.26
Provision for Taxation	9.48	7.64
Net Profit / (Loss) before adjustments	(2547.05)	(3469.10)
Prior period & extraordinary adjustments	402.81	596.56
Net Profit / (Loss) for the year	(2144.24)	(2872.54)

FINANCIAL PERFORMANCE

During the year under review, your Company recorded a total shiprepair income of Rs. 7478.74 lacs as against Rs. 3754.24 lacs in the previous year, an increase of 99.21%. As per the provisions of the Companies Act, 1956 your Company has made a provision for interest of Rs. 2469.38 lacs for the year. The payment of interest to the secured creditors is subject to the sanction of the High Court of Bombay of the proposed Scheme of Arrangement and Compromise. Your Company has also made a provision of Rs. 1069.01 lacs for depreciation for the year. Your Company has made a cash profit of Rs. 1000.81 lacs for the year. The net loss for the year after interest and depreciation decreased has from Rs. 2872.54 lacs to Rs. 2144.24 lacs (33.96%).

DIVIDEND

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

SHIPREPAIRS

During the year, your Company repaired 33 vessels of which 30 vessels were of Indian flag and 3 vessels were of foreign flag ranging from 2500 DWT to 34000 DWT with a foreign exchange earnings equivalent to Rs. 1742.06 lacs. Your Company continued to enjoy the duty exemptions (customs and central excise) and concessions available to the Shiprepair Industry. The nature of repairs included steel renewal, rudder and propeller repairs, repairs of engine, navigational equipment and deck equipment, crew accommodation, fire fighting equipment, life saving appliances, repair of electrical, telecommunication and radar equipment, anti-rust protection, painting, etc. Your Company continues to receive repeat orders from established clients.

Your Company has signed an agreement with ABG Shipyard Limited for provision of technical and marketing expertise which will ensure a steady improvement of business through a stream of vessels for repairs, monitoring of redeliveries, performance of contractors, vendor development, optimum use of resources and higher productivity of man power and equipment. A good beginning has been made with the resumption of business from SCI with two completed orders M. V. Akbar and M. V. Chowra.

SHIP BUILDING

Your Company has a small ship building facility on which it has successfully built and delivered a Jack Up Barge (PMC-1) to PMC/Adani Group in 2007-08. It proposes to convert this facility into a graving dock for shiprepair/ building of small vessels in the near future.

INDIAN SCENARIO

The Indian Shiprepair Industry is highly regulated through the licensing policy of the Central Government through the D. G Shipping. The Central Government has focused through the 10th Five year Plan, on developing India's Shiprepair capacity to match the international standards. Keeping in mind the cyclicity of the shipbuilding sector and the huge potentialities of the shiprepair sector, the Central Government has recommended several measures for achieving the desired results.

One of the most welcome features of the Central Government Policies is the release of the Draft Maritime Policy covering India's Ports, Shipping and Shipbuilding sectors for public debate by the Ministry of Shipping and Road Transport, Government of India. The Policy Initiatives inter-alia highlights the following:

- The dry docking policy proposed to encourage modernization and mechanization to undertake repairs of most of the vessels calling at Indian Ports.
- Dry docks to be given EOU status.
- 100% FDI in shiprepair and ship building to be encouraged for private sector investment.
- Duty free import of all equipment to be fitted on ships built in Indian yards.
- Long term subsidy for constructions of all kinds of vessels (20 -30 years).
- Capping of prices of indigenous steel to make Indian ship building more competitive.
- The new dry docking policy would encourage creation of shiprepair units adjacent to the ports to repair/dry dock large vessels.

The Financial and Fiscal initiatives proposed in the Draft Policy inter-alia highlight the following:

- Taxation in ship building and ship repair, including customs and central excise duty, to be brought on par with EOU units.
- Ship repair and ship building to be kept out of the ambit of service tax, sales tax and VAT, etc as shipyards compete globally for repairs and new construction.
- R&D investment for Indian shipyards would be 100% exempted from corporate tax subject to a limit of 10% of profit for the year.
- Capital goods imported by ship building yards would be exempted from custom duty for encouraging facility augmentation / modernization / upgradation.
- Ship building and ship repair industry would be granted infrastructure status and investments would be made eligible for tax exemption for long period (20 years).
- Incentive to shipyards if retained profits are reinvested.
- Zero custom duties on import of equipment machines etc for ship building and ship repairs will be provided and these activities shall be free from customs bond. Flexible tax provisions would be put in place for disposal of scrap and waste generated from ship repair and ship building.
- Excise and sales tax exemption for indigenous steel.
- Separate funding agency to be created for ship building and ship repair activities.

The catalysts of growth for the Shipping and Shiprepair Industry in India are the Ports. All major ports are presently working at 100% capacity, wherein India expects further 8% to 9% growth rate. This would translate into



an exponential rise in sea borne trade from current levels of about 400 million tons to 900 million tons by the year 2013.

Another welcome feature of the new Central Government policy is the focus on the development of new ports, as well as deepening of the existing ports, to cater to additional facilities. The Central Government has released the National Maritime Development Program (NMDP) in July, 2005 identifying 228 projects to be implemented in India's major ports over the next 10 years involving Rs. 6110 billion. As per NMDP projections, the total cargo traffic at the Indian ports is expected to grow at a CAGR of 13.58% up to FY 2012 with the POL, coal and container traffic growth remaining strong. According to the Planning Commission, India's shipping fleet strength will be increased upto 15m GRT by the end of 2011-12, with an estimated investment of US\$17.7 billion. The port throughput will increase up to 1008 mn tonnes, growing at a CAGR of 10.96% from 2007-08 to 2011-12.

The decision of the Government to allow private companies to set up captive cargo handling berths at the existing 12 major ports in the country is most encouraging. This move will benefit steel, mining, oil & cement companies such as Tata Steel, Sesa Goa, Ispat Industries, JSW & Essar group which extensively use port facilities for importing raw materials & exporting finished products. This facility which is presently extended only to government-owned companies, will now be opened up to the Private Sector who can only participate in port development projects under the public-private-partnership (PPP) route and avail preferential berth allocation by paying hire charges to the port authority for using port infrastructure. This will also help to attract massive private investments in the port sector. During 2008-09, 9 projects under the PPP route are under implementation. The usual concession period for this facility is expected to be 30 years.

OUTLOOK FOR SHIPPING, SHIPBUILDING AND SHIPREPAIRS

Shipping is a global industry and its prospects are closely tied to the level of economic activity in the world. A higher level of economic growth generally leads to higher demand for industrial raw materials, which in turn will boost import and export trade and commerce. The Shipping Industry handles 95% by volume and 70% by value of India's international trade. However, the shipping market is cyclical in nature and freight rates generally tend to be volatile. The shipping industry is also highly capital intensive. A single ship can cost anything between US \$20 Mn to US \$300 Mn. Commoditized product coupled with the fact that globally there are a large number of players in this segment; no single company has significant pricing power.

The total world shipping tonnage, as on 1st January 2007, stood at 1014.55 Mn DWT [Dry Bulk (35%), Wet Bulk (37%), Containerships (12%), General cargo (10%) and others (6%)]. The Indian tonnage, as on 1st October 2007, stood at 15.08 Mn DWT, [Dry Bulk (34%), Wet Bulk (58%), Containerships (1%) and others (7%)].

Due to the global recession in shipping in 2008-09, the spot average freight rate for VLCCs in Q4 declined by 42% to \$33,305 per day. In the tanker segment like Suezmax, the spot average freight rate declined by 28.5% to \$25,750 per day while in the dry bulk segment, the average of the Baltic Dry Index declined by 78.8% in the fourth quarter of March 2009, on year to year basis. The daily charter rate for Capesize vessels, the largest in dry bulk segment, fell by 96% from \$150,000 a day to \$6,000 a day in the past nine months. In such difficult conditions in the dry bulk segment, the deployment of dry bulk fleet capacity by shipping companies including Indian fleet owners for long periods has reduced. However this trend is unlikely to continue in the medium and long term.

As regards Ship building, the outlook continues to be bright. The world fleet is expected to witness a massive growth due to the International Maritime Organization (IMO) regulations with 20 year vessels being gradually phased out and new vessels to be set afloat by 2012. Further due to a number of accidents at sea, environmental regulations have become stringent for single hull tankers. The IMO has stipulated that all single hull ships be scrapped by 2010. Most of the foreign ports have stopped the entry of single hull vessels into the Port. In view of the IMO regulations, the flow of orders to Shipbuilders is expected to continue.

The industry's prosperity in the Asian countries of South Korea, China and Japan can be attributed to the huge governmental support in terms of subsidy grants, development of ancillary units and other favorable governmental regulations. The South Korean shipbuilding industry being granted a "strategic industry" status has witnessed a massive surge in order books from 14.8 million Compensated Gross Tonnage (CGT) in 2000, to 65 million CGT in 2007, at a CAGR of 23.5%. The Chinese shipyards operating under the two governmental organisations i.e. China Shipbuilding Industry Corporation (CSIC) and China State Shipbuilding Corporation (CSSC) have grown steadily