

Western India Shipyard Ltd.

AN ISO 9001:2008 COMPANY

INDIA'S LARGEST COMPOSITE SHIPREPAIR FACILITY



18th ANNUAL REPORT 2009-2010



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. P. B. Gadgil Shri. Ashwani Kumar Shri. Ashok R. Chitnis 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. 16A/20, W.E.A. Main Ajmal Khan Road, Karol Bagh, New Delhi - 110 005 |
| Financial Institutions & Banks: | ICICI Bank Limited IFCI Limited HDFC Bank Limited Oriental Bank of Commerce Federal Bank Limited Syndicate Bank |
| Regd. Office & Shipyard | : P. B. No. 21, Mormugao Harbour, Mormugao, Goa - 403 803 |
| Registrars | : Link Intime India Pvt. Ltd. C - 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 072. Tel: 91 22 25946970 Fax: 91 22 25946969 Email: mt.helpdesk@linkintime.co.in |

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NOTICE

The 18th 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 Saturday, 25th day of September, 2010 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 2010 and the Profit and Loss Account for the year ended on that date, with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri. P. B. Gadgil who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS :

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

"RESOLVED THAT Shri Ashwani Kumar, who was appointed as an additional director pursuant to section 260 and other applicable provisions of the Companies Act 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Shri Ashok R. Chitnis, who was appointed as an additional director pursuant to section 260 and other applicable provisions 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 for the re-appointment of the Statutory Auditors, as a **Special Resolution**:

"RESOLVED that pursuant to Sections 224A and other applicable provisions of the Companies Act 1956, M/s. V. V. Kale & Co, Chartered Accountants from whom the necessary consent letter has been received u/s. 224(1-B) of the said Act, be and is hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General meeting of the Company with statutory audit fees of Rs. 5,00,000/- plus out of pocket expenses on actual."

6. 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 re-appointed as a Whole Time Director & Chief Executive Officer of the Company for a term of three (3) years w.e.f. 17.07.2010, including the following:

1. To negotiate, finalize 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."
8. The remuneration payable to Cdr. S. K. Mutreja shall be as under:
 - a) Salary: Rs. 1,80,000/- 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 60% of basic Salary.
 - c) Ex-gratia: Rs. 22,500/- per month.
 - 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 Company shall have right to terminate the agreement with one (1) month's notice or pay in lieu thereof.
 - i) The total value of the perquisites shall not exceed Rs. 45,350/- per month.

Resolved further that pursuant to sub-section (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: 30.07.2010
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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 15.09.2010 to 25.09.2010 (both days inclusive).
4. Members holding shares in the dematerialized form, are requested to inform their change of address, nomination, power of attorney, etc to their respective Depository Participant (DP).
5. Members holding shares in physical form are requested to note that the equity shares of the Company have been notified by SEBI for compulsory trading in demat mode. Hence, they are requested to convert their shares to demat form through their Depository Participants at the earliest.
6. Members are requested to bring their copy of Annual Report to the 18th Annual General Meeting and the attendance slip duly filled in.
7. 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 18th Annual General Meeting in pursuance of Clause 49 (G) (I) of the Listing Agreement:

| Name of Director | Cdr. S. K. Mutreja | P. B. Gadgil | Ashok R. Chitnis | Ashwani Kumar |
|--|---|--|---|--|
| Date of Birth | 24.09.1946 | 25.12.1923 | 15.02.1943 | 15.08.1948 |
| Date of Appt./ Re-appointment as Director | 17.07.2007 | 26.09.2009 | 28.05.2010 | 28.05.2010 |
| Qualification | B.E. (MECH.), Professional Course in Marine Engg. ISO 9000, Shipyard Management, Production Planning and Control | B.Com. | B.E, Marine Engg. First Class Competency Cert. from Ministry of Transport, GOI. Qualified lead auditor for QMS Audits & ISO 9000 standards. | Post Graduate in Political Science from Allahabad University. |
| Experience and Expertise in Specific functional area | Over 42 years of experience in the Indian Navy and in the Shiprepair, Rig repair & Ship building Industry in the public & private sectors in India. | Long & diversified experience in Trade & Industry. | 11 years with Scindia Steam Navigation Co. Ltd and retired as Chief Engineer. 27 years with Indian Register of Shipping and retired as Chief Surveyor. Vast experience in ISO 9000 and QMS Certification. | 35 years of experience with Indian Revenue Service. Retired as Chief Commissioner of Income Tax. |
| Directorships held in other Companies | NIL | NIL | 1 | 1 |
| Committee positions held in other Companies | NIL | NIL | 1 | 1 |
| No. of Shares held in WISL | 2000 | NIL | NIL | 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 Shri Ashwani Kumar as Director

Shri. Ashwani Kumar has been appointed as the Additional Independent Director by the Board at its meeting held on 28.05.2010, liable to retire by rotation. As per Section of 256(3) of the Companies Act 1956, a retiring director is eligible for re-appointment at the ensuing AGM. The Board recommends his re-appointment.

Item No. 5: Appointment of Shri Ashok R. Chitnis as Director

Shri. Ashok R. Chitnis has been appointed as the Additional independent Director by the Board at its meeting held on 28.05.2010, liable to retire by rotation. As per Section of 256(3) of the Companies Act 1956, a retiring director is eligible for re-appointment at the ensuing AGM. The Board recommends his re-appointment.

Item No. 6: Re-appointment of M/s. V. V. Kale & Co. as Statutory Auditors:

M/s. V. V. Kale & Co., Chartered Accountants, had been appointed as the Statutory Auditors of the Company by an ordinary resolution passed by the shareholders at the AGM held on 26.09.2009. The Company has paid to them the statutory audit fees for FY 2009-10 of Rs. 5,00,000/- plus out of pocket expenses on actual. The Board of Directors at its meeting on 30.07.2010 has recommended the re-appointment with same audit fee of Rs. 5,00,000/- plus out of pocket expenses on actual. The Company has also engaged the Auditors for income tax assessments and Company Law matters and paid a sum of Rs. 3,86,050/- to them for FY 2009-2010.

Item No. 7: Re-appointment of Cdr. S. K. Mutreja as Whole Time Director & CEO

The term of office of Cdr. Subhash Kumar Mutreja (Retd) will come to an end on 16.07.2010. He has been re-appointed as the Whole Time Director and Chief Executive Officer of the Company for a term of three (3) years with an increase in remuneration, at the Board meeting held on 29.05.2010. Cdr. Mutreja had over 42 years of experience in the Indian Navy and in the Shipbuilding, Rig repair and Shiprepair Industry in the public and private sectors in India. He is entrusted with the day to day operations and management 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 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. The Company is engaged in the business of shiprepairs since 01.01.1996 at Mormugao Port, Goa, on the west coast of India. Your Company started commercial production in January, 1996 and has repaired over 475 vessels of all types and 9 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) |
|---------|----------------------------|--------------------------------------|
| 2008-09 | 75 | (21.44) |
| 2009-10 | 77 | 49.78 |

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 Whole Time Director and 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 extensive courses in ISO 9000 quality systems, Shipyard Management, Production Planning and Control. He is 63 years with more than 41 years of experience in the Indian Navy and 21 years in the public and private sector with Goa Shipyard Limited. His last employment was in ABG Shipyard Limited. His focus is on new business development of the Company. His past remuneration for 2008-09 was Rs. 31.23 lacs as compared to Rs. 33.37 lacs for 2009-10. The remuneration of Cdr. Mutreja is comparative to other shipyards in the private and public sector considering the nature, size and business of the Company, 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 poor utilization of infrastructure, low volume of operations and working capital constraints. The High Court of Bombay has sanctioned the Company's Scheme of Arrangement and Compromise with the secured creditors with ABG Shipyard Limited as confirming party, by an order dated 15.01.2010. The Company has settled the dues of secured lenders who have opted for Option-1 of the scheme, amounting to Rs. 55 crore. This will reduce the debt burden, cash outflows and interest cost in the long term. The infusion of funds and better working capital management as well as diversification measures such as rig repair, heavy fabrication jobs. Etc are expected to take the Company to higher level of operations.

The Board recommends the re-appointment of Cdr. S. K. Mutreja as the Whole time Director & CEO of the Company as set out in the special resolution. 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 resolution passed by the Remuneration & Compensation Committee on 29.05.2010 and the Board on the same date 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.

Date: 30.07.2010
Place: Mormugao

By the Order of the Board
For Western India Shipyard Limited
Sd/-
J. C. F. Sequeira
Vice President (Corporate Affairs)
& Company Secretary



JOURNEY OF WESTERN INDIA SHIPYARD LIMITED FROM 1992-93 TO 2009-2010

Western India Shipyard Limited (WISL) was incorporated as a Public Limited Company on 1st May, 1992 under the Companies Act, 1956 and obtained the Certificate of Commencement of Business on 30th June, 1992. The main objectives of WISL were the setting up Ship Repair facilities for Ocean Going Vessels, Ship Building and Ship Breaking facilities in the private sector in India.

Project Approvals:

WISL signed a 25 year license agreement with the Mormugao Port Trust (MPT) on 5th April, 1993 for about 85,000 sq. meters of land and breakwater area at Mormugao Harbor, Mormugao, Goa one of the finest all weather natural ports on the west coast of India. WISL also applied for registration with the Director of Industries, Cuttack, Orissa for the Ship Breaking facility at Paradip Port, Orissa. WISL signed the foreign collaboration agreement with Lisnave S. A. of Portugal on 26th May, 1993 for provision of Technical Assistance and Technical Documentation through their subsidiary, Navelink S. A of Switzerland for the ship repair project at Goa with equity participation of USD 2.5 mn. WISL obtained the project approvals from the Foreign Investment Promotion Board (FIPB), Government of India on 27th August 1993 for foreign collaboration; Government of Goa (HPCC) approval on 10th August 1993 and Pollution control clearance on 18th May 1993. WISL was registered as a "Ship Repair Unit (SRU)" on 12th November, 1993 with Director General of Shipping, Ministry of Shipping and Surface Transport, Government of India by virtue of which the Company was entitled to the use of duty free imported and indigenous capital goods, material handling equipment, raw materials, spares and consumables for the project. WISL obtained the Central Government Environmental approval on 3rd February 1994, Central Excise License on 2nd September 1994 and Factory license on 7th January, 1997 for its project.

Company Performance

The Company's project cost was initially Rs. 120 crore in August 1993 which was revised to Rs. 180 crore in January 1995 to cover the Ship Repair project at Goa and the Ship breaking project at Orissa, The cost of the project was met by the WISL IPO in August, 1995 of Rs. 70.70 crore from equity shares and secured partly convertible redeemable debentures and balance from project loans of Rs. 109.30 from a consortium of premier Financial Institutions and banks consisting of ICIC1 Bank, IDBI, 1IBI, SBI and Bank of India.

WISL started commercial operation in January, 1996 and achieved a sales turnover of Rs. 23 crore (15 months) in 1996-97. However, WISL was unable to reach a profitable level of operations and generate surplus for various reasons as per the projections.

Restructuring measures

The Company with the support of the secured lenders, who held major stake in the Company, approved the proposal for business and financial restructuring of the Company. The Company, received the approval of the shareholders for disinvestment in the Ship Breaking facility ay Orissa being unviable.

The Company and the debenture holders and the Debenture Trustees, approved a Scheme of Arrangement for the redemption of 8,46,100 - 12% secured redeemable non-convertible debentures of Rs. 60/- each aggregating to Rs. 5.07 crore which was approved by the High Court of Bombay at Goa on 23.06.2006. Further, the Company and its shareholders approved the reduction of the Issued and Paid up equity share capital from Rs. 108.54 crore to Rs. 21.71 crore by reducing the face value of each share from Rs. 10/- to Rs. 21- which was sanctioned by order of the High Court of Bombay at Goa on 29.06.2007. These debentures stand fully redeemed.

Lastly, the Company and its shareholders and secured lenders approved the Scheme of Arrangement and Compromise with ABG Shipyard Limited as confirming party. The High Court of Bombay at Goa sanctioned the scheme by order dated 15.01.2010 as amended, and the Company restructured and reduced its secured liabilities of Rs. 228 crore to about Rs. 152 crore. ABG Shipyard Limited provided the much needed infusion of funds and also rendered technical and marketing support to the Company under the terms of the scheme.

Post Restructuring Performance

WISL reached its highest ever sales turnover of Rs. 76.51 crore in FY 2009-10, with the technical assistance, marketing effort and experienced management personnel provided by ABG Shipyard Limited. WISL posted a net profit after tax (PAT) of Rs. 48.78 crore for the year, after reversing the provision for interest made in the earlier years. The Management has improved profitability by reduction of heavy cost of debt, carried out maintenance of the shipyard infrastructure and dredging, etc. WISL has achieved higher volumes in Ship Repairs and Rig Repairs. It has taken up machine shop jobs for Mazgaon Docks Limited and fabrication of pontoon for the first time. WISL will continue shipbuilding and other profitable activities in the near future. As WISL moves from strength to strength, shareholders may expect to see a growth in business, profitability and shareholder value.

Yes, WISL has come a long way ! It awakes to a new future which is bright !

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting their 18th Annual Report on the business and operations of your Company together with the Audited Accounts for the year ended March 31, 2010.

1. FINANCIAL HIGHLIGHTS

| Particulars | 31.03.2010 (Rs. In Lacs) | 31.03.2009 (Rs. In Lacs) |
|---|-----------------------------|-----------------------------|
| Total Income | 7651.39 | 7478.74 |
| Operating Expenses | 5817.92 | 6477.92 |
| Profit /(Loss) before Interest & Depreciation | 1833.47 | 1000.83 |
| Provision for Interest | 625.56 | 2469.38 |
| Profit / (Loss) before Depreciation | 1207.91 | (1468.56) |
| Provision for Depreciation | 1069.83 | 1069.01 |
| Provision for Taxation | - | 9.48 |
| Net Profit / (Loss) before adjustments | 138.08 | (2547.05) |
| Prior period & extraordinary adjustments | 4840.18 | 402.81 |
| Net Profit / (Loss) for the year | 4978.26 | (2144.24) |

2. OPERATIONS

During the year under review, your Company recorded a total shiprepair income of Rs. 7651.39 lacs as against Rs. 7478.74 lacs in the previous year, an increase of 2.31%. Your Company made cash profit of Rs. 1207.90 lacs for the year. The net profit for the year after prior period expenses, interest, depreciation and adjustments, is Rs. 4978.26 lacs as compared to loss of Rs. 2144.24 lacs in the preceding year. The increase in net profit of the Company is mainly due to the reversal of interest of Rs. 5160.22 lacs provided in the earlier years.

Your Board places on record its sincere thanks to ABG Shipyard Limited for the continuous technical and marketing expertise extended to your Company, including the timely provision of funds which resulted in improved operations.

3. DIVIDEND

Your Board is unable to recommend any dividend to the shareholders in view of the accumulated losses.

4. SCHEME OF ARRANGEMENT & COMPROMISE WITH THE SECURED LENDERS

Your Board is pleased to inform that the Hon'ble High Court of Bombay at Goa by order dated 15.01.2010 as amended, sanctioned your Company's Scheme of Arrangement and Compromise with its secured creditors with ABG Shipyard Limited as confirming party ("Scheme"). Your Company obtained a secured corporate loan from IFCI Limited for this purpose and settled the dues of Rs. 55 crore to the secured lenders who had exercised Option - 2 of the scheme. The Company places on record its sincere thanks to the secured lenders for the wholehearted support to the Company at all times.