



कोचीन शिपयार्ड लिमिटेड
COCHIN SHIPYARD LTD



41st

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वार्षिक रिपोर्ट

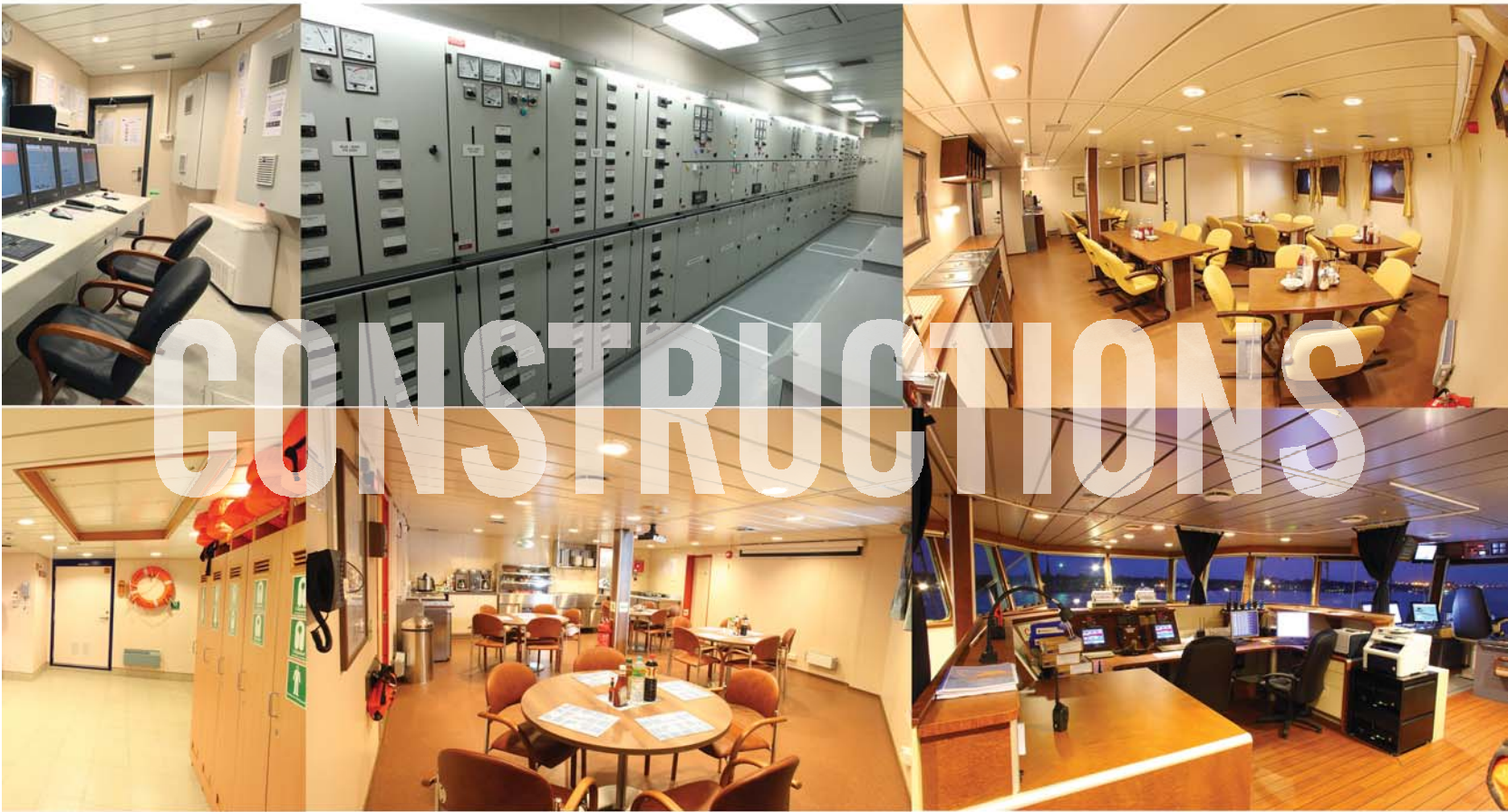
ANNUAL REPORT 2012 - 13



COCHIN SHIPYARD LTD.



QUALITY



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Board of Directors

Comde K Subramaniam	:	Chairman & Managing Director
Shri Ravikumar Roddam	:	Director (Finance)
Shri P Vinayakumar	:	Director (Technical)
Capt R S Sundar	:	Director (Operations)
Shri M C Jauhari, IAS	:	Official Part Time Director, Joint Secretary (Shipping) Ministry of Shipping
Shri Elias George, IAS	:	Official Part Time Director Government of Kerala
Shri L N Vijayaraghavan, IAS (Retd)	:	Non Official Part Time Director
Vice Admiral (Retd) S K K Krishnan	:	Non Official Part Time Director
Shri M Raman, IAS (Retd)	:	Non Official Part Time Director
Dr. S Mohan	:	Non Official Part Time Director
Dr. G C Gopala Pillai	:	Non Official Part Time Director
Shri N Raghuram	:	Non Official Part Time Director

Management Team

Shri Joe Joe Peter	:	Chief General Manager (Materials)
Shri Sunny Thomas	:	Chief General Manager (Technical)
Shri Paul Ranjan	:	Chief General Manager (Finance)
Shri N V Suresh Babu	:	General Manager (Ship Repair)
Shri Madhu S Nair	:	General Manager (Marketing)
Shri Bejoy Bhaskar	:	General Manager (Design & Defence Projects)
Shri K J Ramesh	:	General Manager (Human Resource) & (Training) I/C
Shri T N Sudhakar	:	General Manager (Finance)
Shri Murugaiah M	:	General Manager (Ship Building)
Shri M D Varghese	:	General Manager (Industrial Relations & Administration)
Shri A N Neelakandhan	:	General Manager (Projects & Maintenance)
Shri K N Sreejith	:	General Manger (Indigenous Aircraft Carrier)
Shri A V Suresh Kumar	:	General Manager (Planning)

Company Secretary

Smt V Kala

Registered Office

Cochin Shipyard Limited
XXXIX/ 6080, Administrative Building
Perumanoor
Kochi – 682015, Kerala, India

Bankers

State Bank of Travancore
State Bank of India
Syndicate Bank
Union Bank of India

Auditors

M/s Menon & Ayyar
Chartered Accountants, Ernakulam.

BOARD OF DIRECTORS



Cmde K Subramaniam
Chairman and Managing Director

Cmde Kartik Subramaniam joined Cochin Shipyard Limited (CSL) as Director (Operations) on 02 August 2007. He was appointed as the Chairman & Managing Director on 31 December 2010. A Marine Engineer by training, he served in the Indian Navy for three decades before joining CSL. He has served on various ships viz missile vessels, destroyers and tankers. He has also served in various afloat billets at Naval Headquarters, Command Headquarters and at Naval Dockyards at Visakhapatnam and Mumbai. He has been trained in shiprepair techniques at St. Petersburg, Russia. He also holds a Masters Degree in Defence studies.



Shri Ravikumar Roddam
Director (Finance)

Shri Ravikumar Roddam joined CSL as Director (Finance) on 03 May 2010. A qualified Chartered Accountant and Associate Member of the Institute of Chartered Accountants of India, Shri Roddam has to his credit a number of academic awards including a First rank & gold medal in B Com, 43rd rank in CA Inter, 9th rank in CA Final etc. With a wide range of exposure in the Financial Management in a cross section of industries, Shri Roddam has experience of 35 years in various fields like project finance, working capital finance, rehabilitation through BIFR, implementation of IT Softwares, MIS, taxation, debt restructuring etc. He was the Vice President of ISMT, Pune before joining Cochin Shipyard.



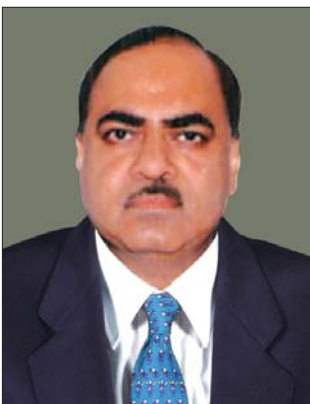
Shri. P Vinayakumar
Director (Technical)

Shri P Vinayakumar joined as Director (Technical) on 01 September 2011. A graduate in B.Sc Engg (Mechanical) and B.Tech (Naval Architecture), he joined Cochin Shipyard in 1978 as Naval Architect Trainee and has close to 35 years of experience in managing major portfolios like Business Development, Design, Shiprepair, Shipbuilding, Training, HR, Industrial Relations etc.



Capt R S Sundar
Director (Operations)

Capt R S Sundar, Indian Navy (Retd) joined as Director (Operations) of Cochin Shipyard Limited, Kochi on 21st November 2011. In his professional career spanning over three decades, Capt R S Sundar has held various important appointments in the Indian Navy. Prior to joining Cochin Shipyard Ltd, Capt R S Sundar was associated with Mazagon Dock Ltd, Mumbai.



Shri M C Jauhari, IAS
Official Part Time Director
Joint Secretary (Shipping)

Shri M.C. Jauhari, IAS (AM:87) entered in Govt. Service on 24.8.1987. He joined Ministry of Shipping as Joint Secretary (Shipping) on 19 January, 2012. He was born on 02 August, 1962 at Shahjahanpur in UP. He completed his studies from Uttar Pradesh and has done his Post Graduation in Physics from Allahabad University. He has worked in the State Govt. of Assam in various capacities and also as Joint DG/Director in DGFT in Commerce & Industry Ministry, Govt. of India, New Delhi. In addition to this, he has worked as Adviser in the Indian Mission to European Union. He has got vast knowledge in different subjects including land revenue administration, Labour & employment, Town and country planning, Science & Technology, Foreign Trade, Agriculture & Cooperation, Personnel & General Administration, Planning & Programme implementation etc. He is presently Govt. Director on the Boards of Shipping Corporation of India Ltd., Cochin Shipyard Ltd. and Dredging Corporation of India Ltd.



Shri. Elias George, IAS
Official Part Time Director
(Representative of Government of Kerala)

Shri Elias George IAS is an Official Part Time Director representing government of Kerala joined CSL w.e.f 18 August 2012. He is a senior IAS officer with vast experience across different sectors of administration. He started his career as Assistant Collector at Thalassery and worked in different departments like Irrigation, Forest, Civil Supplies, Labour, Industries and Tourism. He has held positions in several departments in the State as well as in Central Ministries and has served on the boards of Central Government PSUs like SAIL, RINL and MSTC. Presently he is the Managing Director of Kochi Metro Rail Limited.



Shri L N Vijayaraghavan
IAS (Retd.)

Non Official Part Time Director

Shri L N Vijayaraghavan is a Non Official Part Time Director in our Board w.e.f 16 September 2011. He is a post graduate in commerce and a former member of the Indian Administrative Service. He retired in the rank of Chief Secretary to Government of Tamil Nadu after working for over 35 years in key sectors of government such as Power, Infrastructure, Industry, Rural Development, Education, Housing and Urban Development, Finance, Municipal Administration & Water supply, Women and Child Development. He is credited with turning around the only State owned shipping company in India, the Poompuhar Shipping Corporation from a loss making company to a profit making company during 1989-91. He had been instrumental in the implementation of various housing and urban infrastructure projects in Tamil Nadu, the notable contribution being the execution of the 220 km of water supply pipeline from Veeranam to Chennai city during his tenure as Principal Secretary, Municipal administration and Water supply. Shri Vijayaraghavan has also headed various organizations and has held directorships in various government and semi government organizations. He is also a Director in the Neyveli Lignite Corporation.



VAdm (Retd.) S K K Krishnan

Non Official Part Time Director

VAdm S K K Krishnan is a Non Official Part Time Director in our Board w.e.f 25th January 2012. A Mechanical Engineer by profession with a post graduation in Marine Engineering from Naval Academy, St Petersburg, Russia, Shri Krishnan has served the Indian Navy for 36 years after which he took over charge as CMD of M/s Mazagon Docks Limited (MDL). Shri Krishnan is a highly respected naval officer whose commitment and engineering skills are widely acknowledged. Shri Krishnan is also recognized for the system & procedural improvements that he brought about in Mazagon Docks Limited (MDL), especially with reference to the new ERP environment that was implemented during his tenure.



Shri M Raman, IAS (Retd.)

Non Official Part Time Director

Shri M Raman is a Non Official Part Time Director in our Board w.e.f 25th January 2012. He has more than three decades of experience in various government departments notably in the Chemicals, Petrochemicals, Port and Shipping sector. He was the CMD of Ennore Port Limited from 2001 to 2006 and was fully involved in conceptualization, policy formulation, financial restructuring and funding pattern for the port. He also has extensive experience in handling various portfolios, especially, in the areas of infrastructure, Industrial Development, social development issues etc. He retired as Secretary to the Government of India.



Dr G C Gopala Pillai

Non Official Part Time Director

Dr. G C Gopala Pillai is a Non Official Part Time Director in our Board w.e.f 27th November 2012. He was the former C&MD of FACT Ltd, & has a doctorate in management from University of Kerala. He is associated with various National level academic institutions and was also Dean of Management studies, University of Kerala. He has a number of professional achievements to his credit like implementation of major Infrastructure projects while he was MD of KINFRA, turning around FACT from loss making to profit making company and achieving the record profit in 2005-2006, launching of various major infrastructure development programmes while he was in FACT etc.



Shri S Mohan

Non Official Part Time Director

Dr Seetharaman Mohan is a Non Official Part Time Director in our Board w.e.f 27th November 2012. He is the former Director (HR) of BPCL and has 29 years of experience in BPCL in various functions like Engineering & Projects, Product Distribution, Sales and Personnel etc.



Shri N Raghuram

Non Official Part Time Director

Shri N Raghuram is a Non Official Part Time Director in our Board w.e.f 27th November 2012. He is a Chartered Accountant and partner of M/s Ponraj & Co. He has vast experience in Statutory Audits of Navratna PSUs, Banks, Listed Companies etc.



FINANCIAL HIGHLIGHTS

(₹ in crores)

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Turnover	1554.16	1404.85	1461.72	1248.50	1256.21	833.79	719.74	373.53	276.48	228.44	235.16	210.25
Total income	1642.33	1481.54	1589.17	1326.49	1383.26	857.17	845.64	452.89	323.31	267.94	282.07	253.84
EBDIT	317.90	284.16	390.27	364.68	276.42	162.66	104.17	43.79	28.03	37.18	35.72	36.62
Depreciation & write offs	19.22	18.07	17.06	15.24	9.80	9.69	7.89	10.62	7.24	6.47	6.80	5.40
Profit After Tax (PAT)	185.27	172.33	227.53	223.04	160.07	93.85	58.11	18.23	12.10	17.78	16.49	16.41
Equity Share Capital	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	113.28	111.28
Reserves & Surplus	1062.42	898.41	775.38	490.54	336.70	199.64	93.67	55.06	36.83	34.19	25.86	15.68
Net Worth	1175.70	1050.83	967.8	680.32	566.49	429.43	323.45	284.85	266.62	264.03	255.66	245.43
Gross Fixed Assets	444.35	376.73	362.10	349.68	270.39	233.46	217.18	206.92	204.65	195.86	205.00	198.86
Net Fixed Assets	247.30	192.61	190.67	189.75	121.64	92.16	81.91	76.33	78.30	74.09	86.30	84.92
Number of Employees	1656	1900	1818	1907	1962	2059	2084	2075	2109	2175	2189	2232
Key Indicators												
EPS (Rs. per share)	16.35	15.21	20.09	19.69	14.13	828.51	513.00	160.97	106.81	156.96	145.57	147.47
Face Value Per Share (Rs.)	10	10	10	10	10	1000	1000	1000	1000	1000	1000	1000
EBDIT/ Gross Turnover (%)	20.45	20.21	26.70	29.20	22.00	19.50	14.50	11.70	10.10	16.30	15.20	17.40
Net Profit Margin%	11.92	12.27	15.57	17.86	12.74	11.26	8.07	4.88	4.38	7.78	7.01	7.80
Return on Net Worth%	15.76	16.40	23.51	32.78	28.26	21.85	17.97	6.40	4.54	6.73	6.45	6.74
Return on Capital Employed %	19.08	18.76	27.44	38.57	29.09	23.28	11.70	3.65	2.45	4.33	4.28	4.22
Capital Employed	970.84	918.68	829.27	578.32	550.31	401.33	496.60	499.64	493.63	410.98	392.75	389.25

CHAIRMAN'S ADDRESS

1. It gives me great pleasure to welcome you all to the 41st Annual General Meeting of Cochin Shipyard.

2. The shipping industry is intrinsically linked to global trade and as had another flat and lack-lustre year. The Shipbuilding industry continues to go through a difficult phase with little hope of recovery till 2014-15. The lack of new building orders, which has affected the top shipbuilding nations, has affected all Indian shipbuilders. Cochin Shipyard has also not won any new commercial orders during the year. However, notwithstanding the gloomy picture for the shipbuilding industry, your company has continued to perform well.

3. This year the Company achieved a turnover of Rs.1554.16 crores, a 10.62% increase over last year. The Profit Before Tax was Rs.275.55 Crores as against Rs.252.96 Crores in 2011-12. PAT for the year was Rs.185.27 crores as against Rs.172.32 crores last year. The Company contributed Rs.158.12 Crores to the National Exchequer by way of taxes and duties. The excellent results posted by your Company for the last five years enabled it to redeem the 7% preference shares well before the stipulated time of 2015. The Company redeemed the last tranche of preference shares of Rs.39.14 crores during 2012-13. The paid up capital of the Company now stands at Rs.113.28 crores. The Company proposes to declare a dividend of 15% per share on the 11,32,80,000 fully paid up equity shares of Rs.10 each. The total outgo on the dividend and dividend tax would be approximately Rs.19.88 crores.

4. Cochin Shipyard delivered six ships in the year 2012-13, five ships to the Shipping Corporation of India and one ship to M/s.PSV Holdings, Liberia. In keeping with the yard's reputation for delivery of high quality ships, the performance of the ships continued to be appreciated by the owners. Our major achievement towards the latter part of the year has been the accelerated pace of work on the Indigenous Aircraft Carrier. A large number of equipment were finally received in January 2013 and the ship was redocked in the building dock in February 2013. It is to the credit of Cochin Shipyard that an enormous amount of work was carried out in two months with a turnover for this period alone on the aircraft carrier touching a record high of close to Rs.400 crores. The single minded focus and coordinated efforts of the shipbuilding departments in carrying out the work on the IAC subsequent to its docking is creditable and has helped the Company achieve its MoU targets for the year. The Company continues to face problems both



technical and logistic which has resulted in some delay in the delivery of Fast Patrol Vessels to the Indian Coast Guard. An intense-introspection has been carried out and while it is expected that delays on the project would affect the first few ships, efforts are being made to contain this delay to the minimum and deliver the subsequent vessels in time. The shipyard has launched three FPVs during the year. Interestingly, two of these vessels were launched using a very innovative method. Specialized cradles were designed and fabricated by the yard and the hull of the FPV was hoisted over the aircraft carrier and lowered into the water with the help of a crane. This is indicative of the Company's quest to find innovative solutions in the area of shipbuilding.

5. The yard was able to conclude a contract for supplying a Buoy Tender vessel to Directorate General of Lighthouse and Lightships (DGLL). This order was obtained on nomination basis facilitated by the Ministry of Shipping. The contract was signed on 10 August 2012 and the vessel is to be delivered on 10 June 2015. The vessel is of Rolls Royce Marine design customized to meet the requirements of DGLL. The construction of this vessel is being closely monitored to ensure that the schedule is met and the ship delivered on time so that Cochin Shipyard gets back to its winning way of delivering ships on schedule.

6. The Shipyard continues to excel in the area of ship repair with the achievement of record turnover of Rs.286.57 crores during the year 2012-13. The refit of INS VIRAAAT was completed in a record time frame of 120 days. The ship was delivered to the Navy two weeks ahead of its scheduled date. Apart from VIRAAAT a total of 65 No. of ships were taken up for repairs during the year and completed successfully.

7. The Lakshadweep Administration and LDCL have constant requirements for keeping their vessels



CHAIRMAN'S ADDRESS

operationally ready to meet the transportation requirements of the islanders. In order to meet this critical need of the community, Cochin Shipyard has entered into a long term MoU with Union Territory of Lakshadweep (UTL) and Lakshadweep Development Corporation Limited (LDCL) to maintain their fleet of vessels. The MoU signed on 12 April 2013 would be valid for a period of five years. This will ensure a constant revenue stream to the Cochin Shipyard while at the same time meeting the critical need for transportation of the Lakshadweep islanders.

8. As part of its growth strategy, the Shipyard has identified three potential areas. I am happy to report that CSL bid for and obtained approval for setting up an International Ship Repair Facility (ISRF) on 42 acres of land of Cochin Port Trust. It is envisaged to set up a facility in two phases with Phase 1 confined to taking over the existing dock of CPT (Size 66 x 12.5 x 5) and reviving the associated shops. Phase 2 involving setting up of a ship lift system with dedicated facility for carrying out ship repair. Total cost of this facility is expected to be about Rs.490 Crores. The Company intends to raise capital to meet this expansion by way of an IPO and also raise funds through issue of tax free bonds. The investment in the ship repair facility is an initiative which would serve to de-risk the Company against the cyclicity of shipbuilding. The domestic ship repair business is largely untapped by Indian Shipbuilders and the reputation and strength of Cochin Shipyard in this area can be leveraged to capture a larger chunk of the business. It is expected that the ISRF in Cochin Port Trust premises would enable the yard to carry out repairs of smaller ships there while taking up larger ship repair projects in the present location.

9. The Company continued to comply with good corporate governance practices as stipulated by the various statutes and the guidelines issued by the Department of Public Enterprises (DPE). The total strength of the Board of Directors as on date is twelve, out of which six are Independent Directors. The yard has constituted an Audit Committee consisting of three Independent Directors to review financial results, internal control measures, audit recommendations etc. A Remuneration Committee chaired by an Independent Director makes recommendations on the performance related pay policy of the Company. A Corporate Social Responsibility and Sustainable Development (CSR & SD) Committee has been constituted to provide fillip to the CSR, sustainable development initiatives of the

Company. A Contracts and CAPEX Committee has been constituted, chaired by an Independent Director, to review and recommend high value contracts and capital expenditure proposals.

10. The Company continues to have good harmonious industrial relations. It is a matter of pride that the Company has not lost a single day due to industrial strike by its regular workers for a period of 29 years.

11. The Company has carried out CSR projects in accordance with the overall CSR policy. Two CSR projects worthy of mention include the contributions made towards setting up a Magnetic Resonance Imaging (MRI) facility in the General Hospital, Ernakulum and setting up of a Dialysis Centre at Aluva. The CSR projects undertaken by your Company have earned admiration from the people of Ernakulum while providing visibility as a responsible corporate entity. The Company has spent Rs.2.17 Crores during the year towards CSR.

12. The Shipyard continues to place emphasis on carrying out Research and Development activities. This has helped the Shipyard improve its productivity.

13. The milestone event of launching of the Indigenous Aircraft Carrier on 12 August 2013 has been a great achievement for the yard. The fact that India is only the fifth country in the world to build a carrier of this size (37500 tonnes) is a matter for not only all of us in CSL, but the entire nation to be proud of. The project threw up enormous challenges right from fabrication of the extra high tensile 249 A and 249 B steel, lifting and turning of huge blocks, concurrent design and construction of the ship to executing a pontoon assisted launch. The successful launching of the IAC is a testimony to the technical competence, innovative spirit, commitment and dedication of the CSL workforce. I firmly believe that the above qualities of its workforce would help CSL to sail through tough times.

14. Finally, I would like to extend my sincere thanks for the support and encouragement received from the Ministry of Shipping, Government of India, Government of Kerala and the Board of Directors. Their invaluable advice and guidance has helped the Company face the various challenges and move ahead in all its endeavours and reach the present levels of performance.

Jai Hind!

Cmde K Subramaniam



NOTICE

Notice is hereby given that the 41st Annual General Meeting of the Members of Cochin Shipyard Limited will be held at 15:00 hrs on Wednesday, 25 September 2013 at the Registered Office of the Company viz. Administrative Building, Cochin Shipyard Premises, Perumanoor, Kochi- 682015, to transact the following businesses:

Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31 March 2013, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year ended 31 March 2013.

By the Order of the Board of Directors

Place: Kochi
Date: 17th June 2013

Sd/-
V Kala
Company Secretary

Note: A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.



DIRECTORS' REPORT

Dear Shareholders,

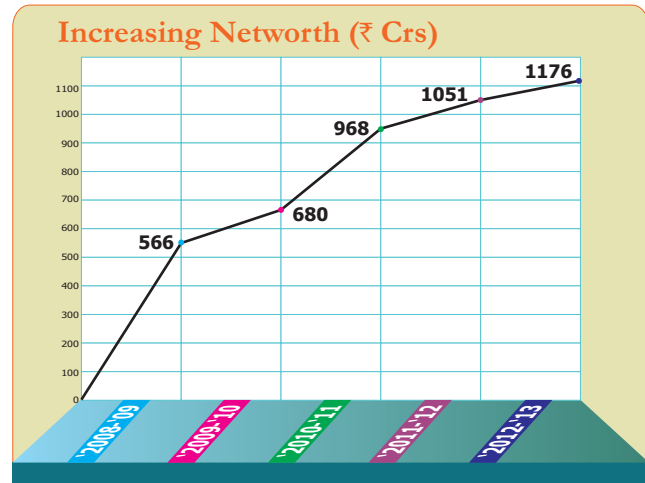
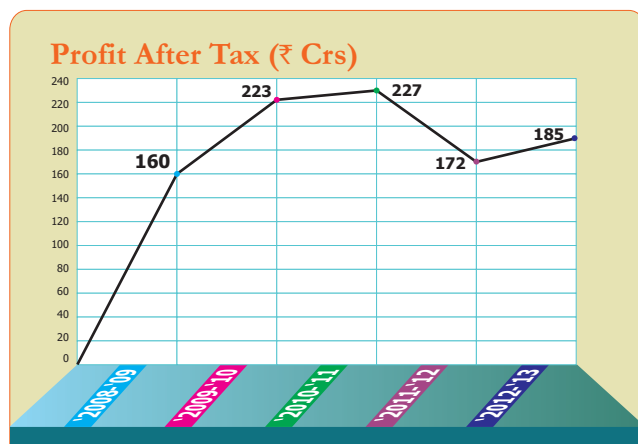
- Your Directors have pleasure in presenting the 41st Annual Report of your Company along with the audited accounts for the year ended 31 March 2013.

Financial Performance

- The Performance of Cochin Shipyard Limited continued to be good during the year 2012-13. The turnover for the year was at ₹1554.16 crores as compared to ₹1404.85 crores in the year 2011-12. The net profit was ₹185.27 crores as compared to ₹172.33 crores for the previous year. This performance is creditable considering the economic recessionary conditions and the downturn in the shipping and ship building sector.

Dividend

- Your Directors are pleased to recommend a dividend of ₹1.5 per share on the 11, 32, 80, 000 fully paid Equity shares of ₹10 each. The total outgo for dividend and dividend tax would be approximately ₹19.88 crores.



Reserves and Surplus

- As on 31st March 2013, the Company has Reserves and Surplus amounting to ₹1082.30 crores which reflects the inherent financial strength of the Company.

Contribution to Exchequer

- The total contribution made during the year by way of Value Added Tax, Income Tax, Excise Duty, Customs Duty and Service Tax was ₹158.12 Crores.

Financial Highlights (₹ Crs)

Sl No	Particulars	2012-13	2011-12
(i)	Gross Income	1642.33	1481.55
(ii)	Profit Before Finance cost, Depreciation & Tax	317.90	284.15
(iii)	Finance Costs	23.13	13.12
(iv)	Depreciation & Write off	19.22	18.07
(v)	Profit Before Tax (Net)	275.55	252.96
(vi)	Provision for tax (Net)	90.28	80.64
(vii)	Net Profit	185.27	172.32





DIRECTORS' REPORT

Shipbuilding

- The Company achieved a total shipbuilding income of ₹1267.59 crores during 2012-13 as against ₹1259.49 crores in 2011-12. During the year, the yard delivered six new ships for various domestic and international owners.
- The work on prestigious Indigenous Aircraft Carrier has picked up pace. The ship was redocked on 12th February 2013 for completion of all Phase I activities. A pontoon assisted launching is planned to increase the hull erection and outfit levels to the maximum extend feasible.
- The Company launched three Fast Patrol Vessels under construction for Indian Coast Guard. The launch was a visual spectacle in its innovativeness. With the Indigenous Aircraft Carrier (IAC) occupying the building dock, the Fast Patrol Vessel weighing 120 Tons was placed on a specially designed cradles at the dock head hoisted by the gantry crane and transported over the entire length of the IAC, before being lowered into the water.

Shiprepair

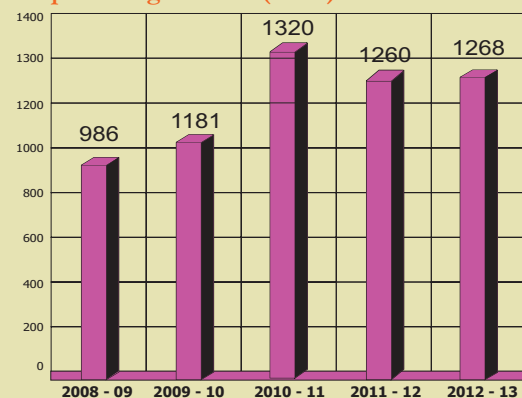
- During the year, the Company achieved a total shiprepair income of ₹286.57 Crores as compared to ₹145.36 Crores during the financial year 2011-12. The improved turnover is due to the availability of Dock 1 for ship repair during the current year. The key repair projects undertaken during the year include INS Viraat, INS Sagardhwani, TSHD Cauvery, GHD Nehru Shatabdi and DCI Dredge VIII.

Shipbuilding Order Book Position

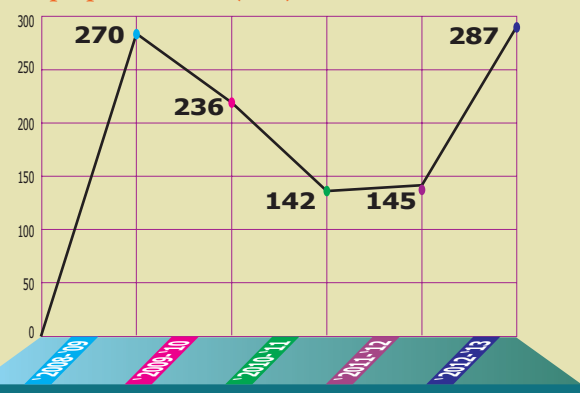
- The Order book position as on 31 March 2013 was as follows:-

Vessel Type	Nos
STX NOD Platform Supply Vessels, BY 90-92	03
Indigenous Aircraft Carrier for the Indian Navy, P 71	01
Fast Patrol Vessel for the Indian Coast Guard BY 501 - 520	20
Buoy Tender Vessel for Director General of Lighthouses and Lightships	01

Shipbuilding Income (₹ Crs)



Shiprepair Income (₹ Crs)



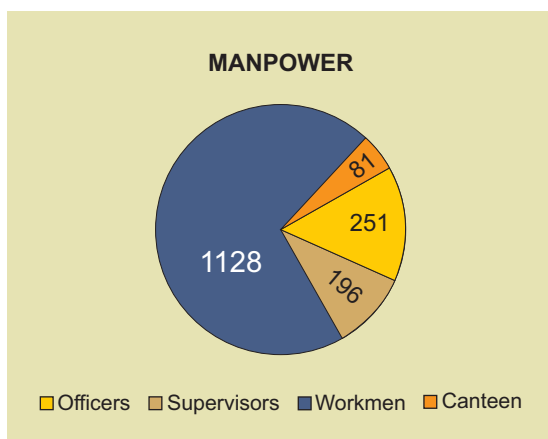
DIRECTORS' REPORT

International Shiprepair Facility (ISRF) at Cochin Port Trust

11. CSL has identified shiprepair as a prospective area of future growth in the short and medium term. Accordingly, the Company ventured into its first major expansion through the ISRF Project at Cochin Port Trust Area (CoPT). Based on bid submitted by CSL, Ministry of Shipping approved the award of developing ISRF at CoPT to CSL on 13 September 2012. The Company signed the contract with CoPT for the development of ISRF facility on 24 December 2012. A Memorandum of Settlement between CoPT, CSL and Trade Unions of workmen in CoPT workshops being taken over was signed on 15 March 2013 and lease deed for land/ water area under Stage I was executed on 12 April 2013. Land /water area and existing infrastructural facilities including dry dock was taken over on 12 April 2013. The existing facilities have been operationalised and the first ship was docked on 25 May 2013. An amount of ₹97.32 Crores was paid by the Company by way of upfront fees, upfront payment for take over the asset, security deposit etc. The total estimated capital expenditure for the above project is ₹487 Crores.

Manpower

12. The manpower strength of the Company as on 31 March 2013 was 1656, consisting of officers, supervisors and workers. The complement of CSL as on 31 March 2013 is shown in the table below:-



Reservation in Employment

13. Out of 1656 employees, there are 185 SC's, 37 ST's, 269 OBC's, 20 Ex-Servicemen and 48 Persons with Disabilities. A Liaison Officer has been appointed specifically to look after the matters pertaining to the SC/ ST personnel. An SC/ ST cell is also functioning to assist the Liaison Officer. An SC/ ST member is nominated to all selection committees in the case of direct recruitment as well as promotion.
14. CSL had notified 206 posts in workmen cadre during the year and the processing for the same is going on.

Category	SC	ST	OBC	PWD	Ex Servicemen Dependents	Women	Others
Officers	31	9	48	2	7	29	125
Supervisors	25	6	1	6	1	17	140
Workmen	124	22	169	39	12	60	702
Canteen	5	0	51	1	0	5	19
Total	185	37	269	48	20	111	986

Integrated Management System (IMS)

15. Cochin Shipyard continued to be an IMS compliant company covering ISO 9001:2008 (Quality Management System), OHSAS 18001:2007 (Occupational Health and Safety Management System) and ISO 14001: 2004 Environmental Management System.

Facility Upgrade and Capital Expenditure

16. The total plan expenditure incurred in 2012-13 amounted to ₹ 50.63 crores. An amount of ₹ 49.27 crores has been incurred for Renewals & Replacements and Modernization & Expansion, ₹ 4.43 crores for infrastructure facilities for the Indigenous Aircraft Carrier.

Integrated ERP System

17. The Company has commenced implementation of an integrated ERP system. Order was placed on WIPRO for ₹20 crores for the implementation



DIRECTORS' REPORT

of the “state of art” system which will cover all areas of operations.

Implementation of Official Language Policy

18. In pursuance of sub rule (4) of rule 10 of the Official Language (use for the official purposes of the Union) Rule, 1976, Govt. of India have notified CSL, in the Gazette of India. This recognizes that 80% of ministerial staff of the Company as having acquired working knowledge/proficiency in Hindi.
19. Cochin Shipyard received the Rajbhasha Rolling Trophy and certificate instituted by Kochi TOLIC (PSUs) for the best implementation of Official Language during the year 2011-12 among the companies having more than 200 employees.
20. Incentive scheme for doing original work in Hindi has been made more attractive with a view to encourage employees to do more work in Hindi. During the year, eleven employees were awarded cash prizes under the incentive scheme.
21. A computer awareness programme was organised on 11 May 2012 in order to familiarize employees with work in Hindi on computer with the help of Unicode supported font.
22. As part of implementation of Official Language Policy of Govt. of India, CSL observes first Wednesday of every month as Hindi Day. In order to enable easy understanding by employees, transliteration of 'Aaj ka shabd' in Regional Language is being displayed on the intranet and also on the notice board.
23. Fourth issue of Hindi house journal, 'Sagar Ratna' was released in the month of February 2013.

Statement of Employees Particulars

24. Particulars as required under Section 217(2A) of

the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended:- **Nil**

25. Conservation of energy, technology absorption and foreign exchange earnings/ outgo as required under Section 217 (1) (e) of the Companies (Amendment) Act, 1988 are furnished at **Annexure A**.
26. The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 are placed at **Annexure B**.

Vigilance

27. The Company's vigilance wing is headed by a Chief Vigilance Officer on deputation. Annual Action plan on vigilance and anti corruption measures were prepared and implemented. Emphasis was given to vigilance sensitization programmes and efforts taken for preventive vigilance. Interactive sessions were conducted for the benefit of employees. Based on the recommendation of Vigilance an alternate redressal of grievance forum and a mandatory clause for Arbitration in Civil Contracts have now been included in all purchase orders and high value civil contracts respectively. Further, adoption of e-auction and e-procurement have also been initiated. The Company has implemented the Integrity Pact for all orders beyond ₹1 Crore. The Company has also appointed an independent external monitor for all high value contracts.

MOU with LDCL

28. A Memorandum of Understanding has been entered into between Cochin Shipyard Ltd, Union Territory of Lakshadweep and Lakshadweep Development Corporation (LDCL) to carryout/

DIRECTORS' REPORT

entrust the dry docking/ afloat repairs of the vessels of Union Territory of Lakshadweep manned and managed by LDCL at CSL. The MOU was executed at New Delhi on 12 April 2013.



Dr Vasantha Kumar, IAS, Collector cum Development Commissioner, UTL, Shri V C Pandey, IAS, MD, LDCL and Shri P Vinayakumar, Director (Technical), CSL signed an MoU for repair of ships owned by the Lakshadweep Administration, in the presence of Union Shipping Minister Shri G K Vasam and Shri Hamdullah Sayeed, Hon'ble Member of Parliament, Lakshadweep.

Research and Development Activities

29. The various Research and Development activities undertaken by the yard include:-
- Automation of pipe fabrication works by adopting orbital welding in pipe shop using TIG welding process with cold wire addition for SS, carbon steel and cupronickel pipes. Automation in pipe welding is being achieved by adoption of orbital welding technology. This has resulted in improved efficiency and quality of the weld.
 - Implementation of Virtual Reality welding simulator for welder training and qualification. This facilitates training in a virtual reality atmosphere eliminating the use of costly base material and consumables and achieving the desired results.
 - Research Study on distortion control techniques on Marine grade Aluminium welded panels was taken up. Developed a new weld skid for Aluminium panel welding with heat sink effect using Automatic welding by

weld handy machine. Developed sequential welding of Marine grade Aluminium panels. These research activities have contributed significantly towards improved throughput in the welding of aluminum plates which is being done for the first time on the Fast Patrol Vessel project.

Safety

30. Cochin Shipyard continues to place very high emphasis on safety at the work place. Considering that ship building and ship repair are prone to danger, the constant attention on this crucial aspect has enhanced the overall safety consciousness of all employees in the Shipyard.
31. Cochin Shipyard has maintained a safe working environment inside the Shipyard through a well conceived policy and implementation of safe procedures. Some of these measures include the following:-
- (a) Conducting site safety meetings on vessels under repairs and new building ships.
 - (b) Conducting studies to identify and eliminate potential hazards at work locations and reduce risk.
 - (c) Training sessions are conducted regularly to ensure continued competence in handling dangerous situations.
 - (d) Safety week is observed annually during the month of March and all employees are encouraged to actively participate in various safety related programmes.
 - (e) Meeting and discussion by the various safety committees viz. Central Safety Committee, Shop level safety committees in Ship building, Ship Repair and Service



DIRECTORS' REPORT

departments with active involvement of employees to promote ideas, elicit opinions and to further improve working conditions.

- (f) Mock exercises simulating different emergencies are conducted on ships under repairs, new building ships and at the plant every month, to check the personal capability, response, responsibility and identify lacunae. Corrective actions are taken to eliminate the lacunae, if any.
 - (g) Periodic off site and on site emergency exercises with participation of surrounding industries and involvement of all emergency aid services are being conducted.
32. The increased focus on safety has resulted in the decrease of reportable and non reportable accidents from 20 and 58 in 2012 to 4 and 25 in 2013 respectively.



Cochin Shipyard receives the certificate of excellence of Government of Kerala for outstanding performance in Industrial Safety.

Industrial Security

33. Industrial Security of the Company continued to be normal and without any security breach or incident. Company continues to be an International Ships and Port facility Security (ISPS) Code compliant Shipyard and follows all standard security requirements. As per the security arrangements, 24 hrs water front patrolling with armed personnel and wireless surveillance (CCTV) system covering all critical

locations and installation are in place. Company also has Bio Metric Access Control System for all categories of persons entering the yard. A full-fledged visitor's facilitation center is in operation for scrutiny and verification of the credentials of the visitors to the Company.

34. The physical security of the Company has been entrusted to a 116 strong CISF contingent headed by an officer of the rank of Assistant Commandant. Company also has a very effective system of coordination with other security agencies like Kerala Police, Intelligence Bureau, Central Bureau of Investigations, Indian Navy, Coast Guard etc. Cochin Shipyard Limited is also represented in a State level Committee on security of critical installation in the State of Kerala headed by the State Home Secretary. Periodic safety drills and exercises are conducted inside CSL premises towards creating security awareness and preparedness among the various users of facilities including regular and contract workers.

Awards and Recognitions

35. During the year, CSL won Certificate of Excellence and First prize for outstanding performance in Industrial Safety from Factories & Boilers Department, Government of Kerala and National Safety Council – Kerala Chapter. CSL won first prize for ambulance room, Safety Film and Second Prize for Safety Committees in competitions conducted by the Department of Factories & Boilers, Government of Kerala.
36. Differently-abled employees of CSL have won awards instituted by the State Government in this category.
37. World Corporate Social Responsibility (CSR) Congress named CSL one of the fifty most caring companies of India. District Collector of

DIRECTORS' REPORT

Ernakulam who is also the Chairman of Hospital Development Committee, General Hospital, Ernakulam issued a certificate of gratitude to CSL for the exemplary service rendered to the public in general and the General Hospital in particular under CSR scheme of activities.

Board of Directors

38. The Board of CSL comprises of twelve directors consisting of four Whole Time Directors, six Non Official Part Time Directors and two Official Part Time Directors. Dr. G C Gopala Pillai, Dr. S Mohan, and Shri N Raghuram took over charge as Non Official Part Time Directors with effect from 27 November 2012. Shri Elias George, IAS took over the charge of Official Part Time Director representing Government of Kerala with effect from 27 November 2012.
39. Shri K R Jyothilal, IAS, demitted office as Official Part Time Director representing Government of Kerala on 18 August 2012.

Title deeds

40. Cochin Shipyard settled 37 year old dispute with GCDA and acquired title deeds for approx 13 acres of land at Panampilly Nagar. The land was registered in the name of CSL on 16th February 2013.

Directors Responsibility Statement

41. Pursuant to Section 217(2AA) of the Companies Act, 1956, Directors, based on the representations received from the operating management, confirm that:
- In the preparation of the annual accounts, the applicable Accounting Standards have been followed and that no material departures are made from them.
 - We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period.
 - We 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; and,
 - The annual accounts have been prepared on the 'going concern' basis.

Corporate Governance

42. The Company is committed to maintaining the highest standards of corporate governance and has put in place an effective corporate governance system. The Company complies with the guidelines on corporate governance issued by the Department of Public Enterprises and various other guidelines in this regard. The Company submits its quarterly progress reports on corporate governance within 15 days from the close of each quarter to the Ministry of Shipping as recommended by the DPE in this regard. The report on corporate governance forms part of the annual report.

Internal Control Systems

43. The Company has a system of delegation of financial powers from the Board of Directors to CMD which is sub delegated to officers at various levels for smooth and efficient day to day functioning. An independent internal audit



DIRECTORS' REPORT

mechanism is in place for conducting extensive audit of various operational and financial matters. C&AG conducts proprietary audit. An independent Audit Committee of the Board of Directors has been constituted with three Non Official Part Time Directors as members which examines internal/ statutory and C&AG audit observations and provides guidance based on the same. The Audit Committee also looks into the internal control system, Company procedures and internal audit performance and reports to the Board of Directors.

Audit Committee Recommendations

44. During the year, there were no recommendations of the Audit Committee which was not accepted by the Board of Directors.

Risk Management process

45. CSL has adopted a comprehensive system of Risk Management, it ensures that all risks are clearly defined, mitigated or managed in accordance with a well structured risk management process. The Audit Committee and the Board periodically reviews the risk management process.

Redemption of Preference shares

46. In pursuance of the decision taken in its Extra Ordinary General Meeting held on 17 March 2009 and class meeting of 7% Non Cumulative Preference Shareholders held on the same date, the Board of Directors in the 200th Board Meeting held on 20th July 2012, decided to redeem the balance preference share capital amounting to ₹39.14 crores. Accordingly, the said amount was paid to Government of India during the financial year 2012-13. With this the entire preference share capital of the Company stands redeemed.

Auditors

47. M/s Menon & Ayyar, Chartered Accountant, Ernakulam were appointed as the Statutory Auditors of the Company for the year 2012-13.

Auditors Report

48. The comments of the Statutory Auditors and the Company's reply are placed at **Annexure C**.

Acknowledgment

49. The Board of Directors are extremely thankful for the continued patronage and support extended by the Hon'ble Minister of Shipping and all officers of the Ministry of Shipping. The Board would also like to express their grateful appreciation for the support and cooperation from various offices of the Government of India, Government of Kerala, various local bodies, the Comptroller & Auditor General of India, Statutory Auditors, Internal Auditors, Suppliers, Sub contractors, Company's Bankers and our valued customers. The Board also places on record its appreciation for the contribution and support extended by all employees of Cochin Shipyard.

For and on behalf of the Board of Directors,

Kochi
17 June 2013

Sd/-
Cmde K Subramaniam
Chairman and Managing Director

ANNEXURE TO DIRECTORS REPORT

Annexure A

Information required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988
For the year ended 31st March 2013

1. Conservation of Energy

- a. Steps taken for conservation of energy during the year 2012-13.
- Replaced 40W/36W conventional tube lights with 18W LED type tubes leading to saving of electricity.
 - Replacement of old and damaged window air conditioning units with energy efficient five star rated split A/C units.
 - Leakages in the compressed air distribution system and other industrial gas lines are regularly monitored and rectified.
 - Optimizing use of lights/fans/A/C units.
 - Switching off Main Air Compressor during lunch break.
 - Switching off Main power supply to shops, Quays, & Docks momentarily at 12:15Hrs. This trips man coolers, roof extractors (controlled through starters), etc which are not required during the lunch break.
 - Displayed energy saving stickers & posters, conducted seminar and quiz competition for inculcating awareness among employees for energy conservation aimed at optimum use of electric power.
 - Optimized loading of the captive Diesel Generator (DG) sets.
 - Power factor is continuously monitored and maintained near unity.
 - Replacement of old oil cooled power transformers with dry type transformers thereby reducing no load losses and improving efficiency of transformers.
 - Minimized the usage of air conditioner at ship repair commercial hall by providing false ceiling



ANNEXURE TO DIRECTORS REPORT

- b. Additional investments & proposals, if any, being implemented for reduction of consumption of energy and consequent impact on the cost of production of goods.
- Introduction of renewable energy system -Solar energy
 - Introduction of Variable Frequency Drives to 2 Nos portable compressor for improved energy efficiency.
 - Renewal of compressed Air / Acetylene / Oxygen Pipes.
- c. Impact of measures at (a) and (b) above for reduction of consumption of energy.
- Energy consumption has been brought down through measures at (a) above. The measures at (b) are under implementation.
- d. Particulars with respect to conservation of energy.
- Innovative methods of energy conservation measures are being identified and action is on for implementing the same.
 - Guidelines issued by Government of India from time to time have been complied with.

ANNEXURE TO DIRECTORS REPORT - ANNEXURE A (Contd)

Form A
Disclosure of particulars in respect of Conservation of Energy

SL No	Power & Fuel Consumption	2011-12	2012-13
1.	Electricity		
(a)	Purchase units (kWh)	2,84,44,000	2,76,37,000
	Total Amount (₹)	10,60,96,765	13,72,49,905
	Per Unit Rate	₹2.90/kWh & 260/kVA	₹4/kWh & ₹300/kVA
	Cost per unit	₹3.73	₹4.97
(B)	Own generation including hired generator sets		
(i)	Through Diesel Generation		
	Units (kWh)	7,183	6,350
	Unit per ltr of diesel	1.49	1.68
	Cost per unit	29.50	30.39
(ii)	Through steam turbine /generator		
	Units	Nil	Nil
	Units per ltr of fuel, oil/gas	—	—
	Cost per unit	—	—
2.	Coal		
	Quantity (tonnes)Total Cost Average Rate	Nil	Nil
		Nil	Nil
		NA	NA
3.	Furnace Oil		
	Quantity (K1)	Nil	Nil
	Total Amount	Nil	Nil
	Average rate	NA	NA
4.	Others/Internal Generation Quantity	Nil	Nil
5.	Consumption per unit of production	NA	NA



ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

FORM B

Disclosure of Particulars in respect of Absorption

A. Research and Development

- | | |
|--|--|
| 1. Specific areas in which R&D carried out by the Company. | R&D initiatives undertaken in the areas of welding and design. |
| 2. Benefits derived as a result of R&D | R&D activities were mainly focused on development of suitable welding procedures for Marine Aluminium Fabrication. Considerable efforts have been put into the development of weld procedures with double pulsing power sources which helped in producing defect free and excellent weld joints in Marine Grade Aluminium. This will stand us in good stead in the construction activities of 20 Nos. Fast Patrol vessels for Indian Coast Guard |
| 3. Future Plan of Action | Future projects identified include automation of pipe fabrication by the adoption of Orbital Welding, introduction of virtual reality weld simulators for welder training and study on distortion control in Aluminium Welded Panels. |
| 4. Expenditure on R&D | ₹ 1.40 Crs. |

B. Technology Absorption, Adaptation and Innovation

- | | |
|---|--|
| 1. Efforts in brief towards technology absorption, adaptation and innovation. | <ul style="list-style-type: none">I. Developed digitally the hull and outfit/design models for Platform Supply Vessels (PSVs) and Fast Patrol Vessels (FPVs).ii. In-house development of complete production engineering design of above FPVs and PSVs in 3D hull and entire outfit modeling in Triboniii. In-house 3D hull modeling, machinery and outfit modeling of piping systems, ventilation, air-conditioning, cabling and structural items and development of structural drawing of Indigenous Aircraft Carrier are in progress, based on the inputs provided by the Indian Navy.iv. Propulsion System Integration for the Indigenous Aircraft Carrier Project being carried out in collaboration with M/s Fincantieri, Italy.v. Aviation Facilities Complex for Aircraft Carrier Design contracted with M/s Rosoboronexport Russia and procurement of the equipments are under process. |
|---|--|

ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

- vi. Production design of state of the art 'CLEAN DESIGN' DP II, Electric Propelled' Platform Support Vessels.
- vii. Conversion of the existing semi automatic (MIG/ MAG) weld process to a completely automated weld process using welding oscillator with Rack and Pinion drive as well as magnetic base drive for welding in different weld position. This has resulted in significant increase in productivity.
- viii. Development of new weld procedures for DMR 249 Grade B Plate using Manual Metal Arc Welding (MMAW) process. Semi Automatic Gas Metal Arc Welding (GMAW) process and completely mechanised Submerged Arc Welding (SAW) process for welding butt, fillet joints, T sections and aluminum structures.

New weld procedures were developed in-house for fabrication of methanol tank made of 316 L grade stainless steel using semi automatic Flux Cored Arc Welding (FCAW) process.

FORM B**Disclosure of Particulars in respect of Absorption**

- | | |
|---|--|
| <ul style="list-style-type: none"> i. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitutions etc. | <ul style="list-style-type: none"> i. Reduction of cost due to minimized rework, as interface of the systems can be viewed and corrected in 3D modelling on computer. ii. Considerable improvement in time and cost saving for production of vessels being built at Shipyard. iii. Yard has developed expertise and skill to produce production-engineering drawings by extracting relevant data from Tribon model. iv. Carried out modelling of the entire hull, facilitating very short cycle time for drawing issue. v. Capability achieved in undertaking multiple projects concurrently. vi. Drastically improved the Weld Arc on time. |
|---|--|



ANNEXURE TO DIRECTORS' REPORT ANNEXURE A (Contd)

- ii. In case imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.
- a. Technology imported
- (i) Tribon M3 shipbuilding software.
 - (ii) Propulsion System Integration Analysis for Aircraft Carrier Project.
 - (iii) Aviation Facilities Complex for Aircraft Carrier Project.
 - (iv) Basic design of offshore support vessel of different categories like 755UT, 755LN, CD-09, CD-05, 755CD.
- b. Year of import
- 2007-2012.
- c. Has the technology been fully absorbed
- i. 100% of Tribon M3 software (functional) has been absorbed.
 - ii. 100% detailed engineering from Basic design of Platform vessel of different categories like 755UT, 755LN, CD-09, CD- 05, 755 CD has been absorbed and
 - iii. 90% for the PSI analysis for Indigenous Aircraft Carrier Project has been absorbed.
 - iv. 40% for Aviation Facilities Complex (AFC) for Aircraft Carrier Project.
- d. If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action.
- i. The deliverables under PSI studies are being received in phases.
 - ii. The deliverables for AFC are also being received in phases.

C. Foreign Exchange Earnings and Outgo

(₹ in Lakhs)

Income from Foreign Exchange (On due basis)	2012-13	2011-12
From Shiprepair	Nil	Nil
From Shipbuilding	61,251.55	67,719.97
Expenditure in Foreign Exchange		
Materials (CIF Value)	54374.01	48098.9
Design & Documentation	1311.57	1018.31
Service Charges & Others	5340.76	4906.18

**ANNEXURE TO DIRECTORS' REPORT****Annexure B****COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER
SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF COCHIN SHIPYARD
LIMITED FOR THE YEAR ENDED 31 MARCH 2013**

The preparation of financial statements of Cochin Shipyards Limited for the year ended 31 March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 June 2013.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3)(b) of the Companies Act, 1956 of the financial statements of **Cochin Shipyards Limited** for the year ended 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's Report under Section 619 (4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India

Sd/-
(M V RAJESWARI)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI

Place: Chennai
Date: 12.08.2013



ANNEXURE TO DIRECTORS' REPORT

Annexure C

Company's Reply to the Comments of the Statutory Auditors

Para in Auditors Report	Statutory Auditor's Comments	Company's Reply
(vi) a	Accounting of liabilities towards unsettled and incomplete subcontract work, at the end of the year, on an estimated basis.	Major part of the liability has been provided on the basis of actuals worked out on subsequent settlement of the work orders. The balance liability has been provided on the basis of technical assessment by the concerned executing officer as per the work order. However efforts are being made to account such liability as much as possible on the basis of actual settlement of the bills against the work orders.
(vi) b	Effect of using estimates for arriving at the total contract cost for the purpose of recognition of income from Ship Building contracts under percentage completion method, recognition of anticipated loss on shipbuilding contracts and for recognition of income from Ship Repair activities under proportionate completion method and reduction from invoice value for arriving at Ship Repair turnover and the consequent impact if any, on the profitability and current assets as on the Balance Sheet date is not ascertainable.	Estimates have been prepared and reviewed every year on a realistic assessment of the total cost of construction and proportionate income based on technical assessment of work progress. This procedure is being followed consistently in accordance with Accounting Standard 7 on Construction Contract and Accounting Standard 9 on Revenue Recognition.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance

1. Cochin Shipyard recognizes the importance of corporate governance to emerge as a model corporate. The Company has adopted policies and procedures which are aimed at effectively discharging its responsibilities to various stakeholders viz shareholders, creditors, customers, employees and society at large. CSL strongly believes that the Company can emerge as a strong global leader only by following good & sound corporate governance principles.

Board of Directors

2. The Board of Directors of Cochin Shipyard Limited plays a pivotal role in ensuring good corporate governance. According to Article 21(a) of the Articles of Association of the Company, the Chairman of the Board and the government representatives on the Board shall be appointed by the President of India. All other members of the Board shall be appointed by the President of India in consultation with the Chairman of the Board. The composition of the Board as on 31st March 2013 was as follows:-

No	Name of Directors	Category of Directorship
1	Cmde K Subramaniam (Retd.), Chairman & Managing Director	Executive
2	Shri Ravikumar Roddam, Director (Finance)	Executive
3	Shri P Vinayakumar, Director (Technical)	Executive
4	Capt R S Sundar, Director (Operations)	Executive
5	Shri M C Jauhari, IAS, Joint Secretary (Shipping), Ministry of Shipping, Govt. of India	Nominee of Government of India
6	Shri Elias George, IAS	Nominee of Government of Kerala
7	Shri L N Vijayaraghavan, IAS (Retd.)	Non Official Part Time Director
8	Shri M Raman, IAS (Retd.)	Non Official Part Time Director
9	Vice Admiral (Retd.) S K K Krishnan	Non Official Part Time Director
10	Dr S Mohan	Non Official Part Time Director
11	Dr G C Gopala Pillai	Non Official Part Time Director
12	Shri N Raghuram	Non Official Part Time Director

Note: Shri K R Jyothilal, IAS, Secretary, Transport Dept., Nominee of Government of Kerala has demitted office on 18/08/2012.



REPORT ON CORPORATE GOVERNANCE

3. Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) and number of other directorships and chairmanships/ memberships of Committees of each Director in various companies

Name of Director	Attendance of meeting during 2012-13		No. of other Directorship(s)		Other Board Committees	
	Board Meetings	Last AGM	Chairman	Member	Chairman	Member
Cmde K Subramaniam	06	Yes	-	-	-	-
Shri Ravikumar Roddam	06	Yes	-	-	-	-
Shri P Vinayakumar	06	Yes	-	-	-	-
Capt. R S Sundar	06	Yes	-	-	-	-
Shri M C Jauhari, IAS	02	No	-	-	-	-
Shri K R Jyothilal, IAS (Demitted office on 18 August 2012)	01	No	-	-	-	-
Shri Elias George, IAS	00	No	-	3	-	-
Shri L N Vijayaraghavan, IAS (Retd.)	06	Yes	-	02	-	01
VAdm (Retd.) S K K Krishnan	04	No	-	-	-	-
Shri M Raman, IAS (Retd.)	06	No	-	01	-	-
Dr S Mohan	02	No	-	-	-	-
Dr G C Gopala Pillai	02	No	02	-	-	-
Shri N Raghuram	02	No	-	-	-	-

- The Directorships held by Directors as mentioned above does not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies which are not Government Companies.
- Memberships/ Chairmanships of only the Audit Committees and Share Holders/ Investors Grievances Committees of all Public Limited Companies and Government Companies have been considered.

Details of Board Meetings held during 2012-13

4. Six Board Meetings were held during the year 2012-13 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

Sl. No	Date	Board Strength	No. of Directors present
1	20 April 2012	09	08
2	20 July 2012	09	06
3	21 September 2012	08	07
4	29 November 2012	08	07
5	13 December 2012	12	11
6	08 March 2013	12	10

Availability of information to the members of the Board

5. The Board has complete access to any information within the Company and to any employee of the Company. The Board welcomes the presence of executives in the Board Meetings, who can provide additional insights into the issues being discussed in the meeting. The information normally required to be placed before the Board include the following:-
- General notices of interest of Directors.
 - Terms of reference of Board Committees.
 - Minutes of meetings of sub committees of the Board, as also resolutions passed by circulation.
 - Annual operating plans of businesses, capital budgets and any updates.
 - Quarterly results of the Company and its

REPORT ON CORPORATE GOVERNANCE

operating divisions or business segments.

- (vi) Dividend declaration.
- (vii) Sale of material nature, of investments and assets, which is not in normal course of business.
- (viii) Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- (ix) Internal Audit findings and External Audit Reports (through the Audit Committee).
- (x) Status of business risk exposures, its management and related action plans.
- (xi) Details of any joint venture or collaboration agreement.
- (xii) Show cause, demand, prosecution notices and penalty notices which are materially important.
- (xiii) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- (xiv) All policy matters deliberated and introduced for implementation.
- (xv) Any material default in financial obligations to and by the Company, or substantial non payment for goods sold by the Company.
- (xvi) Any issue which involves possible public or product liability claims of substantial nature, including any judgment or order, which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- (xvii) The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- (xviii) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non payment of dividend, delay in share transfer etc.
- (xix) Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like implementation of Voluntary Retirement Scheme etc.

Board material distributed in advance

6. The Agenda Notes for each Board Meeting is

drafted in consultation with the Chairman and are circulated to the Directors in advance in the defined Agenda format. All material information is incorporated in the Agenda papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same is tabled at the meeting with specific reference to the subject in the Agenda. In special and exceptional circumstances, additional or supplementary item(s) on the Agenda are permitted.

Recording Minutes of proceedings at Board and Committee meeting

7. The Company Secretary records the minutes of the proceedings of each Board and Committee meetings. Draft minutes are circulated to all the members of the Board / Committee for their comments. The final minutes are entered in the Minutes Book within 30 days from conclusion of the meeting.

Post Meeting Follow-up Mechanism

8. The important decisions taken at the Board / Board Committee meetings are promptly communicated to the departments / divisions concerned. Action taken report on the decisions/minutes of the previous meeting(s) is placed at the immediately succeeding meeting of the Board / Committee.

Compliance

9. The Company Secretary while preparing the Agenda Notes, Minutes etc. of the meeting(s) is responsible for and is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the Rules issued thereunder and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

Board Committees

10. The Board of CSL has currently four Committees viz Audit Committee, Remuneration Committee, Contracts & CAPEX Committee, Corporate Social Responsibility and Sustainable Development Committee.

Audit Committee

11. The Audit Committee of CSL was formed on 21 August 2008 and was reconstituted on 21 September 2012 and 13 December 2012. Last year, the Audit Committee was reconstituted



REPORT ON CORPORATE GOVERNANCE

twice and the present committee was constituted at the 203rd meeting of the Board of Directors held on 13 December 2012.

Terms of reference

12. The following are the terms of reference of the Audit Committee:

- (i) Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (ii) Recommending to the Board, the fixation of audit fees.
- (iii) Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- (iv) Review, with the management, the annual financial statements before submission to the Board for approval.
- (v) Review, with the management, the quarterly financial statements before submission to the Board for approval.
- (vi) Reviewing with the management, performance of Internal Auditors and adequacy of the internal control systems.
- (vii) Appointment and removal of Internal Auditors and determining the scope of Internal Audit in consultation with the auditors.
- (viii) Review of Internal Audit Report.
- (ix) Review observations of auditors and provide recommendations based on the same.
- (x) To review the follow up action on the audit observations of the C&AG audit.
- (xi) Review of the following information.
 - (a) Management discussion and analysis of financial condition and results of operation.
 - (b) Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- (xii) Any other matter that may be referred to the Committee by the Board from time to time.

Powers of the Audit Committee: -

13. The Committee is entrusted with the following powers:
- i. To investigate any activity within its terms of reference.
 - ii. To seek information on and from any employee.

iii. To obtain outside legal or other professional advice, subject to the approval of the Board of Directors.

iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

v. The recommendations of the Audit Committee on any matter relating to the financial management, including the audit report, shall be binding on the Board.

vi. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons thereof and communicate such reasons to the shareholders.

Composition of Audit Committee

14. The present Audit Committee is constituted with Shri N Raghuram, Non Official Part Time Director as Chairman, Shri M Raman, IAS (Retd), and Dr G C Gopala Pillai, Non Official Part Time Directors as members.
15. Audit Committee meetings are also attended by Director (Finance), representatives of Statutory Auditors and Internal Auditors of the Company as invitees. The Internal Audit function has been outsourced to a firm of Chartered Accountants. The Company Secretary acts as the Secretary to the Committee.

Audit Committee meetings held during the year and attendance:

16. The Committee met six times during the year 2012-13 on 20th April 2012, 19th July 2012, 20th September 2012, 15th November 2012, 08th February 2013 & 08th March 2013. The necessary quorum was present at these meetings. The attendance during the meeting was as follows:

Name of the Director	Meetings held	Meetings attended
Shri L N Vijayaraghavan, IAS, (Retd.)	06	04
Shri K R Jyothilal, IAS	06	01
VAdm (Retd.) S K K Krishnan	06	02
Shri M Raman, IAS, (Retd.)	06	05
Shri N Raghuram*	06	02
Dr. G C Gopala Pillai*	06	02

REPORT ON CORPORATE GOVERNANCE

- * Shri N Raghuram & Dr G C Gopala Pillai have been nominated as members of the Audit Committee on 13th December 2012 in place of Shri L N Vijayaraghavan, IAS, (Retd.) and VAdm (Retd.) S K K Krishnan.

Remuneration Committee

17. The Remuneration Committee of Cochin Shipyard Limited was constituted vide circular resolution no CR/03/2008 adopted on 13 December 2008. The present Remuneration Committee of Cochin Shipyard Limited was re-constituted on 08 March 2013.

Terms of reference

18. The following are the terms of reference of the Remuneration Committee:
- Decide on the annual bonus/performance pay/variable pay pool and policy for its distribution across the executives and non unionized supervisors of the Company.
 - Formulation and modification of schemes for providing perks and allowances for officers and non unionized supervisors.
 - Any new scheme of compensation like medical scheme, pension etc to officers, non unionized supervisors and the employees as the case may be.

Composition

19. The Committee comprises of Dr S Mohan, Non Official Part Time Director as Chairman, V Adm S K K Krishnan (Retd), Non Official Part Time Director, Shri M C Jauhari, Nominee of Government of India, Official Part Time Director and Shri Ravikumar Roddam, Director (Finance) as members.

Remuneration Committee meetings held during the year and attendance:

20. Two meetings of the Remuneration Committee were held during 2012-13 on 21 April 2012 and 08 March 2013. The necessary quorum was present at these meetings. The attendance during the meetings was as follows:

Sl. No	Name of the Members	Meetings held	Meetings attended
1	Dr. S Mohan	02	01
2	V Adm (Retd.) S K K Krishnan	02	02
3	Shri M Raman, IAS, (Retd.)	02	01
4	Shri M C Jauhari, IAS	02	00
5	Shri Ravikumar Roddam, Director (Finance)	02	02

Remuneration Policy

21. Under Article 21(a) of the Articles of Association of the Company, the Directors shall be paid such remuneration as the President of India may from time to time determine. The pay and allowances of Board level executives are paid in accordance with the terms of appointment, Guidelines of Department of Public Enterprises/Government of India on the above subject and other benefits and perquisites in accordance with the rules of CSL. The remuneration of below Board level executive and non unionized supervisors is as per DPE guidelines and as approved by Administrative Ministry (Ministry of Shipping). The remuneration of worker is as per the Long Term Settlement (LTS) between the management and recognized trade unions.
22. Details of Remuneration paid to the Chairman & Managing Director and the Whole Time Directors are placed at **Enclosure I** to this report.

Sitting fees

23. The Non Official Part Time Directors are paid sitting fees at the rate of ₹10,000 for attending each meeting of the Board or Committee thereof. Sitting fees paid to the Non Official Part Time Directors for 2012-13 is as follows:

Sl No	Name	Fees (in ₹) inclusive of all taxes
1	Shri L N Vijayaraghavan, IAS (Retd)	1,60,000
2	V Adm (Retd) S K K Krishnan	1,00,000
3	Shri M Raman, IAS (Retd)	1,40,000
4	Dr S Mohan	40,000
5	Dr G C Gopala Pillai	50,000
6	Shri N Raghuram	50,000
	Total	5,40,000

Contracts & CAPEX Committee

24. The Contracts Committee of the Board was constituted vide Circular Resolution no 01/2010 adopted on 09 March 2010. The CAPEX Committee of the Board was constituted vide Circular Resolution No. CR 07/ 2012 adopted on the 203rd Board Meeting held on 13



REPORT ON CORPORATE GOVERNANCE

December 2012. The Company decided to merge Contracts Committee and CAPEX Committee of the Board, and further it was named as Contracts & CAPEX Committee at the 204th Board Meeting held on 09 March 2013.

Terms of reference

25. The following are the terms of reference of the Contracts & CAPEX Committee:
- Examine and recommend the annual capital budget.
 - Quarterly Review and Report to Board on capital projects.
 - Quarterly Review and Report to Board on Ship Building Projects.
 - To recommend to the Board proposals involving renegotiation of shipbuilding contracts with ship owners as and when carried out.
 - To advise on various business models adopted in the course of operations such as MOUs, JVs, SPVs, work share arrangement etc.
 - To recommend for approval of the Board any amendments, modifications to purchase procedure of CSL.
 - To review proposals for amendment to contracts during the pendency of shipbuilding projects which has a financial implication above 10% of the contractual value and make suitable recommendations to the Board.
 - Any other matter that may be referred to it from time to time by CMD, CSL.

CAPEX Committee meeting held during the year and attendance

26. One CAPEX Committee Meeting was held during the year 2012- 13 on 02 December 2012. The attendance at the meeting was as follows.

Sl. No	Name of the Director	Meetings held	Meetings attended
1	V Adm (Retd) S K K Krishnan	01	01
2	Shri Ravikumar Roddam, Director (Finance)	01	01
3	Shri P Vinayakumar, Director (Technical)	01	01

27. After merging the two committees, viz CAPEX and Contracts Committee one meeting of Contracts & CAPEX Committee was held on 09 March 2013.

Sl No	Name of Director	Meetings held	Meetings attended
1	V Adm (Retd) S K K Krishnan	01	01
2	Shri N Raghuram	01	01
3	Shri L N Vijayaraghavan, IAS (Retd.)	01	01
3	Shri Ravikumar Roddam, Director (Finance)	01	01
4	Shri P Vinayakumar, Director (Technical)	01	01
5	Capt R S Sundar, Director (Operations)	01	01

Corporate Social Responsibility & Sustainability Development Committee

28. A Subcommittee of the Board was constituted vide resolution no 181/09 at the 181st meeting of the Board held on 05 September 2008 to decide on the matters relating to Corporate Social Responsibility such as adoption of environment friendly measures, contribution of social causes, measures for improving the image of the company etc. During the year, the Committee was re-constituted at the 201st Board Meeting held on 21 September 2012. Three CSR Meetings were held during the year 2012-13 on 11 June 2012, 19 July 2012 and 08 February 2013.
29. The Sustainable Development Committee, a sub Committee of the Board was constituted at the 197th Board Meeting held on 23 November 2011. The DPE vide OM No. 3(9)/2010-DPE (MoU) dated 23 September 2011 has issued detailed guidelines on Sustainable Development in CPSEs. One Sustainability Development Committee Meeting was held during the year 2012-13 on 20 September 2012.
30. The Company decided to merge the Corporate Social Responsibility Committee and Sustainability Development Committee, and it was named as CSR & SD Committee with Shri L N Vijayaraghavan, IAS (Retd), Non Official Part Time Director, Chairman of the Committee, Shri M Raman, IAS (Retd.), Non Official Part Time Director, Member, Dr. S Mohan, Non Official

REPORT ON CORPORATE GOVERNANCE

Part Time Director, Member, Dr. G C Gopala Pillai, Non Official Part Time Director, Member, Shri Ravikumar Roddam, Director (Finance), Member and Shri P Vinayakumar, Director (Technical), Member. One meeting of CSR & SD Committee was held during the year 2012-13 on 09 March 2013.

Terms of reference

31. The following are the terms of reference of the Corporate Social Responsibility & Sustainability Development Committee:
- Recommend CSR and Sustainability Development policy to the Board.
 - Recommend plan of action and projects to be initiated in the short, medium and long term for CSR and Sustainability development.
 - To approve specific CSR and Sustainability Development project.
 - Periodic review of CSR & Sustainability Development Policy, plans and budgets.

CSR Committee meetings held during the year and attendance

Sl No	Name of Director	Meetings held	Meetings attended
1	Shri L N Vijayaraghavan, IAS (Retd.)	03	03
2	Shri Ravikumar Roddam, Director (Finance)	03	03
3	Shri K R Jyothilal, IAS	03	00
4	Shri M Raman, IAS (Retd.)	03	01
5	Shri Elias George	03	00
6	Shri P Vinayakumar, Director (Technical)	03	01

SD Committee meeting held during the year and attendance

Sl No	Name of Director	Meetings held	Meetings attended
1	Shri L N Vijayaraghavan, IAS (Retd.)	01	01
2	Shri Ravikumar Roddam, Director (Finance)	01	01
3	Shri P Vinayakumar, Director (Technical)	01	01

CSR & SD Committee meeting held during the year and attendance

Sl No	Name of Director	Meetings held	Meetings attended
1	Shri L N Vijayaraghavan, IAS (Retd.)	01	01
2	Shri M Raman, IAS (Retd.)	01	01
3	Dr S Mohan	01	01
4	Dr G C Gopala Pillai	01	01
5	Shri Ravikumar Roddam, Director (Finance)	01	01
6	Shri P Vinayakumar, Director (Technical)	01	01

General Body Meetings

32. The date, time and venue of the last three Annual General Meetings are as follows:

Year	Date	Time	Venue	Special Resolution passed
2011-12	21 Sep 2012	1430 Hrs	39/ 6080 Administrative Building, Cochin Shipyard Premises, Perumanoor Cochin 682 015	Nil
2010-11	14 July 2011	1500 Hrs	Administrative Building, Cochin Shipyard Premises, Perumanoor Cochin 682 015	Nil
2009-10	09 Sep 2010	1000 Hrs	39/ 6080 Administrative Building, Cochin Shipyard Premises, Perumanoor Cochin 682 015	Nil



REPORT ON CORPORATE GOVERNANCE

Disclosures

i. Related Party Transactions.

The Company has not entered into any materially significant related party transactions that may have potential conflict with the interests of Company at large.

ii. Non-compliance by the Company

There were no penalties/strictures, imposed on the Company by any statutory authority on any matter related to any guidelines issued by Government, during the last three years.

iii. Whistle Blower Policy

Cochin Shipyard has adopted a Whistle Blower Policy approved by the Board at its 199th meeting held on 20 April 2012. Cochin Shipyard is a Government of India undertaking and follows Government guidelines on reporting of any illegal or unethical practices. Employees are given freedom to report to their immediate supervisor/ Chief Vigilance Officer or Chairman and Managing Director details of any violation of rules, regulations and unethical conduct. The Directors and Senior Management are bound to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

iv. Details of compliance with the requirement of Corporate Governance guidelines.

In terms of Clause 8.2.1 of the DPE guidelines on Corporate Governance, Certificate regarding Compliance of Corporate Governance guidelines from Practicing Company Secretary is placed at **Enclosure II** to this report.

v. Details of Presidential Directives issued by Central Government and their compliance during the year and also in the last three years

The Company has complied with all presidential directives issued by Central Government regarding the operation of PSUs. The important presidential directives becoming applicable to the Company in the last three years include Pay Revision Guidelines, Miniratna Guidelines and Corporate Governance Guidelines.

vi. Items of expenditure debited in books of accounts, which are not for the purposes of the business.

NIL

vii. Expenses incurred which are personal in nature and incurred for the Board of Directors and Top Management.

NIL

viii. The administrative and office expenditure of the Company for the year 2012-13 was 1.21% of the total expenditure as against 1.18% in 2011-12. Financial expenditure stood at 1.69% of the total expenditure in 2012-13, against 1.07% in the previous year.

Code of Conduct

33. The Board has prescribed a code of conduct ('Code') for all the Board members and Senior Management of the Company. All Board members and Senior Management personnel have confirmed compliance with the code for the year 2012-13. A declaration signed by the Chairman and Managing Director of the Company is given below:

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management personnel, affirmation that they have complied with the Code of Conduct of Directors and Senior Management personnel in respect of the financial year 2012-13

Sd/-

*Cmdr K Subramaniam
Chairman and Managing Director*

REPORT ON CORPORATE GOVERNANCE

CEO/CFO Certification

34. The CEO/CFO certification of the financial statements for the year is appended at **Enclosure III** to this report.

Risk Management Process

35. CSL has adopted a comprehensive system of Risk Management. Each identified risk has been designated a specified risk owner who will be responsible for the following:
- (i) To prepare a detailed risk control measure.
 - (ii) To ensure that the systems and procedures are in place for controlling / avoiding probable risk/ threat.
 - (iii) To report any increase in the threat owing to changes in business/ operational environment.
 - (iv) To report any hurdle/ difficulties, internal or otherwise in implementing the risk control measures.
36. The above measures ensure that all the risks are clearly defined and mitigated in accordance with the well-structured risk management process. The Audit Committee and the Board of Directors review periodically the risk management process.

Share holding pattern

37. The Company has issued 11, 32, 80, 000 equity shares of ₹10 each, details of which are as follows:

Sl. No.	Shareholder	No of Equity Shares
(i)	The President of India	11, 32, 79, 700
(ii)	Shri M C Jauhari, IAS, JS(S), Ministry of Shipping, GOI	100
(iii)	Cmde K Subramaniam, Chairman & Managing Director	100
(iv)	Shri Ravikumar Roddam, Director (Finance)	100
	Total	11,32,80,000

38. The Company had 3,91,420 7% non-cumulative preference shares of ₹1000 each in the name of President of India as on 31 March 2012. Based on the resolution adopted at the EGM held on 17 March 2009 and class meeting of the 7% non-cumulative preference share holders held on the same date, the Board of Directors at the 200th Board Meeting held on 20 July 2012, decided to redeem the balance preference share capital amounting to ₹39.142 crores and the same was paid to Government of India during the financial year 2012-13. With this the entire preference share capital of the Company stands redeemed.

Means of Communication

39. The financial results of the Company are posted in the website. The website of the Company also displays all official news releases.

Training Board Members

40. The Board members of CSL are very senior professionals who have a vast, wide and varied experience in the areas of education, industry, defence, management, human resource management and administration. CSL has benefited from their vision and knowledge. Presentations are made to the Board members on the Company's performance, business model, corporate plan and future outlook, on their induction in the Board. In addition, at the Board/ Committee/ other meetings, detailed presentations are made by the senior management personnel/ professionals/ consultants on business related issues, risk assessment, risk policy etc. The Board has also adopted a policy regarding training of Directors.



Enclosure I to Corporate Governance Report

DETAILS OF MANAGERIAL REMUNERATION							Amt (₹)
Name of the Director	Total of Basic Pay, DA, HRA & other perks & Allowances	Performance Related Payment	Performance Criteria	Details of Service, notice period, severance fees	Stock Option details	Total	
Cmde K Subramaniam, Chairman & Managing Director	24,55,945	11,65,228	Based on performance criteria laid down by DPE	Appointed vide MOS letter No.SY-11011/1/2009-CSL dated 31 December 2010 for a period of 5 years with effect from the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is 3 months or in the absence of notice 3 months pay may be remitted.	NIL	36,21,173	
Shri Ravikumar Roddam, Director (Finance)	21,53,842	9,14,195	Same as above	Appointed vide MOS letter No.SY-11012/1/2009-CSL dated 19 April 2010 for a period of 5 years with effect from the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is 3 months or in the absence of notice 3 months pay may be remitted.	NIL	30,68,037	
Shri P Vinayakumar, Director(Technical)	20,65,829	3,25,974	Same as above	Appointed vide MOS letter No.SY-11012/3/2010-CSL dated 16 June 2011 for a period of 5 years with effect from the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is 3 months or in the absence of notice 3 months pay may be remitted.	NIL	23,91,803	
Capt R S Sundar, Director(Operations)	22,87,168	NIL	Same as above	Appointed vide MOS letter No.SY-11012/2/2010-CSL dated 16 September 2011 for a period of 5 years with effect from the date of assumption of charge of the post or till the date of his superannuation or until further orders whichever event occurs the earliest. Notice period in case of leaving service before the contractual term is 3 months or in the absence of notice 3 months pay may be remitted.	NIL	22,87,168	

* Performance Related Payment included above pertains to the period 2010-11 but paid during 2012-13


 Enclosure II to Corporate Governance Report

M C SAJUMON, M.Com, ACMA, ACS, ACIS
PRACTISING COMPANY SECRETARY

XLI/3227, RUKYA APARTMENTS
(BEHIND INCOME TAX OFFICE)
OLD RAILWAY STATION, COCHIN-682018
TEL: 0484 2395867, TELEFAX: 0484-2396930
Email: mc_sajumon@satyam.net.in

CORPORATE GOVERNANCE CERTIFICATE

To
The Members of
Cochin Shipyard Limited

I have examined the compliance of conditions of corporate governance by Cochin Shipyard Limited (the Company) for the financial year ended 31-03-2013, as stipulated in the Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) issued by the Department of Public Enterprises (DPE), Government of India.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines.

I further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Kochi-18
Date : 14.06.2013

M.C.SAJUMON, M.COM, ACMA, ACS, ACIS
PRACTISING COMPANY SECRETARY
ACS: 9868, CPN: 2385



Enclosure III to Corporate Governance Report

CEO/ CFO CERTIFICATION

To

The Board of Directors
Cochin Shipyard Limited

Dear Sirs,

Sub: CEO/CFO Certificate

1. We have reviewed Financial Statements, read with the Cash Flow Statement of Cochin Shipyard Limited for the year ended 31 March 2013 and that to the best of our knowledge and belief, we state that:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal control for financial reporting. We have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to be taken for rectifying these deficiencies.
4. We have indicated to the Auditors and the Audit Committee:
 - (i) Significant changes if any, in internal control over financial reporting during the year;
 - (ii) Significant changes if any, in accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and

Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee and the involvements therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Ravikumar Roddam
Director (Finance)

Cmde K Subramaniam
Chairman & Managing Director

Kochi- 15
Date: 17 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Global Industry Scenario

1. Shipbuilding: Globally, the shipbuilding industry continues to be in the grip of severe recessionary conditions that hit the industry in 2008. From all accounts these trends are unlikely to ease till 2014-15. A number of leading shipyards of the world have seen a fall in various performance parameters in 2012. Continued economic turmoil in the US and European countries have posed difficulties in market recovery. According to Clarkson's report, the order book reduced 34% year on year in 2012, with 152.2 million dwt delivered into the market. Many smaller shipyards in the world are on the brim of bankruptcy owing to the continued sluggish market. However demand for niche vessels like Offshore Support Ships and LNG carriers are reported to be more stable and is likely to show growth in the near term. The lack of new orders would continue to adversely affect performance of shipyards world over.
2. Shiprepair: As per a report published by M/s DNV in 2012, there is a severe shortage of shiprepair capacity in the world. According to the report, due to the rapid increase in the Ship tonnage in the last decade, the shiprepair requirements have gone up manifold. Moreover, due to the upbeat shipbuilding market in the last few years, many shiprepair yards have converted into new building ones which has actually led to a fall in global shiprepair capacity by around 30%. Further there has been a 34 per cent demand growth for ship repair capacity when counted by the number of ships. However the increase is much higher in terms of Gross Tonnage (GT). Due to the upsizing of the fleet, it is reported that there is a demand growth of 87 per cent in terms of GT. In absolute figures, this shows a growth from 210 to 390 million GT/ year.

Indian Shipbuilding and Shiprepair Industry - Outlook

Shipbuilding:

3. The sluggish international market has prevented any major recovery of the Indian shipbuilding industry. However many yards in India have reoriented their business profile to target defence

and offshore sector, which seems promising in the near term. The acquisition plan of the Indian Navy and increase in exploration activities in the Indian Ocean area have thrown up immense opportunities for Indian yards. As per published reports, the Government of India is also considering various measures to promote the shipbuilding industry to tide over the crisis. However, in view of the overall negative economic sentiments, no fresh initiatives are likely in the short term.

Shiprepair:

4. Cochin Shipyard and other public sector shipyards continued to dominate the Indian shiprepair market. As per the available reports, the number and value of shiprepair activity is slated to go up in future owing to the shortage of repair facilities in this part of the world. Immense opportunities exists in repairs of rigs/ semi submersibles and other offshore vessels. The creation of facilities to tap this potential market appears to have good prospects. Increasing offshore and production spend in the Indian EEZ will provide a locational advantage to facilities that are setup for repair of offshore assets on the Indian coast.

Government Policy

5. Government of India is considering implementation of a slew of measures for the promotion of the Indian shipbuilding industry. The Government of India's Maritime Agenda 2010-20 has identified the following policy measures for encouraging the industry:-
 - i. Introduction of new shipbuilding subsidy scheme.
 - ii. Grant of Infrastructure Status to shipbuilding industry.
 - iii. A scheme for capital subsidy for encouraging adoption of world class technologies by the Indian shipbuilding industry
 - iv. Purchase preference for Indian shipyards in procurement of ships by Government through global tenders.
 - v. Offset Scheme for Government procurement.
 - vi. Promotion of the building of 'green ships'.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

vii. Formulation of a policy to promote/ facilitate maritime clusters including shipbuilding & ship repair hubs and ship ancillary units.

viii. Centers in Shipbuilding education & training to promote development of skills in shipbuilding.

ix. Enhance capabilities for ship design.

x. Liberalization of scheme for registration of ship repair units.

Operations

6. CSL has continued to maintain its performance levels of previous year and delivered six Offshore Support Ships during the year 2012-13. Five of

these were delivered to SCI and one to an international owner in Norway. On the shiprepair front, the company achieved a 60% increase in turnover. A major achievement during the year was the completion of major repairs on INS Viraat, two weeks ahead of schedule. The important ships repaired during the year include INS Viraat, INS Sagardhwani, TSHD Cauvery, THD Nehru Shatabdi, DCI Dredge VIII and MV Samudra Saudikama.

7. Financial information of the company pertaining to the last decade (₹ cr)

Years	Paid up capital	Nominal value of shares (₹per share)	Capital employed	Net worth	Profit Before Tax	Tax on Profits paid	Net profit	EPS (Amt ₹)	Dividend	Payout ratio
2012-13	113.28	10	970.84	1175.70	275.55	90.28	185.27	16.35	16.99	0.09
2011-12	152.42	10	918.68	1050.83	252.96	80.63	172.33	15.21	16.99	0.10
2010-11	192.42	10	829.27	967.80	344.23	116.70	227.53	20.09	11.32	0.05
2009-10	192.42	10	578.32	680.32	331.25	108.21	223.04	19.69	11.32	0.05
2008-09	232.42	10	550.31	566.49	247.63	87.56	160.07	14.13	11.32	0.07
2007-08	232.42	1000	401.33	429.43	149.40	55.55	93.85	828.51	Nil	Nil
2006-07	234.42	1000	496.60	323.45	85.77	27.66	58.11	513.00	Nil	Nil
2005-06	232.42	1000	499.64	284.85	25.44	7.21	18.23	160.97	Nil	Nil
2004-05	232.42	1000	493.63	266.62	16.85	4.76	12.09	106.81	Nil	Nil
2003-04	232.42	1000	410.98	264.03	30.52	12.74	17.78	156.96	Nil	Nil
2002-03	232.42	1000	392.75	255.66	26.22	9.74	16.49	145.57	Nil	Nil
2001-02	230.42	1000	389.25	245.43	27.51	11.10	16.41	144.86	Nil	Nil

Proposed/Declared Dividend

8. Your Directors are pleased to recommend a dividend of ₹ 1.5 per share on the 11,32,80,000 fully paid equity shares of ₹ 10 each. The total out go for dividend and dividend tax would be approximately ₹ 19.88 Crs.

Segment wise/ Product wise performance

9. The company is engaged in two major activities viz Shipbuilding and Repair of Ships/Offshore, rigs. Segment wise analysis has been made on the

above basis and amounts allocated on a reasonable basis. The detail of segment wise performance is placed at Annexure 1 to this report.

Strengths, Weakness, Opportunities and Threats

10. Cochin Shipyard perceives the following to be its Strength, Weakness, Opportunities and Threats

Strengths:

a. Highly skilled, competitive, knowledgeable manpower with an average of 20 years experience

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

- at all levels of hierarchy with a 'state of art' design facilities.
- b. A very good product mix comprising of defence ships, commercial ship, offshore support ships etc.
- c. Availability of quality sub contractors and good supply chain network.
- d. State of art' facilities especially in terms of cranes, transporters, covered mobile shops, covered marine coating facility, high quality welding equipment, international standard hull fabrication facilities etc.
- e. Strategic location in the main sea route.
- f. Good industrial relations scenario.

Weakness:

- a. Lack of Government support by way of orders / subsidy etc.
- b. No tariff barriers on import of ships affecting domestic industry.
- c. Virtually non existent indigenous ancillary industries.
- d. Non availability of major equipments /raw materials in India.
- e. Restrictive labour practices.

Opportunities:

- a. Projected increase in requirement of ships for the defence sector and growth in international and domestic commercial shipbuilding sectors owing to oil exploration, age profile of ships etc.
- b. Shifting of International new building to low cost countries like India.
- c. Ministry of Shipping's Maritime Agenda's objective is to attain 5% share of the global shipbuilding and to develop indigenous ancillary industries. This would be a big opportunity for domestic shipyards.
- d. High end niche vessels like seismic, well stimulation vessels etc.
- e. Better opportunities in shiprepair owing to growing Indian fleet and ships calling at Indian Ports.

Threats:

- a. Severe International Competition.
- b. Withdrawal of subsidy for Shipbuilding.

- c. Levy of Service Tax on Shiprepair other than for Government vessels.
- d. Lack of level playing grounds Vis a Vis foreign yards by way of Government support, level of taxation etc.

Risks and Concerns

11. The Shipbuilding Industry world over faced challenging times in the aftermath of the global downturn in 2008. The plummeting shipbuilding prices, order cancellations and drying up of funds, have increased risks to shipyards world over. However, CSL has been able to maintain, in fact marginally improve its performance levels and effectively deal with the risks through diversification into domestic / defence shipbuilding. The yard with its presence in defence & Commercial building and repair and Marine Engineering Training has effectively mitigated risks through its diversified products and services.
12. CSL has adopted a comprehensive system of Risk Management. It ensures that all risks are identified and managed in accordance with the well structured risk management process. The Audit Committee reviews periodically the risk management process. The last risk review upto the period Dec 2012 was undertaken at the 23rd Audit Committee meeting held on 08th February 2013.

Future plans

13. Cochin Shipyard has identified Offshore Fabrication, Shiprepair and Defence shipbuilding to be the major areas for future expansion and has identified the following projects to be pursued:
 - (a) Setting up of an International Shiprepair facility in the Cochin Port Trust area to take up repairs of small sized ships
 - (b) To take up Offshore fabrication and set up facilities for the same
 - (c) To set up a new large sized dock for taking up underwater repairs of rigs and for future construction of large commercial/ Naval ships
14. Out of the above, the yard has already entered into an agreement with Cochin Port Trust for setting up of an International Shiprepair facility on 42 acres of land in their premises. Regarding



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

the other two projects, feasibility study is underway.

Internal Control Systems and their Adequacy

15. The company has a system of delegation of powers from the Board of Directors to CMD which is further sub delegated to Officers at various levels for smooth day to day functioning. An independent internal audit system conducts extensive audit of various operational and financial matters. The vigilance department of Cochin Shipyard is headed by a Chief Vigilance Officer and deals with vigilance and disciplinary cases with emphasis on preventive vigilance. C & AG conducts proprietary audit. An Independent Audit Committee has been constituted with three non official part time directors as members which look into internal/ statutory and C & AG audit observations and provides advice and guidance on the same. The Audit Committee also looks into the internal control system, company procedures and internal audit performance and provides guidance based on the same.

Human Resource Development

16. CSL has a highly skilled and experienced manpower dedicated to achieving excellence in their performance. Towards this, a significant human resource initiative was undertaken to extend training for skill development, motivation, leadership and personality development across all levels of employment. A specialized programme for employees/ trainees was conducted during the year 2011-12 wherein 1037 employees were trained.
17. The shipyard places a lot of emphasis on safety. The shipyard conforms to ISO 18001 OSHAS certified by DNV. In-house safety awareness programme is organized for all new entrants. Regular training programmes are conducted by external and internal agencies which are attended by all employees including executives, supervisors and workmen. Special emphasis is paid to the training of contract personnel and trainees.

Women Empowerment

18. CSL has strength of 111 women employees on its rolls with 29 Executives, 17 Supervisors and 65

workers. A five member internal Complaint Committee presided by a senior women executive has been constituted for looking into complaints of sexual harassment of women at workplace. Women are encouraged to participate in various fora viz. Women in Public Sectors (WIPS) etc. Women members are nominated to all selection Committees in the case of direct recruitment as well as on promotion committees.

Industrial Relations

19. Industrial Relations scenario of the Company remained cordial and peaceful. CSL continues to maintain, for the 29th year running, the legacy of not loosing a single man day on account of labour unrest by the regular employees of CSL. Effective and purposeful interactions are held with the various categories of employees through their representative bodies viz. trade unions and Officers and Supervisors Associations. Day to day grievances are addressed at the shop floor to the extent possible or at higher levels in a time bound manner. All categories of employees are generally contented and motivated thanks to the timely focused industrial relation interventions.

Technology Conservation

20. CSL continuously strives for conservation and upgradation of technology to remain competitive in the global ship building market place. Towards this, the yard has fully absorbed the Tribon Software in Ship Design. The yard has also developed complete design for 1500 KW tug, 2400 KW tug and 3300 KW tug in-house. Besides the yard has also implemented in-house 3D hull modeling, machinery and outfit modeling of piping systems, ventilation, air conditioning, cabling and structural items and development of structural drawing of Aircraft Carrier based on the input from Indian Navy. Cochin Shipyard is proud of the fact that it is the only shipyard in the country to adopt and build ships using the Integrated Hull Outfit and Painting (IHOP) method. CSL has developed over 35 in number welding processes to weld the high strength alloy steel DMR 249 G2 'A' and 'B' steel used in the Indigenous Aircraft Carrier Project.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Foreign Exchange Conservation

21. Cochin Shipyard has been able to consistently secure and execute international shipbuilding orders in the last several years, thereby earning foreign exchange. The earnings from foreign exchange during the year 2012-13 was ₹ 612.52 crores.

Corporate Social Responsibility (CSR) & Sustainability Development

22. CSL, in pursuit of fulfilling its CSR Vision and achieving its objectives of reaching out to the less privileged citizens of, society has embarked up on various projects in accordance with the CSR and SD Guidelines promulgated by the Government of India. During the year CSL budgeted ₹ 300.00 Lakhs towards mandatory CSR spend and ₹ 50.00 Lakhs towards Sustainable Development initiatives. The total spend on CSR activities during the year was ₹ 2.17 Crores. Some of the major initiatives undertaken during the year are highlighted in succeeding paragraphs.
23. The Regional MRI Scan Centre commissioned at General Hospital, Ernakulam is the single biggest CSR Project undertaken by CSL. The project is an example of the synergistic model of project implementation in that the total project cost of ₹ 475.00 Lakhs was shared by one sitting Member of Parliament (Rajya Sabha), Shri P Rajeev and another former MP (Rajya Sabha), Dr Kapila Vatsyayan at ₹ 150.00 Lakhs each from out of their Local Area Development Scheme. The balance fund was contributed by CSL (₹ 150.00 Lakhs) and others (₹ 25.00 Lakhs). This MRI Scan Centre provides scanning services at 25% of the cost charged by the local private MRI Scan Centres. Perhaps this is the very first MRI Scan Centre functioning in a Government Hospital in India and CSL can legitimately be proud of its contribution towards this initiative..
24. Some of the other CSR initiatives undertaken by CSL during the year include construction of a skill development centre for SC population at Ayyampilly Panchayath in Ernakulam District, construction of a mini community centre at Cheranellur Panchayath in Ernakulam District, construction of a new building for the destitute old age women at CSL neighborhood, livelihood



Support to Palliative Care Unit of General Hospital, Ernakulam



Integrated Development of Vivekananda Residential Tribal School, Wayanad, Kerala



Livelihood Enhancement Project for paraplegia patients- Launch of "palium" brand detergent made by the patients



Livelihood Enhancement Project for paraplegia patients- Launch of "Palium" brand umbrella made by the patients



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

enhancement facility for the differently abled persons by way of motorized three wheelers, providing one time free meal to the by-standers of the patients at General Hospital, Ernakulam, support to the Palliative Care Unit at General Hospital, Ernakulam, integrated development of Government Upper Primary School at Valampoor village in Ernakulam District, construction of a Boys' Hostel for Vivekanda Tribal Vidyalaya in Wayanad District etc.

25. It is gratifying to report that these conscious and focused CSR interventions has resulted in creating a positive corporate image of CSL as a people and environment friendly company. CSL is also fortunate to have a highly focused board level CSR committee who passionately steer its CSR activities in the right direction. For day to day discharge of CSR functions, CSL has a below board level CSR committee consisting of top executives drawn from various departments. Personnel and Administration Department of

CSL is the nodal department responsible for all CSR activities of CSL.

Cautionary Statement

- 26 Statement in this “Management Discussion and Analysis Report” describing the objectives, expectations, assumptions or predictions of the company may be forward looking statements within the meaning of applicable rules and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the operations of the company include economic conditions affecting demand/ supply, price conditions in the domestic and international markets, Government policies and regulations, statutes and other incidental factors.

Annexure I to Management Discussion and Analysis Report

(₹ in lakhs)

Segment Revenue	Shipbuilding	Shiprepair	Unallocated	Total
External Sales	126759.37	28656.83	2920.18	158336.38
Interest	0.00	0.00	5897.18	5897.18
Total Revenue	126759.37	28656.83	8817.36	164233.56
Accretion/ (Decretion)to WIP	5719.36	(414.71)	0.00	5304.65
Segment Result	11962.66	9621.22	5971.19	27555.07
TAX (Net)				9028.31
Net Profit				18526.76
Other Information				
Segment Assets	105495.15	27089.21	105672.26	238256.62
Segment Liabilities	95667.88	5401.38	137187.36	238256.62
Capital Expenditure	2133.37	4413.63	397.74	6944.74
Depreciation	838.86	398.02	213.85	1450.73

AUDITORS' REPORT

MENON & AYYAR
Chartered Accountants

The Members of
Cochin Shipyard Limited
Kochi

1. Report on the Financial Statements

We have audited the accompanying financial statements of COCHIN SHIPYARD LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and subject to:

(i) Accounting of liabilities towards unsettled and incomplete subcontract work, at the end of the year, on an estimated basis, and

(ii) Effect of using estimates for arriving at, the total contract cost for the purpose of recognition of income from ship building contracts under percentage completion method, recognition of anticipated loss on ship building contracts and for recognition of income from ship repair activities under proportionate completion method and reduction from invoice value for arriving at ship repair turnover and the consequent impact, if any, on the profitability and current assets as on the Balance Sheet date is not ascertainable.



AUDITORS' REPORT

give a true and fair view in conformity with accounting principles generally accepted in India.

(a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act;

e. Vide Notification No. G.S.R 829(E) dated 21

October, 2003, the Ministry of Finance (Department of Company Affairs) Government of India, had notified that clause(g) of sub clause (1) of Section 274 of the Companies Act, 1956 is not applicable to a Government Company.

For MENON & AYYAR
Chartered Accountants
Firm Registration No. 002058S

Sd/-

Ernakulam
June 17, 2013

RAVEENDRAN A.
Partner
Membership No. 019893

ANNEXURE TO AUDITORS REPORT

Annexure referred to in paragraph 3 of our report of even date on the accounts of Cochin Shipyard Ltd. For the year ended 31 March 2013

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the Management during the year and there is a regular programme of physical verification, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies between the books records and the physical inventory have been noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
- (ii) (a) Physical verification of inventory has been conducted on a selective basis at reasonable intervals by the management,
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory. Discrepancies noticed on such physical verification between physical stock and the book records have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause (iii) (b), (c) and (d) of paragraph 4 of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause (iii) (f) and (g) of paragraph 4 of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods and services.
- During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) According to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements do not arise.
- (vi) According to the information and explanations given to us, the Company has not accepted deposits from the public and hence the directives issued by Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 are not applicable and therefore the provisions of clause (vi) of paragraph 4 of the order are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities. There are no arrears of undisputed statutory dues outstanding, at the last day of the financial year, for a period of more than six months from the date they became payable.



AUDITOR'S REPORT

(b) According to the information and explanation given to us details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of any dispute are detailed below:

Sl. No.	Name of Statute	Nature of Liability	Amount (₹ In Lakhs)	Period to which the amount relates	Forum where the dispute is pending
1	Income Tax Act, 1961	Income Tax	63.27	A.Y. 2000-01	Case remanded by ITAT pending before Assessing Officer
			8.55	A.Y. 2002-03 & 2003-04	Income Tax Appellate Tribunal
			350.76	A.Y. 2004-05, 2005-06, 2008-09 & 2010-11	Commissioner of Income Tax (Appeals)
2	Kerala Value Added Tax Act, 2003	Penalty	2546.82	2008-09	Appellate Tribunal
	-do-	Value Added Tax	2786.63	2005-2006	Deputy Commissioner (Appeals)
	-do-	-do-	5474.71	2007-2008	-do-
	Kerala General Sales Tax Act	Sales Tax	119.93	2000-01	-do-
			73.44	2001-02	-do-
		196.37	2004-05	-do-	
3	Finance Act, 1994	Service Tax	322.90	2003-04, 2004-05, 2005-06, 2006-07 & 2007-08	Customs, Excise and Service Tax Appellate Tribunal
			1647.47	2004-05	Commissioner
			242.40	2009-10, 2010-11 & 2011-12	(Central Excise & Service Tax)

AUDITOR'S REPORT

- (x) The Company has no accumulated losses as on 31.03.2013 and it has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in the repayment of dues to any financial institution, bank or debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi, mutual benefit fund/society; therefore the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from the banks or financial institutions.
- (xvi) According to the information and explanations given to us, the Company has not availed any Term Loan during the year other than Short Term Loans raised to meet working capital requirements.
- (xvii) According to the information and explanations given to us, and on the basis of our overall examination of the Balance Sheet and Cash Flow Statement, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For MENON & AYYAR
Chartered Accountants
Firm Registration No. 002058S

Sd/-

Ernakulam
June 17, 2013

RAVEENDRAN A
Partner
Membership No. 019893

**BALANCE SHEET AS AT 31ST MARCH 2013**

Particulars	Note	As at 31 March 2013	As at 31 March 2012
(₹ in Lakhs)			
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	2	11328.00	15242.20
Reserves and surplus	3	106242.24	89841.05
2 Non-current liabilities			
Other Long term liabilities	4	251.81	497.22
3 Current liabilities			
Trade payables	5	25497.77	38327.66
Other current liabilities	6	74764.32	97034.83
Short-term provisions	7	20172.48	19295.43
Total		238256.62	260238.39
II. ASSETS			
1 Non-current assets			
Fixed assets	8		
(i) Tangible assets		24717.95	19247.99
(ii) Intangible assets		12.60	12.95
(iii) Capital work in progress		13800.84	6361.79
Non-current investments	9	19.18	19.18
Deferred tax assets (net)	10	47.26	971.57
Long-term loans and advances	11	224.32	613.79
Other non-current assets	12	6646.92	5745.99

...contd..

BALANCE SHEET AS AT 31ST MARCH 2013

(₹ Lakhs)

Particulars	Note	As at 31 March 2013	As at 31 March 2012
2 Current assets			
Inventories	13	35685.87	36253.66
Trade Receivables	14	68023.07	77992.10
Cash and Bank Balances	15	70396.49	90889.60
Short-term loans and advances	16	6338.95	14164.15
Other current assets	17	12343.17	7965.62
Total		238256.62	260238.39
Significant Accounting Policies	1		
Other Notes on Accounts	2-40		

For and on behalf of Board of Directors

V KALA
Company Secretary

RAVIKUMAR RODDAM
Director (Finance)

CMDE K SUBRAMANIAM
Chairman and Managing Director

Kochi, dated the 17th June 2013

As per our report of even date

MENON & AYYAR
Chartered Accountants
(Firm Reg. No.002058S)

A RAVEENDRAN
(Partner)
(Membership No 019893)
Kochi, dated the 17th June 2013



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013

Particulars	Note No.	For the year ended 31 March 2013	For the year ended 31 March 2012
		(₹ in Lakhs)	
I. Revenue from Operations	18	155416.20	140485.15
II. Other Income	19	8817.36	7669.33
III. Total Revenue (I + II)		164233.56	148154.48
IV. Expenses:			
Cost of Materials Consumed	20	87820.14	67192.58
Changes in Inventories of Work-in-progress	21	(5304.65)	1699.99
Sub Contract and Other Direct Expenses	22	21340.00	21607.03
Employee Benefits Expense	23	18093.25	16611.22
Finance Costs	24	2313.17	1312.09
Depreciation and Amortisation Expense	25	1921.59	1807.27
Other Expenses	26	10220.86	12011.30
Provision for Anticipated Losses and Expenditure	27	274.13	616.07
Total expenses		136678.49	122857.55

...contd.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013

Particulars	Note No.	For the year ended 31 March 2013	For the year ended 31 March 2012
		(₹ in Lakhs)	
V Profit before tax (III-IV)		27555.07	25296.93
VI Tax expense:			
Current tax		8104.00	7713.61
Deferred tax	10	924.31	1340.90
Prior year tax adjustment		0.00	(990.27)
VII Profit for the year		18526.76	17232.69
VIII Earnings per equity share (Face Value of ₹ 10 each):			
Basic and Diluted (In ₹)	28	16.35	15.21
Significant Accounting Policies	1		
Other Notes on Accounts	2-40		

For and on behalf of Board of Directors

V KALA
Company Secretary

RAVIKUMAR RODDAM
Director (Finance)

CMDE K SUBRAMANIAM
Chairman and Managing Director

Kochi, dated the 17th June 2013

As per our report of even date

MENON & AYYAR
Chartered Accountants
(Firm Reg. No.002058S)

A RAVEENDRAN
(Partner)
(Membership No 019893)
Kochi, dated the 17th June 2013



1 .NOTES ON ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

1.1. Basis of preparation of financial statements

Accounts are maintained on accrual basis under the historical cost convention and in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India as well as provisions of the Companies Act, 1956 and these have been consistently followed.

1.2. Use of estimates

In the preparation of financial statements, the management makes estimates and assumptions in conformity with the Generally Accepted Accounting Practices in India. Such estimates and assumptions are made on reasonable and prudent basis taking into account all available information. However actual results could differ from these estimates and assumptions and such differences are recognized in the period in which results are ascertained.

1.3. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation.

1.4. Intangible Asset

Costs incurred on Design Development which are not directly chargeable on a product are capitalized as 'Intangible Asset' and amortised on a straight-line basis over a period of five years.

Cost of software which is not an integral part of the related hardware acquired for internal use is capitalised as Intangible Asset and amortised on a straight-line basis over a period of three years.

1.5. Impairment of Assets

The Company assesses the impairment of assets with reference to each cash generating unit, at each Balance Sheet date. If events or changes in circumstances based on internal and external factors indicate that the carrying value may not be recoverable in full, the loss on account of impairment, which is the difference between the carrying amount and the recoverable amount, is accounted for accordingly

1.6. Depreciation

Depreciation on fixed assets is provided on straight-line method as per the provisions of the Companies Act, 1956. In the case of assets with a value of ₹ 5000 or less, 100% depreciation is provided. Where rate of depreciation is 100%, depreciation is provided for the full year in which the asset is put to use.

1.7. Revenue Recognition

- a) Contracts for the construction of ships and small crafts (other than Defence vessels)

The income from ship building, including ship building subsidy, is recognized on percentage of completion method, in proportion to the cost incurred for the work performed up to the reporting date bear to the estimated total contract cost, considering the physical progress or financial progress, whichever is lower. Where current estimates of total contract costs and revenue indicate a loss, provision is made for the entire loss, irrespective of the amount of work done.

- b) Construction of Defence vessels

(i) Income from construction of vessels which are on fixed price basis is recognized on the percentage completion method, in proportion to the cost incurred for the work performed up to the reporting date bear to the estimated total contract cost, considering the physical progress or financial progress, whichever is lower. Where current estimates of total contract costs and revenue indicate a loss, provision is made for the entire loss, irrespective of the amount of work done

(ii) In the case of construction of defence vessels which are partly fixed price basis and partly cost plus basis, the income from fixed price part is recognized on the percentage completion method.

Income from 'cost plus' part of the contract activities for Design outsourcing and material procurement are recognized based on the stage when the activities are performed/materials

NOTES ON ACCOUNTS

received/payments made. Cost of material and other expenses incurred for the vessel which are recoverable separately from Navy is charged off to the profit & loss account and are grossed up with the value of work done and recognized as income.

- c) Contracts for repair of ships/Offshore structures:

Income from repair of ships/offshore structures is recognized based on Proportionate Completion Method when proportionate performance of each ship repair activity exceeds 75%. The proportionate progress is measured by technical evaluation of the percentage of physical completion of each job. Revenue is recognized in proportion to the cost incurred to the estimated cost of completion after taking into consideration all possible contingencies with reference to the realizable value of work done. In the case of ship repair contracts completed and invoices settled during the year, income recognised is net of reductions due to price variation admitted. In the case of unsettled invoices, the income is recognized net of estimated amount of reductions. Differences, if any, on settlement are adjusted against income in the year of settlement.

- d) Others:

Dividend income is recognized when the Company's right to receive is established.

1.8. Inventories

- (a) Raw materials, components, stores and spares are valued at weighted average cost method or net realisable value whichever is lower. Provision for obsolescence / non-usability / deterioration is determined on the basis of technical assessment made by the management. Goods in transit and goods pending inspection are valued at cost. Stock of materials in respect of construction of defence vessels wherein the cost incurred is reimbursed by the owner are shown as reduction from the advances paid by the owner for construction of the vessel
- (b) Work-in-progress:

Work-in-progress of ships/offshore structures under repair, which have not reached 75% stage of physical completion and general engineering jobs are valued at cost. Work-in-progress of ships where physical construction has not started is also valued at cost.

- (c) Loose tools in stock are valued at cost and tools in use are revalued after providing for loss on revaluation estimated at 30% of book value.
- (d) Stock of scrap is valued at net realizable value after adjusting customs duty if any payable on the scrap.

1.9. Advance/progress payments received.

Advance / progress payments received from customers in respect of repair works are shown as deduction from the amount of work-in-progress in respect of income recognized under proportionate completion method. In the case of shipbuilding, the advance payment received is adjusted only when the ship is invoiced.

1.10. Retirement benefits of employees.

- a) Liability in respect of defined benefit funds (except Provident Fund) is provided on the basis of actuarial valuation as on the date of Balance Sheet. The method of actuarial valuation adopted is the Projected Unit Credit method.
- b) Liability for payment of gratuity is determined by actuarial valuation as per AS 15 (Revised) and funded to Employees Group Gratuity Trust as per Rules.
- c) Defined contribution to Employees PF & Employees Pension Scheme 1995 are made on a monthly basis as per respective statutes.
- d) Liability in respect of leave entitlement is made on actuarial valuation basis at the year end and provided for as per AS 15 (Revised).

1.11. Provision for Guarantee claims

Provision towards guarantee claims in respect of ships/small crafts delivered wherever provided /maintained is based on technical estimation. As per revised policy, for ships delivered during 2011-12 onwards, the guarantee claims are



NOTES ON ACCOUNTS

covered by way of insurance policies covering the guarantee period.

1.12. Liquidated damages and interest on advances

No income has been recognized on account of (a) interest on advances given and (b) liquidated damages, where the levies depend on decisions regarding Force Majeure condition of contract. These are accounted for on completion of contracts and/or when final decisions are taken.

1.13. Borrowing cost.

Borrowing costs that are attributable to the acquisition/construction or production of qualifying assets are capitalized as part of cost of such assets.

1.14. Prior Period adjustments and Extra Ordinary Items

Prior period adjustments and extraordinary items having material impact (Over Rupees One Lakh) on the financial affairs of the Company are disclosed.

1.15. Foreign Currency Transactions

a. Foreign Currency Transactions:

Foreign exchange transactions are recorded adopting the exchange rate prevailing on the dates of respective transactions. Monetary assets and liabilities denominated in foreign currencies existing as on the balance sheet date are translated at the exchange rate prevailing as at the balance sheet date. The exchange difference arising from the settlement of transactions during the period and effect of translations of assets and liabilities at the balance sheet date are recognized in the Profit and Loss Account.

b. Derivative instruments and hedge accounting:

The Company uses foreign currency derivative contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. The Company designates these as cash flow hedges applying the recognition and measurement principles set out

in the Accounting Standard 30 – Financial Instruments: Recognition and Measurement.

The use of foreign currency derivative contracts is governed by the Company's policies approved by the Board of Directors which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency derivative instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated as effective cash flow hedges are recognized in Hedging Reserve Account under Shareholders' Funds and the ineffective portion is recognized in the Profit and Loss Account. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the Profit and Loss Account as they arise.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in reserves is transferred to the Profit and Loss Account.

1.16. Earnings Per Share

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extraordinary items. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the period.

1.17. Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred Tax liability or assets is recognized at subsequently enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

NOTES ON ACCOUNTS

Note 2 : Share Capital

Particulars	As at 31 March 2013		As at 31 March 2012	
	Number	₹ in lakhs	Number	₹ in lakhs
Authorised				
7% Non-cumulative Preference shares of ₹ 1000/- each	1200000	12000.00	1200000	12000.00
Equity Shares of ₹ 10 each	130000000	13000.00	130000000	13000.00
Issued, Subscribed & fully Paid up				
7% Non-cumulative Preference shares of ₹1000/- each	0.00	0.00	391420	3914.20
(The above shares have been issued as fully paid-up by conversion of loans from Govt of India as part of capital restructuring.)				
Equity Shares of ₹ 10 each fully paid up	113280000	11328.00	113280000	11328.00
(of the above 54,99,500 shares have been issued as fully paid up without payment being received in cash towards consideration of net assets taken over from Government of India)				
Total	113280000	11,328.00	113671420	15242.20

Particulars	Preference Shares			
	As at 31 March 2013		As at 31 March 2012	
	Number	₹ in lakhs	Number	₹ in lakhs
Shares outstanding at the beginning of the year	391420	3914.20	791420	7914.20
Shares redeemed during the year	391420	3914.20	400000	4000.00
Shares outstanding at the end of the year	0	0.00	391420	3914.20

Particulars	Equity Shares			
	As at 31 March 2013		As at 31 March 2012	
	Number	₹ in lakhs	Number	₹ in lakhs
Shares outstanding at the beginning of the year	113280000	11328.00	113280000	11328.00
Shares outstanding at the end of the year	113280000	11328.00	113280000	11328.00

2.1. As the Company is a fully owned Government of India Company, 100% shares are held by the President of India



NOTES ON ACCOUNTS

Note 3 : Reserves & Surplus

Particulars	As at 31 March 2013 ₹ in lakhs	As at 31 March 2012 ₹ in lakhs
Capital Reserves		
As per last Balance Sheet	263.56	263.56
Capital Redemption Reserve		
As per last Balance Sheet	8,000.00	4,000.00
Add Current Year Transfer	3,914.20	4,000.00
Closing Balance	11,914.20	8,000.00
Other Reserves		
General Reserve		
As per last Balance Sheet	3,249.87	1,526.60
Add Current Year Transfer	926.34	1,723.27
Closing Balance	4,176.21	3,249.87
Hedge Reserve		
As per last Balance Sheet - Gain	115.09	2,751.01
Less Net loss during the Year	137.59	2,635.92
Closing Balance - Gain/(Loss)	(22.50)	115.09
Surplus		
As per last Balance Sheet	78,212.53	68,996.40
Add Net Profit for the current year	18,526.76	17,232.69
	96,739.29	86,229.09
Less transfer to Capital Redemption Reserve	3,914.20	4,000.00
Less Transfer to Reserves	926.34	1,723.27
Less Proposed Dividend	1,699.20	1,973.19
Less Tax on Dividend	288.78	320.10
Closing Balance	89,910.77	78,212.53
Total	106,242.24	89,841.05

NOTES ON ACCOUNTS

3.1. Capital reserve represents restoration charges received from M/s Indian Oil Corporation for laying pipeline through the Company's land.

3.2. (i) The Company enters into foreign exchange derivative contracts to offset the foreign currency risks arising from the amounts denominated in currencies other than Indian Rupee. The counter party to the Company's foreign currency forward contracts is generally a bank.

The Company has designated all the outstanding Forward Exchange Contracts as Cash Flow Hedges. The changes in fair value of effective Forward Exchange contracts are recognized directly in a Reserve account designated as Hedging Reserve Account and the ineffective portion is recognized immediately in the Profit and Loss Account.

(ii) The Company has the following outstanding effective derivative contracts, which have been designated as Cash Flow Hedges, as on 31 March 2013:

(₹ in Lakhs)

Particulars	31 March 2013		31 March 2012	
	Notional amount of contracts	Fair Value Gain/ (Loss)	Notional amount of contracts	Fair Value Gain/ (Loss)
Forward Contracts	10790.41	(22.50)	14047.17	115.09
Total	10790.41	(22.50)	14047.17	115.09

(iii) The movement in Hedge reserve during the year ended 31 March 2013 for derivatives designated as Cash Flow Hedges is as follows:

(₹ in Lakhs)

	Year ended 31 March 2013	Year ended 31 March 2012
Balance at the beginning of the year Gain / (Loss)	115.09	2751.01
Gains/ (losses) for the year on recognition of forecasted hedge transactions	(185.81)	(2789.47)
MTM Losses / Gains (Net) on effective derivative contracts	Nil	19.23
Changes in the fair value of effective portion of outstanding cash flow derivatives (Net)	(70.72)	(19.23)
Net derivative gain/ (losses) related to a discounted cash flow hedge	-	-
(Gains)/ losses transferred to profit and loss account on recognition of financial asset	48.22	134.32
Balance at the end of the year	(22.50)	115.09

(iv) In addition to the above cash flow hedges, the Company has outstanding foreign exchange derivative contracts of firm commitment or highly probable forecast transactions which do not conform to the norms of Hedge Effectiveness as per Accounting Standard 30 (AS 30) aggregating to ₹ 27373.83 lakhs (Previous year ₹ 50753.91 lakhs). Fair value determination of these contracts as on 31.03.13 results in a profit of ₹ 105.58 lakhs (Previous year loss of ₹ 168.55 lakhs).



NOTES ON ACCOUNTS

Note 4 : Other Long Term Liabilities

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Trade payables (Unsecured)	251.81	497.22
Total	251.81	497.22

4.1. There are no dues to Micro, Small and Medium Enterprises as on 31.03.2013 (previous year - Nil) which are overdue and required to be disclosed as per MSMED Act 2006. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

Note 5 : Trade Payables

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Trade payables (Unsecured)	25,497.77	38,327.66
Total	25,497.77	38,327.66

5.1. There are no dues to Micro Small and Medium Enterprises as on 31.03.2013 (previous year - Nil) which are overdue and required to be disclosed as per MSMED Act 2006. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

NOTES ON ACCOUNTS

Note 6 : Other Current Liabilities

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Advance for Indigenous Aircraft Carrier infrastructure	21346.37	21346.37
less Assets on infrastructure	18956.80	18745.52
less WIP/Advance to contractors for infrastructure	6.30	48.94
	2383.27	2551.91
Advance for Indigenous Aircraft Carrier (Cost Plus)	239077.82	200611.62
less Indigenous Aircraft carrier inventory in stock	55928.06	34451.14
less Material issued	105866.43	70486.45
less Design & other direct expenses	27171.08	25586.31
less Advance for purchase of materials	13238.84	24603.00
less Management fee & others	24632.23	19288.87
	12241.18	26195.85
Advance for Indigenous Aircraft Carrier fixed price contract	104,100.00	92,800.00
less income recognised so far	106,238.09	95,649.85
	(2138.09)	(2849.85)
Advance outstanding for Indigenous Aircraft Carrier works (Net)	12,486.36	25,897.91
Advances for other ship building contracts	58,115.65	66,541.24
Advances for ship repair & others	767.17	711.02
Forward contract	(13.85)	187.78
Income received but not due	37.56	55.21
Other liabilities	3,371.43	3,641.67
Total	74,764.32	97,034.83



NOTES ON ACCOUNTS

6.1 (i) The Company had signed Phase I contract with Indian Navy for the construction of Indigenous Aircraft Carrier (P-71). The contract has two parts (a) Cost Plus contract (b) Fixed price contract. An amount of ₹ 104100 lakhs (Previous year ₹ 92800 lakhs) has been received against various stage payments due under the fixed price part Phase I contract. This amount has already been adjusted against ₹ 106238.09 lakhs (Previous year ₹ 95649.85 lakhs) being income recognized under fixed price contract. Balance ₹ 2138.09 lakhs (Previous year ₹ 2849.85 lakhs) is yet to be received and this is set off against the balance due to Indian Navy and included under Other Current Liabilities.

(ii) An amount of ₹ 239077.82 lakhs (Previous year ₹ 200611.62 lakhs) has been accounted as advance towards the cost plus part of the contract. Details are as follows:

(₹ in Lakhs)

	Details	2012-13	2011-12
I	Total Advance	239077.82	200611.62
(a)	Amount adjusted by Indian Navy for Materials	146113.60	118771.15
(b)	Other expenditure adjusted by Indian Navy	47733.78	43350.50
II	Total Expenditure adjusted by NAVY (a+b)	193847.38	162121.65
III	Expenditure yet to be adjusted by NAVY	32989.26	12294.12
IV	Total Expenditure (II + III)	226836.64	174415.77
(c)	Balance of funds (Cost Plus)	12241.18	26195.85

(iii) The details of materials procured under Cost plus contract is as below:

Materials/Consumables

(₹ in Lakhs)

	2012-13	2011-12
Purchases (till date) - Steel	48123.93	49680.61
- Bought out components	113670.56	55256.98
- Total	161794.49	104937.59
Issued (till date) - Steel	38678.49	33605.04
- Bought out components	67187.94	36881.41
- Total	105866.43	70486.45
Closing stock - Steel	9445.44	16075.57
- Bought out components	46482.62	18375.57
- Total	55928.06	34451.14

NOTES ON ACCOUNTS

(iv) An amount of ₹ 21346.37 lakhs (previous year ₹ 21346.37 lakhs) has been received from Indian Navy towards augmentation of infrastructure facilities for the construction of Indigenous Air craft Carrier (IAC) project. Out of the fund received for infrastructure facilities, the Company has spent ₹ 18963.10 lakhs (previous year ₹ 18794.46 lakhs) till date. Of this amount, ₹ 16694.94 lakhs (previous year ₹ 16038.69 lakhs) has been adjusted by Indian Navy and the balance amount of ₹ 2268.16 lakhs (previous year ₹ 2755.77 lakhs) is pending for adjustment by Indian Navy.

(v) Details of infrastructure expenditure incurred so far under different heads of Customer Financed Assets owned by Navy are as follows:

a) Cost of infrastructure facilities which has been met out of funds from Navy and adjusted by Indian Navy, till date.

(₹ in Lakhs)

Details	2012-13	2011-12
Buildings and civil structures	1452.44	995.22
Data Processing equipment	1186.57	1148.07
Plant and Machinery	14055.93	13895.40
Total	16694.94	16038.69

b) Cost of infrastructure facilities met out of funds from Navy pending adjustment by Indian Navy.

(₹ in Lakhs)

Details	2012-13	2011-12
Buildings and civil structures	101.54	459.88
Plant and Machinery	2047.08	2295.89
Others (WOT Office, Computer etc)	119.54	0.00
Total	2268.16	2755.77

Since the ownership vests with Navy, the above assets are not included under fixed assets.

**NOTES ON ACCOUNTS****Note 7 : Short Term Provisions**

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Provision for employee benefits		
Salary & Reimbursements	1,401.18	1,229.20
Gratuity	969.27	414.00
Encashable leave salary	2,981.15	2,708.46
	5,351.60	4,351.66
Others		
Provision for taxation	8,146.66	7,782.45
Provision for loss on ship building	-	18.83
Provision for proposed dividend	1,699.20	1,973.19
Provision for dividend tax	288.78	320.10
Provision for taxes and duties	127.71	1,293.54
Provision for sales tax liability	419.38	280.65
Provision for guarantee repairs	809.01	915.49
Provision for liquidated damages	1,796.12	797.79
Provision for expenditure / contingencies	1,532.85	1,560.56
Conveyance loan reserve fund	1.17	1.17
	14,820.88	14,943.77
Total	20,172.48	19,295.43

NOTES ON ACCOUNTS

Note 8 : Fixed Assets

Tangible & Intangible		GROSS BLOCK						DEPRECIATION			NET BLOCK	
		As at 1st April 2012	Additions/ adjustments during the year	Disposal/ adjustments during the year	As at 31st March 2013	As at 1st April 2012	For the year	Adjustment/ (withdrawal)	As at 31st March 2013	As at 31st March 2013	As at 31st March 2012	
i. Tangible assets												
Land (Freehold)		450.38	113.21	0.00	563.59	0.00	0.00	0.00	0.00	563.59	450.38	
Buildings		10046.00	850.77	0.00	10896.77	2979.57	362.42	0.00	3341.99	7554.78	7066.43	
Plant & Equipment		17827.05	5773.83	144.10	23456.78	8355.90	871.82	(128.50)	9099.22	14357.56	9471.15	
Furniture & Fixtures		492.38	79.23	8.33	563.28	197.86	29.75	(7.80)	219.81	343.47	294.52	
Vehicles		739.69	0.79	1.81	738.67	349.15	75.23	(1.72)	422.66	316.01	390.54	
Office Equipment		141.21	40.44	28.12	153.53	46.76	7.71	(19.94)	34.53	119.00	94.45	
Others												
Docks & Quays		5720.17	0.00	0.00	5720.17	5196.00	32.21	0.00	5228.21	491.96	524.17	
Railway sidings		22.09	0.00	0.00	22.09	20.99	0.00	0.00	20.99	1.10	1.10	
Electrical Installation		1636.71	77.84	0.00	1714.55	777.94	51.44	0.00	829.38	885.17	858.77	
Drainage & water supply		133.45	0.00	0.00	133.45	75.85	1.59	0.00	77.44	56.01	57.60	
Vessels		158.85	0.00	0.00	158.85	119.97	9.58	0.00	129.55	29.30	38.88	
Books		13.20	0.00	0.00	13.20	13.20	0.00	0.00	13.20	0.00	0.00	
		37381.18	6936.11	182.36	44134.93	18133.19	1441.75	(157.96)	19416.98	24717.95	19247.99	
ii. Intangible Assets												
Computer Software		291.79	8.63	0.00	300.42	278.84	8.98	0.00	287.82	12.60	12.95	
		291.79	8.63	0.00	300.42	278.84	8.98	0.00	287.82	12.60	12.95	
Total		37672.97	6944.74	182.36	44435.35	18412.03	1450.73	(157.96)	19704.80	24730.55	19260.94	
Previous year		36210.07	1493.12	30.22	37672.97	17142.59	1294.57	(25.13)	18412.03	19260.94	19067.48	

8.1. Land includes the value of (a) land allotted on lease basis to (I) Bharatiya Vidya Bhavan (0.69045 hectare) and (ii) M/s Indian Oil Corporation (0.620 hectare) (1.54 acres) for laying pipeline and (b) land held by Kerala State Electricity Board (0.47 hectare) and BESL Infra Projects 0.4068 hectares and (c) land leased to M/s Cochin Air Products 0.30 hectares

8.2. Value of land includes value of buildings acquired along with the land for which depreciation has not been provided as the value is not separately available and most of these buildings are likely to be demolished for putting up facilities for the factory.

8.3. Title deeds of part of land (33.19 hectares) have not yet been received from Govt of Kerala.



NOTES ON ACCOUNTS

Note 8.iii : Fixed Assets

Capital Work in Progress

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Buildings and Civil Work-in-progress	13,514.16	2,246.52
Plant and Machinery	50.55	2,714.89
Construction material in stock	8.35	4.15
Capital goods pending inspection and in transit	227.78	1,396.23
Total	13,800.84	6,361.79

8.iii.1 : The Company had been successful in the global tender floated by Cochin Port Trust (CoPT) to set up an International Ship Repair Facility (ISRF) at CoPT land at Willingdon Island. An amount of ₹ 9731.74 lakhs has been paid to Cochin Port Trust towards non refundable upfront fee and as consideration of Port's Assets. Since the effective date of takeover of the facility is 12 April 2013, an amount of ₹ 8804.74 lakhs is shown under Capital Work in Progress and the Service Tax component of ₹ 927.00 lakhs is shown as Cenvat Credit under 'Other Current Assets' to be adjusted against future Service tax liability.

Note 9 : Non Current Investments

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
UNQUOTED AT COST (NON TRADE)		
Investment in Cochin Shipyard Employees Consumer Co-operative Society- 2175 'B Class' shares of ₹ 100 each	2.18	2.18
Investment in Kerala Enviro Infrastructure Ltd - 70000 equity shares of ₹10 each fully paid up	7.00	7.00
Investment in Cochin Waste to Energy (P) Ltd- 100000 equity shares of ₹10 each fully paid up	10.00	10.00
Total	19.18	19.18

NOTES ON ACCOUNTS

10. Accounting for taxes on Income as per AS.22

The break-up of Deferred Tax Assets and Liabilities as on 31.03.2013 as against 31.03.2012 is detailed below, which results in decrease in Net Deferred Tax Asset. Consequent to this the amount debited to Profit & Loss Account is ₹924.31 lakhs (Previous year ₹ 1340.90 lakhs)

(₹ in Lakhs)

	Deferred tax (asset) /liability as at 1.04.2012	Current year Charge/ (credit) 2012-13	Deferred tax (asset) /Liability as at 31.03.2013
Deferred tax liability:			
Depreciation	2415.62	815.49	3231.11
Deferred tax asset :			
Provision for liabilities	1767.30	52.26	1819.56
Provision for obsolete inventory	81.85	28.98	110.83
Provision for loss	6.11	(6.11)	0.00
Provision for doubtful debts	903.95	(119.53)	784.42
Provision for taxes and duties	154.21	(53.44)	100.77
Provision for expenditure	227.70	(22.70)	205.00
Provision for contingencies	246.07	11.72	257.79
TOTAL	3387.19	(108.82)	3278.37
Deferred tax (Net)	(971.57)	924.31	(47.26)
Total deferred tax Asset	(971.57)	924.31	(47.26)

The Company expects sufficient future profits for absorbing the Deferred Tax Asset as at the end of the year.

**NOTES ON ACCOUNTS****Note 11 : Long Term Loans & Advances**

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Capital advances (Unsecured, considered good)	48.52	398.09
	48.52	398.09
Other loans and advances		
Employee advances (Secured, considered good) *	175.80	215.70
	175.80	215.70
Total	224.32	613.79

* Secured by hypothecation of movables

Note 12 : Other Non Current Assets

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Unsecured		
Long term Trade Receivables		
Considered good	3629.33	3057.78
Considered doubtful	2467.79	2786.11
Less Provision for doubtful debts	2467.79	2786.11
	3629.33	3057.78
Unsecured		
Others		
Balances with Customs	261.23	261.23
Other deposits	208.74	203.82
Income Tax refund due	2547.62	2223.16
	3017.59	2688.21
Total	6646.92	5745.99

NOTES ON ACCOUNTS

Note 13 : Inventories (As taken, Valued and certified by the Management)

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Raw Materials and components (Valued at cost)	13702.85	19737.85
Less : Provision for obsolescence, non-usability and deterioration in inventory.	280.05	205.16
Goods-in transit and pending inspection	6343.88	9535.86
	19766.68	29068.55
Work-in-progress (Valued at cost)	7854.24	2549.59
Work-in-progress (Valued at realisable value)	5860.15	2523.92
	13714.39	5073.51
Stores (Valued at cost)	790.24	665.45
Less : Provision for obsolescence, non-usability and deterioration in stores.	27.23	28.34
Goods-in transit and pending inspection	46.05	78.19
Spares	25.09	20.80
Less : Provision for obsolescence, non-usability and deterioration in spares.	18.78	18.77
Goods-in transit and pending inspection	8.02	97.50
	823.39	814.83
Loose Tools (Valued at cost)	1078.68	1228.35
Goods-in transit and pending inspection	0.43	3.90
	1079.11	1232.25
Scrap valued at net realisable value	302.30	64.52
	302.30	64.52
Total	35685.87	36253.66

13.1. Inventory does not include stock of raw materials and bought out components procured under “cost plus” part of the IAC contract amounting to ₹ 55928.06 lakhs (previous year ₹34451.14 lakhs) held on behalf of Indian Navy lying with the Company

13.2. Maintenance spares included in the inventory represent spares of general nature and are not related to a particular asset.



NOTES ON ACCOUNTS

Note 14 : Trade Receivables

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Trade receivables outstanding for a period less than six months from due date Unsecured, considered good	67049.91	77703.62
Trade receivables outstanding for a period exceeding six months from due date Unsecured, considered good	973.16	288.48
Total	68023.07	77992.10

14.1. Trade Receivables include debts amounting to ₹ 58282.14 lakhs (previous years ₹ 70027.88 lakhs) accounted on account of income recognized under proportionate completion method pertaining to incomplete vessels against which stage payments received amounting to ₹ 11995.30 lakhs (previous year ₹ 32201.61 lakhs) for completed stages is shown as advance under current liabilities.

14.2 The due date for payment of trade receivables has been considered after allowing a grace period of one month in general to all customers as per agreed practice.

Note 15: Cash and Bank balances

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Cash and Cash Equivalents		
Bank balances in current account	24,545.25	40,865.62
Cash in hand	1.24	1.35
Stamps in hand	-	0.07
Bank deposits of less than 3 months maturity	6550.00	3700.00
Other Bank Balances		
Bank deposits of more than 3 months maturity	39300.00	46322.56
Total	70396.49	90,889.60

15.1 Bank balances in current account includes ₹ 23866.90 lakhs (Previous year ₹ 38767.67 lakhs) received from Indian Navy for the construction of Indigenous Aircraft Carrier and held in separate account.

Note 16 : Short-term loans and advances

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Other than to related parties		
Unsecured, considered good	6338.95	14164.15
Unsecured, considered doubtful	0.07	0.07
	6339.02	14164.22
Less: Provision for doubtful advances	0.07	0.07
Total	6338.95	14164.15

NOTES ON ACCOUNTS

Note 17 : Other current assets

Particulars	As at 31 March 2013	As at 31 March 2012
	₹ in lakhs	₹ in lakhs
Interest accrued on bank deposits	1490.08	568.10
Interest accrued on employee advances	37.83	44.07
Others (Including claims receivable)	1858.31	148.27
Advance tax	8377.50	6887.45
Balances with Customs, Port Trust & Excise	161.32	57.39
Gratuity Trust Advance/Adjustment account	414.00	256.36
Other deposits	4.13	3.98
Total	12343.17	7965.62

Note 18 : Revenue From Operation

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Sale of products		
Ship Building		
Indigenous Aircraft Carrier	52889.79	59717.81
Vessels other than Indigenous Aircraft Carrier	74242.83	67408.03
Engineering works	0.33	0.84
	127132.95	127126.68
Less Excise duty	373.58	1177.45
	126759.37	125949.23
Sale of services		
Ship Repair	28656.83	14535.92
	28656.83	14535.92
Total	155416.20	140485.15

18.1. Shipbuilding income of ₹126759.04 lakhs (previous year ₹125948.39 lakhs) includes revenue recognized under percentage of completion method amounting to ₹58136.13 Lakhs (previous year ₹57268.58 lakhs) against incomplete vessels. Ship repair income includes income recognised under proportionate completion method amounting to ₹106.36 lakhs (previous year ₹2806 lakhs)

18.2. Income from ship repair is net of actual/anticipated reductions amounting to ₹985.94 lakhs (previous year ₹1416 lakhs).



NOTES ON ACCOUNTS

18.3. Disclosure as required by Accounting Standard 7– Accounting for construction contracts – for contracts in progress as at the end of the year.

₹ in lakhs

	2012 - 13	2011 - 12
(a) Contract revenue recognized in the period	58136.13	57268.58
(b) Contract cost incurred and recognized profits (less recognized losses) upto the reporting period	164461.90	152362.79
(c) Advance received from customers	137178.04	122596.86
(d) Gross amount due to customers	0.00	0.00
(e) Gross amount due from customers	27283.86	29765.93

(f) Method of revenue recognition – Percentage of completion method

(g) Method used to determine the stage of completion - Stage of completion is measured in the proportion to expenses incurred till the end of the year to the estimated total cost of completion of the project or percentage of physical completion whichever is less. In the case of IAC project, only the fixed price contract has been considered under AS 7 and the material consumption and direct expenses under 'Cost Plus' part of the contract along with the mark-up given by the NAVY is not considered for estimating the financial completion under AS 7.

Note 19 : Other Income

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Training facilities	374.96	366.56
Income from scrap and stores	803.19	338.38
Income from sale of stock items	35.47	43.39
Income from Laboratory services	23.84	19.55
Rent received	77.03	100.51
Hire charges received	25.96	15.34
Interest on deposits	5845.46	4958.02
Interest from others	51.72	55.95
Dividend Income	6.05	0.66
Excess provision written back	821.97	1303.37
Miscellaneous Income	751.71	467.60
Total	8817.36	7669.33

19.1. Income from scrap and stores is net of import duty paid amounting to ₹ 37.87 lakhs (previous year ₹ 111.47 lakhs) on sale of bonded scrap and stores.

NOTES ON ACCOUNTS

Note 20 : Cost of Materials Consumed

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Raw Materials		
Steel	6327.20	6816.06
Pipe	856.23	828.86
Paint	832.88	1101.24
Bought out components	79803.83	58446.42
Total	87,820.14	67,192.58

Note 21 : Changes in inventories of work-in-progress

(Other than those which are recognised as income on percentage/proportionate completion method)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Work -in-progress at cost:		
At the end of the year	7854.24	2549.59
Less at the beginning of the year	2549.59	4249.58
Decretion/(Accretion) to work-in-progress	(5304.65)	1699.99

Note 22 : Sub Contract and Other Direct Expenses

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Sub contract and Off loaded jobs	13596.38	13452.17
Hull Insurance	268.98	296.97
Brokerage and Commission	754.57	924.65
Other Direct Expenses	6720.07	6933.24
Total	21340.00	21607.03



NOTES ON ACCOUNTS

Note 23 : Employee Benefits Expense

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Salaries, wages, bonus/exgratia and allowances	15439.03	14423.07
Contribution to Provident Fund and Family Pension Fund	958.06	947.57
Contribution to Group Gratuity Trust	971.40	531.30
Welfare expenses	724.76	709.28
Total	18093.25	16611.22

23.1. Includes PF inspection & administration charges ₹ 13.92 in lakhs (previous year ₹ 13.53 lakhs)

23.2. Employee benefits as per Accounting Standard 15 (Revised)

'Employee Benefits' for the below mentioned defined benefits schemes has been provided in the accounts.

- Gratuity
- Earned leave entitlement

In respect of Leave Travel Concession relating to the block period 2010-2013, provision amounting to ₹ 27 lakhs towards unavailed portion has been retained considering the full eligibility of the employees in this behalf.

Actuarial valuation of leave entitlement and gratuity have been done with the following assumptions.

Particulars	2012-13		2011-12	
	Leave Entitlement (Unfunded) 31/03/2013	Gratuity Entitlement 31/03/2013	Leave Entitlement (Unfunded) 31/03/2012	Gratuity (Funded) 31/03/2012
Discount rate	8.10%	8.00%	8.40%	8.40%
Salary escalation rate	3.00%	3.00%	3.00%	3.00%
Expected rate of return on plan assets	-	9.00%	-	9.00%

NOTES ON ACCOUNTS

(₹ in lakhs)

Change in defined benefit obligation	2012-13		2011-12	
	Leave Entitlement (Unfunded) 31/03/2013	Gratuity (Entitlement) 31/03/2013	Leave Entitlement (Unfunded) 31/03/2012	Gratuity (Funded) 31/03/2012
Present value of obligation as at The beginning of the year	2708.45	7517.60	2563.42	7539.47
Interest cost	172.04	537.32	187.21	553.27
Current service cost	100.68	216.03	120.50	250.79
Benefits paid	(825.24)	(2241.80)	(446.36)	(1247.27)
Past service cost	-	-	0.00	0.00
Actuarial (gain)/ loss on obligations	825.21	806.92	283.68	421.34
Present value of obligation as at The end of the year	2981.14	6836.07	2708.45	7517.60

(₹ in lakhs)

Change in the fair value of Plan Assets:	2012-13		2011-12	
	Leave Entitlement 31/03/2013	Gratuity (Funded) 31/03/2013	Leave Entitlement 31/03/2012	Gratuity (Funded) 31/03/2012
Fair value of Plan assets as at The beginning of the year	-	7773.96		7169.40
Expected return on Plan assets	-	605.87		641.10
Actuarial gain/(loss)	-	(14.87)		55.66
Contributions:	825.24	157.64	446.36	1155.07
Benefits paid	(825.24)	(2241.80)	(446.36)	(1247.27)
Fair value of Plan assets as at The end of the year	-	6280.80	NA	7773.96



NOTES ON ACCOUNTS

(₹ in lakhs)

Expenses recognized in the statement of Profit and Loss Account	2012-13		2011-12	
	Leave Entitlement 31/03/2013	Gratuity (Funded) 31/03/2013	Leave Entitlement 31/03/2012	Gratuity (Funded) 31/03/2012
Current service cost	100.68	216.02	120.5	250.79
Interest cost	172.04	537.32	187.22	553.27
Expected return on plan assets	-	(605.87)	-	(641.09)
Net actuarial (gain) / Loss recognized in the year	825.21	821.8	283.68	365.69
Past service cost	-	-	-	-
Expenses recognized in statement of profit and loss	1097.93	969.27	591.4	528.64

Gratuity expenses includes ₹ 2.19 lakhs (Previous year ₹ 2.30 lakhs), being amount paid towards insurance premium (Risk care).

As per the Approved Leave Policy of the Company, all employees are eligible for 8 days of sick leave in a calendar year which can be accumulated upto 90 days and can be encashed at the time of superannuation. Accordingly, Company has been actuarially valuing the sick leave liability every year and making provision in the accounts. The amount of such provision outstanding as at the beginning of the year (2012-13) is ₹ 2,47,74,633/- . During the current year, CAG has raised a query with respect to encashment of sick leave stating that the same is not encashable and hence the Company has not made any provision during the current year. The Company has also kept the payment of sick leave encashment at abeyance. As per the long term settlement between the Company and the Trade Unions, it was mutually agreed that unavailed sick leave accumulated upto 90 days can be encashed at the time of superannuation. Since the Company has kept the payment for sick leave at abeyance, the Unions have raised this issue before the Regional Labour Commissioner (Central) as a violation of the Long Term Settlement. The Regional Labour Commissioner (Central) has already issued a notice to the Company in this regard and the case is pending disposal. In view of the above, the Company has not made any adjustment to the provision for accumulated sick leave liability as aforesaid.

Note 24 : Finance costs

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Bank interest	2249.75	1169.65
Interest others	6.19	6.99
Interest under Income Tax Act	7.69	66.21
Bank Charges	49.54	69.24
Total	2313.17	1312.09

Note 25 : Depreciation and Amortisation

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Depreciation on tangible assets	1441.75	1265.03
Amortisation of intangible asset	8.98	29.54
Loss on revaluation of tools	446.46	507.79
Loss on sale and write off of fixed assets	24.40	4.91
Total	1921.59	1807.27

NOTES ON ACCOUNTS

Note 26: Other Expenses

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Consumption of stores	1125.33	938.55
Consumption of spares	209.48	210.59
Rates and taxes	58.30	134.97
Power	1348.06	1060.63
Fuel	770.85	621.97
Water	143.99	118.12
Repairs and maintenance:		
Building and roads	488.03	279.26
Plant and machinery	275.26	416.80
Others	641.73	537.44
Maintenance dredging	607.38	1043.02
Transport and stores handling	190.55	242.47
Travelling and conveyance expenses	358.89	264.43
Printing and stationery	56.49	53.39
Postage, telephone and telex	45.97	37.45
Advertisement and publicity	141.73	98.88
Lease rent	23.12	17.05
Hire charges	158.80	109.58
Insurance	177.93	152.59
Security expenses	527.61	445.15
Auditors remuneration	5.99	5.79
Auditors remuneration for other services	0.28	0.25
Training	183.61	177.97
Legal expenses	8.30	4.65
Liquidated damages	1846.96	2487.39
Consultancy	40.63	53.18
Loss on derivative contracts (Net)	911.21	2145.98
Corporate social responsibility	300.00	350.00
Expenditure on exchange variation	(731.16)	(320.18)
Miscellaneous expenses	305.54	323.93
Total	10220.86	12011.30



NOTES ON ACCOUNTS

Note 27 : Provision for Anticipated Losses and Expenditure

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Provision for doubtful debts / advances	9.24	389.56
Provision for non moving inventory	74.89	27.01
Provision for liquidated damages	190.00	0.00
Provision for loss on ship building	0.00	18.83
Provision for employee benefits	0.00	71.25
Provision for contingencies	0.00	109.42
Total	274.13	616.07

Note 28. Earnings per Equity Share

	2012-13	2011-12
Net Profit after Tax (₹ in lakhs)	18526.76	17232.69
No of Equity Shares (Nos)	113280000	113280000
EPS (in ₹)	16.35	15.21

NOTES ON ACCOUNTS

Note 29: CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	CONTINGENT LIABILITY (To the extent not provided for)		Brief Description of the nature and obligation
	As on 31 Mar 2013 (₹ in Lakhs)	As on 31 Mar 2012 (₹ in Lakhs)	
A			
a			
i	3330.60	2904.10	Claim for agency commission of USD 2.5 million + interest @ 18 % pa thereon for 8 years. Presently under arbitration
b			
i	19533.59	34915.91	Represents LC opened by the Company in various banks for procurement of materials/assets
c			
i	69.06	100.00	Claim raised by GCDA for the land acquired for the Company is settled. However, 8 LAR Cases (Valued at ₹69.06 lakhs filed by evictees is pending with the Hon'ble Supreme Court.)
ii	20548.47	11470.00	Customs duty for materials under Bond
iii	2546.82	2546.82	Hearing on the appeal filed before the KVAT Appellate Tribunal has been completed. Reserved for order. Detailed notes in 29.1



NOTES ON ACCOUNTS

(Contd..)

iv	Demand for KGST/KVAT for the Assessment Years 2001-02, 2004-05, 2005-06 & 2007-08 mainly due to levy of KVAT on the export turnover of ships	8651.08	8531.15	2000-01 - ₹ 119.93 Lakhs 2001-02 - ₹ 73.44 Lakhs 2004-05 - ₹ 196.37 Lakhs 2005-06 - ₹ 2786.63 Lakhs 2007-08 - ₹ 5474.71 Lakhs. Under appeal. Stay of collection of tax obtained in all cases. Detailed notes in 29.1
v	Income Tax	422.58	118.57	Demand relating to Assessment Years: AY 2000-01 - Rs. 63.27 Lakhs AY 2002-03 - Rs. 8.28 Lakhs AY 2003-04 - Rs. 0.27 Lakhs AY 2004-05 - Rs. 0.47 Lakhs AY 2005-06 - Rs. 19.22 Lakhs AY 2008-09 - Rs. 8.65 Lakhs AY 2010-11 - Rs. 322.42 Lakhs
	a. Service Tax	1647.47	1647.47	Demand of Service Tax on IACP-71 (Design Consultancy) as per Show Cause Notice issued. Reply to Show Cause Notice filed. No further action from Department side.
vi	b. Service Tax	322.90	322.90	Service Tax on the amount paid towards Brokerage and commission. Presently under appeal.
	c. Service Tax	242.40	0.00	Demand of Service Tax on the TDS amount on the foreign remittances made on which Service Tax has been paid.
B	COMMITMENTS (To the extent not provided for)			
a	Estimated amount of contracts remaining to be executed on capital account and not provided for:	334.72	2335.06	

NOTES ON ACCOUNTS

29.1 CONTINGENCIES AND COMMITMENTS

(I) Income Tax Assessments:

The Income Tax Assessments of the Company have been completed upto AY 2010-11. Demands as per the assessment orders totaling ₹422.58 Lakhs for the Assessment Years 2000-01 to 2010-11 except for the years 2001-02, 2006-07 & 2007-08 and 2009-10 where there is no demand has been shown under contingent liability pending disposal of the appeals filed before the CIT(Appeals). The demands are mainly due to disallowance of the expenditure such as loss on revaluation of loose tools, amount paid towards brokerage and commission, depreciation on temporary structures and additional depreciation on plant and machinery claimed, etc.

II) Sales Tax Assessments under KGST Act

The Sales Tax assessments under KGST upto the assessment year 2004-05 have been completed and orders were issued for all the years except for the year 2002-03 & 2003-04. Due to apparent mistake in the orders issued for the year 2000-01 and 2001-02, applications have been filed for rectification of the orders. Pending rectification to the assessment orders the demands thereto have been shown under contingent liabilities. For the Assessment Year 2004-05, against the demand for ₹196.37 Lakhs, Company has filed appeal before the DC(A) against the disallowance made by the Assessing Officer particularly with regard to the treatment of export sales which has been treated as a local sale by the Department. Pending disposal of the appeal, the tax due as per assessment order has been shown under contingent liabilities.

III) Sales Tax Assessments under KVAT Act

(i) Against the order issued by the Intelligence Officer, Commercial Taxes Department demanding ₹2546.82 Lakhs as penalty towards purported non-payment of KVAT of ₹1273.41 Lakhs in respect of the export turnover of five Platform Supply Vessels (viz. BY 060-64) delivered to foreign buyers in the year 2008-09, the Company has filed appeal before the Appellate Tribunal challenging the denial of exemption of the export turnover and simultaneously filed a Writ Petition before Hon'ble High Court of Kerala for stay on the collection of the demand. Hon'ble High Court has granted absolute Stay on the collection of demand till disposal of the appeal by the Appellate Tribunal, with a direction to consider the various rulings given by the Hon'ble Supreme Court in similar cases. Pending decision in the appeal, the penalty demand of ₹2546.82 Lakhs has been shown as Contingent Liability.

(ii) The KVAT assessments for the years upto 2007-08 have been completed and assessment orders were issued for

2005-06 and 2007-08. The demands raised thereto amounting to ₹2876.63 Lakhs and ₹5474.71 Lakhs respectively for the above years are mainly due to denial of exemption towards export turnover. The Company has filed appeal before the Deputy Commissioner (Appeals) and also filed Writ petitions before the Hon'ble High Court for stay of collection of demand which was granted by the High Court. The appeals filed before the DC(A) are yet to be disposed. Pending the above, the net demands have been shown under Contingent Liabilities. The assessment for the subsequent years have not been completed.

30. The dispute between M/s Apeejay Shipping Limited (Formerly Surendra Overseas Limited) and the Company in the matter of Ship 005 was referred for arbitration by the Hon'ble Supreme Court of India. The Arbitration Award (July 2009) was in favor of the Company under which the Company is to receive ₹ 2803.64 lakhs from M/s Apeejay Shipping Limited. The Company has filed a petition before Sub Court, Ernakulam for passing a decree and the matter is pending. M/s Apeejay Shipping has moved the Sub Court to quash the Award of the Umpire and the Company has filed Counter Affidavit against this move. No credit has been taken in the books of accounts, pending final decree of the Court.

31. In the case of contracts/sub-contracts, wherever final bills are not submitted by the contractors for the work done as at the close of the year, liability is estimated and provided for based on the work done.

32. Balances of sundry debtors, loans and advances, deposits, claims and sundry creditors are subject to confirmation.

33. Figures in brackets denotes minus figures.

34. Previous year's figures have been regrouped and reclassified wherever necessary to conform to current year's presentation.



NOTES ON ACCOUNTS

35. Segment Reporting: The Company is engaged in two major activities, viz, Shipbuilding and Repair of ships / offshore structures. Segment wise analysis has been made on the above basis and amounts allocated on a reasonable basis.

(₹ in lakhs)

	SHIP BUILDING	SHIP REPAIR	UNALLOCATED	TOTAL
SEGMENT REVENUE				
EXTERNAL SALES	126759.37	28656.83	2920.18	158336.38
INTEREST	0.00	0.00	5897.18	5897.18
TOTAL REVENUE	126759.37	28656.83	8817.36	164233.56
ACCRETION/(DECRETION)TO WIP	5719.36	(414.71)	0.00	5304.65
SEGMENT RESULT	11962.66	9621.22	5971.19	27555.07
TAX (NET)				9028.31
NET PROFIT				18526.76
OTHER INFORMATION				
SEGMENT ASSETS	105495.15	27089.21	105672.26	238256.62
SEGMENT LIABILITIES	95667.88	5401.38	137187.36	238256.62
CAPITAL EXPENDITURE	2133.37	4413.63	397.74	6944.74
DEPRECIATION	838.86	398.02	213.85	1450.73

36. Value of imports on CIF basis

(₹ in lakhs)

Particulars	2012-13	2011-12
Raw materials	37261.45	38942.84
Components & Spares	17068.70	6552.90
Capital goods	43.86	2603.06
	54374.01	48098.80

NOTES ON ACCOUNTS

37. Value of imported/indigenous raw materials, spares and bought out components consumed and percentage thereof:

Particulars	2012-13		2011-12	
	Value (₹ in lakhs)	%	Value (₹ in lakhs)	%
<u>Raw Materials</u>				
Imported	2533.41	31.60	4175.41	47.74
Indigenous	5482.90	68.40	4570.75	52.26
	8016.31	100.00	8746.16	100.00
<u>Bought out components</u>				
Imported	51752.02	64.85	24613.68	42.11
Indigenous	28051.81	35.15	33832.74	57.89
	79803.83	100.00	58446.42	100.00
<u>Spares</u>				
Imported	48.16	22.99	35.98	17.09
Indigenous	161.32	77.01	174.61	82.91
	209.48	100.00	210.59	100.00

38. Expenditure in foreign currency (on payment basis) other than those in item 36 above. (₹ in lakhs)

Particulars	2012-13	2011-12
Payments to foreign consultants	752.12	572.14
Commissioning and installation charges	742.57	2332.33
Brokerage & commission	663.92	682.54
Advance payments to suppliers	2229.87	1302.34
Design & documentation charges	1311.57	1018.31
Others	952.28	16.83



NOTES ON ACCOUNTS

39. Earnings in foreign exchange (on due basis)

(₹ in lakhs)

Particulars	2012-13	2011-12
Income from shipbuilding	61251.55	67719.97
Income from ship repair	NIL	NIL

40. Related party disclosure as per AS 18

Name of the transacting related party	Relationship between the parties	Name of transaction	Volume of transaction (₹ in lakhs)
Cmde K Subramaniam	Chairman & Managing Director	Remuneration	36.21
Shri Ravikumar Roddam	Director (Finance)	Remuneration	30.68
Shri P Vinayakumar	Director (Technical)	Remuneration	23.92
Capt R S Sundar	Director (Operations)	Remuneration	22.87

For and on behalf of Board of Directors

Sd/-
V KALA
Company Secretary

Sd/-
RAVIKUMAR RODDAM
Director (Finance)

Sd/-
CMDE K SUBRAMANIAM
Chairman and Managing Director

Kochi, dated the 17th June 2013

As per our report of even date

MENON & AYYAR
Chartered Accountants
(Firm Reg. No.002058S)

A RAVEENDRAN
(Partner)
(Membership No 019893)
Kochi, dated the 17th June 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
A. Cash flow from operating activities		
Net profit before tax	27555.07	25296.93
Adjustments for :		
Depreciation & amortisation	1450.73	1294.57
Interest paid	2263.63	1242.85
Interest received	(5897.18)	(5013.97)
Loss /(profit) on sale of fixed assets	24.40	4.91
Loss on derivative contracts	911.21	2145.98
Exchange difference from FE transactions	(731.16)	(320.18)
Hedge reserve account	(137.59)	(2635.92)
Dividend income	(6.05)	(0.66)
Operating cash flow before working capital changes	25433.06	22014.51
Adjustments for working capital changes:		
Inventories	567.79	(12777.78)
Trade and other receivables	12905.22	31560.43
Trade and other payables	(38867.43)	(5383.19)
Cash generated from operation	38.64	35413.97
Tax paid	7666.50	9044.50
Net cash generated from Operating Activities (A)	(7627.86)	26369.47
B. Cashflow from investing activities		
Purchase of assets	(6944.74)	(1493.12)
Capital work-in-progress	(7439.05)	(2644.79)
Sale/withdrawal of fixed assets	0.00	0.18
Interest received	5897.18	5013.97
Dividend income	6.05	0.66

(Contd..)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013**

(Contd..)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
	₹ in lakhs	₹ in lakhs
Net cash from investing operation (B)	(8480.56)	876.90
C. Cashflow from financing activities		
Redemption of Preference Shares	(3914.20)	(4000.00)
Loss on cancellation of derivative contracts	(911.21)	(2145.98)
Loss on Exchange difference from FE transactions	731.16	320.18
Dividend paid	1973.19	1686.79
Interest paid	(2263.63)	(1242.85)
Net cash from financing activities (C)	(4384.69)	(5381.86)
D. Net Increase in Cash & Cash Equivalent (A)+(B)+(C)	(20493.11)	21864.51
Cash and cash equivalent at the beginning of the year	90889.60	69025.09
Cash and cash equivalent at the end of the year	70396.49	90889.60
Net cash increase/ (decrease)	(20493.11)	21864.51

For and on behalf of Board of Directors

Sd/-
V KALA
Company SecretarySd/-
RAVIKUMAR RODDAM
Director (Finance)Sd/-
CMDE K SUBRAMANIAM
Chairman and Managing DirectorKochi, dated the 17th June 2013

As per our report of even date

For M/s MENON & AYYAR
Chartered Accountants
(Firm Reg. No.002058S)**A RAVEENDRAN**
(Partner)
(Membership No 019893)
Kochi, dated the 17th June 2013

DETAILS OF MAINTENANCE ON TOWNSHIP AND OTHER SOCIAL OVERHEADS

(₹ in lakhs)

	2012-13	2011-12
1. Township expenses (Net including depreciation)	50.93	77.93
2. Medical expenses	215.41	252.16
3. Canteen subsidy	219.48	202.71
4. Leave Travel Concession	26.68	31.49
5. Liveries & Uniforms	60.95	54.87
6. Workmens Compensation	3.02	3.77
7. Death Benevolent Fund	21.18	22.01
8. Interest Subsidy to employee	32.91	37.28
9. Group personal accident insurance	6.73	5.45
10. Other welfare expenses	138.40	99.54
TOTAL	775.69	787.21

STATEMENT SHOWING EXPENDITURE ON PUBLIC RELATIONS AND PUBLICITY

(₹ in lakhs)

	2012-13	2011-12	2010-11
1. Advertisement	61.46	52.59	56.99
2. Publicity	54.47	35.37	34.03
3. Entertainment	40.34	15.20	11.43
4. Guest House Expenses	5.82	4.35	3.68



VISION/MISSION

Vision

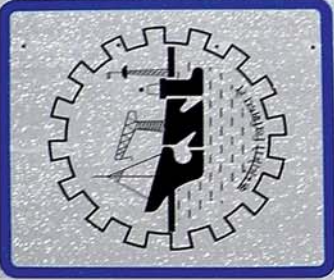
- (i) Emerge as an internationally preferred shipyard to construct world class Merchant and Naval ships, Offshore vessels and structures.
- (ii) Become market leader in ship repair, including conversions/ up-gradation.

Mission

- (i) To build and repair vessels to international standards and provide value added quality engineering services.
- (ii) Sustain corporate growth in competitive environment.

OBJECTIVES

- (i) To sustain and enhance commercial shipbuilding activities through technology up-gradation and capacity augmentation
- (ii) To continuously endeavor to expand/diversify activities of the shipyard including setting up new facilities.
- (iii) To carry out Research & Development in Welding and Clean Ship Design Technology.
- (iv) To Motivate employees through improved specific training programs.
- (v) To adopt best practices for clean and safe environment.
- (vi) Ride the down time with aggressive bidding and secure orders to maximize capacity.



കൊച്ചിൻ ഷിപ്പ്യാർഡ് ലിമിറ്റഡ് &
തൃശ്ശൂർ വകുപ്പ്, കേരളം
500 ടൺ ബോളാർഡ് പൂൾ
പരിശോധനാ സംവിധാനം
വിഷിഞ്ഞം

കൊച്ചിൻ ഷിപ്പ്യാർഡ് ലിമിറ്റഡ് &
പതന വിഭാഗം, കേരളം
500 ടൺ ബോളാർഡ് പൂൾ
പരിക്ഷണ സുവിധി
വിഷിഞ്ഞം

COCHIN SHIPYARD LTD. &
DEPARTMENT OF PORTS, KERALA
500 T BOLLARD PULL
TEST FACILITY
VIZHINJAM





कोचीन शिपयार्ड लिमिटेड
COCHIN SHIPYARD LTD



P.O. Bag No: 1653, Cochin - 682 015
Ph: +91 484 2380181, 2361181. Fax: +91 484 2370897, 2383902
www.cochinshipyard.com