



PIPAVAV DEFENCE AND OFFSHORE ENGINEERING COMPANY LIMITED  
ANNUAL REPORT 2012 - 2013



**ASPIRE**  
**ACHIEVE**  
**ADVANCE**

**Pipavav Defence and Offshore Engineering Company Limited ("PDOC") journey is unique, unlike any other, originating from humble beginnings, reinforced with ambitious dreams.**

## **A dream to ASPIRE**

- » Become India's first integrated Defence Company with focus on Warship building.
- » Contribute towards Indian Government's policy of self-reliance in manufacture of strategic defence assets and emerge as an exporter of Warships.
- » Become a global maritime player in fabrication, repair and refurbishment of Offshore Oil & Gas Exploration and Production assets ("Offshore Assets") and Commercial Ship building.

While some may have doubted our aspirations, we diligently continued building firm foundations, with belief, faith and hard work.

The journey progressed and soon we started establishing milestones.

**01** ASPIRE ACHIEVE ADVANCE

**02** Highlights of 2012-13

**04** PDOC firsts...

**06** Infrastructure Highlights

**08** ADVANCE to the fore...

**10** Chairman's Message

**14** Board of Directors

**16** Corporate Identity

Each milestone is  
a testimony to our  
determination to

## ACHIEVE

- » The largest maritime infrastructure in India and one of the largest dry docks in the world.
- » Panamax vessels and Offshore Support Vessels delivered in the last 2 years.
- » Strategic alliances with leading defence solutions providers of the world.
- » 1<sup>st</sup> private sector company to receive the industrial license to build defence vessels and subsequently,
- » 1<sup>st</sup> private sector company post-independence to receive contract for construction of warships from the Indian Navy.

As we speed ahead powered by our achievements, we have the future clearly defined.

A future, as India's first  
integrated defence  
company, to further

## ADVANCE

- » Manufacture of strategic assets like Aircraft carriers, destroyers, frigates and Landing Platform Docks (LPDs).
- » Largest dry docking capacity at a single location in the world, post completion of new dry dock.
- » Venture into producing military hardware for the Indian Army and the Indian Air Force.
- » Creation of a Warship Design House to put India on the global map of integrated warship building.



At PDOC, we continue to  
**ASPIRE ACHIEVE ADVANCE**

|    |   |
|----|---|
| 17 | Directors' Report                         |
| 24 | Management Discussion and Analysis Report |
| 30 | Report on Corporate Governance            |
| 41 | Independent Auditors' Report              |

|    |                                   |
|----|-----------------------------------|
| 46 | Standalone Financial Statements   |
| 81 | Statement Pursuant to Section 212 |
| 82 | Consolidated Auditors' Report     |
| 84 | Consolidated Financial Statements |



# Highlights of 2012-13



**Delivered GOLDEN  
BRILLIANT & GOLDEN  
PEARL in 2013**

GOLDEN BRILLIANT  
& GOLDEN PEARL,  
Panamax bulk  
carriers, delivered  
to our international  
customer.

**Delivered Offshore  
Supply Vessels (OSVs)  
to ONGC in 2013**

These are part of the  
order of OSVs that the  
Company has received  
from ONGC.



#### Order from ONGC for “Sagar Laxmi” Modification Project

The Company received prestigious contract from ONGC for modification of its Mobile Offshore Production Unit (MOPU) “Sagar Laxmi”.

#### Key strategic alliance with SAAB AB, Sweden

SAAB AB, Sweden (“SAAB”) invested approx. ₹ 201 Crore in the Company. This is the first strategic investment made by a global defence major in an Indian company focusing on defence market. SAAB is a global leader in military hardware, meant for Army, Navy and Air force and will bring in advanced technology into India through the Company, which will immensely benefit India’s armed forces.

#### Alliance with Alion Science and Technology Corporation, USA (“Alion”)

The Company has entered into a contract with Alion, one of the premier naval ship design companies in the world, for Naval Offshore Patrol Vessels (“NOPVs”) project.

**Joint Venture Company “Mazagon Dock Pipavav Defence Private Limited” formed in December 2012 - the first public-private partnership in the defence sector in India to build surface warships for the Indian Navy**

Mazagon Dock Ltd. is India’s premier defence public sector undertaking accounting for more than 85% of naval vessels built in India and having an existing order book of more than ₹ 95,000 Crore.

#### Alliance with DCNS, France

The Company has a strategic partnership with DCNS, France, a world-renowned warship and submarine manufacturer for building assets for the Indian Navy such as the LPD project.

#### Construction of new Dry Dock

To execute anticipated Naval and Offshore Assets projects, construction of new dry dock is in progress. Upon completion of new dry dock, the Company will have one of the largest dry-docking capacities at a single location in the world.



# PDOC firsts...

**PDOC has been the first to challenge the status quo and dared to lead the change.**

*World class large commercial vessels could not be made in India.*  
It was PDOC that first aspired to make world-class large commercial vessels in India.

*India did not possess large docks, in public or private sectors.*  
It was PDOC that first aspired to build the largest docks in India.

*India had to rely on imports for its defence requirements.*  
It was PDOC that first aspired to make India self-reliant in its naval defence requirements.

*India can not manufacture defence equipment for the global market.*  
It was PDOC that first aspired to envision India as a net exporter of warships and earn valuable foreign exchange.



## Vision

To make the Company one of the best in the world in every aspect with focus on Defence, Offshore and Heavy Engineering in the coming decade and to humbly contribute towards India becoming net exporter of warships, oil and gas assets.

## Mission

To create value and visibility for all stakeholders on a sustainable basis by leveraging PDOC's advanced capabilities to exploit global opportunities.

## Business Strategy

The key elements of our strategy to achieve this vision are:

- » Create new capacities which will ensure that construction schedules have faster turn-around times and faster cash inflows into the Company;
- » Transform defence manufacturing into the core focus of our business;
- » Partner with well-known foreign defence companies;
- » Increase and deepen our capabilities for offshore engineering business activities; and
- » Enhance product quality and ensure customer satisfaction in order to gain additional market share.

# Infrastructure Highlights

Two goliath cranes  
**1,200 MT**  
Lifting Capacity

Facility  
**Pipavav,  
Rajula**

Project Land  
**491.62  
Acres**

Steel  
fabrication  
unit  
**1,44,000  
MTPA**

New Dry  
Dock being  
constructed

Existing Dry  
Dock  
**662m x  
65m**





India's largest dry dock capable of building vessels upto 4,00,000 DWT.

World class, modular shipbuilding and very large fabrication facility having closed working sheds of 2.1 million square feet.

1,44,000 Metric Tonnes per annum steel fabrication facility.

Two Goliath cranes capable of lifting mega ship blocks weighing upto 1,200 Metric Tonnes.

New dry dock under construction, capable of building several large strategic naval assets and large Offshore Assets simultaneously.

## Achieve world class ship building

### Achieve commercial success

#### Major contracts and orders won...

- » Contract for 5 NOPVs worth ₹ 2,974.58 Crore from the Indian Navy in 2011.
- » Selected by Mazagon Dock Limited as the Joint Venture partner in 2012 to build surface warships.
- » Prestigious contract worth approx. ₹ 400 Crore from ONGC inter alia for modification of MOPU Sagar Laxmi.

#### ...and delivered

- » Panamax vessels
- » Offshore Support Vessels (OSVs)
- » Refurbished Oil Rigs

Mr. Bhavesh Gandhi, Executive Vice-Chairman, Pipavav Defence and Offshore Engineering Company Ltd. and Rear Admiral (Retd.) R. K. Shrawat, AVSM, Chairman & Managing Director, Mazagon Dock Ltd., exchanging documents on signing the landmark agreement to build surface warships for the Indian Navy.



# ADVANCE to the fore...

**PDOC is advancing to the fore as a leading integrated defence player strengthening India's defence capabilities.**

## **Advance - Defence**

Between 2012 and 2022, an estimated US\$ 90 billion will be spent by the Indian Navy for warships and strategic acquisitions.

Between 2012 and 2017, the Indian defence offset opportunity is estimated to be worth US\$ 22 billion.

Defence Procurement Procedure 2013 aimed at giving boost to indigenisation of defence equipment through preference for 'Buy (Indian)', 'Buy and Make (Indian)' category.

## **Advance - Offshore Assets**

Oil exploration activities increasing rapidly with demand going up to between US\$ 20-25 billion for facilities like rigs, platforms, drill ships and floating production storage platforms over the next 5-7 years.

## **Advance - Ship Repairs**

India's strategic location on the international trade route makes it an ideal ship-repair destination.

## **Advance - 10 years Advantage**

The infrastructure that PDOC has built in a short span of time has placed it at least 10 years ahead of any new player venturing in this space.

## Awards

During the year, PDOC was awarded “The Gateway Awards - SHIPBUILDING COMPANY OF THE YEAR 2013”, in recognition of setting up a huge infrastructure and entering into meaningful joint ventures. The award also recognises satisfactory reports from customers who have accepted delivery of ships.

The award also appreciates that:

*Achievements of PDOC in terms of infrastructure development and improvement are stellar, not only for the Company, but for the entire nation. The scale and technology of the yard's infrastructure has placed India as a major player on the global shipbuilding map.*



## Global Strategic Alliances

Key strategic alliances with leading global players for sharing technology and key know-how in defence shipbuilding and other military hardware.

Strategic investment in the Company by Sembcorp Marine - first ever investment in an Indian shipbuilding company by a global marine and offshore engineering company.

Strategic partnership with SAAB for sharing world class technical expertise in defence technology and investment of approx. ₹ 201 Crore in PDOC.

Negotiations for key technology and know-how with international defence majors specialising in manufacture of surface combatants, submarines, mission-critical systems and equipments.

## Unique Location

Located on the western coast of India along the Persian Gulf- Asia sea route. Approximately 150 nautical miles from Mumbai.

Between Dubai and Singapore and adjacent to some of the busiest shipping lanes in the world.

Adjacent to Pipavav port, a protected harbour with natural backwater, tranquil maritime conditions, short navigation channels and deep draft.

Close proximity to Indian and Middle East offshore oil fields.

## Unmatched Range of Products

### Offshore Group

#### OUR CAPABILITIES

Mobile Offshore Drilling Units ('MODU')  
Mobile Offshore Production/ Process Units ('MOPU')  
Floating Production Storage & Offloading Units ('FPSO')  
Mobile Offshore Water Injection Platforms

Well Head Platforms  
Process Platforms  
Living Quarters Platforms  
Drill Ships & Semi-submersible Units  
Floating Storage and Re-gasification Units

### Naval Vessels

#### CURRENT CAPABILITIES

Offshore Patrol Vessels  
Frigates  
Corvettes  
Destroyers  
Research Assets

#### FUTURE CAPABILITIES

Aircraft Carriers  
Landing Platform Docks  
Submarines





# Chairman's Message

I am delighted to share with you that with your continued support and confidence, your Company is rapidly evolving as India's leading integrated defence company. It has been an exciting and eventful year at your Company. Despite a challenging global macroeconomic environment, we have maintained our pace of delivery and execution. We are also gaining momentum with our initiatives in the Offshore Oil & Gas Exploration and Production Assets Construction ("Offshore Assets") and Heavy Engineering sectors,

which are expected to deliver sustainable value over the coming years.

Our growth initiatives come in the backdrop of a global economy that continues to grow moderately, with much of the developed world still recovering from the aftershocks of 2008 and even emerging economies unable to bounce back from sluggish growth of the last few years. The Eurozone debt crisis has further impacted economic initiatives across the

globe and although the US is showing initial signs of improvement, return to normal growth is expected to take longer. The Indian economy is still far away from the spectacular 8% annual growth witnessed a few years ago. The depreciating Indian currency has posed further challenges for the Indian economy. One of the key drivers of long-term global economic expansion, India needs to attract foreign investments in key growth areas to give further impetus to its economy. The Government's decision to allow Foreign Direct Investment (FDI) upto 49%, albeit on a case-to-case basis, in the Defence sector for investment proposals entailing induction of state-of-the-art technology, is a welcome move. This augurs well for the growth prospects of your Company.

In this challenging environment, your Company currently stands at a decisive point. The Government of India has continued to increase budget allocations for the Defence sector over the last three years and we are well placed to make our humble contribution towards securing the Country's shores. Building on the foundation of world-class infrastructure, we have strengthened ties with several global defence solution providers through strategic partnerships to create best-in-class competencies to serve the Country. With the Government's continued focus on public-private partnerships, we are currently uniquely positioned to deliver complex, high value orders for the Defence sector.

We are all set to ASPIRE, ACHIEVE and ADVANCE to newer horizons and scale greater heights. We are at the cusp of a huge opportunity in the Indian defence space. The Defence Procurement Procedure has clearly emphasised the need for indigenisation of defence manufacturing by promoting 'Buy Indian and 'Buy and Make Indian'. This opportunity is particularly enticing for your Company as the Indian Navy is planning to spend a substantial amount towards acquisition of warships and strategic assets. The Indian Coast Guard has similar expansion plans.

The marquee event this year was the formation of Joint Venture (JV) with Mazagon Dock Limited, India's premier defence public sector undertaking. Your Company is one of the first Indian private sector companies to be selected for this JV. This JV will contribute to speedy execution of Mazagon Dock's existing order book.

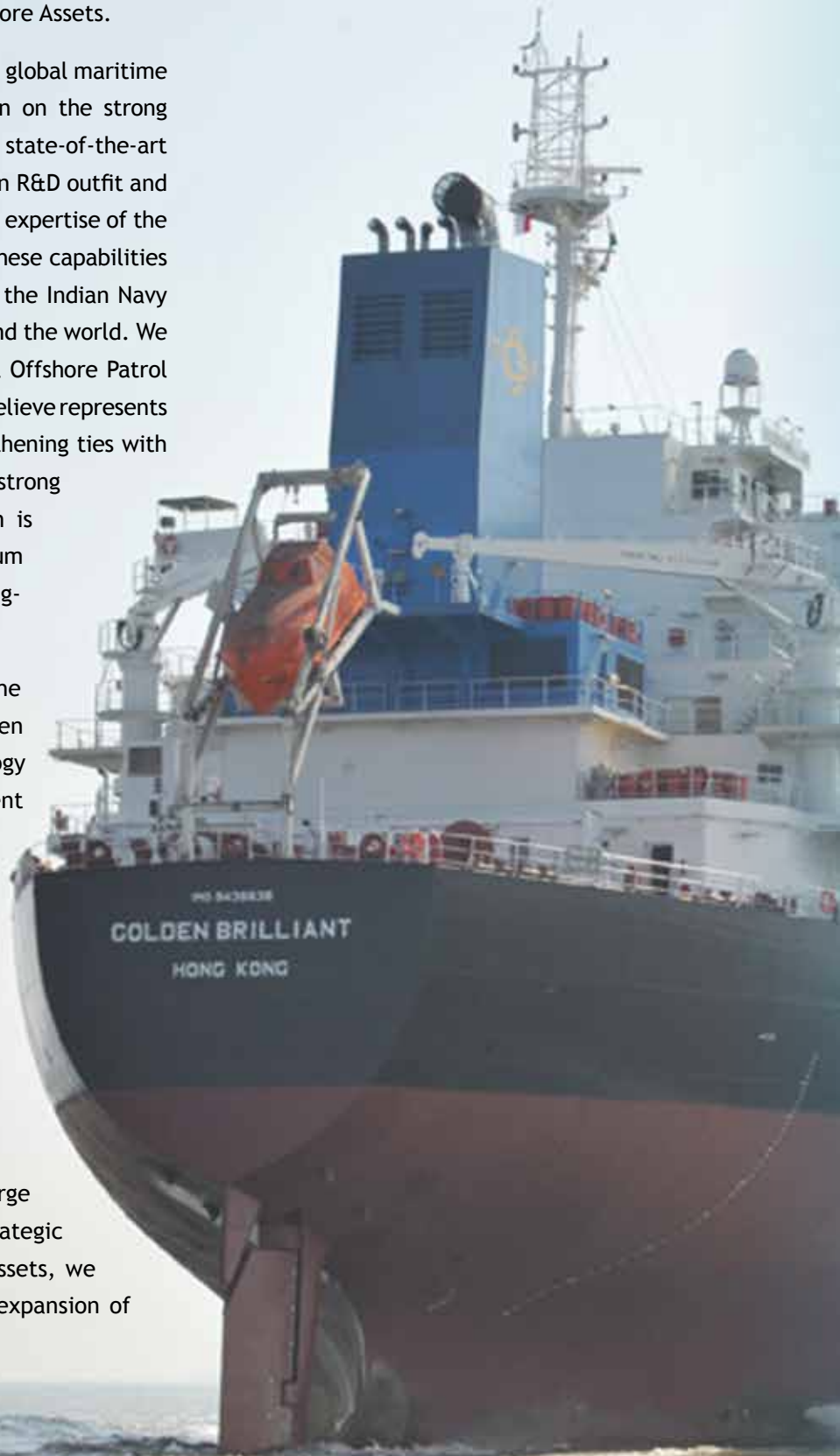
Another sector that has high growth potential is Offshore Assets. Ship/Rig repair is another opportunity that is increasingly becoming attractive. Your Company has already secured a prestigious contract worth approximately ₹ 400 Crore from ONGC, for modification of "Sagar Laxmi", a critical asset of ONGC for its offshore operations. We are proud to be the only Indian company to receive orders from two of the world's largest offshore establishments, whose rigs were repaired at our facility. The demand for Offshore Oil & Gas exploration continues to increase and your Company

stands to gain from its technical capabilities to build, fabricate, repair and refurbish Offshore Assets.


Your Company is aspiring to become a global maritime player. We are supporting this vision on the strong foundation of modern technology and state-of-the-art infrastructure, equipped with our own R&D outfit and complemented by access to technical expertise of the best international defence majors. These capabilities have allowed us to gain the trust of the Indian Navy and Navies of friendly countries around the world. We are presently constructing five Naval Offshore Patrol Vessels for the Indian Navy, which we believe represents the initial engagement in our strengthening ties with the Navy. Having established a strong operating platform, order execution is expected to gain further momentum translating into robust growth and long-term performance.

Another stellar achievement during the year was the entry of SAAB AB, Sweden ("SAAB") as a strategic technology partner along with its equity investment of approx. ₹ 201 Crore in your Company. SAAB is a global leader in military hardware, meant for Army, Navy and Air force and will bring in advanced technologies into India through the Company, which will immensely benefit India's armed forces.

In order to enable us to build large and extremely complex Defence strategic assets and very sizeable Offshore Assets, we have embarked upon an ambitious expansion of







our infrastructure, through construction of a new dry dock which will be one of the largest such facilities in the world, capable of accommodating many large vessels simultaneously besides mega Offshore Assets.

We continue to forge strong alliances, with the objective of supporting the requirements of Defence and Offshore Assets sector, vital for national and energy security of the Country. We have the capabilities and continue to see strong business traction in our focused segments to deliver sustainable value for all stakeholders, create more jobs and fulfill our social obligations. We will continue to make our humble contributions towards India's quest to become self-reliant in these critical sectors.

Our success had only fuelled us to ASPIRE higher, ACHIEVE faster and ADVANCE further.

On behalf of the Company, I take this opportunity to thank all our key stakeholders - shareholders, government agencies, employees, bankers, financial institutions, partners and vendors, for their sustained faith and confidence in the Company. As the year ahead sees exciting growth opportunities for your Company, we will continue to persevere to convert our vision into reality.

We welcome you all to the 16<sup>th</sup> Annual General Meeting of your Company.

Yours sincerely,

Nikhil Gandhi  
Chairman

# Board of Directors

## Mr. Nikhil P. Gandhi

Mr. Nikhil P. Gandhi, is the Non-Executive Chairman of the Company. He is a first generation entrepreneur with business interest in marine equipments, marine engineering and infrastructure. Mr. Gandhi has been with the Company since its inception in 1997. Mr. Gandhi has over 30 years of experience as an entrepreneur of various infrastructure development projects. Under his leadership, the first private port in India viz. Gujarat Pipavav Port Limited was set up. Mr. Gandhi was one of the trustees of the Mumbai Port Trust on two occasions. Mr. Gandhi received several awards and recognitions including “Best Young Entrepreneur” award from the Ministry of Chemicals and Petrochemicals, Government of India and the “Great Son of Soil” award by the All India Conference of Intellectuals.

## Mr. Bhavesh P. Gandhi

Mr. Bhavesh P. Gandhi, is the Executive Vice-Chairman of the Company. He has been a Director since December 30, 2005. Mr. Gandhi commenced his career by joining SKIL Infrastructure Limited as a promoter and director responsible for business development. Mr. Gandhi has 27 years of experience as an entrepreneur. Mr. Gandhi has particular expertise in infrastructure development projects. Mr. Gandhi was awarded “Shipping, Marine and Ports (SMP) 2012 Young Entrepreneur Award”.

## Mr. Ajai Vikram Singh

Mr. Ajai Vikram Singh, is a Non-executive Independent Director of the Company. He was appointed as a Director on May 30, 2008. Mr. Singh joined the Indian Administrative Service in 1967 and has held various posts in the Central and the State Governments. Mr. Singh has been a District Magistrate, Commissioner, Secretary, Small Scale Industries; Secretary, Heavy Industries; Industrial Development Commissioner and Principal Secretary to the Government of Uttar Pradesh. Mr. Singh was the first Chief Secretary of Uttarakhand. In the Government of India, Mr. Singh has held various posts, including that of Additional Secretary and Financial Advisor to the Ministry of Industry, Secretary Revenue, Secretary, Ministry of Non Conventional Energy Resources, Secretary; Ministry of Road Transport and Highways and Defence Secretary. Mr. Singh also has been a director on the boards of a number of companies including IFCI, Maruti Udyog Limited, BHEL, HMT, Hindustan Aeronautics, Mazagon Docks, Goa Shipyard and Andrew Yule Limited.

## Mr. David Rasquinha

Mr. David Rasquinha, has been nominated as a Director by EXIM Bank w.e.f. April 25, 2011. Mr. Rasquinha is the Executive Director of the EXIM Bank. Mr. Rasquinha joined EXIM Bank in 1985 and since then had worked in the areas of Export Credit, Treasury, Multilateral Agency Funded Projects, Planning & Research, Risk Management, Trade Finance, Project Finance and Project Exports. Mr. Rasquinha secured a first class graduate degree in Economics from Bombay University and post graduation in Business

Management. Mr. Rasquinha is a Member of the National Jury for the CII - EXIM Award for Business Excellence, a Total Quality Management Award based on the TQM model of the European Foundation for Quality Management.

### **Mr. Nils Peter Sandehed**

Mr. Nils Peter Sandehed, is a Non-executive Director of the Company, nominated by a strategic investor namely SAAB AB (Publ.), Sweden w.e.f. May 27, 2013. Mr. Sandehed, MBA by qualification, served as SAAB Group Head of Corporate Investments until February 2013 and is currently serving as Senior Advisor, Business Development, to the Chief Executive Officer of SAAB. Mr. Sandehed has been part of the SAAB's management for 26 years and has served as a director on the Board of several companies around the world. Mr. Sandehed has vast experience in the fields of finance and business development.

### **Mr. R. M. Premkumar**

Mr. R. M. Premkumar, is a Non-executive Independent Director of the Company. He was appointed as a Director on October 15, 2007. Mr. Premkumar has a Master's degree in Arts (History) and a Bachelor's degree in Law from the Madras University. Mr. Premkumar

joined the Indian Administrative Service in 1968 and has handled many important assignments with the Government of India and Government of Maharashtra. His experience includes serving as the Additional Secretary to the Government of India for the Department of Atomic Energy, Chief Secretary to the Government of Maharashtra, Chairman of the Food Corporation of India, Managing Director of the Maharashtra State Financial Corporation, Development Commissioner of SEEPZ, Managing Director of Maharashtra State Cooperative Bank Limited and as Chief Executive Officer of Maharashtra Industrial Development Corporation. Mr. Premkumar is currently the Chairman and Director of the State Industrial & Investment Corporation of Maharashtra Limited ("SICOM").

### **Mr. Samar Ballav Mohapatra**

Mr. Samar Ballav Mohapatra, is a Non-executive Independent Director of the Company. He was appointed as a Director on May 30, 2008. Mr. Mohapatra has a Bachelor of Arts degree and a Master of Arts degree from the Delhi University. In 1967, Mr. Mohapatra joined the Indian Administrative Service and retired in 2004. Mr. Mohapatra held several key positions in the Government of India including Secretary, Ministry of Textiles; Special Secretary, Ministry of Home Affairs; Additional

Secretary and Financial Advisor, Ministry of Commerce and Director General of Foreign Trade and Managing Director of Industrial Development Corporation, Orissa.

### **Mr. S. Venkiteswaran**

Mr. S. Venkiteswaran, Senior Advocate, is a Non-executive Independent Director of the Company. He was appointed as a Director on September 18, 2007. Mr. Venkiteswaran has approximately 50 years of experience as a lawyer. Mr. Venkiteswaran completed his LL.B. degree from the Bombay University and enrolled to practise in the Bombay High Court in 1962. Mr. Venkiteswaran specialised in maritime and aviation related commercial disputes. Mr. Venkiteswaran has also been involved in arbitration in relation to shipping and has appeared as an expert witness on Indian law in several foreign arbitration and litigation proceedings. Mr. Venkiteswaran has been a member of the group constituted for updating admiralty laws.



# Corporate Identity

## BOARD OF DIRECTORS

|                            |                             |
|----------------------------|-----------------------------|
| Mr. Nikhil Gandhi          | Chairman                    |
| Mr. Bhavesh Gandhi         | Executive Vice-Chairman     |
| Mr. Ajai Vikram Singh      | Independent Director        |
| Mr. David Rasquinha        | Nominee Director, EXIM Bank |
|                            | Independent Director        |
| Mr. R. M. Premkumar        | Independent Director        |
| Mr. S. Venkiteswaran       | Independent Director        |
| Mr. Samar Ballav Mohapatra | Independent Director        |
| Mr. Nils Peter Sandehed    | Additional Director         |
|                            | (w.e.f. May 27, 2013)       |

## BOARD COMMITTEES

### Audit Committee

|                            |          |
|----------------------------|----------|
| Mr. R. M. Premkumar        | Chairman |
| Mr. Ajai Vikram Singh      | Member   |
| Mr. Bhavesh Gandhi         | Member   |
| Mr. David Rasquinha        | Member   |
| Mr. S. Venkiteswaran       | Member   |
| Mr. Samar Ballav Mohapatra | Member   |

### Shareholders' Grievance Committee

|                      |          |
|----------------------|----------|
| Mr. Nikhil Gandhi    | Chairman |
| Mr. Bhavesh Gandhi   | Member   |
| Mr. S. Venkiteswaran | Member   |

### Remuneration Committee

|                            |          |
|----------------------------|----------|
| Mr. S. Venkiteswaran       | Chairman |
| Mr. Nikhil Gandhi          | Member   |
| Mr. R. M. Premkumar        | Member   |
| Mr. Samar Ballav Mohapatra | Member   |

## CHIEF FINANCIAL OFFICER

Mr. Praveen Chand Mohnot

## CORPORATE COUNSEL & COMPANY SECRETARY

Mr. Ajit Dabholkar

## Registered Office

Pipavav Port, Post Ucchaiya, Via-Rajula,  
District Amreli - 365 560, Gujarat.

Tel No. (02794) 661 000

Fax No. (02794) 661 100

Website: [www.pipavavdoc.com](http://www.pipavavdoc.com)

Investor Grievance e-mail: [company.secretary@pipavavdoc.com](mailto:company.secretary@pipavavdoc.com)

## Corporate Office

SKIL House,  
209, Bank Street Cross Lane,  
Fort, Mumbai - 400 023.

Tel No. (022) 6619 9000

Fax No. (022) 2269 6022

## Registrar and Transfer Agent

Karvy Computershare Private Limited  
17-24, Vittalrao Nagar,  
Madhapur, Hyderabad - 500 081

Tel No. (040) 2342 0838

Fax No. (040) 2342 0814

E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Contact Person: Mr. S. Krishnan

## Statutory Auditor

M/s. Chaturvedi & Shah,  
Chartered Accountants

## Internal Auditor

M/s. M. A. Shah & Co.,  
Chartered Accountants

## DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting the 16<sup>th</sup> Annual Report of your Company together with audited financial statements for the year ended March 31, 2013.

### 1. FINANCIAL RESULTS

The financial performance of the Company, on standalone basis, for the year ended March 31, 2013 is summarized below:

(₹ in Crore)

| Particulars                                      | 2012-13  | 2011-12  |
|--|----------|----------|
| (a) Total Revenue                                | 2,613.03 | 1,891.47 |
| (b) Profit before Interest, Depreciation and Tax | 561.53   | 436.27   |
| (c) Less: Depreciation                           | 122.70   | 105.89   |
| (d) Less: Interest                               | 397.46   | 257.68   |
| (e) Profit before Tax                            | 41.37    | 72.70    |
| (f) Less: Provision for Tax                      | 12.65    | 54.18    |
| (g) Profit after Tax                             | 28.72    | 18.52    |

### 2. DIVIDEND

Considering the expansion and capex plans of the Company, your Directors have not recommended dividend for the year under review.

### 3. OPERATIONS

During the year under review, your Company has recorded total income of ₹ 2,613.03 Crore, showing an increase of 38.15% as compared to the income of ₹ 1,891.47 Crore during the previous financial year. The Company has earned operating profit i.e. Profit before Depreciation, Interest and Tax of ₹ 561.53 Crore for the year against ₹ 436.27 Crore for the previous year. Your Company earned net profit of ₹ 28.72 Crore, as against net profit of ₹ 18.52 Crore for previous year.

During the year under review, your Company successfully delivered one (1) no. of 74,500 DWT Panamax Bulk Carrier, the largest vessel of its class built in India, to one of its international customers

and two (2) nos. of Offshore Supply Vessels/ Offshore Support Vessels ("OSV") to ONGC.

The detailed information on all business activities of the Company is provided in the Management Discussion and Analysis Report.

### 4. SHARE CAPITAL

During the year, authorized share capital of your Company was increased to ₹ 1,000 Crore from ₹ 800 Crore, by creation of additional 20,00,00,000 equity shares of ₹ 10/- each.

During the year under review, paid-up share capital of the Company increased to ₹ 7,01,19,83,880/-, consequent to allotment of 1,00,00,000 fully paid-up equity shares to Grevek Investments and Finance Private Limited, one of the promoters of the Company, on exercise of conversion option of equivalent convertible Warrants on payment of 75% balance consideration of ₹ 58.50 Crore.

On May 13, 2013, the Company allotted 1,05,00,000 fully paid-up equity shares to Indian individual investors, on exercise of conversion right attached to equivalent convertible Warrants on payment of 75% balance consideration of ₹ 61.425 Crore. Accordingly, paid-up share capital of the Company increased to ₹ 7,11,69,83,880/-.

On May 27, 2013, the Company allotted 2,45,07,881 fully paid-up equity shares of ₹ 10/- each at a premium of ₹ 72/- per share to SAAB Aktiebolag i.e. SAAB AB (Publ.) ("SAAB"), a Sweden based strategic investor. Accordingly, paid-up share capital of the Company has increased to ₹ 7,36,20,62,690/-.

### 5. SUBSIDIARY COMPANIES

Details of the subsidiaries of your Company as on March 31, 2013 are as follows:

#### E Complex Pvt. Ltd. (ECPL)

ECPL, wholly-owned subsidiary of your Company, is engaged in the business of development of Special Economic Zones (SEZs). ECPL has developed a sector



specific SEZ for engineering goods/ sector at Village Rampara II, District Amreli, in the State of Gujarat.

During the FY 2012-13, ECPL recorded total income of ₹ 14.90 Crore and net profit of ₹ 2.32 Crore.

#### **PDOC Pte. Ltd.**

PDOC Pte. Ltd. was incorporated on September 5, 2012 in Singapore as a wholly-owned subsidiary of your Company, to explore business opportunities available for construction of offshore/ onshore oil & gas assets in or around Singapore.

#### **Pipavav Marine and Offshore Limited (PMOL)**

During the financial year 2012-13, your Company acquired 100% stake in Pipavav Marine and Offshore Limited (PMOL), making it a wholly-owned subsidiary of the Company. PMOL was incorporated on June 4, 2012 to undertake activities related to engineering, construction, installation of offshore oil & gas exploration and production assets and marine engineering activities. PMOL has not commenced its commercial operations till now. PMOL became wholly-owned subsidiary of your Company w.e.f. February 25, 2013.

**General Exemption:** In accordance with general exemption granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956 ("the Act") vide General Circular No. 2/ 2011 dated February 8, 2011, the Balance Sheet, Statement of Profit & Loss, Notes to Financial Statements, Directors' Report and Auditors' Report of its subsidiary companies are not being attached to this Report.

Consolidated Financial Statements presented by the Company include the financial information of its subsidiary companies. A statement showing key financials of the subsidiary companies forms part of the Annual Report in compliance with the said circular.

Annual Accounts of subsidiary companies of your Company shall be made available upon written request by any Member of the Company. The Annual Accounts of the subsidiary company will be made available at the Company's website and will also be kept open for inspection during business hours at the Registered Office of the Company and that of its subsidiary.

## **6. JOINT VENTURE WITH MAZAGON DOCK LIMITED**

Your Company formed a 50:50 joint venture with Mazagon Dock Limited, a defence public sector undertaking, to build surface warships for the Indian Navy within globally competitive time lines and price lines.

The joint venture company viz. "Mazagon Dock Pipavav Defence Pvt. Ltd." was incorporated on December 3, 2012 in the State of Maharashtra.

## **7. CONSOLIDATED FINANCIAL STATEMENTS**

Pursuant to Clause 41 of the Listing Agreement entered into with the Stock Exchanges ("Listing Agreement"), Consolidated Financial Statements prepared in accordance with 'Accounting Standard 21 on Consolidated Financial Statements', 'Accounting Standard 23 on 'Accounting for Investment in Associates' and 'Accounting Standard 27 on Financial Reporting of interest in Joint Ventures' form integral part of the Annual Report.

## **8. DIRECTORS**

The Board has seven Non-Executive Directors and one Executive Vice-Chairman. In terms of provisions of the Act and the Articles of Association of the Company, Mr. Samar Ballav Mohapatra retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offers himself for re-appointment. The Board commends re-appointment of Mr. Samar Ballav Mohapatra.

Mr. Bhavesh Gandhi was re-appointed as the Whole-time Director designated as Executive Vice-Chairman of the Company for a period of 5 years from April 1, 2013 to March 31, 2018. The terms and conditions of his re-appointment, including remuneration, are subject to approval of the Members.

Mr. Nils Peter Sandehed, nominated by SAAB, was appointed as an additional Director, by the Board of Directors of the Company with effect from May 27, 2013. Mr. Nils Peter Sandehed will hold office as an additional director till the conclusion of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying intention to



propose candidature of Mr. Sandehed for the office of Director whose period of office is liable to retire by rotation.

As required by Clause 49 of the Listing Agreement, details of the directors being recommended for re-appointment are provided in the Notice of ensuing Annual General Meeting.

## 9. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with provisions of Section 217(2AA) of the Act, your Directors hereby confirm that:

- a) in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of profit of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the Directors have prepared the annual accounts on a going concern basis.

## 10. AUDITORS & AUDITORS' REPORT

The Notes to Financial Statements read with the Auditors' Report are self-explanatory and therefore, do not call for any further explanations under Section 217(3) of the Act.

M/s. Chaturvedi & Shah, Chartered Accountants, Statutory Auditors of the Company, are retiring at the conclusion of the ensuing AGM and being eligible, offer themselves for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Act and that they are not disqualified for re-appointment as provided under Section 226 of the Act. Your Board recommends their re-appointment.

## 11. HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

### (a) Environment Management

Your Company is totally committed towards sustainable development and environment protection. Various initiatives such as greenbelt development at project sites, waste management etc. were undertaken by your Company to promote preservation of clean environment.

Your Company signed a Memorandum of Understanding (MoU) with the Gujarat Ecological Commission, Government of Gujarat, for carrying out mangrove plantation on Public Private Partnership basis.

### (b) Safety Management

A strong Occupational Health & Safety Management System based on OHSAS-18001:2007, ISO-14001:2004 and ISO-9001:2008 is in place to ensure safety of employees, contractors' manpower as well as equipment and machinery at project sites.

Occupational health and safety of employees and contractors' manpower are given utmost importance in the Company.

To keep the safety system agile and updated, extensive trainings on rescue, fire fighting, material handling etc. were conducted for the employees and contractors' workmen. Multi-level forums such as Workers' safety & welfare committee, Apex safety committee, Zonal Safety Council have been formed and meetings of these forums are conducted on monthly basis to ensure active participation of employees and contractors' workers. Regular mock drills & fire drills were conducted to check the emergency preparedness. Fire tender and rescue vans are available at the project site in addition to round-the-clock fire and rescue watch performed by a squad of 60 qualified employees to ensure foolproof safety.

### (c) Health & Hygiene

Your Company accords utmost priority to health and hygiene of its employees and contractors' workforce. Necessary trainings are imparted



to enhance their awareness towards first-aid and other health related matters. National Safety Week and Fire Service Week are also celebrated.

Your Company has set-up Occupational Health Centers (OHCs) at the project sites. The OHCs are well-equipped to provide emergency as well preventive and curative health services to employees, their families and contractor's workmen.

**(d) HSEQ Audits**

Team of trained internal auditors regularly conducts Health, Safety, Environment & Quality (HSEQ) audits with special emphasis on health & hygiene, safety, environment and quality. External audits are carried out by reputed agencies like Det Norske Veritas (DNV). During the year, DNV carried out Surveillance Audit of project sites at Pipavav, without any major non-compliance.

## 12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company conducts its business in a sustainable and socially responsible manner. A snapshot of the Company's CSR activities with the mission of sustainable community development is as follows:

### Health Care

- Your Company organized free Health Check-up & Treatment Camp at neighbouring island village of Syalbet, to create awareness regarding health and sanitation in local community. More than 300 patients were examined and treated by doctors and paramedics and provided with free medicines.
- Your Company provided financial assistance for organization of Blood Donation Camp in Sawarkundla by local Police administration.
- Your Company financially contributed to "Yuvak Pratishtan" for supporting constructive projects for healthcare improvement.

### Education

- Your Company lays special emphasis on education and vocational training of local community for their economic empowerment. In order to achieve this objective, your Company continues to support six Industrial Training Institutes (ITIs) within the catchment areas of its operations.

### Infrastructure Development

- Your Company participates in several infrastructure development initiatives for improvement of rural infrastructure including construction of training centre, orphanage for destitute girl children etc.

### Safe Drinking Water

- Your Company has undertaken various initiatives for providing drinking water to neighbouring villages.

## 13. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Your Company continues to strive to make the project sites as energy efficient as possible and takes various measures for conservation of energy. The information in terms of Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out in Annexure "A" and forms part hereof.

Information required to be furnished in Form A is not applicable to the Company as your Company belongs to ship building, ship repair and oil & gas assets industry.

## 14. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement, is provided in Annexure "B" forming part of this Annual Report.

## 15. CORPORATE GOVERNANCE REPORT

Corporate Governance Report along with the Auditors' Certificate confirming compliance with the conditions of Corporate Governance as required in Clause 49 of the Listing Agreement is enclosed as Annexure "C" and forms part of this Report.

## 16. INVESTOR RELATIONS

Your Company continues to provide prompt investor service through quick resolution of investor grievances. Your Company has designated an exclusive e-mail ID viz. company.secretary@pipavavdoc.com, to enable the investors to post their grievance and the Company to monitor its redressal.

The securities of your Company are listed at National Stock Exchange of India Limited and BSE Limited. The Company has paid annual listing fees to these Stock Exchanges for the financial year 2013-14.

The members are requested to refer to general shareholders' information given in Corporate Governance Report appended to this report.

## 17. FIXED DEPOSITS

Your Company has not accepted any public deposits within the meaning of the provisions of Section 58A of the Act read with the Companies (Acceptance of Deposits) Rules, 1975. Therefore, no amount of principal or interest on public deposits was outstanding as on March 31, 2013.

## 18. EMPLOYEES

Information in accordance with Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975 and the Companies (Particulars of Employees) Amendment Rules, 2011, forms part of this Report. However, considering provisions of Section 219(1)(b)(iv) of the Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested

in obtaining such information may write to the Company Secretary.

## 19. DEMAT SUSPENSE ACCOUNT

Pursuant to Clause 5A of the Listing Agreement, details of equity shares held in the demat suspense account are as follows:

| Particulars   | No. of Shareholders | No. of Shares |
|---|---------------------|---------------|
| Opening Balance as at April 1, 2012                             | 16                  | 4,127         |
| Request received for transfer of shares from Suspense Account   | 2                   | 550           |
| Shares transferred to Claimants' Demat Accounts during the year | 2                   | 550           |
| Closing Balance as at March 31, 2013                            | 14                  | 3,577         |

The voting rights in respect of the shares lying in Demat Suspense Account shall remain frozen till the rightful owners claim the shares.

Further, there are no shares issued in physical mode which remain unclaimed.

## 20. ACKNOWLEDGEMENTS

Your Directors wish to place on record their sincere appreciation of the consistent support and co-operation received from the various Departments of Government of India, State Governments, business partners/ associates, financial institutions, bankers, employees, vendors and shareholders. Your Directors also wish to take on record their deep sense of appreciation for the hard work and commitment of each and every employee of the Company.

On behalf of the Board of Directors

Place : Mumbai  
Date : May 30, 2013

Nikhil Gandhi  
Chairman



## ANNEXURE “A” TO THE DIRECTORS’ REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors’ Report for the year ended March 31, 2013.

### A. CONSERVATION OF ENERGY

#### a) Energy Conservation measures taken:

Your Company has adopted various improved operational and maintenance practices for energy conservation, some of which are listed below:

- Installation of Automatic Power Factor Improvement panel (APFC) in electric sub-station.
- Replacement of Heavy Duty Capacitors by Harmonics Filters.

#### b) Additional Investments and Proposals, being implemented for reduction of Consumption of Energy:

- Modification of remaining APFC panels by installing superior quality panels for achieving higher power factor.

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

The energy conservation measures listed above have resulted/ will result in improvement of Power Factor and consequent reduction of energy charges, leading to decrease in the cost of production.

#### d) Total Energy Consumption and Energy Consumption per unit of production as per Form ‘A’:

Form ‘A’ of the Annexure to the above mentioned rules is not applicable to the Company.

### B. TECHNOLOGY ABSORPTION

Efforts made for technology absorption are furnished below in prescribed Form ‘B’.

#### Research and Development (R&D)

#### a) Specific Areas in which R&D carried out by the Company:

- Development and optimization of hull form for Offshore Patrol Vessels (OPVs) and Fast Attack Crafts (FACs) by carrying out Computational Fluid Dynamics Analysis and towing tank test to ascertain resistance at IIT Kharagpur.
- Conducted Direct Strength Analysis of OPVs and FACs to ascertain adequacy of the structure and various service conditions including gun and slamming load.
- Development of wind powered buoy to increase turbulence in water and to reduce siltation problems.
- Improvement of welding efficiency by measuring and monitoring spark time of welding machines.

#### b) Benefits derived as a result of above R&D:

- A much improved hull form developed for production of strategic vessels.
- Development of expertise on the technology of Computational Fluid Dynamics Analysis and Direct Strength Analysis.
- The spark time measurement device is under development and is expected to lead to considerable saving in fabrication costs.

#### c) Future Plan of Action:

- Manufacturing and Testing of Prototypes for Buoy, to save dredging costs.

#### d) Expenditure on R & D:

- No major expenses other than normal



manpower expenses of personnel engaged in R&D initiatives.

#### Technology Absorption, Adaptation and Innovation

- a) Efforts in brief, made towards technology absorption, adaptation and innovation.
  - Developing expertise in Computational Fluid Dynamics Analysis.
- b) Benefits derived as a result of the above efforts
  - Quality improvement, product development and lesser reliance on imported products leading to cost reduction.
- c) Fair degree of accuracy, to predict ship's hull resistance and maneuverability thereby

saving considerable cost and time. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) : Not Applicable

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ in lacs)

| Particulars             | 2012-13   | 2011-12     |
|-------------------------|-----------|-------------|
| Foreign Exchange earned | 53,844.18 | 1,20,077.61 |
| Foreign Exchange used   | 14,939.00 | 16,192.68   |

During the year under review, the Company imported Raw Materials & Components and Stores & Spares on CIF basis of ₹ 18,520.56 lacs (Previous Year ₹ 44,978.48 lacs). Similarly, the Company imported Capital Goods worth ₹ 2,212.32 lacs (Previous Year ₹ 404.99 lacs).



# MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The Management of your Company is pleased to present below its analysis on the performance of the Company for the financial year 2012-13 and its outlook for the future.

## I. INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company operates in various business segments that are sub-classified into the following (i) Defence Shipbuilding; (ii) Offshore Oil & Gas Exploration and Production Assets Construction ("Offshore"); (iii) Commercial Shipbuilding and Repairs; (iv) Defence Hardware & Services for the Indian Armed Forces; and (v) Heavy Engineering.

### i. Defence Shipbuilding

Rapidly changing global geopolitical equations and cross-border terrorism require every country in the world to maintain strong defence capabilities. India's geo-strategic location from the global perspective, its territorial borders of over 15,000 kms and its coast line of about 7,500 kms make it critically important to keep defence preparedness up at all times and create requisite infrastructure that completely safeguards our national interests.

From this perspective, the Government of India has remained committed to strengthening defence capabilities of the Country, which is evident from the increased defence allocation of ₹ 2,03,672 Crore in the Union Budget 2013-14, representing growth of 14% from previous year's revised defence outlay. Increased defence allocation includes hike of 25% in planned defence capital expenditure, which will rise to ₹ 86,741 Crore for acquiring/ accessing modern equipments and technologies, despite the prevailing economic climate that has necessitated rationalized spending in several other areas. The Government has also committed that no constraints will come in the way of providing any additional resources for the security of the nation.

India's military modernization initiatives currently lean heavily towards the Air Force and Navy. This conforms to a larger defence landscape where aerospace and maritime domains are likely to play a critical role in the future. The Country's naval modernization expenditure is expected to increase by 33% next fiscal year to ₹ 23,479 crore, the highest increase of the three armed forces.

In order to establish self-reliant indigenous provision of defence products and services and enhance national competence while achieving modernization of the Indian Armed forces, the Ministry of Defence initiated series of reforms to allow Indian private sector access to defence contracting.

The Indian Navy presently has a fleet of 121 active ships and 15 active submarines. In addition, about 50 (as per information available on Indian Navy website 2011) warships are under construction at public sector shipyards and more than 100 vessels are still in the pipeline. This includes a wide range of vessels of strategic importance to the Country - aircraft carriers, submarines, landing platform docks, destroyers, patrol vessels etc.

With the defence outlay steadily increasing and with only approximately 30% of the defence capital requirement being met indigenously, emphasis has been laid on utilizing the growing sophistication of the domestic industrial base to achieve self-reliance in the defence sector. In order to achieve this objective, the Indian Navy's focus is to promote indigenous production of state-of-the-art naval vessels within globally competitive timelines and price lines through joint ventures and public private partnerships, which provide a significant opportunity to private shipyards in the country.

Your Company has made significant progress in aligning with this national objective. During

the year under review, your Company became the first private sector company in India to form a joint venture company with Mazagon Dock Limited, India's premier defence public sector undertaking, to build surface warships for the Indian Navy.

## ii. Offshore Oil & Gas Exploration and Production Assets Construction

The market for our Offshore business depends primarily on the oil and gas industry, which is rapidly expanding due to increased exploration and production activity, particularly in the western coast of India.

India is highly dependent on import of oil to meet its rising demand. India consumes about 3.3 million barrels of oil per day, making it the fourth largest oil consumer in the world and the fifth largest oil importer at about 2.4 million barrels per day. India's oil demand is ever increasing; it is expected to become the third largest consumer globally by 2030 based on current trends. India imports majority of its crude oil from the Middle East, especially Saudi Arabia and Iran. On the other hand, India produces only 942 thousand barrels per day and ranks 22<sup>nd</sup> globally on total oil production and 24<sup>th</sup> on crude oil production.

Offshore exploration accounts for 67% of India's total crude oil production and the Government of India recognizes the need for intensifying exploration initiatives to address the growing need for energy resources, thereby increasing energy security of the Country. The Government conceptualized the New Exploration Licensing Policy (NELP) to boost domestic production of oil and natural gas. Under NELP-IX, a total of 33 exploration blocks were offered, majority of which were awarded to Oil & Natural Gas Corporation Ltd. ("ONGC"), Oil India Ltd. and Reliance Industries Ltd.

This will accelerate oil & gas exploration and production activities in the Country resulting in increased demand for advanced offshore structures, subsea architecture and advanced drilling technology. Your Company possesses requisite infrastructure and technical capabilities to fabricate, repair and maintain

offshore assets like mobile offshore drilling units (MODU), mobile offshore production units (MOPU), jackets, offshore platforms, topside modules, floating production, storage & offloading units (FPSO), floating storage and regasification vessels (FSRU) etc.

During the year, your Company completed repair/ refurbishment of jack-up rigs owned by global majors viz. Transocean Global and Nobel Drilling Services. Your Company also secured contract worth approximately ₹ 400 Crore from ONGC for "Sagar Laxmi Modification Project". 'Sagar Laxmi', a Mobile Offshore Production Unit, is a critical asset for ONGC for its offshore operations.

The bids for "Sagar Pragati Conversion Project (SPCON)" were recently opened by ONGC. SPCON is a project of conversion of Mobile Offshore Drilling Unit (MODU) to Mobile Offshore Production Unit (MOPU). The price bid submitted by the consortium of Larsen & Toubro and your Company was the lowest bidder. The formalities relating to award of contract for SPCON project are pending.

In the years to come, given the facts, there will be tremendous demand for efficient and technically advanced offshore structures on the back of increased exploration activity and replacement demand as majority of global offshore assets are more than 20 years old and among Indian players, your Company is well positioned to capitalize on this opportunity.

## iii. Commercial Shipbuilding and Repairs

The world's commercial shipbuilding industry is highly co-related to the developments in the global shipping industry. The global shipping industry is dependent on key indicators like world Gross Domestic Production, demand and supply of various commodities. Moreover, charter rates across all shipping segments remain subdued on concerns of over capacity, reduced demand from international trade and unfavourable economic climate. All these factors contributed to sluggish growth of global shipbuilding industry during financial year 2012-13.

India's overseas trade has been growing at a good pace. The Indian merchant fleet will



need significant capacity additions leading to immense scope of growth for Indian shipbuilding industry. Domestic shipbuilding companies also enjoy cost advantage as compared to their global peers in South Korea, Japan etc.

Considering the recommendations of the National Manufacturing Competitive Council and Shipyards Association of India, it is understood that the Ministry of Shipping has proposed revival of the subsidy scheme for private shipbuilders in the country after nearly six years, after it was discontinued in 2007. It is further understood that besides subsidy support, the Ministry of Shipping has also proposed various initiatives such as removal of customs duty on capital goods imported for shipbuilding, Infrastructure status to the Shipbuilding industry, reservation for Indian built-Indian flagged ships to transport coastal cargo, 10% purchase price preference to Indian companies as well as relaxation of eligibility criteria for Indian yards in tenders of state-owned companies, to boost the sagging domestic shipbuilding sector.

In addition to this, Ship repairs industry is likely to make a significant contribution to the industry's turnover as India is located strategically on the busy international sea trade routes. India is poised to establish itself as a hub for ship repair/ refit activities. Your Company is ideally positioned to seize these opportunities as it boasts of most modernized state of the art shipbuilding and repair facilities. This will translate into a continuous flow of business and consistent generation of revenue.

**iv. Defence Hardware & Services for the Indian Armed Forces**

India is amongst the world's top countries in terms of defence expenditure. Opportunities from the defence hardware & services sector are huge as the Government is encouraging indigenous production of defence hardware required for the armed forces. Your Company is well placed to capture the ensuing demand, based on its infrastructure and engineering capabilities.

Your Company has signed Strategic Technical Partnership Agreement with SAAB Aktiebolag ("SAAB"), a global leader in military hardware, for bringing advanced technology into India, which will immensely benefit Indian armed forces. Based on its infrastructure, technology tie-ups and engineering capabilities, your Company is well placed to capture the ensuing demand from the defence hardware and services sector.

The Company has also signed an agreement with Alion Science and Technology Corporation, USA, for design for the Naval Offshore Patrol Vessels (NOPVs) being built for the Indian Navy by your Company.

Your Company is also partnering with DCNS, France, for bidding for Landing Platform Docks (LPDs) for the Indian Navy.

Your Company has also signed MOUs with several leading defence majors. Some of these are Sagem Defence, France, Oto Melara, Italy, MSI Defence Systems, UK, Data Patterns, India, PTPAL Indonesia, and United Shipbuilding Corporation, Russia.

**v. Heavy Engineering**

Indian Heavy engineering industry has witnessed unprecedented growth as a result of increased investment in infrastructure development and is expected to grow in future owing to favorable regulatory policies and new investments in power projects, metals, rail infrastructure, oil & gas exploration & production, aviation sector etc. The upsurge in industrial growth coupled with supportive government policies has augured well for the heavy engineering sector. Your Company is set to benefit from these initiatives and is proud to contribute to the building of robust infrastructure in India.

## **II. OPPORTUNITIES AND THREATS**

### **Opportunities**

#### **Revised Defence Procurement Procedure 2013 (DPP 2013)**

DPP 2013 recently announced by the Ministry of Defence accords first priority to Indian public and private sector for military procurements, with



equipments being bought internationally only if developing and building in India proves impossible. DPP 2013 aims at infusing greater efficiency in the procurement process and strengthening the defence manufacturing base in the country.

The new policy also stipulates that private Indian firms will be allowed to take part in contracts for maintenance and repair of defence systems, instead of automatic nomination of defence public sector undertakings and ordinance factories for the same. This measure is expected to have a positive impact on private sector participation in maintenance, repairs and overhaul work.

Your Company is ideally positioned to gain from all these opportunities.

#### **Public Private Partnerships**

In February 2012, the Department of Defence Production of the Ministry of Defence released “Guidelines for establishing Joint Ventures with Defence Public Sector Undertakings (DPSUs) pursuant to which DPSUs may form suitable partnerships with Indian as well foreign companies within Government approved framework, for production of state of the art defence equipments within the Country. These guidelines aim to take advantage of private sector resources, to augment national effort of producing defence products in the Country within the timelines and pricelines that are globally competitive.

In strict adherence to these guidelines, your Company entered into Shareholders’ Agreement with Mazagon Dock Limited (MDL) on July 21, 2012 to form a joint venture company (“JV”) to build surface warships for the Indian Navy and consequently, incorporated the JV namely “Mazagon Dock Pipavav Defence Private Limited” in December 2012.

MDL currently accounts for more than 85% of naval vessels built in the Country. The JV can contribute to the efficient execution of MDL’s existing order book that currently exceeds ₹ 1,00,000 Crore and will also bid for future defence contracts. The opportunity accorded by this JV is of immense magnitude and your Company is proud to have been entrusted with such a significant responsibility.

#### **Exports to friendly countries**

India has made significant strides in defence technology with global defence players forging technical partnerships with Indian companies.

Defence offset policy can also provide an important foothold in new countries, contributing to enhanced defence exports. Many developing countries such as Nepal, Mauritius, Sri Lanka and African countries do not have advanced technologies and adequate resources to meet their defence requirements through indigenous production. Over a period of time, Indian private sector players have showcased their capabilities in capturing the potential in this space.

The Company is looking to capitalize on the opportunity to export defence vessels and equipments to friendly countries, by leveraging its superior technology, international tie-ups and world-class defence integrated infrastructure. The Company is in the process of discussions with some friendly countries for building strategic maritime assets for them.

#### **Increased Demand for Oil & Gas Exploration and Production Assets**

Potential for larger reserves, improved economics, declining development costs and better risk & reward profile have provided impetus to the growth of offshore oil and gas exploration and production activities in India. The offshore assets repair and construction industry is expected to benefit from growing demand for oil and gas and is projected to deliver robust growth.

State-run ONGC plans to invest over ₹ 4,050 Crore for revamping/ retrofitting its infrastructure facilities at its key oil and gas western offshore fields. ONGC recently announced three significant oil and gas discoveries; two in the prolific Krishna-Godavari basin and one in Tripura.

Your Company intends to capitalize on opportunities available in Offshore segment by leveraging advanced production technologies and location of infrastructure facilities.

#### **Threats**

##### **Dependency on Government for Defence Orders**

The Defence Procurement Procedure adopted by the Government of India, which focuses on “Make Indian, Buy Indian”, has encouraged the domestic private sector to invest and participate in defence production. However, process of awarding contracts for defence vessels to domestic sector has to undergo stringent due diligence procedures,



detailed technical and commercial evaluations etc. before any commitment as contracts for defence equipments are of strategic national importance.

However, your Company is confident that the Government will keep pace with the nation's growing requirements to collaborate with domestic players for building Defence vessels.

#### **Global weakening of Commercial Shipbuilding**

The commercial shipbuilding industry has felt shock waves across the globe over the last few years, as orders continue to decline due to pressure on freight rates. New and used ship prices also suggest that there is immense pressure on trade, lower demand and execution of new ships in recent times, leading to an oversupply of vessels. This is an indicator that the recovery of commercial shipbuilding does not seem anywhere close and companies in this sector will be affected in the near term.

Since your Company has diversified into the Defence and Offshore segments, the trends in the commercial shipbuilding segment may not materially affect operations of the Company in the long run.

#### **Stiff Competition from established foreign Players**

There is stiff competition from various private sector shipyards in the international markets such as China, Japan and South Korea. Based on their stronger market positions, competitive labour cost, government support and larger production capacities, these shipyards may compete vigorously on price. However, we believe that customers consider, among other things, the technical capabilities, quality & efficiency of vessels constructed by us.

### **III. OUTLOOK**

The financial year 2012-13 was full of milestones for your Company. During the year, the Company delivered three (3) vessels; one (1) no. of Panamax Bulk Carrier, the largest bulk carrier of its class to have ever been built in India, for its international customer and two (2) nos. of Offshore Supply/ Support vessels (OSVs) to ONGC. Your Company formed a joint venture company namely "Mazagon Dock Pipavav Defence Private Limited", with Mazagon Dock Limited, a premier defence public sector undertaking and strengthened ties with international defence majors like SAAB.

Apart from comprehensive initiatives in the

Defence sector contract for construction of five Naval Offshore Patrol Vessels, your Company strengthened its position in the Offshore space, by winning a contract from ONGC worth ₹ 400 Crore, for "Sagar Laxmi Modification Project".

Going forward, the fiscal year 2013-14 holds many opportunities for the Company. Your Company looks forward to inflow of orders from the Defence and Offshore sectors following JV with Mazagon Dock and on the back of stronger partnerships in the Offshore space. The Company has, since inception, developed state-of-the-art infrastructure and remains dedicated to building on our foundation by constructing a new dry dock. This project is moving forward as planned, based on capital commitment of about ₹ 4,000 Crore. Your Company believes that these investments will pay off as revenues expand consistently, the objective being to significantly reduce debt in the near future.

### **IV. RISKS AND CONCERNS**

Risks and Concerns are an integral part of the business of the Company and giving impetus to address these risks with appropriate risk management practices is the main focus. These risks can affect the operating performance, cash flows, financial performance, management performance and sustainability. Your Company has developed an appropriate risk management framework to strategize, monitor, identify, assess and mitigate risks that may potentially impact the Company's performance and barriers to success. The risk management framework ensures compliance with the requirement of Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The risks that may affect the Company include:

- Competition
- Economic Cycle
- Uncertainties in the international and domestic markets
- Foreign exchange fluctuation risks
- Liquidity
- Credit Risk
- Cost of raw material
- Shortage of skilled labour

## V. FINANCIAL PERFORMANCE

During the financial year 2012-13, your Company recorded operating revenues of ₹ 2,586.47 Crore, an increase of 38.53% over financial year 2011-12. Our topline and EBITDA continues to be healthy. The Company generated profits before tax of ₹ 41.37 Crore as compared to previous year's profits of ₹ 72.70 Crore. The Company earned profits after tax of ₹ 28.72 Crore compared to ₹ 18.52 Crore in the previous year. The interest cost stood at ₹ 397.46 Crore compared to ₹ 257.68 Crore last year.

## VI. INDUSTRY RELATIONS AND HUMAN RESOURCES

The Company continues to review its Human Resources policies and particularly focuses on remuneration, health and safety measures and employee welfare plans etc., which are key parameters laid down by our management for our dedicated workforce. The Company continues to focus on inducting people who have enriched experience and exposure and new talent to strengthen its leadership position. Various HR initiatives like professional training and seminars are being taken to further improve efficiency of employees. The relation among the management and employees is very affable and the Company's industrial relations are extremely reputable.

## VII. INTERNAL CONTROL SYSTEMS

The Company has taken appropriate measures and secured internal control systems to safeguard and

shield us from losses, unofficial use or deposition of assets. All transactions are appropriately recorded and presented to the management. The Company strictly follows all Accounting Standards prescribed for maintenance of books of accounts and reporting financial statements. The appointed independent internal auditors review the various areas of operations. The audit Committee of the Board of Directors of the Company reviews the Internal Audit reports from time to time and takes appropriate action on the matters reported within.

### Forward-looking statements

The report contains forward-looking statements based on beliefs of the Company's management identified by words like 'plans', 'will', 'believes', 'intends', 'estimates' and so on. All statements that address expectations or projections about the future, but not limited to the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realized. The Company's actual results, performance or achievements could thus differ from those projected in any forward-looking statements. The Company assumes no obligation to publicly amend, modify or revise these forward-looking statements on the basis of subsequent developments, information or events.



# REPORT ON CORPORATE GOVERNANCE

## 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a Company is directed, administered or controlled. Corporate Governance also includes the relationships among stakeholders and the goals for which the Company is governed. The principal stakeholders are the shareholders, the Board of Directors and the management. Other stakeholders include employees, customers, creditors, suppliers, regulators and the community at large.

The governance framework of your Company is to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporation and society. With the adoption of Whistle Blower Policy, the Company has moved forward in its pursuit of excellence in corporate governance.

## 2. BOARD OF DIRECTORS

- i) The Company has always maintained a transparent Board policy. The Board consists of esteemed personalities from various fields. The Executive Vice-Chairman looks after the day-to-day activities of the Company, while the Non-Executive Independent Directors, with their rich and varied experience provide a wider perspective for the scheme of things and bring in independence in decision making.
- ii) As on March 31, 2013, the Board of Directors of the Company consists of seven Directors including one Non-Executive Chairman, one Executive Vice-Chairman, one Nominee Director appointed by Export-Import Bank of India ("EXIM Bank") and four Independent Directors. The number of Non-Executive Directors and Independent Directors on the Board is more than 50% of the total number of Directors. The Company is in compliance with

Clause 49 of the Listing Agreement pertaining to composition of the Board of Directors. The Board has also appointed Mr. P. Krishnamurthy as an alternate Director to Mr. Nikhil Gandhi, Chairman of the Company.

- iii) None of the Directors on the Board is a Member of more than ten Committees or Chairman of more than five Committees across all the companies in which they are Directors. The necessary disclosures regarding Committee positions in other public companies as on March 31, 2013, have been made by the Directors.
- iv) During the year, the Company has paid ₹ 57.90 lacs to Mr. S. Venkiteswaran towards fees for rendering professional services to the Company as a Senior Advocate. Apart from this, none of the Non-Executive Directors has any material pecuniary relationship or transactions with the Company.
- v) No Director is related to any other Director on the Board except Mr. Nikhil Gandhi and Mr. Bhavesh Gandhi who are related to each other as brothers.
- vi) During the year under review, six Board Meetings were held on April 27, 2012; May 30, 2012; July 6, 2012; August 14, 2012; November 09, 2012; and February 14, 2013.
- vii) A detailed chart showing the names and categories of the Directors on the Board, their attendance at the Board Meetings and last Annual General Meeting (AGM) as also number of other directorships in Indian public limited companies and membership of the Committees of the Boards of such companies is given below. Other Directorships exclude alternate directorships, directorships in Indian private limited companies, Section 25 companies and foreign companies. Memberships of Board Committees include only membership of Audit Committee and Shareholders'/ Investors' Grievance Committee.



| Name of the Director          | Category   | Other Directorships |          | Membership of Committee of other Boards |        | No. of Board Meetings attended | Attendance at last AGM |
|-------------------------------|--|---------------------|----------|---|--------|--------------------------------|------------------------|
|                               |  | Chairman            | Director | Chairman                                | Member |                                |                        |
| Mr. Nikhil Gandhi             | Non-Executive Chairman<br>Non-Independent Director     | 3                   | 7        | -                                       | 5      | 2                              | NO                     |
| Mr. Bhavesh Gandhi            | Executive Vice-Chairman<br>Non-Independent Director    | 1                   | 5        | 1                                       | -      | 5                              | YES                    |
| Mr. Ajai Vikram Singh         | Non-Executive Independent Director                     | -                   | 1        | -                                       | -      | 4                              | NO                     |
| Mr. David Rasquihna           | Nominee Director<br>Non-Executive Independent Director | -                   | 2        | -                                       | 1      | 5                              | NO                     |
| Mr. Ramunni Menon Premkumar   | Non-Executive Independent Director                     | 1                   | 4        | -                                       | 1      | 6                              | YES                    |
| Mr. Samar Ballav Mohapatra    | Non-Executive Independent Director                     | -                   | 2        | 1                                       | 1      | 4                              | NO                     |
| Mr. Venkiteswaran Subramaniam | Non-Executive Independent Director                     | 1                   | 2        | -                                       | 3      | 3                              | NO                     |
| Mr. P. Krishnamurthy          | Alternate Director to Mr. Nikhil Gandhi                | -                   | 7        | 4                                       | 3      | 2                              | NO                     |

### 3. PROCEDURE ADOPTED BY THE BOARD

At least four board meetings are held every year. The gap between the two Board Meetings did not exceed four months as prescribed under the Listing Agreement. The Board members are provided with well structured and detailed agenda papers. Agenda papers are generally circulated a week prior to the meeting of the Board of Directors. The information as required under Annexure I A to Clause 49 of the Listing Agreement is placed before the Board from time to time to the extent applicable.

Important decisions taken at the Board/ Committee Meetings are promptly communicated to the concerned departments. Action Taken Report on the decisions taken at the previous meetings of Board/ Committees thereof is placed at the next Board Meeting for noting.

### 4. AUDIT COMMITTEE

The Board has constituted Audit Committee in terms of clause 49(II)(A) of the Listing Agreement and Section 292A of the Companies Act, 1956.

(a) **Terms of Reference:** Terms of reference of the Audit Committee are as under:

- Oversight of the Company's financial reporting process and to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with the management, performances of statutory and internal auditors.
- Recommending to the Board the appointment and removal of Statutory Auditors and remuneration payable to the Statutory Auditors and also approval of payment for any other services rendered by Statutory Auditors.
- Reviewing with the management the financial statements before submission to the Board, with reference to:
  - Matters required to be included in the Director's Responsibility Statement in terms of Section 217(2AA) of the Companies Act, 1956;



- Changes, if any, in accounting policies and practices;
  - Qualifications, if any, in the audit report;
  - Compliance with Accounting Standards;
  - Major accounting entries involving estimates based on exercise of judgment by the management;
  - Compliance with legal requirements relating to financial statements;
  - Significant adjustments made in the financial statements arising out of audit findings; and
  - Disclosure of any related party transactions that may have potential conflict of interest with the Company.
- Reviewing the adequacy of internal audit function including the structure, staffing, reporting structure, coverage and frequency of Internal Audit.
  - Discussion with the Internal Auditors for any significant finding and follow-up thereon.
  - Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature which require reporting the matter to the Board.
  - Reviewing with the Statutory Auditors scope of audit and any area of concern.
  - Looking into any other matter, as may be required, as per the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 and rules framed under the said Acts.

The role, terms of reference, authority and powers of Audit Committee are governed by applicable provisions of the Companies Act, 1956, Clause 49 of the Listing Agreement and other applicable statutory provisions.

**(b) Composition:**

The Audit Committee is comprised of six

directors. The details of composition of the Audit Committee and attendance of the members of the Committee are as follows:

| Name of the Member         | Category        | Designation | No. of Meetings attended |
|----------------------------|-----------------|-------------|--------------------------|
| Mr. R. M. Premkumar        | Independent     | Chairman    | 4                        |
| Mr. Ajai Vikram Singh      | Independent     | Member      | 3                        |
| Mr. Bhavesh Gandhi         | Non-Independent | Member      | 4                        |
| Mr. David Rasquihna        | Independent     | Member      | 3                        |
| Mr. S. Venkiteswaran       | Independent     | Member      | 3                        |
| Mr. Samar Ballav Mohapatra | Independent     | Member      | 3                        |

During the year under review, the Audit Committee met four times on May 30, 2012; August 14, 2012; November 09, 2012 and February 14, 2013.

The permanent invitees include Chief Financial Officer, Statutory Auditors and Internal Auditors. The Company Secretary acts as a Secretary to this Committee. The minutes of the Audit Committee are noted by the Board of Directors.

## 5. REMUNERATION COMMITTEE

**(a) Terms of Reference:**

The broad terms of reference of this Committee are as follows:

- To consider, approve or recommend payment of Remuneration including pension rights and compensation payment, if any, other than sitting fees payable to the Directors and reimbursement of expenses incurred by Directors for attending meetings of the Board or committee thereof, payable to the Executive and Non-Executive Directors of the Company including Managing Director(s)/ Whole-time Director(s) or Managers.
- To determine Employees Stock Option Policy for the Company (ESOP).
- To determine employees of the Company and other eligible group companies, eligible to participate in ESOP and to determine number of options/ shares to

be granted to each eligible employee.

- To consider, approve or recommend any other matter, relating to remuneration of Directors and ESOP.
- To review and note 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.
- To look into any other matter, as may be required, as per the provisions of the Companies Act, 1956 or Listing Agreements or the Securities and Exchange Board of India Act, 1992 and rules framed under the said Acts.

**(b) Composition:**

Remuneration Committee of the Company is comprised of four Directors of the Company. The Committee met twice on May 30, 2012 and February 12, 2013. Details of composition of the Committee and attendance at the meeting of the Remuneration Committee is as follows:

| Name of the Member         | Category        | Designation | No. of Meetings attended |
|----------------------------|-----------------|-------------|--------------------------|
| Mr. S. Venkiteswaran       | Independent     | Chairman    | 2                        |
| Mr. Nikhil Gandhi          | Non-Independent | Member      | 0                        |
| Mr. R. M. Premkumar        | Independent     | Member      | 2                        |
| Mr. Samar Ballav Mohapatra | Independent     | Member      | 1                        |

**(c) Remuneration Policy:**

The Company's remuneration policy aims at attracting, retaining and managing talent by taking into account its financial position, industrial trends, compensation paid by the peer companies, performance of individuals as well as performance of the Company etc.

The Executive Director of the Company is paid remuneration as per the terms approved by the Remuneration Committee, Board of Directors and Members of the Company and such other approvals as may be necessary. The remuneration structure comprises of basic

salary, perquisites & allowances, retirement benefits and performance linked incentive.

The Company doesn't pay any remuneration to its Non-Executive Directors except sitting fees for attending meetings of the Board and the Committees thereof. The Company pays sitting fees to its Non-Executive Directors @ ₹ 20,000/- for attending each meeting of the Board of Directors and Committees thereof.

**(d) Details of Remuneration of the Directors for the financial year 2012-13:**

**i) Executive Directors**

(₹ in lacs)

| Executive Vice-Chairman | Salary | Performance Incentive* | Retirement Benefits <sup>†</sup> |
|-------------------------|--------|------------------------|----------------------------------|
| Mr. Bhavesh Gandhi      | 240.00 | 150.00                 | 17.28                            |

\*Payment of Performance Incentive is subject to approval of the Central Government.

#Liability for Gratuity and Leave Encashment is provided on actuarial basis for the Company as a whole, the amounts pertaining to the Executive Vice-Chairman is not ascertainable and therefore not included above.

- All the above remuneration components except Performance Incentive are fixed in nature. The payment of performance incentive is considered and approved by the Remuneration Committee and the Board of Directors, based on the Company's business plans, current market trends and contribution of the Executive Director in achieving objectives of the Company.

- The Company does not have any Stock Option Scheme.

- The term of appointment of Mr. Bhavesh Gandhi is upto March 31, 2013.

**ii) Non-Executive Directors**

Details of the sitting fees paid to the Non-Executive Directors of the Company for attending the meetings of the Board and Committees thereof held during the year 2012-13 and the number of equity shares held by them are as follows:



| Name of the Director                      | Sitting Fees (₹) | No. of Shares held |
|---|------------------|--------------------|
| Mr. Ajai Vikram Singh                     | 1,40,000         | NIL                |
| Mr. Nikhil Gandhi                         | 2,40,000         | NIL                |
| Mr. R. M. Premkumar                       | 2,40,000         | NIL                |
| Mr. David Rasquinha*                      | 1,60,000         | NIL                |
| Mr. Samar Ballav Mohapatra                | 1,60,000         | NIL                |
| Mr. S. Venkiteswaran                      | 2,60,000         | NIL                |
| Mr. P. Krishnamurthy (Alternate Director) | 40,000           | 1,50,000           |

\*The sitting fees for EXIM Bank Nominee were paid directly to EXIM Bank.

## 6. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

### (a) Terms of Reference:

The Shareholders' / Investors' Grievance Committee was formed to monitor the expeditious redressal of shareholders' grievances such as non-receipt of refund orders and dividend warrants, non-receipt of Annual Report and other matters related to shares.

### (b) Composition:

The Committee is comprised of three Directors. The Committee met once on November 09, 2012. The details of composition of the Committee and attendance at Meeting are as follows:

| Name of the Member   | Category        | Designation | No. of Meetings attended |
|----------------------|-----------------|-------------|--------------------------|
| Mr. Nikhil Gandhi    | Non-Independent | Chairman    | 0                        |
| Mr. Bhavesh Gandhi   | Non-Independent | Member      | 1                        |
| Mr. S. Venkiteswaran | Independent     | Member      | 1                        |

Mr. Ajit Dabholkar, Corporate Counsel and Company Secretary is the Compliance Officer of the Company, to perform the role as mentioned in Clause 47(a) of the Listing Agreement.

### (c) Investors' Grievances received and resolved during the year:

The Company has 56,736 investors as on March 31, 2013. During the year under review,

the status of requests and complaints was as follows:

| Particulars | Opening Balance | Received | Resolved | Closing Balance |
|-------------|-----------------|----------|----------|-----------------|
| Requests    | 0               | 8        | 8        | 0               |
| Complaints  | 0               | 34       | 34       | 0               |

## 7. GENERAL BODY MEETINGS

### (i) The last three AGMs of the Company were held as under:

| Financial Year | Day and Date                | Time       | Venue  |
|----------------|-----------------------------|------------|--|
| 2011-12        | Tuesday, September 25, 2012 | 10.00 A.M. | Pipavav Port, Post Uchhaiya, Via-Rajula, Dist. Amreli, Gujarat - 365 560 |
| 2010-11        | Wednesday, October 5, 2011  | 10.00 A.M. |  |
| 2009-10        | Wednesday, August 25, 2010  | 12.00 Noon |  |

### (ii) Details of Special Resolutions passed in last 3 AGMs:

AGM held on September 25, 2012

- To approve payment of Performance Incentive of ₹ 1.50 Crore to Mr. Bhavesh Gandhi, Executive Vice-Chairman, for the financial year 2011-12, in addition to remuneration already approved.

AGM held on October 5, 2011

- To approve payment of Performance Incentive of ₹ 1.50 Crore to Mr. Bhavesh Gandhi, Executive Vice-Chairman for the financial year 2010-11, in addition to remuneration already approved.
- To approve payment of managerial remuneration to Mr. Bhavesh Gandhi, Executive Vice-Chairman for the period commencing from January 1, 2012 and expiring on March 31, 2013.
- To approve allotment of 1,05,00,000 convertible warrants of face value of ₹ 78/- each to Resident Non-Institutional Investors.
- To approve allotment of 1,00,00,000 convertible warrants of face value of ₹ 78/- each to Grevek Investments and



Finance Private Limited, one of the Promoters of the Company.

AGM held on August 25, 2010

- To approve allotment of 2,54,00,000 Compulsory Convertible Unsecured Debentures of the face value of ₹ 70/- each.
- To approve alteration of Articles of Association of the Company.
- To approve payment of Performance Incentive of ₹ 1.50 Crore to Mr. Bhavesh Gandhi, Executive Vice-Chairman for the financial year 2009-10, in addition to remuneration already approved.

(iii) **Postal Ballot:**

The Company had not conducted any Postal Ballot during the year 2012-13 and there is no resolution proposed to be passed by postal ballot at the ensuing Annual General Meeting.

## 8. DISCLOSURES

- During the year 2012-13, no materially significant transactions had been entered into by the Company with the related parties viz. promoters, directors, relatives, the management, subsidiaries, etc. that may have a potential conflict with the interests of the Company at large.
- No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities in any matter related to capital markets, during the last 3 years.
- Your Company is fully compliant with the mandatory requirements of Clause 49 of the Listing Agreement and has adopted following non-mandatory requirements:
  - a) Maintenance of the office of Non-Executive Chairman.
  - b) The Company has constituted the Remuneration Committee.
  - c) The Company has adopted Whistle

Blower Policy and has established necessary mechanism for reporting concerns about unethical behaviour.

## 9. MEANS OF COMMUNICATION

The quarterly, half yearly and annual financial results of the Company are published in leading English and Gujarati daily newspapers viz. Economic Times, Maharashtra Times and Divya Bhaskar. The results are also hosted on the Company's website at [www.pipavavdoc.com](http://www.pipavavdoc.com). Management Discussion and Analysis Report forms part of the Company's Annual Report.

## 10. CODE OF CONDUCT & ETHICS

Your Company adheres to the high standards of ethics and governance. The Company has laid down "Code of Conduct and Ethics" for the Directors and Senior Management of the Company. The same is posted on the website of the Company [www.pipavavdoc.com](http://www.pipavavdoc.com).

The declaration given by the Executive Vice-Chairman of the Company with respect to affirmation of compliance of the Code by the Board Members and Senior Executives of the Company is given at the end of this Corporate Governance Report.

## 11. GENERAL SHAREHOLDERS' INFORMATION:

(i) **16<sup>th</sup> AGM**

Venue: Pipavav Port, Post Ucchaiya, Via Rajula, Dist. Amreli 365 560, Gujarat

Time, Day & Date: To be finalised.

(ii) **Tentative Financial Calendar**

| Event                            | Date                         |
|----------------------------------|------------------------------|
| Mailing of Annual Report         | Within Stipulated time limit |
| First Quarter Results            | By Mid August 2013           |
| Half Yearly Results              | By Mid November 2013         |
| Third Quarter Results            | By Mid February 2014         |
| Audited Annual Results (2013-14) | May 2014                     |



**(iii) Book Closure**

The register of members and share transfer books of the Company shall remain closed for a period of 3 days prior to the date of AGM.

**(iv) Dividend Payment Date: Not Applicable**

**(v) Listing on Stock Exchanges and Stock codes**

The names and addresses of the stock exchanges at which the equity shares of the Company are listed and the respective stock codes are as under:

| Sr. No. | Name of the Stock Exchange   | Stock Code |
|---------|--|------------|
| 1.      | <b>BSE Limited (BSE)</b><br>P. J. Towers, Dalal Street,<br>Mumbai - 400 001  | 533107     |
| 2.      | <b>The National Stock Exchange of India Ltd. (NSE)</b><br>Exchange Plaza, Bandra Kurla<br>Complex, Bandra (E), Mumbai<br>- 400 051 | PIPAVAVDOC |

The Company has paid annual listing fees for the year 2013-14 to BSE and NSE.

**(vi) Distribution of shareholding as on March 31, 2013**

| No. of Equity Shares held | No. of Shareholders | % of total Shareholders | No. of Shares held  | % of total Shares |
|---------------------------|---------------------|-------------------------|---------------------|-------------------|
| 1 to 500                  | 48,870              | 86.14                   | 70,93,389           | 1.01              |
| 501 to 1000               | 4,840               | 8.53                    | 35,80,990           | 0.51              |
| 1001 to 5000              | 2,100               | 3.70                    | 47,84,757           | 0.68              |
| 5001 to 10000             | 318                 | 0.56                    | 24,27,247           | 0.35              |
| 10001 to 100000           | 433                 | 0.76                    | 1,54,68,186         | 2.21              |
| 100001 to 500000          | 99                  | 0.17                    | 2,28,49,606         | 3.26              |
| 500001 & above            | 76                  | 0.14                    | 64,49,94,213        | 91.98             |
| <b>Total</b>              | <b>56,736</b>       | <b>100.00</b>           | <b>70,11,98,388</b> | <b>100.00</b>     |

**Details of Shareholding as on March 31, 2013**

| Sr. No. | Category  | No. of shares held  | Share holding (%) |
|---------|---|---------------------|-------------------|
| 1.      | Promoters and Promoter Group  | 31,99,70,471        | 45.63             |
| 2.      | Financial Institutions, Banks & Mutual Funds                        | 4,73,35,550         | 6.75              |
| 3.      | Insurance Company   | 5,84,65,899         | 8.34              |
| 4.      | Foreign Institutional Investors                                     | 2,15,86,015         | 3.08              |
| 5.      | Foreign Venture Capital/ Foreign Companies/ Foreign Nationals/ NRIs | 4,30,16,014         | 6.13              |
| 6.      | Bodies Corporate/ Trusts  | 17,42,20,460        | 24.85             |
| 7.      | Indian Public and others  | 3,66,03,979         | 5.22              |
|         | <b>Total</b>  | <b>70,11,98,388</b> | <b>100.00</b>     |

**(vii) Share Transfer System**

The Company has delegated its powers to effect the transfer of shares to the Registrar and Transfer Agent of the Company.

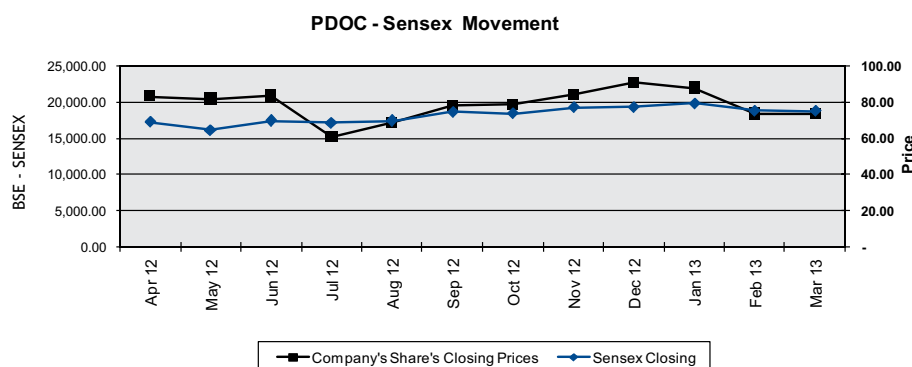
### (viii) Market price data

High and low of market prices of the Company's equity shares traded on BSE and NSE during the last financial year were as follows:

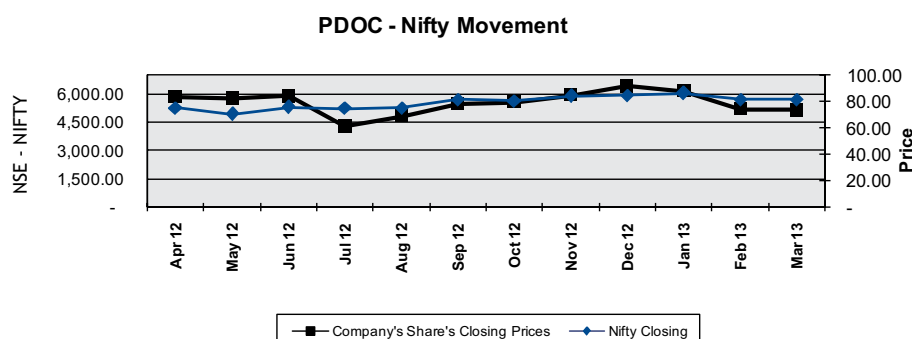
(Amount in ₹)

| Month          | BSE   |       | NSE   |       |
|----------------|-------|-------|-------|-------|
|                | High  | Low   | High  | Low   |
| April 2012     | 84.25 | 79.50 | 84.25 | 78.20 |
| May 2012       | 87.35 | 76.25 | 87.35 | 75.60 |
| June 2012      | 85.55 | 79.30 | 85.50 | 79.30 |
| July 2012      | 88.15 | 52.65 | 88.15 | 52.60 |
| August 2012    | 70.25 | 55.50 | 70.35 | 55.40 |
| September 2012 | 78.80 | 68.60 | 78.90 | 68.50 |
| October 2012   | 80.40 | 73.45 | 80.40 | 73.40 |
| November 2012  | 88.10 | 79.35 | 88.30 | 79.05 |
| December 2012  | 98.35 | 83.75 | 98.50 | 83.60 |
| January 2013   | 91.85 | 84.50 | 91.90 | 82.55 |
| February 2013  | 91.75 | 73.90 | 91.80 | 73.95 |
| March 2013     | 73.65 | 64.25 | 73.65 | 65.35 |

### Share Performance of the Company in comparison to BSE Sensex



### Share Performance of the Company in comparison to NSE Nifty





**(ix) Registrar and Transfer Agent**

Karvy Computershare Private Limited  
17-24, Vittalrao Nagar,  
Madhapur, Hyderabad - 500 081  
Tel: 040 4465 5124  
Fax: 040 2342 0814  
E-mail: einward.ris@karvy.com  
Contact Person: Mr. S. Krishnan

**(x) Dematerialization of Shares and Liquidity**

The Company's equity shares are compulsorily traded in electronic form. As on March 31, 2013, 68,36,90,477 equity shares or 97.50% of the equity shares of the Company are in electronic form with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

The equity shares of the Company are regularly traded on BSE and NSE. The shares of the Company form part of BSE-200 and S&P CNX 500 Index.

Under the Depository System, the ISIN allotted to the Company's equity shares is INE542F01012.

**(xi) Outstanding GDRs/ADRs/ Warrants or any Convertible Instruments, conversion date and likely impact on equity.**

As on March 31, 2013, there are 1,05,00,000 outstanding convertible warrants ("Warrant") of ₹ 78/- each. Each Warrant is convertible into one equity share of face value of ₹ 10/- each within a period of 18 months from the date of allotment of Warrants, on payment of balance consideration of ₹ 58.50 per Warrant. Upon conversion of Warrants, paid-up equity share capital of the Company will increase by ₹ 10.50 Crore.

**(xii) Plant Location**

- a) Pipavav Port, Post Ucchaiya, Via-Rajula, District Amreli - 365 560, Gujarat.
- b) Village Rampara-II, Taluka Rajula & Village Lunsapur, Taluka Jafrabad, District Amreli - 365 560, Gujarat.

**(xiii) Address for Correspondence**

Investors can send their correspondence either to Share Transfer Agent at their address or at the Company's Registered Office at the following address:

Pipavav Port, Post Ucchaiya, Via-Rajula,  
District Amreli - 365 560, Gujarat.  
E-mail ID: company.secretary@pipavavdoc.com

**(xiv) Reconciliation of Share Capital Report**

As stipulated by the SEBI, Reconciliation of Share Capital Audit is carried out by a qualified Practising Company Secretary to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital of the Company. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors. The audit, *inter alia*, confirms that the total listed and paid-up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialized form and total number of shares in physical form.

**(xv) Code of Conduct for Prevention of Insider Trading in Securities of the Company**

The Company has a Code of Conduct for Prevention of Insider Trading in Securities of the Company. The Code, *inter-alia*, prohibits purchase/ sale of shares of the Company by the Directors, Officers and designated employees while in possession of unpublished price sensitive information in relation to the Company. Under this Code, Directors, Officers and designated employees are also prevented from dealing in the shares during the closure of trading window. Directors and designated employees who buy and sell shares of the Company are prohibited from entering into an opposite transaction i.e. sell or buy any shares of the Company during the next six months following the prior transactions.



## DECLARATION OF EXECUTIVE VICE-CHAIRMAN

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, I, Bhavesh Gandhi, Executive Vice-Chairman of Pipavav Defence and Offshore Engineering Company Limited, declare that all Board Members and Senior Executives of the Company have affirmed their compliance with the Code of Conduct and Ethics during the financial year 2012-13.

**Bhavesh Gandhi**  
Executive Vice-Chairman

Place : Mumbai  
Date : May 30, 2013

## CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER – CERTIFICATION

We, Bhavesh Gandhi, Executive Vice-Chairman and Praveen Mohnot, Chief Financial Officer, of Pipavav Defence and Offshore Engineering Company Limited (“the Company”), certify that:

- a) We have reviewed financial statements and cash flow statement for the financial year 2012-13 and to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
  - (ii) these statements together present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year 2012-13 which are fraudulent, illegal or violative of the Company’s code of conduct.
- c) We, are responsible for establishing and maintaining internal controls for financial reporting and we have:
  - (i) evaluated the effectiveness of the Company’s internal control systems pertaining to financial reporting; and
  - (ii) disclosed to the auditors and Audit Committee through internal audit reports, action taken reports, etc., the deficiencies in the design or operation of internal controls of which we are aware and steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee:
  - (i) significant changes in internal control over financial reporting during the financial year 2012-13;
  - (ii) significant changes in accounting policies during the financial year 2012-13 and the same have been disclosed in the notes to the financial statements; and
  - (iii) no instances of significant fraud and the involvement therein of the management or an employee having a significant role in the Company’s internal control system over financial reporting, have come to our notice.

**Praveen Mohnot**  
Chief Financial Officer

**Bhavesh Gandhi**  
Executive Vice-Chairman

Place : Mumbai  
Date : May 30, 2013



## CERTIFICATE OF CORPORATE GOVERNANCE

To,  
The Members,  
PIPAVAV DEFENCE AND OFFSHORE ENGINEERING COMPANY LIMITED

We have examined the compliance of conditions of Corporate Governance by PIPAVAV DEFENCE AND OFFSHORE ENGINEERING COMPANY LIMITED ('the Company'), for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing agreement.

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

**For Chaturvedi & Shah**  
Chartered Accountants  
Firm Reg. No. - 101720W

**R. Koria**  
Partner  
Membership No. - 35629

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

## Independent Auditors' Report

To  
The Members of  
Pipavav Defence and Offshore Engineering Company Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of **Pipavav Defence and Offshore Engineering Company Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2013 and the Statement of Profit & Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 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 sub-section (3C) of section 211 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.

### 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 misstatement.

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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with significant accounting policies and notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India: -

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2013;
- ii. in the case of the Statement of Profit & Loss, of the profit of the Company for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.



### Emphasis of matter

Without qualifying our opinion attention is drawn to the:-

- i. Note no. 22.2 regarding recognition of revenue in respect of certain Panamax vessels under construction, wherein the matter is under arbitration, for the reasons explained therein.
- ii. Note no. 27.1 regarding Managerial Remuneration, which is subject to the approval of Central Government.

### 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 sub-section (4A) of section 227 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 under provisions of 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Act.
  - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

**For Chaturvedi & Shah**  
Chartered Accountants  
Firm Reg. No. - 101720W

**R. Koria**  
Partner  
Membership No. - 35629

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

### ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date issued to the members of Pipavav Defence and Offshore Engineering Company Limited for the year ended March 31, 2013):

- i. In respect of its fixed assets:
  - a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
  - b. As explained to us, the Company has physically verified certain assets, in accordance with a phased program of verification, which in our opinion is reasonable, having regard to the size of the Company.
  - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.



- ii. In respect of its inventories:
  - a. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. In respect of inventories in transit and lying with the Job Workers, we have relied on the certificates and other documents provided by the management.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. According to the information and explanations given to us and on the basis of our examination of inventory records, we are of the opinion that the Company is maintaining proper records of inventory. As explained to us, discrepancies noticed on physical verification of the inventories between the physical inventories and book records were not material, having regard to the size of the operations of the Company, and the same have been properly dealt with.
- iii. In respect of Loans, secured or unsecured, granted or taken by the company to/ from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
  - a. The Company has granted interest free unsecured loan to a wholly-owned subsidiary company. The maximum amount outstanding at any time during the year was ₹ 5300.56 Lacs and the year-end balance was ₹ Nil.
  - b. In our opinion and according to the information and explanations given to us other terms and conditions are not prima facie prejudicial to the interest of the company.
  - c. The above loan is repayable on demand and there is no repayment schedule.
  - d. As there is no balance outstanding against the above loan, the question of overdue amount does not arise.
  - e. The company has taken loan from two such parties in respect of which maximum amount involved during the year was ₹ 20,978.00 lacs and the year-end balance was ₹ 11,822.07 lacs.
  - f. In our opinion and according to the information and explanations given to us, rate of interest, wherever applicable, and other terms and conditions, are not prejudicial to the interest of the Company.
  - g. As per the information and explanations given to us, the above loan is not due for repayment and there is no overdue amount as regards to interest.
- iv. In our opinion and according to the information and explanations given to us, there is an internal control system for the purchase of goods, services and fixed assets and also for the sale of goods and services which needs to be further strengthened. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - b. The transactions, made in pursuance of the contracts or arrangements, entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to ₹ 5 lacs or more in respect of each party, have been made at prices, which are reasonable. The Company has not made any similar transactions with any other party.



- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable for the year under audit.
- vii. In our opinion, the Company has an adequate 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. According to the information and explanations given to us in respect of statutory dues:
  - a. The company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Sales tax, Wealth tax, Customs Duty, Service Tax, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year however delays have been noticed in case of income tax (including tax deducted at source) and works contract tax.
  - b. According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at 31<sup>st</sup> March, 2013 for a period of more than six months from the date they became payable.
  - c. The disputed statutory dues aggregating to ₹ 843.70 Lacs that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

| Name of the Statute  | Nature of the Dues | Period to which the amount relates | Amount*<br>(₹ in lacs) | Forum where dispute is pending |
|----------------------|--------------------|------------------------------------|------------------------|--------------------------------|
| Income Tax Act, 1961 | Income Tax         | 2007-08                            | 5.46                   | C.I.T. (A)                     |
|                      |                    | 2004-05                            | 32.64                  | ITAT                           |
|                      |                    | 2007-08 to 2010-11                 | 805.60                 | ITO (TDS)                      |
| Total                |                    |                                    | 843.70                 |                                |

\* Net of amount deposited under protest as mentioned in Note no 33.1 to the financial statements.

- x. The Company does not have any accumulated losses as at 31<sup>st</sup> March, 2013 and has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- xi. Based on our audit procedures and information and explanations given by the management, we are of the opinion that as on 31<sup>st</sup> March, 2013 the Company has not defaulted in repayment of dues to banks and financial institutions.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investment. The company has maintained proper records of transactions and contracts in respect of shares, securities and other investments and timely entries have been made therein. All shares, securities and other investments have been held by the Company in its own name.

- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company has raised new term loans during the year. To the best of our knowledge and according to the information and explanations given to us the term loans outstanding at the beginning of the year and those raised during the year were prima facie been either used for the purposes for which they were raised or pending utilization been temporarily kept with the banks. Further certain short term working capital loans taken during the year have been utilized for the purchase of fixed assets.
- xvii. On the basis of review of utilization of funds, which is based on overall examination of the balance sheet of the Company as at 31<sup>st</sup> March, 2013, related information as made available to us and as represented by the management, we are of the opinion that fund raised on short term basis aggregating to ₹ 43,892.30 lacs have been used during the year for long term investments.
- xviii During the year the Company has made preferential allotment of 1,00,00,000 equity shares against the conversion of share warrants to a company covered in the register maintained under Section 301 of the Companies Act, 1956. The price at which these equity shares have been issued, has been determined as per Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009, which in our opinion, is not prejudicial to the interest of the Company.
- xix. The Company has not issued any debentures, hence the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx. During the year covered by our report the Company has not raised any money by public issue.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us and review of internal audit reports, no fraud on or by the company was noticed or reported during the course of our audit.

**For Chaturvedi & Shah**  
Chartered Accountants  
Firm Reg. No. - 101720W

Place : Mumbai  
Date : 30<sup>th</sup> May 2013

**R. Koria**  
Partner  
Membership No. - 35629



# Balance Sheet as at March 31, 2013

₹ in lacs

| Particulars  | Note    | As at March 31, 2013 | As at March 31, 2012 |
|--|---------|----------------------|----------------------|
| <b>I. EQUITY AND LIABILITIES</b>                   |         |                      |                      |
| (1) <b>Share Holders' Funds</b>                    |         |                      |                      |
| Share Capital                                      | 2       | 70,119.84            | 69,119.84            |
| Reserves and Surplus                               | 3       | 134,445.83           | 124,773.73           |
| Monies received against Convertible Share Warrants | 4       | 2,047.50             | 3,997.50             |
|  |         | 206,613.17           | 197,891.07           |
| (2) <b>Non Current Liabilities</b>                 |         |                      |                      |
| Long Term Borrowings                               | 5       | 215,052.01           | 100,177.22           |
| Deferred Tax Liabilities (Net)                     | 6       | 7,511.75             | 6,246.33             |
| Other Long Term Liabilities                        | 7       | 14,247.53            | 19,436.59            |
| Long Term Provisions                               | 8       | 100.89               | 99.86                |
|  |         | 236,912.18           | 125,960.00           |
| (3) <b>Current Liabilities</b>                     |         |                      |                      |
| Short Term Borrowings                              | 9       | 215,194.55           | 172,319.58           |
| Trade Payables                                     | 10      | 30,247.80            | 43,399.84            |
| Other Current Liabilities                          | 11      | 82,858.37            | 53,922.76            |
| Short Term Provisions                              | 12      | 24,802.04            | 2,401.49             |
|  |         | 353,102.76           | 272,043.67           |
| <b>TOTAL</b>                                       |         | <b>796,628.11</b>    | <b>595,894.74</b>    |
| <b>II. ASSETS</b>                                  |         |                      |                      |
| (1) <b>Non Current Assets</b>                      |         |                      |                      |
| <b>Fixed Assets</b>                                | 13      |                      |                      |
| Tangible Assets                                    |         | 269,290.33           | 220,131.09           |
| Intangible Assets                                  |         | 439.12               | 281.23               |
| Capital Work-in-Progress                           |         | 218,669.08           | 56,535.86            |
|  |         | 488,398.53           | 276,948.18           |
| Non Current Investments                            | 14      | 2,059.74             | 2,050.26             |
| Long Term Loans and Advances                       | 15      | 54,047.13            | 61,604.76            |
|  |         | 544,505.40           | 340,603.20           |
| (2) <b>Current Assets</b>                          |         |                      |                      |
| Current Investments                                | 16      | 450.00               | 900.00               |
| Inventories  | 17      | 16,280.45            | 33,910.19            |
| Trade Receivables                                  | 18      | 89,599.10            | 90,942.09            |
| Cash and Bank Balances                             | 19      | 37,543.53            | 27,825.25            |
| Short Term Loans and Advances                      | 20      | 23,971.34            | 33,954.06            |
| Other Current Assets                               | 21      | 84,278.29            | 67,759.95            |
|  |         | 252,122.71           | 255,291.54           |
| <b>TOTAL</b>                                       |         | <b>796,628.11</b>    | <b>595,894.74</b>    |
| Significant Accounting Policies                    | 1       |                      |                      |
| Notes on Financial Statements                      | 2 to 44 |                      |                      |

As per our report of even date  
**For Chaturvedi and Shah**  
Chartered Accountants

For and on behalf of the Board of Directors

**R. Korla**  
Partner

**Nikhil P. Gandhi**  
Chairman

**Bhavesh P. Gandhi**  
Executive Vice Chairman

Place : Mumbai  
Date : May 30, 2013

**Praveen Mohnot**  
Chief Financial Officer

**Ajit Dabholkar**  
Corporate Counsel & Company Secretary

# Statement of Profit and Loss for the year ended March 31, 2013 ₹ in lacs

| Particulars  | Note    | For the year ended<br>March 31, 2013 | For the year ended<br>March 31, 2012 |
|--|---------|--------------------------------------|--------------------------------------|
| <b>REVENUE</b>                                       |         |                                      |                                      |
| I Gross Revenue from Operations                      | 22      | 268,057.26                           | 186,723.37                           |
| Less: Service Tax / Excise recovered                 |         | 9,410.45                             | 16.90                                |
| Net Revenue from Operations                          |         | 258,646.81                           | 186,706.47                           |
| II Other Income                                      | 23      | 2,656.18                             | 2,440.24                             |
| <b>Total Revenue (I + II)</b>                        |         | <b>261,302.99</b>                    | <b>189,146.71</b>                    |
| <b>EXPENSES</b>                                      |         |                                      |                                      |
| Cost of Materials Consumed                           | 24      | 28,016.07                            | 49,877.97                            |
| Purchase of Traded Goods                             | 25      | 106,939.89                           | 51,662.25                            |
| Changes in Inventories of Work-in-Progress and Scrap | 26      | 251.20                               | 113.02                               |
| Employee Benefits Expenses                           | 27      | 5,309.49                             | 4,578.09                             |
| Finance Costs  | 28      | 39,745.96                            | 25,768.18                            |
| Depreciation and Amortisation Expenses               | 13      | 12,269.77                            | 10,589.17                            |
| Other Expenses                                       | 29      | 64,633.09                            | 39,288.07                            |
| <b>Total Expenses</b>                                |         | <b>257,165.47</b>                    | <b>181,876.75</b>                    |
| <b>Profit Before Tax</b>                             |         | <b>4,137.52</b>                      | <b>7,269.96</b>                      |
| Tax Expense - Current Tax                            |         | 825.46                               | 1,471.30                             |
| - MAT credit entitlement                             |         | (825.46)                             | (1,471.30)                           |
| - Deferred Tax                                       |         | 1,265.42                             | 5,452.13                             |
| - Income Tax for Earlier Years                       |         | -                                    | (33.75)                              |
| <b>Profit After Tax</b>                              |         | <b>2,872.10</b>                      | <b>1,851.58</b>                      |
| Earnings per equity share of ₹ 10/- each             | 30      |                                      |                                      |
| - Basic (₹)  |         | 0.41                                 | 0.27                                 |
| - Diluted (₹)  |         | 0.41                                 | 0.27                                 |
| Significant Accounting Policies                      | 1       |                                      |                                      |
| Notes on Financial Statements                        | 2 to 44 |                                      |                                      |

As per our report of even date  
For Chaturvedi and Shah  
Chartered Accountants

For and on behalf of the Board of Directors

**R. Koria**  
Partner

**Nikhil P. Gandhi**  
Chairman

**Bhavesh P. Gandhi**  
Executive Vice Chairman

Place : Mumbai  
Date : May 30, 2013

**Praveen Mohnot**  
Chief Financial Officer

**Ajit Dabholkar**  
Corporate Counsel & Company Secretary





## Cash Flow Statement for the year ended March 31, 2013

₹ in lacs

| Sr. No.  | Particulars  | 2012-2013    | 2011-2012    |
|----------|--|--------------|--------------|
| <b>A</b> | <b>Cash Flow from Operating Activities</b>                         |              |              |
|          | Net Profit before Tax  | 4,137.52     | 7,269.96     |
|          | Adjustments for :  |              |              |
|          | Depreciation and Amortisation Expenses                             | 12,269.77    | 10,589.16    |
|          | Interest Income  | (2,587.23)   | (2,087.32)   |
|          | Dividend on Current Investments                                    | (15.79)      | (22.83)      |
|          | Profit on Sale of Current Investments                              | (15.08)      | (96.72)      |
|          | Loss / (Profit) on Sale of Fixed Assets (Net)                      | (4.60)       | (74.74)      |
|          | Finance Costs  | 39,745.96    | 25,768.18    |
|          | Provision for Wealth Tax   | 2.48         | 2.40         |
|          | Provision for estimated cost over contract revenue                 | 5,518.86     | 567.36       |
|          | Cost Estimated for Revenue Recognised                              | 16,913.89    | (7,245.62)   |
|          | Liability No Longer Required (Written Back)                        | (0.50)       | -            |
|          | Contract Advance Forfeiture  | (6,336.59)   | -            |
|          | Foreign Exchange Difference  | (1,832.96)   | (976.10)     |
|          | Operating profit before working capital changes                    | 67,795.73    | 33,693.73    |
|          | Adjusted for :   |              |              |
|          | Inventories  | 17,629.75    | (9,375.40)   |
|          | Trade and other receivables  | (3,842.14)   | (105,164.45) |
|          | Trade Payables   | (19,065.39)  | 18,497.25    |
|          | Cash Generated from Operations                                     | 62,517.95    | (62,348.87)  |
|          | Direct Taxes (Paid) / Refund                                       | (1,486.13)   | 26.35        |
|          | Net Cash used in Operating Activities                              | 61,031.82    | (62,322.52)  |
| <b>B</b> | <b>Cash Flow from Investing Activities</b>                         |              |              |
|          | Purchase of Fixed Assets and Capital Work in Progress              | (184,002.28) | (51,379.16)  |
|          | Sale of Fixed Assets   | 36.79        | 84.85        |
|          | Advance to Subsidiaries (Net)                                      | 4,156.23     | (367.90)     |
|          | Purchase of Investments  | (12,710.00)  | (10,472.03)  |
|          | Investment in Subsidiaries   | (9.48)       | -            |
|          | Sale of Investments  | 13,175.08    | 11,815.00    |
|          | Dividend Received on Current Investments                           | 15.79        | 22.83        |
|          | Interest Received  | 2,149.27     | 2,538.14     |
|          | Fixed Deposits held for maturity period more than 3 months matured | -            | 1,832.39     |
|          | Net Cash used in Investing Activities                              | (177,188.60) | (45,925.88)  |

## Cash Flow Statement for the year ended March 31, 2013

₹ in lacs

| Sr. No.  | Particulars   | 2012-2013         | 2011-2012         |
|----------|---|-------------------|-------------------|
| <b>C</b> | <b>Cash Flow from Financing Activities</b>                            |                   |                   |
|          | Amount received against issue of Equity shares / warrants             | 5,850.00          | 3,997.50          |
|          | Proceeds from Long Term Borrowings                                    | 151,101.23        | 33,418.12         |
|          | Inter Corporate Deposits from Subsidiary Company (Net)                | 11,822.07         | -                 |
|          | Repayment of Long Term Borrowings                                     | (27,740.78)       | (13,056.71)       |
|          | Short Term Borrowings (Net)   | 42,066.01         | 100,530.75        |
|          | Interest Paid   | (57,223.47)       | (29,546.19)       |
|          | Margin Money (Net)  | (8,268.53)        | 5,078.48          |
|          | <b>Net Cash Flow from Financing Activities</b>                        | <b>117,606.53</b> | <b>100,421.95</b> |
|          | <b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b> | <b>1,449.75</b>   | <b>(7,826.45)</b> |
|          | Cash & Cash Equivalents - Opening balance                             | 3,123.24          | 10,949.69         |
|          | Cash & Cash Equivalents - Closing balance                             | 4,572.99          | 3,123.24          |

### Notes:

- (1) The above cash flow statement has been prepared under the “indirect method” as set out in Accounting Standard 3 - Cash Flow Statement.
- (2) Figures in brackets indicate outflow.
- (3) Previous Year figures have been regrouped / rearranged / recasted wherever necessary to make them comparable with those of current year.

As per our report of even date  
**For Chaturvedi and Shah**  
 Chartered Accountants

For and on behalf of the Board of Directors

**R. Koria**  
 Partner

**Nikhil P. Gandhi**  
 Chairman

**Bhavesh P. Gandhi**  
 Executive Vice Chairman

Place : Mumbai  
 Date : May 30, 2013

**Praveen Mohnot**  
 Chief Financial Officer

**Ajit Dabholkar**  
 Corporate Counsel & Company Secretary



# Notes on Financial Statements

## Note - 1

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**a. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

**b. USE OF ESTIMATES:**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

**c. FIXED ASSETS:**

- i. Fixed Assets are stated at cost net of cenvat / value added tax less accumulated depreciation and impairment loss, if any. All costs, including finance costs till commencement of commercial production attributable to the fixed assets are capitalised.
- ii. Expenses incurred relating to project, net of income earned during project development stage prior to commencement of commercial operation, are considered as pre - operative expenses and disclosed under Capital Work-in-Progress.

**d. INTANGIBLE ASSETS:**

Intangible Assets are stated at cost of acquisition less accumulated amortization. Software, which is not an integral part of the related hardware, is classified as an intangible asset and is amortized over the useful life of five years. Amortization is done on straight line basis.

**e. DEPRECIATION:**

Depreciation on Fixed Assets is provided on the Straight Line Method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. In respect of additions/extensions forming an integral part of existing assets depreciation has been provided over residual life of the respective fixed assets. The assets constructed on the leasehold land is depreciated during the lease period of the land or at the rates prescribed in Schedule XIV, whichever is higher. Leasehold Land is amortised over the period of Lease.

**f. INVESTMENTS:**

Current investments are carried at the lower of cost or quoted / fair value, computed category wise. Non Current Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

**g. BORROWING COSTS:**

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset (net of income earned on temporary deployment of funds) are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

## Notes on Financial Statements

### h. INVENTORY:

The inventories i.e. Raw Materials, Stores and Spares, Work in progress and Finished Goods etc. have been valued at lower of cost or net realisable value. Cost of Inventories comprise of all costs of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. The cost of steel plates, profiles & equipments is determined on Specific Identification Method and other raw materials & stores & spares at Weighted Average Method. The cost of Work-in-progress and Finished Stock is determined on absorption costing method. Scrap is valued at net realisable value.

### i. REVENUE RECOGNITION:

- i. Revenue from sale of goods and services is recognised when it is earned and no significant uncertainty exist as to its ultimate collection. Revenue from operation include income from sale of goods, services, service tax and is net off value added tax and sales tax recovered.
- ii. Revenue for shipbuilding contracts are recognized using the percentage of completion method as under:
  - a. In respect of commercial vessels, including bulk carriers, tankers, container vessels, etc. and floating platforms, revenue is recognized on the basis of percentage of actual cost incurred thereon as against the total estimated cost of the shipbuilding contract under execution.
  - b. In respect of other vessels, including offshore support vessels, revenue is recognized in proportion to the stage of completion. The stage of completion is measured by reference to the percentage of proportion of the contract work completed as determined by technical experts. As soon as the outcome of the construction contract can be estimated reliably, contract revenue and expenses are recognized in the Statement of Profit and Loss in proportion to the degree of completion of the contract.

The estimates of cost are revised periodically by the management. The effect of such changes to estimates is recognized in the period in which such changes are determined. The estimated cost of each contract is determined based on the management's estimate of the cost to be incurred till the final completion of the vessel and includes cost of materials, services, finance cost and other related overheads. Any projected losses on contracts under execution are recognized in full when identified. Recognition of revenue relating to agreements entered in to with the buyers, which are subject to fulfillment of obligations/conditions imposed by statutory authorities is postponed till such obligations are discharged.

- iii. Revenue from repairs, fabrication and job work is recognized on the basis of job completion.
- iv. Interest income is recognised on a time proportion basis. Dividend is considered when the right to receive is established.

### j. GOVERNMENT SUBSIDY:

Government subsidy related to shipbuilding contracts are recognized, on the basis of percentage completion of the respective ships, on compliance with the relevant conditions and such grants are recognized in the Statement of Profit and Loss and presented under revenue from operations.

### k. FOREIGN CURRENCY TRANSACTIONS:

- i. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.



## Notes on Financial Statements

- ii. Monetary items denominated in foreign currencies at the year end are restated at the year end rates. In case of items, which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts has been recognised over the life of the contract.
- iii. Non monetary foreign currency items are carried at cost.
- iv. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Statement of Profit and Loss.

### **I. FINANCIAL DERIVATIVES:**

In respect of Derivative Contracts, premium paid and losses/gain on settlement and losses on restatement are recognised in the Statement of Profit and Loss.

### **m. EMPLOYEE BENEFITS:**

- i. Short-term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss / Pre - Operative Expenses of the year in which the related service is rendered.
- ii. Post employment and other long term employee benefits are recognized as an expense in the Statement of Profit and Loss / Pre - Operative Expenses for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit and Loss/ Pre-operative Expenses.

### **n. PROVISION FOR CURRENT AND DEFERRED TAX:**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from “timing differences” between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

### **o. IMPAIRMENT OF ASSETS:**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

### **p. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

### **q. PRELIMINARY AND ISSUE EXPENSES:**

Preliminary and Expenses related to issue of equity and equity related instruments are adjusted against the securities premium account.



# Notes on Financial Statements

## Note - 2

### SHARE CAPITAL

₹ in lacs

| Particulars  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| <b>Equity Shares</b>   |                         |                         |
| <b>Authorised</b>  |                         |                         |
| 1,000,000,000 (Previous Year 800,000,000) equity shares of ₹ 10/- each             | <b>100,000.00</b>       | <b>80,000.00</b>        |
| <b>Issued, Subscribed and fully paid up</b>  |                         |                         |
| 701,198,388 (Previous Year 691,198,388) equity Shares of ₹ 10/- each fully paid-up | 70,119.84               | 69,119.84               |
| <b>Total</b>   | <b>70,119.84</b>        | <b>69,119.84</b>        |

#### 2.1 Reconciliation of Equity shares outstanding at the beginning and at the end of the year

₹ in lacs

| Particulars  | As at March 31, 2013 |           | As at March 31, 2012 |           |
|--|----------------------|-----------|----------------------|-----------|
|  | No. of Shares        | Amount    | No. of Shares        | Amount    |
| Equity shares at the beginning of the year                     | 691,198,388          | 69,119.84 | 665,798,388          | 66,579.84 |
| Add: Shares Issued during the year on conversion of debentures | -                    | -         | 25,400,000           | 2,540.00  |
| Add: Shares Issued during the year on conversion of warrants   | 10,000,000           | 1,000.00  | -                    | -         |
| Equity shares at the end of the year                           | 701,198,388          | 70,119.84 | 691,198,388          | 69,119.84 |

#### 2.2 Shareholders holding more than 5% Shares in the Company

| Shares held by                                | As at March 31, 2013 |           | As at March 31, 2012 |           |
|---|----------------------|-----------|----------------------|-----------|
|   | No. of Shares        | % Holding | No. of Shares        | % Holding |
| SKIL Infrastructure Limited                   | 263,466,685          | 37.57%    | 257,266,685          | 37.22%    |
| Life Insurance Corporation of India           | 58,465,899           | 8.34%     | -                    | -         |
| Smallcap World Fund, Inc.                     | -                    | -         | 35,731,000           | 5.17%     |
| IL & FS Marine Infrastructure Company Limited | 53,423,871           | 7.62%     | 53,423,871           | 7.73%     |

#### 2.3 Reserved Shares

The Convertible Share Warrant Holders have the option to convert their share warrants into 10,500,000 Equity Shares (Previous Year 20,500,000) of ₹ 10 each, at the terms and conditions as referred in note no 4.

#### 2.4 Terms and Rights attached to Equity Shares

The Company has only one class of Equity Share having par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the company, the Equity share holders will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amount. The distribution will be in proportionate to the number of equity share held by the shareholders.



# Notes on Financial Statements

## Note - 3

### RESERVES AND SURPLUS

₹ in lacs

| Particulars  | As at March 31, 2013 | As at March 31, 2012 |
|--|----------------------|----------------------|
| <b>Capital Reserve</b>                                   |                      |                      |
| Balance as per last Balance Sheet                        | 6,254.96             | -                    |
| Add:- On forfeiture of preferential convertible warrants | -                    | 6,254.96             |
|  | <b>6,254.96</b>      | <b>6,254.96</b>      |
| <b>Securities Premium Account</b>                        |                      |                      |
| Balance as per Last Balance Sheet                        | 117,742.16           | 102,501.56           |
| Add :- On Issue of Shares                                | 6,800.00             | 15,240.00            |
| Less :- Securities Issue Expenses                        | -                    | *(0.60)              |
|  | <b>124,542.16</b>    | <b>117,742.16</b>    |
| <b>Surplus / (Deficit)</b>                               |                      |                      |
| Balance as per last Balance Sheet                        | 776.61               | (1,074.97)           |
| Add:- Profit for the year                                | 2,872.10             | 1,851.58             |
|  | <b>3,648.71</b>      | <b>776.61</b>        |
| <b>Total</b>   | <b>134,445.83</b>    | <b>124,773.73</b>    |

\* Reversal of provision made during the Financial Year 2010-11.

## Note - 4

### MONIES RECEIVED AGAINST CONVERTIBLE SHARE WARRANTS

As approved by the Shareholders in the Annual General Meeting held on October 5, 2011, the Company had allotted 10,500,000 Convertible Warrants to individual investors and 10,000,000 Convertible Warrants to a promoter Group Company @ ₹ 78 each, ₹ 19.50 paid up on preferential basis. Each Warrant is convertible into one fully paid-up equity share of the Company of ₹ 10 each at a premium of ₹ 68 per equity share at any time prior to 18 months from the date of allotment of warrants. During the year, the promoter group company has opted conversion of 10,000,000 warrants held by them and paid the balance amount. Accordingly 10,000,000 Equity Shares were issued against the said warrants.

## Note - 5

### LONG TERM BORROWINGS

₹ in lacs

| Particulars                    | As at March 31, 2013 | As at March 31, 2012 |
|--------------------------------|----------------------|----------------------|
| <b>Secured Loans</b>           |                      |                      |
| Rupee Term Loans from:         |                      |                      |
| - Banks                        | 168,121.91           | 63,055.63            |
| - Financial Institutions       | 34,227.27            | 35,343.27            |
| - Body Corporates              | 850.00               | 1,750.00             |
|                                | <b>203,199.18</b>    | <b>100,148.90</b>    |
| <b>Vehicle Loans</b>           | <b>30.76</b>         | <b>28.32</b>         |
|                                | <b>203,229.94</b>    | <b>100,177.22</b>    |
| <b>Unsecured Loans</b>         |                      |                      |
| Inter Corporate Deposits from: |                      |                      |
| Related Party                  | 11,822.07            | -                    |
|                                | <b>11,822.07</b>     | <b>-</b>             |
| <b>Total</b>                   | <b>215,052.01</b>    | <b>100,177.22</b>    |

## Notes on Financial Statements

- 5.1 Rupee Term loans as referred to above and ₹ 48,793.38 Lacs included in current maturities of long term debt in note no. 11 are secured as under:
- ₹ 85,068.23 Lacs by way of first charge & mortgage on all the immovable properties, both present & future & hypothecation of all movable properties, both present and future.
  - ₹ 13,674.33 Lacs by way of subservient charge on fixed assets and current assets.
  - ₹ 116,000.00 Lacs by way of first *pari-passu* charge on all the movable and immovable properties, both present & future including hypothecation of movable assets, second *pari-passu* charge on current assets of the Company.
  - ₹ 13,500.00 Lacs by way of first *pari-passu* charge on entire fixed assets of the Company, hypothecation of movable fixed assets and mortgage on immovable assets.
  - ₹ 23,750.00 Lacs by way of Subservient charge on entire fixed assets & current assets of the Company, first *pari-passu* charge on 100 acres of Land situated near JNPT owned by Karanja Infrastructure Pvt. Ltd. for the proposed FTWZ and first *pari-passu* charge on 73 acres of Land situated near JNPT for proposed CFS operations owned by Fastlane Distriparks Logistics Ltd.
- 5.2 All Rupee Term Loans are guaranteed by M/s SKIL Infrastructure Ltd., the promoter company. Rupee Term Loan of ₹ 23,750.00 Lacs are guaranteed by Karanja Infrastructure Private Limited and Rupee Term Loan of ₹ 214,568.23 Lacs are further secured by pledge of 143,999,994 shares of the company held by the promoters.
- 5.3 Rupee Term Loans of ₹ 225,403.81 Lacs are further guaranteed by some of the directors in their personal capacities.
- 5.4 Rupee Term Loans of ₹ 13,500.00 Lacs are secured by pledge of 4,400,000 shares of Horizon Infrastructure Ltd. held by promoters.
- 5.5 Lenders in respect of secured loans aggregating to ₹ 214,568.23 Lacs have right to convert the loans at their option into fully paid up equity shares of the company if the company is in default for a period more than what is specified in the respective loan agreements.
- 5.6 **Repayment Terms**
- The above Secured Rupee Term Loans including ₹ 48,793.38 Lacs included in current maturities of long term debts carry an interest rate ranging from 11.00% to 15.00%. Out of the above Rupee Term Loan ₹ 38,622.97 Lacs are repayable in 40 equal quarterly installments commencing from April 01, 2010 to January 01, 2020, ₹ 12,619.00 Lacs in 40 quarterly structured installments commencing from August 31, 2005 to February 28, 2017, ₹ 3,900.00 Lacs in 40 equal quarterly installments commencing from October 01, 2009 to July 01, 2019, ₹ 26,588.76 Lacs in quarterly installments commencing from April 01, 2011 to January 01, 2020, ₹ 1,375.00 Lacs in 32 quarterly equal installments commencing from October 01, 2010 to July 01, 2018, ₹ 9,174.33 Lacs in 6 quarterly equal installments commencing from June 03, 2012 to March 29, 2014, ₹ 15,000.00 Lacs in 20 equal half yearly installments commencing from February 01, 2015 to February 1st, 2024, ₹ 1,962.50 Lacs in 40 quarterly installments commencing from September 30, 2005 to March 30, 2015, ₹ 101,000.00 Lacs in 10 equal yearly installments commencing from February 01, 2015 to February 01, 2024, ₹ 4,500.00 Lacs, ₹ 16,750.00 Lacs and ₹ 7,000.00 Lacs repayable after the end of 15 months from the date of first disbursement i.e. on November 04, 2013, November 24, 2013 and June 26, 2014 respectively and ₹ 13,500.00 Lacs repayable in 12 equal monthly installments commencing from December 30, 2013 to November 30, 2014.



## Notes on Financial Statements

- ii) The maturity profile, period and amount of installments of Secured Rupee Term Loans as referred above including current maturities of long term debt referred to in note no. 11 are as under:

| Financial Year | Rupee Term Loans from |                        |                 | ₹ in lacs         |
|----------------|-----------------------|------------------------|-----------------|-------------------|
|                | Banks                 | Financial Institutions | Body Corporates | Total             |
| 2013-14        | 41,564.88             | 6,116.00               | 1,112.50        | 48,793.38         |
| 2014-15        | 37,607.21             | 7,163.00               | 850.00          | 45,620.21         |
| 2015-16        | 19,608.89             | 5,900.00               | -               | 25,508.89         |
| 2016-17        | 19,608.89             | 6,040.00               | -               | 25,648.89         |
| 2017-18        | 19,608.89             | 3,900.00               | -               | 23,508.89         |
| 2018-19        | 19,129.37             | 3,900.00               | -               | 23,029.37         |
| 2019-20        | 17,378.65             | 3,324.28               | -               | 20,702.93         |
| 2020-21        | 10,970.00             | 2,000.00               | -               | 12,970.00         |
| 2021-22        | 10,970.00             | 2,000.00               | -               | 12,970.00         |
| 2022-23        | 7,670.00              | -                      | -               | 7,670.00          |
| 2023-24        | 5,570.00              | -                      | -               | 5,570.00          |
| <b>Total</b>   | <b>209,686.78</b>     | <b>40,343.28</b>       | <b>1,962.50</b> | <b>251,992.56</b> |

- 5.7 Vehicle Loans referred to above including ₹ 17.53 Lacs included in Current Maturities of Long Term Debts in note no. 11 are secured by the Hypothecation of the specific vehicles financed. The loans are repayable in monthly equated installments (including interest) as per repayment schedule starting from May 01, 2010 to May 01, 2017.

- 5.8 Details of Unsecured Loans from related party:

| Company Name                     | Nature of Relationship | As at            | As at          |
|----------------------------------|------------------------|------------------|----------------|
|                                  |                        | March 31, 2013   | March 31, 2012 |
| <b>E Complex Private Limited</b> | <b>Subsidiary</b>      | <b>11,822.07</b> | <b>-</b>       |

- 5.9 Terms and Conditions for Loans from Related Parties:

The above unsecured loan carry an interest of 18 % p.a. payable on daily reducing balance and repayable in three equal quarterly instalments commencing from June 30, 2014 to December 31, 2014.

- 5.10 As on March 31, 2013, the Company has overdue of ₹ 212.50 Lacs (Previous Year: ₹ 1,437.59 Lacs) and ₹ NIL (Previous Year: ₹ 948.77 Lacs) towards the principal and interest respectively.

## Note - 6

### DEFERRED TAX LIABILITIES (NET)

As required by Accounting Standard 22 on "Accounting for Taxes on Income" Deferred Tax comprises of the following items:

| Particulars                             | ₹ in lacs            |                      |
|---|----------------------|----------------------|
|   | As at March 31, 2013 | As at March 31, 2012 |
| <b>Deferred Tax Liabilities</b>         |                      |                      |
| Related to Fixed Assets                 | 29,110.61            | 22,600.72            |
| <b>Deferred Tax Assets</b>              |                      |                      |
| Unabsorbed Depreciation                 | 21,465.13            | 16,259.31            |
| Disallowance under Income Tax Act, 1961 | 133.73               | 95.08                |
|   | 21,598.86            | 16,354.39            |
| <b>Deferred Tax Liabilities (Net)</b>   | <b>7,511.75</b>      | <b>6,246.33</b>      |

# Notes on Financial Statements

## Note - 7

### OTHER LONG TERM LIABILITIES

| Particulars             | ₹ in lacs               |                         |
|-------------------------|-------------------------|-------------------------|
|                         | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Advances from Customers | 14,247.53               | 19,436.59               |
| <b>Total</b>            | <b>14,247.53</b>        | <b>19,436.59</b>        |

## Note - 8

### LONG TERM PROVISIONS

| Particulars           | ₹ in Lacs               |                         |
|-----------------------|-------------------------|-------------------------|
|                       | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| for Employee Benefits | 100.89                  | 99.86                   |
| <b>Total</b>          | <b>100.89</b>           | <b>99.86</b>            |

## Note - 9

### SHORT TERM BORROWINGS

| Particulars                | ₹ in Lacs            |                      |
|----------------------------|----------------------|----------------------|
|                            | As at March 31, 2013 | As at March 31, 2012 |
| <b>Secured Loans from:</b> |                      |                      |
| Banks                      | 83,893.94            | 85,367.94            |
| Financial Institutions     | 15,000.00            | -                    |
| Body Corporates            | 2,162.00             | -                    |
|                            | <b>101,055.94</b>    | <b>85,367.94</b>     |
| <b>Unsecured Loans</b>     |                      |                      |
| from Banks                 | 114,138.61           | 86,951.64            |
| <b>Total</b>               | <b>215,194.55</b>    | <b>172,319.58</b>    |

#### 9.1 Secured Loans from Banks referred to above includes:

- ₹ 7,162.00 Lacs secured by way of first *pari-passu* charge on entire current assets and second *pari-passu* charge on entire fixed assets of the Company.
- ₹ 24,000.00 Lacs secured by way of subservient charge on fixed assets and current assets of the Company both present and future.
- ₹ 15,000.00 Lacs secured by way of first charge on the Company assets, subservient charge on the other working capital assets of the Company and mortgage of property at Mahal Mira, Pen Taluka, Raigad District admeasuring 1,089,000 sq.ft owned by Fastlane Distripacks & Logistics Ltd.
- ₹ 10,939.33 Lacs secured by way of first *pari-passu* charge on entire current assets of the Company, second *pari-passu* charge on the entire fixed assets of the Company.
- ₹ 7,500.01 Lacs secured by way of first *pari-passu* charge on the entire current assets of the Company, second *pari-passu* charge on fixed assets of the Company with other working capital lenders.





## Notes on Financial Statements

- vi) ₹ 2,365.39 Lacs secured by way of hypothecation of entire stock of raw material, stock in process, finished goods, consumables stores & spares inward RR's/ GR's receivables and all other current assets of the borrower on *pari-passu* basis with other consortium banks.
  - vii) ₹ 30,058.76 Lacs secured by way of first *pari-passu* charge on entire current assets of the Company along with other consortium member banks. Second *pari-passu* charge on fixed assets.
  - viii) ₹ 4,030.45 Lacs secured by way of hypothecation of entire stock of raw material, stock in process, finished goods, stores & spares & receivables on *pari-passu* basis with other consortium banks.
- 9.2 Secured loans of ₹ 81,055.94 Lacs are guaranteed by M/s SKIL Infrastructure Ltd., the promoter company and ₹ 66,055.94 Lacs are guaranteed by some of the directors in their personal capacity.
- 9.3 As on March 31, 2013, the Company has overdue of ₹ 2,162.00 Lacs (Previous Year: ₹ 4,561.05) and ₹ NIL (Previous Year: ₹ 417.90 Lacs) towards the principal and interest respectively.

### Note - 10

#### TRADE PAYABLES

| Particulars                         | ₹ in lacs               |                         |
|-------------------------------------|-------------------------|-------------------------|
|                                     | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Micro, Small and Medium Enterprises | 827.03                  | 875.36                  |
| Others                              | 29,420.77               | 42,524.48               |
| <b>Total</b>                        | <b>30,247.80</b>        | <b>43,399.84</b>        |

- 10.1 Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

| Particulars   | ₹ in lacs               |                         |
|---|-------------------------|-------------------------|
|   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Principal amount remaining unpaid                           | 827.03                  | 875.36                  |
| Interest due thereon  | 172.53                  | 69.39                   |
| Interest paid by the Company in term of Section 16          | -                       | -                       |
| Interest due and payable for the period of delay in payment | -                       | -                       |
| Interest accrued and remaining unpaid                       | 172.53                  | 69.39                   |
| Interest remaining due and payable even in succeeding years | -                       | -                       |

# Notes on Financial Statements

## Note - 11

### OTHER CURRENT LIABILITIES

| Particulars                                | ₹ in Lacs               |                         |
|--|-------------------------|-------------------------|
|  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Current Maturities of Long Term Debts      | 48,810.91               | 28,503.19               |
| Interest Accrued and due on borrowings     | -                       | 1,366.67                |
| Interest Accrued but not due on borrowings | 3,027.38                | 1,839.23                |
| Unclaimed Share Application Money *        | 6.01                    | 6.01                    |
| Creditors for Capital Goods                | 24,070.69               | 8,534.30                |
| Advances from Customers                    | 2.41                    | 10,885.09               |
| Statutory Dues                             | 1,267.49                | 662.32                  |
| Deferred Forward Premium                   | 178.49                  | 211.33                  |
| Bank Overdraft                             | 4,231.27                | -                       |
| Other Payables **                          | 1,263.72                | 1,914.62                |
| <b>Total</b>                               | <b>82,858.37</b>        | <b>53,922.76</b>        |

\*Does not include any amount due and outstanding to be credited to Investor Education & Protection Fund.

\*\*Includes mainly payables to employees and provision for expenses.

## Note - 12

### SHORT TERM PROVISIONS

| Particulars                   | ₹ in Lacs               |                         |
|-------------------------------|-------------------------|-------------------------|
|                               | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| for Employee Benefits         | 311.29                  | 193.21                  |
| for Income Tax (Net)          | -                       | 150.23                  |
| for Wealth Tax (Net)          | 2.35                    | 2.40                    |
| Other Provisions <sup>#</sup> | 24,488.40               | 2,055.65                |
| <b>Total</b>                  | <b>24,802.04</b>        | <b>2,401.49</b>         |

<sup>#</sup>The company has recognised liabilities based on substantial degree of estimation for provision for estimated cost over contract revenue on shipbuilding contracts and costs estimated for revenue recognised. The provision for estimated cost over contract revenue on Shipbuilding contracts and costs estimated for revenue recognised as at March 31, 2012 was ₹ 928.95 Lacs and ₹ 1,126.70 Lacs respectively, out of which ₹ 928.95 lacs and ₹ Nil respectively incurred during the year. Liability outstanding under this clause as at March 31, 2013 is ₹ 6,447.81 Lacs and ₹ 18,040.59 Lacs respectively. Actual outflow is expected in the subsequent financial years.

# Notes on Financial Statements

## Note - 13

### FIXED ASSETS

₹ in lacs

| Particulars              | Gross Block       |                                 |                            |                    | Depreciation and Amortisation |                 |                            |                   | Net Block          |                    |
|--------------------------|-------------------|---------------------------------|----------------------------|--------------------|-------------------------------|-----------------|----------------------------|-------------------|--------------------|--------------------|
|                          | As at<br>1-Apr-12 | Additions<br>during<br>the year | Deductions/<br>Adjustments | As at<br>31-Mar-13 | Upto<br>31-Mar-12             | For the<br>year | Deductions/<br>Adjustments | Upto<br>31-Mar-13 | As at<br>31-Mar-13 | As at<br>31-Mar-12 |
| Tangible Assets          |                   |                                 |                            |                    |                               |                 |                            |                   |                    |                    |
| Owned Assets             |                   |                                 |                            |                    |                               |                 |                            |                   |                    |                    |
| Buildings                | 47,236.76         | 260.44                          | -                          | 47,497.20          | 3,791.84                      | 1,589.80        | -                          | 5,381.64          | 42,115.56          | 43,444.92          |
| Plant and Equipments     | 168,446.35        | 61,016.57                       | 17.78                      | 229,445.14         | 11,959.19                     | 9,313.58        | 2.52                       | 21,270.25         | 208,174.89         | 156,487.16         |
| Furniture and Fixtures   | 801.12            | 10.87                           | -                          | 811.99             | 268.93                        | 40.56           | -                          | 309.49            | 502.50             | 532.19             |
| Office Equipments        | 296.19            | 21.28                           | 27.84                      | 289.63             | 59.83                         | 18.57           | 15.80                      | 62.60             | 227.03             | 236.36             |
| Vehicles                 | 507.38            | 35.81                           | 9.61                       | 533.58             | 188.42                        | 47.60           | 4.72                       | 231.30            | 302.28             | 318.96             |
| Total                    | 217,287.80        | 61,344.97                       | 55.23                      | 278,577.54         | 16,268.21                     | 11,010.11       | 23.04                      | 27,255.28         | 251,322.26         | 201,019.59         |
| Leased Assets            |                   |                                 |                            |                    |                               |                 |                            |                   |                    |                    |
| Leasehold Land           | 22,539.77         | 12.77                           | -                          | 22,552.54          | 3,428.27                      | 1,156.20        | -                          | 4,584.47          | 17,968.07          | 19,111.50          |
| Total                    | 22,539.77         | 12.77                           | -                          | 22,552.54          | 3,428.27                      | 1,156.20        | -                          | 4,584.47          | 17,968.07          | 19,111.50          |
| Total Tangible Assets    | 239,827.57        | 61,357.74                       | 55.23                      | 301,130.08         | 19,696.48                     | 12,166.31       | 23.04                      | 31,839.75         | 269,290.33         | 220,131.09         |
| Intangible Assets        |                   |                                 |                            |                    |                               |                 |                            |                   |                    |                    |
| Computer Softwares*      | 449.52            | 261.35                          | -                          | 710.87             | 168.29                        | 103.46          | -                          | 271.75            | 439.12             | 281.23             |
| Total Intangible Assets  | 449.52            | 261.35                          | -                          | 710.87             | 168.29                        | 103.46          | -                          | 271.75            | 439.12             | 281.23             |
| Total                    | 240,277.09        | 61,619.09                       | 55.23                      | 301,840.95         | 19,864.77                     | 12,269.77       | 23.04                      | 32,111.50         | 269,729.45         | 220,412.32         |
| Previous Year            | 131,780.40        | 108,512.10                      | 15.41                      | 240,277.09         | 9,280.92                      | 10,589.17       | 5.32                       | 19,864.77         | 220,412.32         | -                  |
| Capital Work in Progress |                   |                                 |                            |                    |                               |                 |                            |                   | 218,669.08         | 56,535.86          |

\* Other than Internally Generated



## Notes on Financial Statements

13.1 The Leasehold Land represents the lease premium and the cost incurred for reclaiming and development of the Land.

13.2 Buildings and Plant & equipments are constructed / installed on leasehold land.

13.3 Capital Work in Progress includes:

| ₹ in Lacs                                    |             |             |
|--|-------------|-------------|
| Particulars                                  | 2012 - 2013 | 2011 - 2012 |
| - Material at site                           | 1,307.13    | 525.16      |
| - Assets under construction and installation | 186,866.46  | 35,605.34   |
| - Preoperative expenses                      | 30,495.49   | 20,405.36   |

13.4 Details of Preoperative expenses are as under:

| ₹ in Lacs                                   |             |             |
|---|-------------|-------------|
| Particulars                                 | 2012 - 2013 | 2011 - 2012 |
| Opening Balance                             | 20,405.36   | 43,313.53   |
| Add:  |             |             |
| Salaries Wages and Allowances               | 550.19      | 819.09      |
| Contribution to PF and Other Fund           | 14.47       | 20.23       |
| Staff Welfare Expenses                      | 1.93        | 22.99       |
| Rent  | 31.41       | 55.94       |
| Professional and Consultancy Charges        | 151.99      | 158.56      |
| Conveyance, Travelling and Vehicle Expenses | 161.14      | 121.43      |
| Insurance                                   | 22.08       | 50.61       |
| Communication Expenses                      | 5.32        | 10.18       |
| Repairs & Maintenance - Others              | 9.20        | 27.20       |
| Miscellaneous Expenditure                   | 110.66      | 96.17       |
| Interest Expenses                           | 16,252.40   | 4,065.54    |
| Other Borrowing Costs                       | 1,046.59    | 301.65      |
| Sub - Total                                 | 38,762.74   | 49,063.12   |
| Less :                                      |             |             |
| Allocated to Fixed Assets                   | 8,267.25    | 28,657.76   |
| Closing Balance (Total)                     | 30,495.49   | 20,405.36   |

13.5 In accordance with the Accounting Standard (AS - 28) on "Impairment of Assets" the Management during the year carried out an exercise of identifying the assets that may have been impaired in respect of each cash generating unit. On the basis of this review carried out by the Management, there was no impairment loss on Fixed Assets during the year.

13.6 Additions in the Fixed Assets include interest and financial charges of ₹ 5,800.15 Lacs (Previous Year : ₹ 9,436.70 Lacs) as detailed below:

| ₹ in Lacs                 |             |             |
|---------------------------|-------------|-------------|
| Particulars               | 2012 - 2013 | 2011 - 2012 |
| Land and Site Development | -           | 24.49       |
| Buildings                 | 24.65       | 86.99       |
| Plant and Machinery       | 5,775.50    | 9,317.76    |
| Software                  | -           | 7.46        |
| Total                     | 5,800.15    | 9,436.70    |



# Notes on Financial Statements

## Note - 14

### NON CURRENT INVESTMENTS

₹ in lacs

| Particulars   | Face Value | Numbers        |                | As at March 31, 2013 | As at March 31, 2012 |
|---|------------|----------------|----------------|----------------------|----------------------|
|   |            | March 31, 2013 | March 31, 2012 |                      |                      |
| <b>Long Term Trade Investments (Unquoted and fully paid up)</b> |            |                |                |                      |                      |
| <b>In Equity shares of Subsidiary Companies</b>                 |            |                |                |                      |                      |
| E Complex Pvt.Ltd.  | ₹10        | 21,709,327     | 21,709,327     | 1,896.73             | 1,896.73             |
| Pipavav Marine and Offshore Ltd.                                | ₹10        | 50,000         | -              | 5.00                 | -                    |
| PDOC Pte. Ltd.  | ₹1         | 10,000         | -              | 4.48                 | -                    |
|   |            |                |                | 1,906.21             | 1,896.73             |
| <b>In Associate Company</b>                                     |            |                |                |                      |                      |
| Conceptia Software Technologies Pvt. Ltd.                       | ₹10        | 112,200        | 112,200        | 153.48               | 153.48               |
|   |            |                |                | 153.48               | 153.48               |
| <b>Other Investments</b>  |            |                |                |                      |                      |
| <b>Government and Other Securities</b>                          |            |                |                |                      |                      |
| 6 years National Savings Certificate                            | -          | -              | -              | 0.05                 | 0.05                 |
| (Deposited with Sales Tax Department)                           |            |                |                |                      |                      |
|   |            |                |                | 0.05                 | 0.05                 |
| <b>Total</b>  |            |                |                | <b>2,059.74</b>      | <b>2,050.26</b>      |

14.1 Refer note no. 1(f) for basis of valuation.

14.2 Aggregate amount of Non Current Investments.

₹ in Lacs

|                      | As at March 31, 2013 |              | As at March 31, 2012 |              |
|----------------------|----------------------|--------------|----------------------|--------------|
|                      | Book Value           | Market Value | Book Value           | Market Value |
| Quoted Investments   | -                    | -            | -                    | -            |
| Unquoted Investments | 2,059.74             | -            | 2,050.26             | -            |
| <b>Total</b>         | <b>2,059.74</b>      | <b>-</b>     | <b>2,050.26</b>      | <b>-</b>     |



# Notes on Financial Statements

## Note - 15

### LONG TERM LOANS AND ADVANCES

(Unsecured, considered good)

| ₹ in lacs                |                         |                         |
|--------------------------|-------------------------|-------------------------|
| Particulars              | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Capital Advances         | 35,804.28               | 42,718.93               |
| Security Deposits with   |                         |                         |
| - Related Parties        | 7,355.00                | 7,355.00                |
| - Others                 | 2,611.02                | 2,318.43                |
| Advance Taxes (Net)      | 667.64                  | -                       |
| Cenvat / VAT recoverable | 4,852.02                | 7,120.96                |
| MAT credit entitlement   | 2,757.17                | 2,091.44                |
| <b>Total</b>             | <b>54,047.13</b>        | <b>61,604.76</b>        |

#### 15.1 Details of Deposits to Related Parties

| ₹ in lacs                         |   |                         |                         |
|-----------------------------------|---|-------------------------|-------------------------|
| Company Name                      | Nature of Relationship  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| E Complex Private Limited         | Subsidiary  | 7,030.00                | 7,030.00                |
| Awaita Properties Private Limited | Enterprises in which Directors are able to exercise significant influence | 325.00                  | 325.00                  |

15.2 Cenvat / VAT recoverable represents the Cenvat/VAT/Central Sales Tax paid on the purchase of goods and services for the project and operations. The company has been legally advised that such amounts are recoverable. Any unrealized amounts will be added back to the cost of the project or charged off to the statement of Profit and Loss, as the case may be in the year of settlement.

15.3 Presently the company is liable to pay Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act, 1961 ("the Act") and the amount paid as MAT is allowed to be carried forward for being set off against the future tax liabilities computed in accordance with the provisions of the Act, other than section 115JB, in next ten years. Based on the future projection of the performances, the company will be liable to pay the Income Tax as per provisions, other than under section 115JB, of the Act. Accordingly as advised in Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India, ₹ 825.46 Lacs (Previous Year: ₹ 1,471.30 Lacs) being the excess of tax payable under section 115JB of the Act over tax payable as per the provisions other than section 115JB of the Act has been considered as MAT credit entitlement and credited to statement of Profit and Loss. The aggregate MAT credit entitlement available to the Company as on March 31, 2013 is ₹ 2,757.17 Lacs (Previous Year: ₹ 2,091.44 Lacs) net of reversal of excess provision of ₹ 159.73 Lacs (Previous Year: ₹ 507.51 Lacs) made in previous years.



# Notes on Financial Statements

## Note - 16

### CURRENT INVESTMENTS (Unquoted)

₹ in lacs

| Particulars                               | Face Value<br>(₹) | Numbers<br>31-Mar-13 | Amount<br>31-Mar-13 | Numbers<br>31-Mar-12 | Amount<br>31-Mar-12 |
|---|-------------------|----------------------|---------------------|----------------------|---------------------|
| <b>In Units of Mutual Funds</b>           |                   |                      |                     |                      |                     |
| SBI Debt Fund Series- 90 Days-60-Growth   | 10.00             | -                    | -                   | 5,600,000.00         | 560.00              |
| SBI Debt Fund Series- 367 Days-18- Growth | 10.00             | 3,400,000.00         | 340.00              | 3,400,000.00         | 340.00              |
| SBI Debt Fund Series- 366 Days-2-Growth   | 10.00             | 1,100,000.00         | 110.00              | -                    | -                   |
| <b>Total</b>                              |                   |                      | <b>450.00</b>       |                      | <b>900.00</b>       |

16.1 Refer Note No. 1(f) for basis of valuation.

16.2 Investments in Mutual Fund have been pledged with Banks for financial facilities (Letter of Credit and Bank Guarantee) availed from them.

16.3 Aggregate amount of Current Investments.

₹ in Lacs

|                      | As at March 31, 2013 |              | As at March 31, 2012 |              |
|----------------------|----------------------|--------------|----------------------|--------------|
|                      | Book Value           | Market Value | Book Value           | Market Value |
| Quoted Investments   | -                    | -            | -                    | -            |
| Unquoted Investments | 450.00               | -            | 900.00               | -            |
| <b>Total</b>         | <b>450.00</b>        | <b>-</b>     | <b>900.00</b>        | <b>-</b>     |

## Note - 17

### INVENTORIES

₹ in lacs

| Particulars              | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--------------------------|-------------------------|-------------------------|
| Raw Materials            | 14,203.93               | 28,671.01               |
| Raw Materials in Transit | 188.37                  | 2,795.54                |
| Stores and Spares        | 1,706.29                | 2,010.58                |
| Scrap                    | 181.86                  | 433.06                  |
| <b>Total</b>             | <b>16,280.45</b>        | <b>33,910.19</b>        |

17.1 Refer Note No. 1(h) for basis of valuation.

## Note - 18

### TRADE RECEIVABLES

(Unsecured)

₹ in lacs

| Particulars                              | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| - Due for a period exceeding six months* | 45,888.36               | 37,147.93               |
| - Others                                 | 43,710.74               | 53,794.16               |
| <b>Total</b>                             | <b>89,599.10</b>        | <b>90,942.09</b>        |

\* Management is of the view that the amount is good and realisable in the ordinary course of business.

# Notes on Financial Statements

## Note - 19

### CASH AND BANK BALANCES

| Particulars                                      | ₹ in lacs               |                         |
|--|-------------------------|-------------------------|
|  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| <b>Cash and Cash Equivalents</b>                 |                         |                         |
| Balances with Banks                              |                         |                         |
| - In Current Accounts                            | 4,567.75                | 3,113.96                |
| Cash on Hand                                     | 5.24                    | 9.28                    |
|  | 4,572.99                | 3,123.24                |
| <b>Other Bank Balances</b>                       |                         |                         |
| Share Application Money Refund account           | 6.01                    | 6.01                    |
| Fixed Deposits with Banks held as margin money * | 32,964.53               | 24,696.00               |
|  | 32,970.54               | 24,702.01               |
| <b>Total</b>                                     | <b>37,543.53</b>        | <b>27,825.25</b>        |

\* Includes ₹ 11,287.96 Lacs (Previous Year : ₹ 9,273.32 Lacs ) having maturity period more than twelve months.

## Note - 20

### SHORT TERM LOANS AND ADVANCES

(Unsecured & considered good)

| Particulars   | ₹ in lacs               |                         |
|---|-------------------------|-------------------------|
|   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Loans and Advances to Related Parties   | 1.90                    | 4,158.13                |
| Security Deposits   | 418.31                  | 393.26                  |
| Prepaid Expenses  | 5,404.43                | 4,344.18                |
| Advance recoverable in cash or in kind or for the value to be received<br>(Subject to Confirmation) |                         |                         |
| Against purchase of material / services   | 12,392.53               | 23,339.14               |
| Others *  | 5,754.17                | 1,719.35                |
| <b>Total</b>  | <b>23,971.34</b>        | <b>33,954.06</b>        |

\* Mainly includes interest and VAT/Cenvat refundable/to be availed.

#### 20.1 Details of Loans and Advances to Related Parties

| Company Name                        | Nature of<br>Relationship | ₹ in lacs               |                         |
|-------------------------------------|---------------------------|-------------------------|-------------------------|
|                                     |                           | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| E Complex Private Limited           | Subsidiary                | -                       | 4,158.13                |
| Pipavav Marine and Offshore Limited | Subsidiary                | 1.21                    | -                       |
| PDOC Pte. Ltd.                      | Subsidiary                | 0.69                    | -                       |



# Notes on Financial Statements

## Note - 21

### OTHER CURRENT ASSETS

(Unsecured & considered good)

₹ in lacs

| Particulars                        | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|------------------------------------|-------------------------|-------------------------|
| Shipbuilding Contracts Receivables | 55,370.55               | 38,682.85               |
| Subsidy Receivable                 | 28,907.74               | 29,062.58               |
| Other Receivables                  | -                       | 14.52                   |
| <b>Total</b>                       | <b>84,278.29</b>        | <b>67,759.95</b>        |

## Note - 22

### REVENUE FROM OPERATIONS

₹ in lacs

| Particulars   | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|---|---|---|
| Ship building and Ship Repairs                              | 61,188.29                               | 119,896.63                              |
| Rig Repairs and Fabrication                                 | 85,741.83                               | 180.98                                  |
| Subsidy on Shipbuilding                                     | 5,360.02                                | 12,753.54                               |
| Sale of Steel Items (Steel Plates, Pipes & Rolled Products) | 108,022.33                              | 52,335.92                               |
| Other Operating Revenue                                     |   |   |
| Sale of Scraps  | 1,408.20                                | 1,556.30                                |
| Contract Advance Forfeiture (Refer Note No. 22.3)           | 6,336.59                                | -                                       |
| <b>Total</b>  | <b>268,057.26</b>                       | <b>186,723.37</b>                       |

- 22.1 As per the Guidelines for the Shipbuilding Subsidy issued by the Government of India on March 25, 2009, the Company is eligible for subsidy at the rate of 30% of the contract price, in respect of the export order received for vessels for which the contracts with the customers were signed on or before August 14, 2007. Accordingly Government Subsidy of ₹ 5,360.02 Lacs for the year ended March 31, 2013 (Previous Year ₹ 12,753.54 Lacs) has been recognised as revenue including in respect of Ships under construction on proportionate completion basis.
- 22.2 The Company has order for building several panamax sister vessels. The Company has initiated arbitration proceedings as per terms of contract for four panamax vessels & subsequently, the Company has received alleged cancellation notices for these vessels. The Company is of the view that it has a strong case. However, since most of the panamax vessels are sister vessels, the Company can deliver these vessels against orders for balance panamax vessels. Therefore the Company continues to recognise the revenue on these vessels and during the year the Company has recognised revenue of ₹ 17,761.95 Lacs (Previous Year: ₹ 29,047.63 Lacs) on these vessels and subsidy of ₹ 5,328.58 Lacs (Previous Year: ₹ 8,714.29 Lacs).
- 22.3 In pursuance of the re-negotiation of certain contracts the customer agreed to forgo advances given by them and, accordingly the company has accounted ₹ 6,336.59 Lacs (Previous Year: NIL) as other operating revenue.

# Notes on Financial Statements

## Note - 23

### OTHER INCOME

₹ in lacs

| Particulars                                     | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|---|---|---|
| Interest Income                                 | 2,587.23                                | 2,087.32                                |
| Profit on Sale of Fixed Assets (Net)            | 4.60                                    | 74.74                                   |
| Profit on Sale of Current Investments           | 15.08                                   | 96.72                                   |
| Dividend on Current Investments                 | 15.79                                   | 22.83                                   |
| Foreign Exchange Differences (Net)              | -                                       | 97.64                                   |
| Liability No Longer Required Written Back (Net) | 0.50                                    | -                                       |
| Miscellaneous Income                            | 32.98                                   | 60.99                                   |
| <b>Total</b>                                    | <b>2,656.18</b>                         | <b>2,440.24</b>                         |

## Note - 24

### COST OF MATERIALS CONSUMED

₹ in lacs

| Particulars               | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|---------------------------|---|---|
| Steel Plates and Profiles | 7,989.97                                | 22,676.56                               |
| Equipment and Components  | 20,026.10                               | 27,201.41                               |
| <b>Total</b>              | <b>28,016.07</b>                        | <b>49,877.97</b>                        |

#### 24.1 Value of Raw Materials Consumed includes:

₹ in lacs

| Particulars | For the year ended<br>March 31, 2013 |                | For the year ended<br>March 31, 2012 |                |
|-------------|--------------------------------------|----------------|--------------------------------------|----------------|
|             | Value                                | Percentage     | Value                                | Percentage     |
| Indigenous  | 8,478.03                             | 30.26%         | 11,772.73                            | 23.60%         |
| Imported    | 19,538.04                            | 69.74%         | 38,105.24                            | 76.40%         |
|             | <b>28,016.07</b>                     | <b>100.00%</b> | <b>49,877.97</b>                     | <b>100.00%</b> |



# Notes on Financial Statements

## Note - 25

### PURCHASE OF TRADED GOODS

₹ in lacs

| Particulars   | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|---|---|---|
| Steel Items (Steel Plates, Pipes & Rolled Products) | 106,939.89                              | 51,662.25                               |
| <b>Total</b>  | <b>106,939.89</b>                       | <b>51,662.25</b>                        |

## Note - 26

### CHANGES IN INVENTORIES OF WORK IN PROGRESS AND SCRAP

₹ in lacs

| Particulars                          | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|--------------------------------------|---|---|
| At the end of the year               |   |   |
| Scrap                                | 181.86                                  | 433.06                                  |
|                                      | 181.86                                  | 433.06                                  |
| Less :- At the beginning of the year |   |   |
| Scrap                                | 433.06                                  | 546.08                                  |
|                                      | 433.06                                  | 546.08                                  |
| Changes in Inventories               | 251.20                                  | 113.02                                  |

## Note - 27

### EMPLOYEE BENEFITS EXPENSES

₹ in lacs

| Particulars                              | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|--|---|---|
| Salaries, Wages and Allowances           | 4,843.35                                | 4,116.19                                |
| Contribution to Provident and Other Fund | 202.59                                  | 106.57                                  |
| Staff Welfare Expenses                   | 263.55                                  | 355.33                                  |
| <b>Total</b>                             | <b>5,309.49</b>                         | <b>4,578.09</b>                         |

27.1 Salary wages and allowances includes remuneration to Executive Vice Chairman of ₹ 407.28 Lacs (Previous Year: ₹ 150.00 Lacs) which is subject to approval of the Central Government.



## Notes on Financial Statements

### 27.2 Employee Benefits

As per Accounting Standard 15 “Employee Benefits” the disclosure of employee benefits as defined in the accounting standards are given below:

#### Defined Contribution Plan

₹ in lacs

| Particulars                              | 2012 - 2013 | 2011 - 2012 |
|--|-------------|-------------|
| Employers Contribution to Provident Fund | 134.29      | 85.18       |
| Employers Contribution to Pension Fund   | 17.45       | 23.44       |
|  | 151.74      | 108.62      |

#### Defined Benefit Plan

The Employees Gratuity Fund Scheme, which is a defined benefit plan is managed by the trust maintained with Life Insurance Corporation of India (LIC). The Company has made contribution to the above mentioned trust upto the financial year ended 31st March 2009 and thereafter no contributions have been made. The Employees Leave Encashment Scheme which is a defined benefit plan is unfunded.

The present value of the obligation is determined based on actuarial valuation using Projected Units Credit Method, which recognizes each period of service as giving rise to additional units of employees benefit entitlement and measures each unit separately to buildup the final obligation.

- a) Gratuity (Funded)
- i) Reconciliation of opening and closing balances of the present value of the defined gratuity benefit obligation.

₹ in lacs

| Particulars   | 2012 - 2013 | 2011 - 2012 |
|---|-------------|-------------|
| Defined Benefit Obligation at beginning of the year | 104.22      | 95.09       |
| Current & Past Service Cost                         | 60.61       | 53.43       |
| Current Interest Cost                               | 8.60        | 8.20        |
| Actuarial (Gain) / Loss                             | (3.16)      | (52.50)     |
| Benefits paid                                       | (0.76)      | -           |
| Defined Benefit Obligation at end of the year       | 169.51      | 104.22      |

- ii) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets.

₹ in lacs

| Particulars  | 2012 - 2013 | 2011 - 2012 |
|--|-------------|-------------|
| Fair Value of Plan Assets at the beginning of the year | 55.18       | 51.02       |
| Expected Return on Plan Assets                         | 4.59        | 4.25        |
| Actuarial Gain / (Loss)                                | (0.10)      | (0.09)      |
| Contributions  | -           | -           |
| Benefits Paid  | -           | -           |
| Fair Value of the Assets at the end of the year        | 59.67       | 55.18       |



## Notes on Financial Statements

### iii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

₹ in lacs

| Particulars  | 2012 - 2013 | 2011 - 2012 |
|--|-------------|-------------|
| Fair Value of Plan Assets at the end of the year               | 59.67       | 55.18       |
| Present Value of Defined Benefit Obligation at end of the year | 169.51      | 104.22      |
| Liabilities / (Assets) recognised in the Balance Sheet         | 109.84      | 49.04       |

### iv) Expenses recognised during the year

₹ in lacs

| Particulars   | 2012 - 2013 | 2011 - 2012 |
|---|-------------|-------------|
| Current & Past Service Cost                         | 60.61       | 53.43       |
| Interest Cost                                       | 8.60        | 8.20        |
| Expected Return on Plan Assets                      | (4.59)      | (4.25)      |
| Actuarial (Gain) / Loss                             | (3.06)      | (52.40)     |
| Net Cost Recognised in statement of Profit and Loss | 61.56       | 4.98        |

### v) Assumptions used to determine the defined benefit obligations

| Particulars                                | 2012 - 2013          | 2011 - 2012 |
|--|----------------------|-------------|
| Mortality Table (LIC)                      | (1994 - 96 ultimate) |             |
| Discount Rate (p.a.)                       | 8.28%                | 8.62%       |
| Estimated Rate of Return on Plan Asset     | 8.00%                | 8.00%       |
| Expected Rate of increase in Salary (p.a.) | 7.00%                | 7.00%       |

The estimates of rate of increase in salary considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

### vi) Amounts for the Current and previous year for Gratuity Funded are as follows:

₹ in lacs

| Particulars  | 2012 - 2013 | 2011 - 2012 | 2010 - 2011 | 2009 - 2010 | 2008 - 2009 |
|--|-------------|-------------|-------------|-------------|-------------|
| Defined Benefit Obligation                             | 169.51      | 104.22      | 95.09       | 84.46       | 46.85       |
| Plan Assets  | 59.67       | 55.18       | 51.02       | 45.11       | 63.66       |
| Surplus/(Deficit)                                      | (109.84)    | (49.04)     | (44.07)     | (39.35)     | 16.81       |
| Experience adjustment on plan assets (Gain)/Loss       | (0.10)      | (0.09)      | 2.06        | (4.35)      | *           |
| Experience adjustment on plan Liabilities Gain/ (Loss) | (8.81)      | (50.17)     | 17.48       | (43.63)     | *           |

\*Details are not readily available in the valuation report taken by the Company and hence are not furnished.

Note: In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage and amount for each category of the fair value of plan assets has not been disclosed.

## Notes on Financial Statements

### b) Leave Encashment (Unfunded)

- i) Reconciliation of opening and closing balances of the present value of the defined leave encashment benefit obligation.

| ₹ in lacs   |             |             |
|---|-------------|-------------|
| Particulars   | 2012 - 2013 | 2011 - 2012 |
| Defined Benefit Obligation at beginning of the year | 244.02      | 175.57      |
| Current & Past Service Cost                         | 38.06       | 37.60       |
| Current Interest Cost                               | 19.61       | 14.66       |
| Actuarial (Gain) / Loss                             | 15.02       | 27.23       |
| Benefits paid                                       | (14.37)     | (11.04)     |
| Defined Benefit Obligation at end of the year       | 302.34      | 244.02      |

- ii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets.

| ₹ in lacs  |             |             |
|--|-------------|-------------|
| Particulars  | 2012 - 2013 | 2011 - 2012 |
| Fair Value of Plan Assets at the end of the year               | -           | -           |
| Present Value of Defined Benefit Obligation at end of the year | 302.34      | 244.02      |
| Liabilities / (Assets) recognised in the Balance Sheet         | 302.34      | 244.02      |

- iii) Expenses recognised during the year.

| ₹ in lacs   |             |             |
|---|-------------|-------------|
| Particulars   | 2012 - 2013 | 2011 - 2012 |
| Current & Past Service Cost                         | 38.06       | 37.60       |
| Interest Cost                                       | 19.61       | 14.66       |
| Expected Return on Plan Assets                      | -           | -           |
| Actuarial (Gain) / Loss                             | 15.02       | 27.23       |
| Net Cost Recognised in statement of Profit and Loss | 72.69       | 79.49       |

- iv) Assumptions used to determine the defined benefit obligations.

| Particulars                                | 2012 - 2013 | 2011 - 2012 |
|--|-------------|-------------|
| Mortality Table                            |             |             |
| Discount Rate (p.a.)                       | 8.28%       | 8.62%       |
| Estimated Rate of Return on Plan Asset     | N/A         | N/A         |
| Expected Rate of increase in Salary (p.a.) | 7.00%       | 7.00%       |

The estimates of rate of increase in salary considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

- v) Amounts for the Current and previous year for Leave Encashment Funded are as follows:

| ₹ in lacs  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Particulars  | 2012 - 2013 | 2011 - 2012 | 2010 - 2011 | 2009 - 2010 | 2008 - 2009 |
| Defined Benefit Obligation                             | 302.34      | 244.02      | 175.57      | 124.37      | 155.03      |
| Plan Assets  | -           | -           | -           | -           | -           |
| Surplus/(Deficit)                                      | (302.34)    | (244.02)    | (175.57)    | (124.37)    | (155.03)    |
| Experience adjustment on plan Liabilities Gain/ (Loss) | 4.13        | 31.08       | 29.10       | (22.86)     | *           |

\*Details are not readily available in the valuation report taken by the Company and hence are not furnished.



# Notes on Financial Statements

## Note - 28

### FINANCE COSTS

₹ in lacs

| Particulars           | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|-----------------------|---|---|
| Interest Expenses     | 27,218.20                               | 20,319.81                               |
| Other Borrowing Costs | 12,527.76                               | 5,448.37                                |
| <b>Total</b>          | <b>39,745.96</b>                        | <b>25,768.18</b>                        |

## Note - 29

### OTHER EXPENSES

₹ in lacs

| Particulars  | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|--|---|---|
| Stores and Spares Consumed                         | 3,460.61                                | 3,449.59                                |
| Power, Fuel and Water                              | 1,988.32                                | 2,112.63                                |
| Repairs and Maintenance                            | 1,821.01                                | 1,769.45                                |
| Labour and Fabrication Charges                     | 17,434.95                               | 25,875.16                               |
| Equipment Hire Charges                             | 3,763.91                                | 2,081.92                                |
| Rent   | 1,076.87                                | 943.02                                  |
| Infrastructure Facility Charges                    | 940.00                                  | 940.00                                  |
| Design, Drawing and Construction Support Fees      | 2,416.35                                | 609.43                                  |
| Insurance  | 502.59                                  | 314.02                                  |
| Cost Estimated for Revenue Recognised (Reversal)   | 16,913.89                               | (7,245.62)                              |
| Provision for estimated cost over contract revenue | 5,518.86                                | 567.36                                  |
| Rates and Taxes                                    | 197.96                                  | 3.00                                    |
| Communication Expenses                             | 132.40                                  | 136.67                                  |
| Travelling, Conveyance and Vehicle Hire Charges    | 1,739.41                                | 1,859.36                                |
| Legal and Professional Charges                     | 2,950.46                                | 1,935.45                                |
| Foreign Exchange Difference (Net)                  | 97.66                                   | -                                       |
| Payment to Auditors                                | 102.90                                  | 71.90                                   |
| Advertising, Publicity and Selling Expenses        | 240.57                                  | 465.44                                  |
| Business Promotion Expenses                        | 790.80                                  | 1,115.27                                |
| Brokerage and Commission                           | 786.67                                  | -                                       |
| Miscellaneous Expenses                             | 1,751.64                                | 2,265.52                                |
| Donations  | 5.26                                    | 18.50                                   |
| <b>Total</b>                                       | <b>64,633.09</b>                        | <b>39,288.07</b>                        |

29.1 Value of Stores and Spares Consumed includes:

₹ in lacs

| Particulars  | As at March 31, 2013 |                | As at March 31, 2012 |                |
|--------------|----------------------|----------------|----------------------|----------------|
|              | Value                | Percentage     | Value                | Percentage     |
| Indigenous   | 3,199.58             | 92.46%         | 2,768.69             | 80.26%         |
| Imported     | 261.03               | 7.54%          | 680.90               | 19.74%         |
| <b>Total</b> | <b>3,460.61</b>      | <b>100.00%</b> | <b>3,449.59</b>      | <b>100.00%</b> |

## Notes on Financial Statements

### 29.2 Payment to Auditors including:

| Particulars           | ₹ in lacs                         |                                   |
|-----------------------|-----------------------------------|-----------------------------------|
|                       | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
| Audit Fees            | 52.00                             | 42.00                             |
| Tax Audit Fees        | 12.00                             | 10.00                             |
| Certification Charges | 23.90                             | 19.90                             |
| Other Matters         | 15.00                             | -                                 |
| <b>Total</b>          | <b>102.90</b>                     | <b>71.90</b>                      |

### Note - 30

### EARNINGS PER SHARE (BASIC AND DILUTED)

| Particulars   | ₹ in lacs   |             |
|---|-------------|-------------|
|   | 2012 - 2013 | 2011 - 2012 |
| Net Profit / (Loss) after Tax   | 2,872.10    | 1,851.58    |
| Amount available for calculation of Basic and Diluted EPS (a)         | 2,872.10    | 1,851.58    |
| Weighted Average No. of Equity Shares outstanding for Basic EPS (b)   | 697,143,593 | 675,444,836 |
| Basic Earnings per share of ₹ 10/- each (in ₹) (a) / (b)              | 0.41        | 0.27        |
| <b>Weighted Average No. of Equity Shares for diluted EPS</b>          |             |             |
| Weighted Average No. of Equity Shares considered for Basic EPS        | 697,143,593 | 675,444,836 |
| Add: Potential Equity Shares  | 576,336     | -           |
| Weighted Average No. of Equity Shares outstanding for Diluted EPS (c) | 697,719,929 | 675,444,836 |
| Diluted Earnings per share of ₹ 10/- each (in ₹) (a) / (c)            | 0.41        | 0.27        |

### Note - 31

### PRIOR PERIOD ITEMS

| Particulars                                     | ₹ in lacs                         |                                   |
|---|-----------------------------------|-----------------------------------|
|   | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
| <b>Expenses</b>                                 |                                   |                                   |
| Legal and Professional Expenses                 | -                                 | 2.98                              |
| Travelling, Conveyance and Vehicle Hire Charges | 30.26                             | 5.94                              |
| Salaries Wages and Allowances                   | 1.72                              | 2.74                              |
| Miscellaneous Expenses                          | 4.69                              | 2.72                              |
| <b>Total</b>                                    | <b>36.67</b>                      | <b>14.38</b>                      |



# Notes on Financial Statements

## Note - 32

### EXPENDITURE IN FOREIGN CURRENCY

₹ in lacs

| Particulars                                   | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|---|---|---|
| Legal and Professional Charges                | 1,201.47                                | 813.40                                  |
| Travelling, Conveyance and Vehicle Charges    | 111.03                                  | 106.77                                  |
| Labour and Fabrication Charges                | 7,938.09                                | 13,710.55                               |
| Interest Expenses                             | 324.53                                  | 938.89                                  |
| Design, Drawing and Construction Support Fees | 2,406.10                                | 609.43                                  |
| Equipment Hire Charges                        | 1,966.08                                | -                                       |
| Brokerage and Commission                      | 786.67                                  | -                                       |
| Miscellaneous Expenses                        | 205.03                                  | 13.64                                   |
| <b>Total</b>                                  | <b>14,939.00</b>                        | <b>16,192.68</b>                        |

## Note - 33

### CONTINGENT LIABILITIES AND COMMITMENTS

#### 33.1 CONTINGENT LIABILITIES

(No Cash Outflow is expected except stated otherwise)

₹ in lacs

| Sr. No.   | Particulars  | 2012 - 2013 | 2011 - 2012 |
|-----------|--|-------------|-------------|
| <b>a)</b> | <b>Guarantees given by Company's Bankers</b>   |             |             |
| i)        | Refund Bank Guarantees given to customers<br>(Net of liabilities accounted for)  | 114,943.76  | 106,819.04  |
| ii)       | Other Bank Guarantees<br>(Bank Guarantees are provided under Contractual/ Legal obligations.)                            | 28,917.31   | 22,842.57   |
| <b>b)</b> | <b>Demands not acknowledged as Debts</b>   |             |             |
| i)        | Income Tax<br>(The Company has deposited under protest ₹ 321.51 Lacs (Previous Year ₹ 321.51 Lacs) out of total demand)  | 1,165.21    | 1,116.81    |
| ii)       | Service Tax, Excise Duty and VAT<br>(Relates to disallowance of CENVAT Credit and VAT Credit taken by the Company)       | 2,327.88    | 71.83       |
| iii)      | Third Party Claims<br>(Relates to demands raised by vendors)   | 5,148.62    | 220.35      |
| <b>c)</b> | <b>Letters of Credit opened in favour of suppliers</b><br>(Cash Flow is expected on receipt of materials from suppliers) | 7,189.04    | 1,308.97    |

#### 33.2 COMMITMENTS

|    |   |           |           |
|----|---|-----------|-----------|
| a) | Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net of Advances).<br>(Cash flow is expected on execution of such Capital Contracts on progressive basis) | 27,548.11 | 91,862.47 |
| b) | Other Commitments (for investment in an Associate and Joint Venture)  | 802.24    | 159.24    |



## Notes on Financial Statements

### Note - 34

The Company has issued, a Bond cum legal undertaking for ₹ 44,400 Lacs (Previous Year: ₹ 44,400 Lacs) in favour of President of India acting through Development Commissioner of Kandla Special Economic Zone for setting up a SEZ unit for availing exemption from payment of duties, taxes or cess or drawback and concession etc, a General Bond in favour of the President of India for a sum of ₹ 15,300 Lacs (Previous Year : ₹ 15,300 Lacs) as Security for compliance of applicable provisions of the Customs Act, 1962 and the Excise Act, 1944 for EOU unit.

### Note - 35

The Company has received Nineteen show cause notices in its 100% EOU unit from the Office of the Commissioner of Central Excise, Bhavnagar and Directorate of Revenue Intelligence which mainly relates to wrong availment of Cenvat/ Customs Duty/Service Tax Credit availed on inputs/services used for Construction of Dry Dock and Goliath Cranes and non-submission of original evidences/documents and some procedural non-compliances. The company does not foresee any losses on this account.

### Note - 36

In the opinion of the management, Current Assets, Loans and Advances are of the value stated, if realized in the ordinary course of business.

### Note - 37

## SEGMENT REPORTING

#### A. Segment information as per Accounting Standard - 17 on Segment Reporting :

Information provided in respect of revenue items for the year ended March 31, 2013 and in respect of assets / liabilities as at March 31, 2013.

##### I Information about Primary (Product wise) segments:

| ₹ in lacs |                                |                            |                           |                            |                            |
|-----------|--------------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| Sr. No.   | Particulars                    | Shipbuilding & Fabrication | Trading                   | Unallocated                | Total                      |
| 1.        | <b>REVENUE</b>                 |                            |                           |                            |                            |
|           | External Sales                 | 160,034.93<br>(134,387.45) | 108,022.33<br>(52,335.92) | -<br>(-)                   | 268,057.26<br>(186,723.37) |
| 2.        | <b>RESULTS</b>                 |                            |                           |                            |                            |
|           | Segment Results                | 48,318.40<br>(41,996.70)   | 1,082.44<br>(673.67)      | -<br>(-)                   | 49,400.84<br>(42,670.37)   |
|           | Unallocated Corporate Expenses | -<br>(-)                   | -<br>(-)                  | 8,173.54<br>(11,974.82)    | 8,173.54<br>(11,974.82)    |
|           | Operating Profit               | 48,318.40<br>(41,996.70)   | 1,082.44<br>(673.67)      | (8,173.54)<br>(-11,974.82) | 41,227.30<br>(30,695.55)   |
|           | Finance Cost                   | -<br>(-)                   | -<br>(-)                  | 39,745.96<br>(25,768.18)   | 39,745.96<br>(25,768.18)   |
|           | Unallocated Corporate Income   | -<br>(-)                   | -<br>(-)                  | 2,656.18<br>(2,342.59)     | 2,656.18<br>(2,342.59)     |



## Notes on Financial Statements

₹ in lacs

| Sr. No.   | Particulars                                | Shipbuilding & Fabrication         | Trading                          | Unallocated                        | Total                              |
|-----------|--|------------------------------------|----------------------------------|------------------------------------|------------------------------------|
|           | Profit from Ordinary Activities before tax | 48,318.40<br>(41,996.70)           | 1,082.44<br>(673.67)             | (45,263.32)<br>(-35,400.41)        | 4,137.52<br>(7,269.96)             |
|           | Provision for Income-tax - Net             | -<br>(-)                           | -<br>(-)                         | 1,265.42<br>(5,418.38)             | 1,265.42<br>(5,418.38)             |
|           | Net Profit                                 | 48,318.40<br>(41,996.70)           | 1,082.44<br>(673.67)             | (46,528.74)<br>(-40,818.79)        | 2,872.10<br>(1,851.58)             |
| <b>3.</b> | <b>OTHER INFORMATION</b>                   |                                    |                                  |                                    |                                    |
|           | Segment Assets                             | 719,467.56<br>(535,613.74)         | 25,494.34<br>(18,339.70)         | -<br>(-)                           | 744,961.90<br>(553,953.44)         |
|           | Unallocated Corporate Assets               | -<br>(-)                           | -<br>(-)                         | 51,666.21<br>(41,941.30)           | 51,666.21<br>(41,941.30)           |
|           | <b>Total Assets</b>                        | <b>719,467.56<br/>(535,613.74)</b> | <b>25,494.34<br/>(18,339.70)</b> | <b>51,666.21<br/>(41,941.30)</b>   | <b>796,628.11<br/>(595,894.74)</b> |
|           | Segment Liabilities                        | 85,502.80<br>(77,626.58)           | 9,205.42<br>(6,835.12)           | -<br>(-)                           | 94,708.22<br>(84,461.70)           |
|           | Unallocated Corporate Liabilities          | -<br>(-)                           | -<br>(-)                         | 495,306.72<br>(313,541.97)         | 495,306.72<br>(313,541.97)         |
|           | <b>Total Liabilities</b>                   | <b>85,502.80<br/>(77,626.58)</b>   | <b>9,205.42<br/>(6,835.12)</b>   | <b>495,306.72<br/>(313,541.97)</b> | <b>590,014.94<br/>(398,003.67)</b> |

₹ in lacs

|  | Particulars                               | Shipbuilding & Fabrication | Trading  | Unallocated      | Total                     |
|--|---|----------------------------|----------|------------------|---------------------------|
|  | Capital Expenditure                       | 216,790.48<br>(60,178.64)  | -<br>(-) | 47.18<br>(70.26) | 216,837.66<br>(60,248.90) |
|  | Depreciation and amortisation             | 12,222.77<br>(10,544.74)   | -<br>(-) | 47.00<br>(44.43) | 12,269.77<br>(10,589.17)  |
|  | Non-cash Expenses other than Depreciation | -<br>(-)                   | -<br>(-) | -<br>(-)         | -<br>(-)                  |

Figures in brackets represents previous year's amounts.

## Notes on Financial Statements

### II Information about Secondary Segment:

Geographical Segment :

| ₹ in lacs                                |                   |                   |
|--|-------------------|-------------------|
| Particulars                              | 31.03.2013        | 31.03.2012        |
| <b>Revenue by Geographical Segment</b>   |                   |                   |
| Within India                             | 214,087.26        | 74,836.56         |
| Outside India                            | 53,969.99         | 111,886.81        |
| <b>Total Revenue</b>                     | <b>268,057.25</b> | <b>186,723.37</b> |
| <b>Carrying Amount of Segment Assets</b> |                   |                   |
| Within India                             | 703,550.63        | 489,852.53        |
| Outside India                            | 93,077.48         | 106,042.21        |
| <b>Total Assets</b>                      | <b>796,628.11</b> | <b>598,894.74</b> |
| <b>Capital Expenditure</b>               |                   |                   |
| Within India                             | 216,837.66        | 60,248.90         |
| Outside India                            | -                 | -                 |

### B Segment Identification, Reportable Segments and definition of each segment

#### I Primary / Secondary Segment Reporting Format:

The risk - return profile of the Company's business is determined predominantly by the nature of its products. Accordingly, the business segment constitute the Primary Segments for disclosure of segment information.

#### II Reportable Segments:

Segments have been identified based on the organisational structure, internal management reporting system, nature of production process and infrastructure facilities used.

#### III Segment Composition:

Ship Building and Fabrication comprises of Shipbuilding, ship and rig repairs, fabrication etc. at its SEZ and EOU units situated at Pipavav, Gujarat.

Trading includes steel trading activities.

## Note - 38

## RELATED PARTY DISCLOSURES

### a) List of Related parties

#### 1. Subsidiary Company

PDOC Pte. Ltd. (from September 05, 2012)

E Complex Private Limited

Pipavav Marine & Offshore Limited (from February 18, 2013)

#### 2. Associates

SKIL Infrastructure Limited

Conceptia Software Technologies P. Ltd.

#### 3. Key Managerial Personnel

Mr. Nikhil P. Gandhi

Mr. Bhavesh P. Gandhi

Mr. Praveen Mohnot (w.e.f. June 01, 2012)

Mr. Jigar Shah (upto May 30, 2012)

#### 4. Enterprises in which key managerial personnel or their relatives are able to exercise significant influence (Other Related Parties)

Grevek Investments and Finance Private Limited

Awaita Properties Private Limited



# Notes on Financial Statements

## b) Transactions with related parties for the year ended March 31st, 2013

₹ in lacs

| Nature of Transactions                        | Subsidiary Company |                     |                                   | Associates               |   | Key Managerial Personnel        |   |                          | Other Related Parties                          |                             | Total      |
|---|--------------------|---------------------|-----------------------------------|--------------------------|---|---------------------------------|---|--------------------------|--|-----------------------------|------------|
|   | PDOC Pte. Ltd.     | E Complex Pvt. Ltd. | Pipavav Marine & Offshore Limited | SKIL Infrastructure Ltd. | Conceptia Software Technologies P. Ltd. | Mr. Nikhil P. Gandhi (Chairman) | Mr. Bhavesh P. Gandhi (Whole time Director) | Mr. Praveen Mohnot (CFO) | Grevek Investments and Finance Private Limited | Awaita Properties Pvt. Ltd. |            |
| <b>Expenditure</b>                            |                    |                     |                                   |                          |   |                                 |   |                          |  |                             |            |
| Lease Rent                                    | -                  | 276.50              | -                                 | -                        | -                                       | -                               | -   | -                        | -  | 427.17                      | 703.67     |
|   | (-)                | (251.50)            | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (394.31)                    | (645.81)   |
| Infrastructure Facility Charges               | -                  | 940.00              | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | 940.00     |
|   | (-)                | (940.00)            | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (940.00)   |
| Engineering and Design Fees                   | -                  | -                   | -                                 | -                        | 6.49                                    | -                               | -   | -                        | -  | -                           | 6.49       |
|   | (-)                | (-)                 | (-)                               | (-)                      | (14.54)                                 | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (14.54)    |
| Interest on ICD                               | -                  | 271.33              | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | 271.33     |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| Directors Sitting fees                        | -                  | -                   | -                                 | -                        | -                                       | 2.40                            | -   | -                        | -  | -                           | 2.40       |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (1.40)                          | (-)   | (-)                      | (-)  | (-)                         | (1.40)     |
| Remuneration                                  | -                  | -                   | -                                 | -                        | -                                       | -                               | 407.28                                      | 47.55                    | -  | -                           | 454.83     |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (407.28)                                    | (-)                      | (-)  | (-)                         | (407.28)   |
| Expenses reimbursed to                        | -                  | 70.55               | 0.20                              | 5.29                     | -                                       | -                               | -   | -                        | -  | 51.68                       | 127.72     |
|   | (-)                | (53.05)             | (-)                               | (463.59)                 | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (41.75)                     | (558.39)   |
| Expenses reimbursed from                      | 5.17               | 38.71               | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | 43.88      |
|   | (-)                | (76.61)             | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (76.61)    |
| Lease Deposits - Non Current as on 31.03.2013 | -                  | 7,030.00            | -                                 | -                        | -                                       | -                               | -   | -                        | -  | 325.00                      | 7,355.00   |
|   | (-)                | (7,030.00)          | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (325.00)                    | (7,355.00) |
| <b>Loans and Advances</b>                     |                    |                     |                                   |                          |   |                                 |   |                          |  |                             |            |
| Balance as at 01.04.2012                      | -                  | 4,158.13            | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | 4,158.13   |
|   | (-)                | (3,790.23)          | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (3,790.23) |
| Given during the Year                         | 5.17               | 2,413.09            | 1.21                              | -                        | -                                       | -                               | -   | -                        | -  | -                           | 2,419.47   |
|   | (-)                | (1,493.30)          | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (1,493.30) |
| Returned during the Year                      | 4.48               | 6,571.22            | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | 6,575.70   |
|   | (-)                | (1,125.40)          | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (1,125.40) |
| Balance as at 31.03.2013                      | 0.69               | -                   | 1.21                              | -                        | -                                       | -                               | -   | -                        | -  | -                           | 1.90       |
|   | (-)                | (4,158.13)          | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (4,158.13) |
| Trade Payables                                | -                  | -                   | -                                 | 383.71                   | 2.15                                    | -                               | -   | -                        | -  | 333.39                      | 719.25     |
|   | (-)                | (-)                 | (-)                               | (334.59)                 | (7.17)                                  | (-)                             | (-)   | (-)                      | (-)  | (98.37)                     | (440.13)   |
| Interest accrued but not due as at 31.03.2013 | -                  | 244.20              | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | 244.20     |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| <b>Inter Corporate Deposits</b>               |                    |                     |                                   |                          |   |                                 |   |                          |  |                             |            |
| Received during the year                      | -                  | 11,822.07           | -                                 | -                        | -                                       | -                               | -   | -                        | 8,650.00                                       | -                           | 20,472.07  |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| Repaid during the year                        | -                  | -                   | -                                 | -                        | -                                       | -                               | -   | -                        | 8,650.00                                       | -                           | 8,650.00   |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| Balance as at 31.03.2013                      | -                  | 11,822.07           | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | 11,822.07  |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| <b>Equity Share Capital / Share Warrants</b>  |                    |                     |                                   |                          |   |                                 |   |                          |  |                             |            |
| Issued during the year                        | -                  | -                   | -                                 | -                        | -                                       | -                               | -   | -                        | 5,850.00                                       | -                           | 5,850.00   |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (1,950.00)                                     | (-)                         | (1,950.00) |
| Shares allotted during the year               | -                  | -                   | -                                 | -                        | -                                       | -                               | -   | -                        | 7,800.00                                       | -                           | 7,800.00   |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| Balance as at 31.03.2013                      | -                  | -                   | -                                 | -                        | -                                       | -                               | -   | -                        | -  | -                           | -          |
|   | (-)                | (-)                 | (-)                               | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (1,950.00)                                     | (-)                         | (1,950.00) |
| <b>Non Current Investment</b>                 |                    |                     |                                   |                          |   |                                 |   |                          |  |                             |            |
| Balance as at 31.03.2013                      | 4.48               | 1,896.73            | 5.00                              | -                        | 153.48                                  | -                               | -   | -                        | -  | -                           | 2,059.69   |
|   | (-)                | (1,896.73)          | (-)                               | (-)                      | (153.48)                                | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (2,050.21) |

Note: Figures in brackets pertain to previous year.

## Notes on Financial Statements

### Note - 39

#### VALUE OF IMPORTS CALCULATED ON CIF BASIS

| ₹ in lacs                   |                  |                  |
|-----------------------------|------------------|------------------|
| Particulars                 | 2012 - 2013      | 2011 - 2012      |
| Raw Material and Components | 17,805.78        | 44,167.94        |
| Stores and Spares           | 714.78           | 810.54           |
| Capital Goods               | 2,212.32         | 404.99           |
| <b>Total</b>                | <b>20,732.88</b> | <b>45,383.47</b> |

### Note - 40

#### INCOME IN FOREIGN CURRENCY

| ₹ in lacs                      |                  |                   |
|--------------------------------|------------------|-------------------|
| Particulars                    | 2012 - 2013      | 2011 - 2012       |
| Ship Building and Ship Repairs | 42,755.85        | 119,896.63        |
| Rig Repairs and Fabrication    | 11,088.33        | 180.98            |
| <b>Total</b>                   | <b>53,844.18</b> | <b>120,077.61</b> |

### Note - 41

Disclosure pursuant to Accounting Standard - 7 (AS-7 "Accounting for Construction Contracts") as notified by Companies Accounting Standards Rules, 2006:

|         |  |             | ₹ in lacs   |
|---------|--|-------------|-------------|
| Sr. No. | Particulars  | 2012 - 2013 | 2011 - 2012 |
| a       | The contract revenue recognised in the year  | 44,142.00   | 53,523.21   |
| b       | The aggregate amount of cost incurred and recognised profits (less recognised losses) upto the end of year for all contracts in progress | 107,561.96  | 104,346.96  |
| c       | Amount of advance received from the customers for contracts in progress  | 77,292.16   | 75,387.50   |
| d       | The retention amount due from customers for contracts in progress as at the end of financial year  | -           | -           |

### Note - 42

#### FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

- a) Derivative contracts entered into by the Company and outstanding are as under:

##### For Hedging Currency related risks

| ₹ in lacs        |             |             |
|------------------|-------------|-------------|
| Particulars      | 2012 - 2013 | 2011 - 2012 |
| Forward Contract | 11,965.65   | 7,673.48    |
| Currency Swap    | 17,802.78   | -           |

- b) All derivative and financial instruments acquired by the company are for hedging purpose only.



## Notes on Financial Statements

c) Foreign currency exposures that are not hedged by derivative instruments or forward contracts are:

| Particulars | ₹ in lacs   |             |
|-------------|-------------|-------------|
|             | 2012 - 2013 | 2011 - 2012 |
| Receivables | 98,293.88   | 117,135.00  |
| Payables    | 32,671.25   | 71,477.25   |

### Note - 43

On October 12, 2011 the Income Tax authorities carried out search and seizure operations at the Company premises. The Company has filed revised return u/s 153A of the Income Tax Act, 1961. Given the information provided so far and the investigation carried out at the time of this operation, the Company believes that there will be no material tax liability. The amount of tax liability, if any shall be determined upon completion of the assessment by the Tax Authorities.

### Note - 44

Previous year figures have been reworked, regrouped, rearranged and reclassified, wherever necessary to make them comparable with those of the current year.

As per our report of even date  
**For Chaturvedi and Shah**  
 Chartered Accountants

For and on behalf of the Board of Directors

**R. Koria**  
 Partner

**Nikhil P. Gandhi**  
 Chairman

**Bhavesh P. Gandhi**  
 Executive Vice Chairman

Place : Mumbai  
 Date : May 30, 2013

**Praveen Mohnot**  
 Chief Financial Officer

**Ajit Dabholkar**  
 Corporate Counsel & Company Secretary



## Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies

| Name of the Subsidiary Companies  | E Complex Pvt.Ltd.   | Pipavav Marine and Offshore Ltd. | PDOC Pte Ltd., Singapore |
|---|----------------------|----------------------------------|--------------------------|
| Financial year of the subsidiary companies ended on   | 31.03.2013           | 31.03.2013                       | 31.03.2013               |
| Number of Shares in the subsidiary companies held by Pipavav Defence and Offshore Engineering Company Limited ("the Company") at the above date | Equity<br>21,709,327 | Equity<br>50,000                 | Ordinary<br>10,000       |
| Extent of Shareholding in the Subsidiary companies  | 100%<br>(₹ in lacs)  | 100%<br>(₹ in lacs)              | 100%<br>(₹ in lacs)      |
| The net aggregate of profit, less losses, of the subsidiary companies so far as it concerns the members of the Company                          |                      |                                  |                          |
| (i) Dealt within the accounts of the Company amounted to :  |                      |                                  |                          |
| (a) for the subsidiary's financial year ended March 31, 2013  | NIL                  | NIL                              | NIL                      |
| (b) for previous financial years of the subsidiary since it became subsidiary of the Company  | NIL                  | NIL                              | NIL                      |
| (ii) not dealt within the accounts of the Company amounted to :   |                      |                                  |                          |
| (a) for the subsidiary's financial year ended March 31, 2013  | 232.03               | (0.26)                           | (5.83)                   |
| (b) for previous financial years of the subsidiary since it became subsidiary of the Company  | (301.53)             | NIL                              | NIL                      |

**Note: The Financial Year of the subsidiary companies coincides with that of the Company.**

For and on behalf of the Board of Directors

**Nikhil P. Gandhi**  
Chairman

**Bhavesh P. Gandhi**  
Executive Vice Chairman

Place :- Mumbai  
Date :- May 30, 2013

**Praveen Mohnot**  
Chief Financial Officer

**Ajit Dabholkar**  
Corporate Counsel & Company Secretary

## Statement pursuant to Section 212(8) of the Companies Act, 1956 relating to subsidiary companies for the year ended March 31, 2013

(₹ in Lacs)

| Sr. No. | Particulars                     | Name of the Subsidiary Companies |                                  |                          |
|---------|---------------------------------|----------------------------------|----------------------------------|--------------------------|
|         |                                 | E Complex Pvt. Ltd.              | Pipavav Marine and Offshore Ltd. | PDOC Pte Ltd., Singapore |
| (a)     | Share Capital                   | 2,170.93                         | 5.00                             | 4.48                     |
| (b)     | Reserves                        | (69.50)                          | (0.26)                           | (5.87)                   |
| (c)     | Total Assets                    | 41,847.18                        | 6.01                             | -                        |
| (d)     | Total Liabilities               | 41,847.18                        | 6.01                             | -                        |
| (e)     | Details of Investments          | -                                | -                                | -                        |
| (f)     | Turnover                        | 1,216.50                         | -                                | -                        |
| (g)     | Profit / (Loss) before Taxation | 344.10                           | (0.26)                           | (5.83)                   |
| (h)     | Provision for Taxation          | 112.07                           | -                                | -                        |
| (i)     | Profit / (Loss) after Taxation  | 232.03                           | (0.26)                           | (5.83)                   |
| (j)     | Proposed Dividend               | -                                | -                                | -                        |

**Note: In case of foreign subsidiary, being non integral operations, revenue items are consolidated at the average rate of 1 S\$ = 44.28 I. ₹ prevailing during the year. All the assets and liabilities are converted at rate of 1 S\$ = 43.74 I. ₹ prevailing at the end of the year.**



# Auditors' Report on Consolidated Financial Statements

To The Board of Directors

Pipavav Defence and Offshore Engineering Company Limited

## *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of **Pipavav Defence and Offshore Engineering Company Limited** ("the Company") and its subsidiaries and an associate (collectively referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31<sup>st</sup> March 2013 and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Consolidated Financial Statements*

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

## *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 consolidated financial statements.

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

## *Opinion*

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associate as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India: -

- i. in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March 2013;
- ii. in the case of the consolidated Statement of Profit & Loss, of the profit of the Group for the year ended on that date; and
- iii. in the case of the consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

**Emphasis of matter**

Without qualifying our opinion attention is drawn to the:-

- Note no. 22.2 regarding recognition of revenue in respect of certain Panamax vessels under construction, wherein the matter is under arbitration, for the reasons explained therein.
- Note no. 27.1 regarding Managerial Remuneration, which is subject to the approval of Central Government.

**Other Matter**

We did not audit the financial statements of the three subsidiaries, whose financial statement reflect total assets of ₹ 41,853.19 Lacs as at March 31, 2013, total revenues of ₹ 1,489.72 lacs and net cash inflows amounting to ₹ 11.51 lacs for the year then ended. Further we also did not audit the financial statements of the associate company, whose financial statements reflect group's share of profit of ₹ 2.91 lacs as at March 31, 2013 as considered in the Consolidated financial statements for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

**For Chaturvedi & Shah**  
Chartered Accountants  
Firm Reg. No. - 101720W

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

**R. Koria**  
Partner  
Membership No.35629



# Consolidated Balance Sheet as at March 31, 2013

₹ in lacs

| Particulars  | Note    | As at March 31, 2013 | As at March 31, 2012 |
|--|---------|----------------------|----------------------|
| <b>I. EQUITY AND LIABILITIES</b>                   |         |                      |                      |
| (1) <b>Share Holders' Funds</b>                    |         |                      |                      |
| Share Capital                                      | 2       | 70,119.84            | 69,119.84            |
| Reserves and Surplus                               | 3       | 135,625.07           | 125,715.63           |
| Monies received against Convertible Share Warrants | 4       | 2,047.50             | 3,997.50             |
|  |         | 207,792.41           | 198,832.97           |
| (2) <b>Non Current Liabilities</b>                 |         |                      |                      |
| Long Term Borrowings                               | 5       | 220,380.42           | 100,177.22           |
| Deferred Tax Liabilities (Net)                     | 6       | 8,095.39             | 6,717.90             |
| Other Long Term Liabilities                        | 7       | 14,747.53            | 19,936.59            |
| Long Term Provisions                               | 8       | 104.75               | 103.24               |
|  |         | 243,328.09           | 126,934.95           |
| (3) <b>Current Liabilities</b>                     |         |                      |                      |
| Short Term Borrowings                              | 9       | 228,194.55           | 172,330.10           |
| Trade Payables                                     | 10      | 30,458.30            | 43,491.27            |
| Other Current Liabilities                          | 11      | 83,854.33            | 54,995.90            |
| Short Term Provisions                              | 12      | 24,802.74            | 2,253.68             |
|  |         | 367,309.92           | 273,070.95           |
| <b>TOTAL</b>                                       |         | <b>818,430.42</b>    | <b>598,838.87</b>    |
| <b>II. ASSETS</b>                                  |         |                      |                      |
| (1) <b>Non Current Assets</b>                      |         |                      |                      |
| <b>Fixed Assets</b>                                | 13      |                      |                      |
| Tangible Assets                                    |         | 283,724.82           | 233,660.77           |
| Intangible Assets                                  |         | 439.12               | 281.23               |
| Capital Work-in-Progress                           |         | 220,642.10           | 57,774.72            |
|  |         | 504,806.04           | 291,716.72           |
| Goodwill on Consolidation                          |         | 1,018.16             | 1,017.96             |
| Non Current Investments                            | 14      | 179.87               | 176.97               |
| Long Term Loans and Advances                       | 15      | 60,265.73            | 54,744.90            |
|  |         | 566,269.80           | 347,656.55           |
| (2) <b>Current Assets</b>                          |         |                      |                      |
| Current Investments                                | 16      | 450.00               | 900.00               |
| Inventories  | 17      | 16,280.45            | 33,910.19            |
| Trade Receivables                                  | 18      | 89,599.10            | 90,942.12            |
| Cash and Bank Balances                             | 19      | 37,558.35            | 27,828.56            |
| Short Term Loans and Advances                      | 20      | 23,994.44            | 29,841.50            |
| Other Current Assets                               | 21      | 84,278.28            | 67,759.95            |
|  |         | 252,160.62           | 251,182.32           |
| <b>TOTAL</b>                                       |         | <b>818,430.42</b>    | <b>598,838.87</b>    |
| Significant Accounting Policies                    | 1       |                      |                      |
| Notes on Financial Statements                      | 2 to 45 |                      |                      |

As per our report of even date  
For Chaturvedi and Shah  
Chartered Accountants

For and on behalf of the Board of Directors

R. Koria  
Partner

Nikhil P. Gandhi  
Chairman

Bhavesh P. Gandhi  
Executive Vice Chairman

Place :- Mumbai  
Date :- May 30, 2013

Praveen Mohnot  
Chief Financial Officer

Ajit Dabholkar  
Corporate Counsel & Company Secretary

# Statement of Consolidated Profit and Loss

for the year ended March 31, 2013

₹ in lacs

| Particulars   | Note    | For the year ended<br>March 31, 2013 | For the year ended<br>March 31, 2012 |
|---|---------|--------------------------------------|--------------------------------------|
| <b>REVENUE</b>  |         |                                      |                                      |
| <b>I Gross Revenue from Operations</b>                                    | 22      | <b>268,057.26</b>                    | <b>186,723.37</b>                    |
| Less: Service Tax / Excise recovered                                      |         | <b>9,410.45</b>                      | <b>16.90</b>                         |
| Net Revenue from Operations   |         | <b>258,646.81</b>                    | <b>186,706.47</b>                    |
| <b>II Other Income</b>  | 23      | <b>2,658.07</b>                      | <b>2,442.07</b>                      |
| <b>Total Revenue (I + II)</b>   |         | <b>261,304.88</b>                    | <b>189,148.54</b>                    |
| <b>EXPENSES</b>   |         |                                      |                                      |
| Cost of Materials Consumed  | 24      | <b>28,016.07</b>                     | <b>49,877.97</b>                     |
| Purchase of Traded Goods  | 25      | <b>106,939.89</b>                    | <b>51,662.25</b>                     |
| Changes in Inventories of Work-in-Progress & Scrap                        | 26      | <b>251.20</b>                        | <b>113.02</b>                        |
| Employee Benefits Expenses  | 27      | <b>5,355.31</b>                      | <b>4,621.97</b>                      |
| Finance Costs   | 28      | <b>39,877.60</b>                     | <b>25,768.28</b>                     |
| Depreciation and Amortisation Expenses                                    | 13      | <b>12,721.17</b>                     | <b>11,028.09</b>                     |
| Other Expenses  | 29      | <b>63,659.58</b>                     | <b>38,409.71</b>                     |
| <b>Total Expenses</b>   |         | <b>256,820.82</b>                    | <b>181,481.29</b>                    |
| <b>Profit Before Tax</b>  |         | <b>4,484.06</b>                      | <b>7,667.25</b>                      |
| Tax Expense - Current Tax   |         | <b>894.30</b>                        | <b>1,533.19</b>                      |
| - MAT credit entitlement  |         | <b>(894.30)</b>                      | <b>(1,533.19)</b>                    |
| - Deferred Tax  |         | <b>1,377.49</b>                      | <b>5,559.73</b>                      |
| - Income Tax for Earlier Years  |         | <b>-</b>                             | <b>(33.75)</b>                       |
| <b>Profit after tax before consolidated share in profits of associate</b> |         | <b>3,106.57</b>                      | <b>2,141.27</b>                      |
| Add:- Consolidated share in the profits of associate                      |         | <b>2.91</b>                          | <b>23.43</b>                         |
| <b>Profit for the year</b>  |         | <b>3,109.48</b>                      | <b>2,164.70</b>                      |
| Earnings per Equity share of ₹ 10/- each                                  | 30      |                                      |                                      |
| - Basic (In ₹)  |         | <b>0.45</b>                          | <b>0.32</b>                          |
| - Diluted (In ₹)  |         | <b>0.45</b>                          | <b>0.32</b>                          |
| Significant Accounting Policies   | 1       |                                      |                                      |
| Notes on Financial Statements   | 2 to 45 |                                      |                                      |

As per our report of even date  
For Chaturvedi and Shah  
Chartered Accountants

For and on behalf of the Board of Directors

**R. Koria**  
Partner

**Nikhil P. Gandhi**  
Chairman

**Bhaves P. Gandhi**  
Executive Vice Chairman

Place :- Mumbai  
Date :- May 30, 2013

**Praveen Mohnot**  
Chief Financial Officer

**Ajit Dabholkar**  
Corporate Counsel & Company Secretary



# Consolidated Cash Flow Statement for the year ended March 31, 2013

₹ in lacs

| Sr. No.  | Particulars  | 2012-2013           | 2011-2012          |
|----------|--|---------------------|--------------------|
| <b>A</b> | <b>Cash Flow from Operating Activities</b>                         |                     |                    |
|          | Net Profit before Tax  | 4,484.06            | 7,667.25           |
|          | <b>Adjustments for :</b>   |                     |                    |
|          | Depreciation and Amortisation Expenses                             | 12,721.17           | 11,028.09          |
|          | Interest Income  | (2,587.23)          | (2,087.82)         |
|          | Dividend on Current Investments                                    | (15.79)             | (22.83)            |
|          | Profit on Sale of Current Investments                              | (15.08)             | (96.72)            |
|          | Loss / (Profit) on Sale of Fixed Assets (Net)                      | (4.60)              | (74.74)            |
|          | Finance Costs  | 39,877.60           | 25,768.28          |
|          | Provision for Wealth Tax   | 2.48                | 2.40               |
|          | Provision for estimated cost over contract revenue                 | 5,518.86            | 567.36             |
|          | Cost Estimated for Revenue Recognised                              | 16,913.89           | (7,245.62)         |
|          | Liability No Longer Required (Written Back)                        | (0.50)              | -                  |
|          | Contract Advance Forfeiture  | (6,336.59)          | -                  |
|          | Foreign Exchange Difference  | (1,832.96)          | (976.10)           |
|          | <b>Operating profit before working capital changes</b>             | <b>68,725.31</b>    | <b>34,529.55</b>   |
|          | <b>Adjusted for :</b>  |                     |                    |
|          | Inventories  | 17,629.74           | (9,375.40)         |
|          | Trade and other receivables  | (3,821.68)          | (105,172.06)       |
|          | Trade Payables   | (18,948.05)         | 18,580.81          |
|          | <b>Cash Generated from Operations</b>                              | <b>63,585.31</b>    | <b>(61,437.10)</b> |
|          | Direct Taxes (Paid) / Refund                                       | (1,417.23)          | (92.89)            |
|          | <b>Net Cash used in Operating Activities</b>                       | <b>62,168.08</b>    | <b>(61,529.99)</b> |
| <b>B</b> | <b>Cash Flow from Investing Activities</b>                         |                     |                    |
|          | Purchase of Fixed Assets and Capital Work in Progress              | (197,562.82)        | (52,745.93)        |
|          | Sale of Fixed Assets   | 36.77               | 84.86              |
|          | Purchase of Investments  | (12,710.00)         | (10,472.03)        |
|          | Sale of Investments  | 13,175.08           | 11,815.00          |
|          | Dividend Received on Current Investments                           | 15.79               | 22.83              |
|          | Interest Received  | 2,149.27            | 2,538.63           |
|          | Fixed Deposits held for maturity period more than 3 months matured | -                   | 2,032.39           |
|          | <b>Net Cash used in Investing Activities</b>                       | <b>(194,895.91)</b> | <b>(46,724.25)</b> |



## Consolidated Cash Flow Statement for the year ended March 31, 2013

|          |   | ₹ in lacs         |                   |
|----------|---|-------------------|-------------------|
| Sr. No.  | Particulars   | 2012-2013         | 2011-2012         |
| <b>C</b> | <b>Cash Flow from Financing Activities</b>                            |                   |                   |
|          | Amount received against issue of Equity shares / warrants             | 5,850.00          | 3,997.50          |
|          | Proceeds from Long Term Borrowings                                    | 168,251.70        | 33,418.12         |
|          | Repayment of Long Term Borrowings                                     | (27,740.78)       | (13,056.71)       |
|          | Short Term Borrowings (Net)   | 55,055.49         | 100,529.67        |
|          | Interest Paid   | (58,958.79)       | (29,546.29)       |
|          | Margin Money (Net)  | (8,268.53)        | 5,078.48          |
|          | <b>Net Cash Flow from Financing Activities</b>                        | <b>134,189.09</b> | <b>100,420.77</b> |
|          | <b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b> | <b>1,461.26</b>   | <b>(7,833.47)</b> |
|          | Cash & Cash Equivalents - Opening balance                             | 3,126.55          | 10,960.02         |
|          | Cash & Cash Equivalents - Closing balance                             | 4,587.81          | 3,126.55          |

### Notes:

- (1) The above cash flow statement has been prepared under the “indirect method” as set out in Accounting Standard 3 - Cash flow Statement.
- (2) Figures in brackets indicate outflow.
- (3) Previous Year figures have been regrouped / rearranged / recasted wherever necessary to make them comparable with those of current year.

As per our report of even date  
**For Chaturvedi and Shah**  
 Chartered Accountants

For and on behalf of the Board of Directors

**R. Koria**  
 Partner

**Nikhil P. Gandhi**  
 Chairman

**Bhavesh P. Gandhi**  
 Executive Vice Chairman

Place :- Mumbai  
 Date :- May 30, 2013

**Praveen Mohnot**  
 Chief Financial Officer

**Ajit Dabholkar**  
 Corporate Counsel & Company Secretary



# Notes on Consolidated Financial Statements

## Note - 1

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### a. PRINCIPLES OF CONSOLIDATION :

The consolidated financial statements relate to the Pipavav Defence and Offshore Engineering Company Limited ('the Company') and its subsidiary companies & associate company. The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".
- ii. In case of foreign subsidiary, being non integral operations, revenue items are consolidated at the average rate prevailing during the year. All the assets and liabilities are converted at rates prevailing at the end of the year. The resultant translation exchange differences have been transferred to foreign currency translation reserves.
- iii. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented except as mentioned in the note no. 1.3, in the same manner as the Company's separate financial statements.
- iv. The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries are recognized in the financial statements as Goodwill, which is not being amortised.
- v. Investments in Associate Company has been accounted under the equity method as per (AS 23) - "Accounting for Investments in Associates in Consolidated Financial Statements".
- vi. The differences between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

- b. Investments other than in subsidiaries and associates have been accounted as per Accounting Standard (AS) 13 on "Accounting for Investments"

#### c. Other significant accounting policies :

These are set out under "Significant Accounting Policies" as given in the Standalone Financial Statements of the Company.

##### 1.1. Following Subsidiary Companies have been considered in the Consolidated Financial Statements:

| Name of the Subsidiary              | Country of Incorporation | Proportion of Ownership Interest |
|-------------------------------------|--------------------------|----------------------------------|
| E Complex Private Limited           | India                    | 100%                             |
| Pipavav Marine and Offshore Limited | India                    | 100%                             |
| PDOC Pte. Ltd.                      | Singapore                | 100%                             |

##### 1.2 Following Associate Company has been considered in the Consolidated Financial Statements:

| Name of the Associate                           | Country of Incorporation | Proportion of Ownership Interest |
|---|--------------------------|----------------------------------|
| Conceptia Software Technologies Private Limited | India                    | 25.50%                           |

- 1.3 The audited financial statements as at March 31<sup>st</sup>, 2013 of PDOC Pte Ltd. (Singapore) have been prepared by following Singapore Financial Reporting Standards and are consolidated as it is without converting them as per the Generally Accepted Accounting Principles as applicable in India. In view of which the assets, liabilities, income and expenditure of the subsidiary company of ₹ NIL, ₹ 1.39 Lacs, NIL and ₹ 5.83 Lacs respectively have been accounted by following different accounting standards.

- 1.4 The carrying amount of investment in associate includes Goodwill of ₹ 110.21 Lacs.

# Notes on Consolidated Financial Statements

## Note - 2

### SHARE CAPITAL

| Particulars   | ₹ in lacs               |                         |
|---|-------------------------|-------------------------|
|   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| <b>Equity Shares</b>  |                         |                         |
| <b>Authorised</b>   |                         |                         |
| 1,000,000,000 (Previous Year 800,000,000) equity shares of ₹ 10/- each            | <u>100,000.00</u>       | <u>80,000.00</u>        |
| <b>Issued, Subscribed and fully paid up</b>                                       |                         |                         |
| 701,198,388 (Previous Year 691,198,388) Equity Shares of ₹ 10/- each fully paidup | 70,119.84               | 69,119.84               |
| <b>Total</b>  | <b>70,119.84</b>        | <b>69,119.84</b>        |

#### 2.1 Reconciliation of Equity shares outstanding at the beginning and at the end of the year

| Particulars  | As at March 31, 2013 |           | As at March 31, 2012 |           |
|--|----------------------|-----------|----------------------|-----------|
|  | No. of Shares        | Amount    | No. of Shares        | Amount    |
| Equity shares at the beginning of the year                     | 691,198,388          | 69,119.84 | 665,798,388          | 66,579.84 |
| Add: Shares Issued during the year on conversion of debentures | -                    | -         | 25,400,000           | 2,540.00  |
| Add: Shares Issued during the year on conversion of warrants   | 10,000,000           | 1,000.00  | -                    | -         |
| Equity shares at the end of the year                           | 701,198,388          | 70,119.84 | 691,198,388          | 69,119.84 |

#### 2.2 Shareholders holding more than 5% Shares in the Company

| Shares held by                                | As at March 31, 2013 |           | As at March 31, 2012 |           |
|---|----------------------|-----------|----------------------|-----------|
|   | No. of Shares        | % Holding | No. of Shares        | % Holding |
| SKIL Infrastructure Limited                   | 263,466,685          | 37.57%    | 257,266,685          | 37.22%    |
| Life Insurance Corporation of India           | 58,465,899           | 8.34%     | -                    | -         |
| Smallcap World Fund, Inc.                     | -                    | -         | 35,731,000           | 5.17%     |
| IL & FS Marine Infrastructure Company Limited | 53,423,871           | 7.62%     | 53,423,871           | 7.73%     |

#### 2.3 Reserved Shares

The Convertible Share Warrant Holders have the option to convert their share warrants into 10,500,000 Equity Shares (Previous Year 20,500,000) of ₹ 10 each, at the terms and conditions as referred in note no 4.

#### 2.4 Terms and Rights attached to Equity Shares

The Company has only one class of Equity Share having par value of ₹10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the company, the Equity share holders will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amount. The distribution will be in proportionate to the number of equity share held by the shareholders.



# Notes on Consolidated Financial Statements

## Note - 3

### RESERVES AND SURPLUS

₹ in lacs

| Particulars   | As at March 31, 2013 | As at March 31, 2012 |
|---|----------------------|----------------------|
| <b>Capital Reserve</b>  |                      |                      |
| Balance as per last Balance Sheet                                   | 6,254.96             | -                    |
| Add:- On forfeiture of preferential convertible warrants            | -                    | 6,254.96             |
|   | <b>6,254.96</b>      | <b>6,254.96</b>      |
| <b>Securities Premium Account</b>                                   |                      |                      |
| Balance as per Last Balance Sheet                                   | 117,742.16           | 102,501.56           |
| Add :- On Issue of Shares   | 6,800.00             | 15,240.00            |
| Less :- Securities Issue Expenses                                   | -                    | *(0.60)              |
|   | <b>124,542.16</b>    | <b>117,742.16</b>    |
| <b>Foreign Currency Translation Reserve</b>                         |                      |                      |
| Balance as per Last Balance Sheet                                   | -                    | -                    |
| Less :- Effect of foreign exchange rate fluctuation during the year | (0.04)               | -                    |
|   | <b>(0.04)</b>        | <b>-</b>             |
| <b>Surplus / (Deficit)</b>  |                      |                      |
| Balance as per last Balance Sheet                                   | 1,718.51             | (446.19)             |
| Add:- Profit for the year   | 3,109.48             | 2,164.70             |
|   | <b>4,827.99</b>      | <b>1,718.51</b>      |
| <b>Total</b>  | <b>135,625.07</b>    | <b>125,715.63</b>    |

\* Reversal of provision made during the Financial Year 2010-11.

## Note - 4

### MONIES RECEIVED AGAINST CONVERTIBLE SHARE WARRANTS

As approved by the Shareholders in the Annual General Meeting held on October 5, 2011, the Company had allotted 10,500,000 Convertible Warrants to individual investors and 10,000,000 Convertible Warrants to a promoter Group Company @ ₹ 78 each, ₹ 19.50 paid up on preferential basis. Each Warrant is convertible into one fully paid-up equity share of the Company of ₹ 10 each at a premium of ₹ 68 per equity share at any time prior to 18 months from the date of allotment of warrants. During the year, the promoter group company has opted conversion of 10,000,000 warrants held by them and paid the balance amount. Accordingly 10,000,000 Equity Shares were issued against the said warrants.

## Note - 5

### LONG TERM BORROWINGS

₹ in lacs

| Particulars            | As at March 31, 2013 | As at March 31, 2012 |
|------------------------|----------------------|----------------------|
| <b>Secured Loans</b>   |                      |                      |
| Rupee Term Loans from: |                      |                      |
| Banks                  | 168,121.91           | 63,055.63            |
| Financial Institutions | 34,227.27            | 35,343.27            |
| Body Corporates        | 850.00               | 1,750.00             |
|                        | <b>203,199.18</b>    | <b>100,148.90</b>    |
| <b>Vehicle Loans</b>   | <b>30.76</b>         | <b>28.32</b>         |
|                        | <b>203,229.94</b>    | <b>100,177.22</b>    |
| <b>Unsecured Loans</b> |                      |                      |
| From Body Corporates   | 17,150.48            | -                    |
| <b>Total</b>           | <b>220,380.42</b>    | <b>100,177.22</b>    |

## Notes on Consolidated Financial Statements

5.1 Rupee Term loans as referred to above and ₹ 48,793.38 Lacs included in current maturities of long term debt in note no. 11 are secured as under:

- i) ₹ 85,068.23 Lacs by way of first charge & mortgage on all the immovable properties, both present & future & hypothecation of all movable properties, both present and future.
- ii) ₹ 13,674.33 Lacs by way of subservient charge on fixed assets and current assets.
- iii) ₹ 116,000.00 Lacs by way of first *pari-passu* charge on all the movable and immovable properties, both present & future including hypothecation of movable assets, second *pari-passu* charge on current assets of the Company.
- iv) ₹ 13,500.00 Lacs by way of first *pari-passu* charge on entire fixed assets of the Company, hypothecation of movable fixed assets and mortgage on immovable assets.
- v) ₹ 23,750.00 Lacs by way of Subservient charge on entire fixed assets & current assets of the Company, first *pari-passu* charge on 100 acres of Land situated near JNPT owned by Karanja Infrastructure Pvt. Ltd. for the proposed FTWZ and first *pari-passu* charge on 73 acres of Land situated near JNPT for proposed CFS operations owned by Fastlane Distriparks Logistics Ltd.

5.2 All Rupee Term Loans are guaranteed by M/s SKIL Infrastructure Ltd., the promoter company. Rupee Term Loan of ₹ 23,750.00 Lacs are guaranteed by Karanja Infrastructure Private Limited and Rupee Term Loan of ₹ 214,568.23 Lacs are further secured by pledge of 143,999,994 shares of the company held by the promoters.

5.3 Rupee Term Loans of ₹ 225,403.81 Lacs are further guaranteed by some of the directors in their personal capacities.

5.4 Rupee Term Loans of ₹ 13,500.00 Lacs are secured by pledge of 4,400,000 shares of Horizon Infrastructure Ltd. held by promoters.

5.5 Lenders in respect of secured loans aggregating to ₹ 214,568.23 Lacs have right to convert the loans at their option into fully paid up equity shares of the company if the company is in default for a period more than what is specified in the respective loan agreements.

### 5.6 Unsecured Loans

Unsecured Loans referred to above are secured by mortgage of approximately 66 acres of land belonging to Karanja Infrastructure Private Limited and guaranteed by promoter group company i.e. SKIL Infrastructure Limited and further secured by 28,000,000 fully paid-up equity shares of the Pipavav Defence and Offshore Engineering Company Limited & 3,200,000 fully paid-up equity shares of Everonn Education Limited held by the promoters. The above loan are further guaranteed by one of the directors of the company.

### 5.7 Repayment Terms

- i) The above Secured Rupee Term Loans and Unsecured Loans including ₹ 48,793.38 Lacs included in current maturities of long term debts carry an interest rate ranging from 11.00% to 19.00%. Out of the above Rupee Term Loan ₹ 38,622.97 Lacs are repayable in 40 equal quarterly installments commencing from April 01, 2010 to January 01, 2020, ₹ 12,619.00 Lacs in 40 quarterly structured installments commencing from August 31, 2005 to February 28, 2017, ₹ 3,900.00 Lacs in 40 equal quarterly installments commencing from October 01, 2009 to July 01, 2019, ₹ 26,588.76 Lacs in quarterly installments commencing from April 01, 2011 to January 01, 2020, ₹ 1,375.00 Lacs in 32 quarterly equal installments commencing from October 01, 2010 to July 01, 2018, ₹ 9,174.33 Lacs in 6 quarterly equal installments commencing from June 03, 2012 to March 29, 2014, ₹ 15,000.00 Lacs in 20 equal half yearly installments commencing from February 01, 2015 to February 1st,



## Notes on Consolidated Financial Statements

2024, ₹ 1,962.50 Lacs in 40 quarterly installments commencing from September 30, 2005 to March 30, 2015, ₹ 101,000.00 Lacs in 10 equal yearly installments commencing from February 01, 2015 to February 01, 2024, ₹ 4,500.00 Lacs, ₹ 16,750.00 Lacs and ₹ 7,000.00 Lacs repayable after the end of 15 months from the date of first disbursement i.e. on November 04, 2013, November 24, 2013 and June 26, 2014 respectively, ₹ 13,500.00 repayable in 12 equal monthly installments commencing from December 30, 2013 to November 30, 2014 and ₹ 17,150.48 Lacs repayable in 3 quarterly equal installments starting from August 10th, 2014 to February 10th, 2015.

- ii) The maturity profile, period and amount of installments of Secured Rupee Term Loans and Unsecured Loan as referred above including current maturities of long term debt referred to in note no. 11 are as under:

₹ in lacs

| Financial Year | Rupee Term Loans from |                        |                  | Total             |
|----------------|-----------------------|------------------------|------------------|-------------------|
|                | Banks                 | Financial Institutions | Body Corporates  |                   |
| 2013-14        | 41,564.88             | 6,116.00               | 1,112.50         | 48,793.38         |
| 2014-15        | 37,607.21             | 7,163.00               | 18,000.48        | 62,770.69         |
| 2015-16        | 19,608.89             | 5,900.00               | -                | 25,508.89         |
| 2016-17        | 19,608.89             | 6,040.00               | -                | 25,648.89         |
| 2017-18        | 19,608.89             | 3,900.00               | -                | 23,508.89         |
| 2018-19        | 19,129.37             | 3,900.00               | -                | 23,029.37         |
| 2019-20        | 17,378.65             | 3,324.28               | -                | 20,702.93         |
| 2020-21        | 10,970.00             | 2,000.00               | -                | 12,970.00         |
| 2021-22        | 10,970.00             | 2,000.00               | -                | 12,970.00         |
| 2022-23        | 7,670.00              | -                      | -                | 7,670.00          |
| 2023-24        | 5,570.00              | -                      | -                | 5,570.00          |
| <b>Total</b>   | <b>209,686.78</b>     | <b>40,343.28</b>       | <b>19,112.98</b> | <b>269,143.04</b> |

- 5.8 Vehicle Loans referred to above including ₹ 17.53 Lacs included in Current Maturities of Long Term Debts in note no. 11 are secured by the Hypothecation of the specific vehicles financed. The loans are repayable in monthly equated installments (including interest) as per repayment schedule starting from May 01, 2010 to May 01, 2017.
- 5.9 As on March 31, 2013, the Company has overdue of ₹ 212.50 Lacs (Previous Year: ₹ 1,437.59 Lacs) and ₹ 223.83 Lacs (Previous Year: ₹ 948.77 Lacs) towards the principal and interest respectively.

## Note - 6

### DEFERRED TAX LIABILITIES (NET)

As required by Accounting Standard 22 on "Accounting for Taxes on Income" Deferred Tax comprises of the following items:

₹ in lacs

| Particulars                             | As at March 31, 2013 |                 | As at March 31, 2012 |                 |
|---|----------------------|-----------------|----------------------|-----------------|
| <b>Deferred Tax Liabilities</b>         |                      |                 |                      |                 |
| Related to Fixed Assets                 |                      | 30,362.80       |                      | 23,690.26       |
| <b>Deferred Tax Assets</b>              |                      |                 |                      |                 |
| Unabsorbed Depreciation                 | 22,132.20            |                 | 16,875.39            |                 |
| Disallowance under Income Tax Act, 1961 | 135.21               |                 | 96.97                |                 |
|   |                      | 22,267.41       |                      | 16,972.36       |
| <b>Deferred Tax Liabilities (Net)</b>   |                      | <b>8,095.39</b> |                      | <b>6,717.90</b> |



# Notes on Consolidated Financial Statements

## Note - 7

### OTHER LONG TERM LIABILITIES

| Particulars             | ₹ in lacs               |                         |
|-------------------------|-------------------------|-------------------------|
|                         | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Deposits                | 500.00                  | 500.00                  |
| Advances from Customers | 14,247.53               | 19,436.59               |
| <b>Total</b>            | <b>14,747.53</b>        | <b>19,936.59</b>        |

## Note - 8

### LONG TERM PROVISIONS

| Particulars           | ₹ in Lacs               |                         |
|-----------------------|-------------------------|-------------------------|
|                       | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| for Employee Benefits | 104.75                  | 103.24                  |
| <b>Total</b>          | <b>104.75</b>           | <b>103.24</b>           |

## Note - 9

### SHORT TERM BORROWINGS

| Particulars                  | ₹ in Lacs            |                      |
|------------------------------|----------------------|----------------------|
|                              | As at March 31, 2013 | As at March 31, 2012 |
| <b>Secured Loans from:</b>   |                      |                      |
| Banks                        | 83,893.94            | 85,367.94            |
| Financial Institutions       | 15,000.00            | -                    |
| Body Corporates              | 2,162.00             | -                    |
|                              | <b>101,055.94</b>    | <b>85,367.94</b>     |
| <b>Unsecured Loans from:</b> |                      |                      |
| Banks                        | 114,138.61           | 86,962.16            |
| Body Corporates              | 13,000.00            | -                    |
|                              | <b>127,138.61</b>    | <b>86,962.16</b>     |
| <b>Total</b>                 | <b>228,194.55</b>    | <b>172,330.10</b>    |

#### 9.1 Secured Loans from Banks referred to above includes:

- ₹ 7,162.00 Lacs secured by way of first *pari-passu* charge on entire current assets and second *pari-passu* charge on entire fixed assets of the Company.
- ₹ 24,000.00 Lacs secured by way of subservient charge on fixed assets and current assets of the Company both present and future.
- ₹ 15,000.00 Lacs secured by way of first charge on the Company assets, subservient charge on the other working capital assets of the Company and mortgage of property at Mahal Mira, Pen Taluka, Raigad District admeasuring 1,089,000 sq.ft owned by Fastlane Distripacks & Logistics Ltd.
- ₹ 10,939.33 Lacs secured by way of first *pari-passu* charge on entire current assets of the Company, second *pari-passu* charge on the entire fixed assets of the Company.



## Notes on Consolidated Financial Statements

- v) ₹ 7,500.01 Lacs secured by way of first *pari-passu* charge on the entire current assets of the Company, second *pari-passu* charge on fixed assets of the Company with other working capital lenders.
- vi) ₹ 2,365.39 Lacs secured by way of hypothecation of entire stock of raw material, stock in process, finished goods, consumables stores & spares inward RR's/ GR's receivables and all other current assets of the borrower on *pari-passu* basis with other consortium banks.
- vii) ₹ 30,058.76 Lacs secured by way of first *pari-passu* charge on entire current assets of the Company along with other consortium member banks. Second *pari-passu* charge on fixed assets.
- viii) ₹ 4,030.45 Lacs secured by way of hypothecation of entire stock of raw material, stock in process, finished goods, stores & spares & receivables on *pari-passu* basis with other consortium banks.
- 9.2 Secured loans of ₹ 81,055.94 Lacs are guaranteed by M/s SKIL Infrastructure Ltd., the promoter company and ₹ 66,055.94 Lacs are guaranteed by some of the directors in their personal capacity.
- 9.3 Unsecured loan of ₹ 13,000.00 lacs are secured by first charge of mortgage of land admeasuring 61.41.50 Hectare situated at Borgaon, Talkua Pen, District Raigad in the State of Maharashtra owned by Mahakaleshwar Knowledge Infrastructure Pvt.Ltd and are further secured by 18,110,647 no. of equity shares of the Company and 63,728,003 no of shares of SKIL Infrastructure Limited held by the promoters. The said loans are guaranteed by the M/s SKIL Infrastructure Limited, the promotor Company and some of the directors in their personal capacity.
- 9.4 As on March 31, 2013, the Company has overdue of ₹ 6,162.00 Lacs (Previous Year: ₹ 4,561.05 Lacs) and ₹ 230.59 Lacs (Previous Year: ₹ 417.90 Lacs) towards the principal and interest respectively.

### Note - 10

#### TRADE PAYABLES

| Particulars                         | ₹ in lacs               |                         |
|-------------------------------------|-------------------------|-------------------------|
|                                     | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Micro, Small and Medium Enterprises | 827.03                  | 875.37                  |
| Others                              | 29,631.27               | 42,615.90               |
| <b>Total</b>                        | <b>30,458.30</b>        | <b>43,491.27</b>        |

- 10.1 Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

| Particulars   | ₹ in lacs               |                         |
|---|-------------------------|-------------------------|
|   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Principal amount remaining unpaid                           | 827.03                  | 875.37                  |
| Interest due thereon  | 172.53                  | 69.39                   |
| Interest paid by the Company in term of Section 16          | -                       | -                       |
| Interest due and payable for the period of delay in payment | -                       | -                       |
| Interest accrued and remaining unpaid                       | 172.53                  | 69.39                   |
| Interest remaining due and payable even in succeeding years | -                       | -                       |

# Notes on Consolidated Financial Statements

## Note - 11

### OTHER CURRENT LIABILITIES

| Particulars                                | ₹ in Lacs               |                         |
|--|-------------------------|-------------------------|
|  | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Current Maturities of Long Term Debts      | 48,810.91               | 28,503.19               |
| Interest Accrued and due on borrowings     | 454.42                  | 1,366.67                |
| Interest Accrued but not due on borrowings | 2,851.02                | 1,839.23                |
| Unclaimed Share Application Money *        | 6.01                    | 6.01                    |
| Creditors for Capital Goods                | 24,779.72               | 9,598.06                |
| Advances from Customers                    | 2.41                    | 10,885.09               |
| Statutory Dues                             | 1,267.49                | 668.02                  |
| Deferred Forward Premium                   | 178.49                  | 211.33                  |
| Bank Overdraft                             | 4,231.27                | -                       |
| Other Payables **                          | 1,272.59                | 1,918.30                |
| <b>Total</b>                               | <b>83,854.33</b>        | <b>54,995.90</b>        |

\*Does not include any amount due and outstanding to be credited to Investor Education & Protection Fund.

\*\*Includes mainly payables to employees and provision for expenses.

## Note - 12

### SHORT TERM PROVISIONS

| Particulars                   | ₹ in Lacs               |                         |
|-------------------------------|-------------------------|-------------------------|
|                               | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| for Employee Benefits         | 311.99                  | 195.63                  |
| for Wealth Tax (Net)          | 2.35                    | 2.40                    |
| Other Provisions <sup>#</sup> | 24,488.40               | 2,055.65                |
| <b>Total</b>                  | <b>24,802.74</b>        | <b>2,253.68</b>         |

<sup>#</sup>The company has recognised liabilities based on substantial degree of estimation for provision for estimated cost over contract revenue on shipbuilding contracts and costs estimated for revenue recognised. The provision for estimated cost over contract revenue on Shipbuilding contracts and costs estimated for revenue recognised as at March 31, 2012 was ₹ 928.95 Lacs and ₹ 1,126.70 Lacs respectively, out of which ₹ 928.95 lacs and Rs nil respectively incurred during the year. Liability outstanding under this clause as at March 31, 2013 is ₹ 6,447.81 Lacs and ₹ 18,040.59 Lacs respectively. Actual outflow is expected in the subsequent financial years.

## FIXED ASSETS

\* Other than Internally Generated

## Notes on Consolidated Financial Statements

13.1 The Leasehold Land represents the lease premium and the cost incurred for reclaiming and development of the Land.

13.2 Buildings and Plant & equipments are constructed / installed on leasehold land.

13.3 Capital Work in Progress includes:

| Particulars                                  | 2012 - 2013 | 2011 - 2012 |
|--|-------------|-------------|
| - Material at site                           | 1,307.13    | 525.16      |
| - Assets under construction and installation | 186,957.74  | 36,916.40   |
| - Preoperative expenses                      | 32,377.23   | 20,333.17   |

13.4 Details of Preoperative expenses are as under:

| Particulars                                 | 2012 - 2013      | 2011 - 2012      |
|---|------------------|------------------|
| Opening Balance                             | 20,333.16        | 43,241.33        |
| Add:  |                  |                  |
| Salaries Wages and Allowances               | 550.19           | 819.09           |
| Contribution to PF and Other Fund           | 14.47            | 20.23            |
| Staff Welfare Expenses                      | 1.93             | 22.99            |
| Rent  | 31.41            | 55.94            |
| Professional and Consultancy Charges        | 151.99           | 158.56           |
| Conveyance, Travelling and Vehicle Expenses | 161.14           | 121.43           |
| Insurance                                   | 22.08            | 50.61            |
| Communication Expenses                      | 5.32             | 10.18            |
| Repairs & Maintenance - Others              | 9.20             | 27.20            |
| Miscellaneous Expenditure                   | 110.66           | 96.17            |
| Interest Expenses                           | 18,058.84        | 4,065.54         |
| Other Borrowing Costs                       | 1,121.90         | 301.65           |
| <b>Sub - Total</b>                          | <b>40,572.29</b> | <b>48,990.92</b> |
| Less :                                      |                  |                  |
| Allocated to Fixed Assets                   | 8,195.06         | 28,657.76        |
| <b>Closing Balance (Total)</b>              | <b>32,377.23</b> | <b>20,333.16</b> |

13.5 In accordance with the Accounting Standard (AS - 28) on "Impairment of Assets" the Management during the year carried out an exercise of identifying the assets that may have been impaired in respect of each cash generating unit. On the basis of this review carried out by the Management, there was no impairment loss on Fixed Assets during the year.

13.6 Additions in the Fixed Assets include interest and financial charges of ₹ 5,800.15 Lacs (Previous Year : ₹ 9,436.70 Lacs) as detailed below:

| Particulars               | 2012 - 2013     | 2011 - 2012     |
|---------------------------|-----------------|-----------------|
| Land and Site Development | -               | 24.49           |
| Buildings                 | 24.65           | 86.99           |
| Plant and Machinery       | 5,775.50        | 9,317.76        |
| Software                  | -               | 7.46            |
| <b>Total</b>              | <b>5,800.15</b> | <b>9,436.70</b> |



# Notes on Consolidated Financial Statements

## Note - 14

### NON CURRENT INVESTMENTS

₹ in lacs

| Particulars  | Face Value | Numbers        |                | As at March 31, 2013 | As at March 31, 2012 |
|--|------------|----------------|----------------|----------------------|----------------------|
|  |            | March 31, 2013 | March 31, 2012 |                      |                      |
| <b>Long Term Trade Investments (Unquoted and fully paid up)</b>            |            |                |                |                      |                      |
| <b>In Associate Company</b>  |            |                |                |                      |                      |
| Conceptia Software Technologies Pvt. Ltd.                                  | ₹10        | 112,200        | 112,200        | 179.82               | 176.92               |
|  |            |                |                | 179.82               | 176.92               |
| <b>Other Investments</b>   |            |                |                |                      |                      |
| <b>Government and Other Securities</b>                                     |            |                |                |                      |                      |
| 6 years National Savings Certificate (Deposited with Sales Tax Department) | -          | -              | -              | 0.05                 | 0.05                 |
|  |            |                |                | 0.05                 | 0.05                 |
| <b>Total</b>   |            |                |                | <b>179.87</b>        | <b>176.97</b>        |

#### 14.1 Aggregate amount of Non Current Investments.

₹ in Lacs

|                      | As at March 31, 2013 |              | As at March 31, 2012 |              |
|----------------------|----------------------|--------------|----------------------|--------------|
|                      | Book Value           | Market Value | Book Value           | Market Value |
| Quoted Investments   | -                    | -            | -                    | -            |
| Unquoted Investments | 179.87               | -            | 176.97               | -            |
| <b>Total</b>         | <b>179.87</b>        | <b>-</b>     | <b>176.97</b>        | <b>-</b>     |

## Note - 15

### LONG TERM LOANS AND ADVANCES

(Unsecured, considered good)

₹ in lacs

| Particulars              | As at March 31, 2013 | As at March 31, 2012 |
|--------------------------|----------------------|----------------------|
| Capital Advances         | 48,806.64            | 42,724.38            |
| Security Deposits with   |                      |                      |
| Related Parties          | 325.00               | 325.00               |
| Others                   | 2,613.31             | 2,320.56             |
| Advance Taxes (Net)      | 780.85               | 100.67               |
| Cenvat / VAT recoverable | 4,852.02             | 7,120.96             |
| MAT credit entitlement   | 2,887.91             | 2,153.33             |
| <b>Total</b>             | <b>60,265.73</b>     | <b>54,744.90</b>     |



## Notes on Consolidated Financial Statements

### 15.1 Details of Deposits to Related Parties

| Company Name                      | Nature of Relationship  | ₹ in lacs               |                         |
|-----------------------------------|---|-------------------------|-------------------------|
|                                   |   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Awaita Properties Private Limited | Enterprises in which Directors are able to exercise significant influence | 325.00                  | 325.00                  |

15.2 Cenvat / VAT recoverable represents the Cenvat/VAT/Central Sales Tax paid on the purchase of goods and services for the project and operations. The company has been legally advised that such amounts are recoverable. Any unrealized amounts will be added back to the cost of the project or charged off to the statement of Profit and Loss, as the case may be in the year of settlement.

15.3 Presently the company is liable to pay Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act, 1961 ("the Act") and the amount paid as MAT is allowed to be carried forward for being set off against the future tax liabilities computed in accordance with the provisions of the Act, other than section 115JB, in next ten years. Based on the future projection of the performances, the company will be liable to pay the Income Tax as per provisions, other than under section 115JB, of the Act. Accordingly as advised in Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India, ₹ 894.30 Lacs (Previous Year: ₹ 1,533.19 Lacs) being the excess of tax payable under section 115JB of the Act over tax payable as per the provisions other than section 115JB of the Act has been considered as MAT credit entitlement and credited to statement of Profit and Loss. The aggregate MAT credit entitlement available to the Company as on March 31, 2013 is ₹ 2,887.91 Lacs. (Previous Year: ₹ 2,153.33 Lacs), net of reversal of excess provision of ₹ 159.72 Lacs (Previous Year: 507.51 Lacs) made in previous year.

## Note - 16

### CURRENT INVESTMENTS (Unquoted)

| Particulars                               | Face Value<br>(₹) | ₹ in lacs            |                     |                      |                     |
|---|-------------------|----------------------|---------------------|----------------------|---------------------|
|   |                   | Numbers<br>31-Mar-13 | Amount<br>31-Mar-13 | Numbers<br>31-Mar-12 | Amount<br>31-Mar-12 |
| <b>In Units of Mutual Funds</b>           |                   |                      |                     |                      |                     |
| SBI Debt Fund Series- 90 Days-60-Growth   | 10.00             | -                    | -                   | 5,600,000.00         | 560.00              |
| SBI Debt Fund Series- 367 Days-18- Growth | 10.00             | 3,400,000.00         | 340.00              | 3,400,000.00         | 340.00              |
| SBI Debt Fund Series- 366 Days-2-Growth   | 10.00             | 1,100,000.00         | 110.00              | -                    | -                   |
| <b>Total</b>                              |                   |                      | <b>450.00</b>       |                      | <b>900.00</b>       |

16.1 Investments in Mutual Fund have been pledged with Banks for financial facilities (Letter of Credit and Bank Guarantee) availed from them.

16.2 Aggregate amount of Current Investments.

|                      | As at March 31, 2013 |              | As at March 31, 2012 |              |
|----------------------|----------------------|--------------|----------------------|--------------|
|                      | Book Value           | Market Value | Book Value           | Market Value |
| Quoted Investments   | -                    | -            | -                    | -            |
| Unquoted Investments | 450.00               | -            | 900.00               | -            |
| <b>Total</b>         | <b>450.00</b>        | <b>-</b>     | <b>900.00</b>        | <b>-</b>     |



# Notes on Consolidated Financial Statements

## Note - 17

### INVENTORIES

₹ in lacs

| Particulars              | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--------------------------|-------------------------|-------------------------|
| Raw Materials            | 14,203.93               | 28,671.01               |
| Raw Materials in Transit | 188.37                  | 2,795.54                |
| Stores and Spares        | 1,706.29                | 2,010.58                |
| Scrap                    | 181.86                  | 433.06                  |
| <b>Total</b>             | <b>16,280.45</b>        | <b>33,910.19</b>        |

## Note - 18

### TRADE RECEIVABLES

(Unsecured)

₹ in lacs

| Particulars                              | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| - Due for a period exceeding six months* | 45,888.36               | 37,147.93               |
| - Others                                 | 43,710.74               | 53,794.19               |
| <b>Total</b>                             | <b>89,599.10</b>        | <b>90,942.12</b>        |

\* Management is of the view that the amount is good and realisable in the ordinary course of business.

## Note - 19

### CASH AND BANK BALANCES

₹ in lacs

| Particulars                                      | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| <b>Cash and Cash Equivalents</b>                 |                         |                         |
| Balances with Banks                              |                         |                         |
| In Current Accounts                              | 4,577.48                | 3,116.30                |
| Cash on Hand                                     | 10.33                   | 10.25                   |
|  | <b>4,587.81</b>         | <b>3,126.55</b>         |
| <b>Other Bank Balances</b>                       |                         |                         |
| Share Application Money Refund account           | 6.01                    | 6.01                    |
| Fixed Deposits with Banks held as margin money * | 32,964.53               | 24,696.00               |
|  | <b>32,970.54</b>        | <b>24,702.01</b>        |
| <b>Total</b>                                     | <b>37,558.35</b>        | <b>27,828.56</b>        |

\* Includes ₹ 11,287.96 Lacs (Previous Year : ₹ 9,273.32 Lacs ) having maturity period more than twelve months.

# Notes on Consolidated Financial Statements

## Note - 20

### SHORT TERM LOANS AND ADVANCES

(Unsecured & considered good)

| Particulars   | ₹ in lacs               |                         |
|---|-------------------------|-------------------------|
|   | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Security Deposits   | 418.31                  | 393.26                  |
| Prepaid Expenses  | 5,448.75                | 4,344.18                |
| Advance recoverable in cash or in kind or for the value to be received<br>(Subject to Confirmation) |                         |                         |
| Against purchase of material / services   | 12,373.20               | 23,339.14               |
| Others *  | 5,754.18                | 1,764.92                |
| <b>Total</b>  | <b>23,994.44</b>        | <b>29,841.50</b>        |

\* Mainly includes interest and VAT/Cenvat refundable/to be availed.

## Note - 21

### OTHER CURRENT ASSETS

(Unsecured & considered good)

| Particulars                        | ₹ in lacs               |                         |
|------------------------------------|-------------------------|-------------------------|
|                                    | As at<br>March 31, 2013 | As at<br>March 31, 2012 |
| Shipbuilding Contracts Receivables | 55,370.54               | 38,682.85               |
| Subsidy Receivable                 | 28,907.74               | 29,062.58               |
| Other Receivables                  | -                       | 14.52                   |
| <b>Total</b>                       | <b>84,278.28</b>        | <b>67,759.95</b>        |

## Note - 22

### REVENUE FROM OPERATIONS

| Particulars   | ₹ in lacs                               |   |
|---|---|---|
|   | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
| Ship building and Ship Repairs                              | 61,188.29                               | 119,896.63                              |
| Rig Repairs and Fabrication                                 | 85,741.83                               | 180.98                                  |
| Subsidy on Shipbuilding                                     | 5,360.02                                | 12,753.54                               |
| Sale of Steel Items (Steel Plates, Pipes & Rolled Products) | 108,022.33                              | 52,335.92                               |
| Other Operating Revenue                                     |   |   |
| Sale of Scraps  | 1,408.20                                | 1,556.30                                |
| Contract Advance Forfeiture (Refer Note No. 22.3)           | 6,336.59                                | -                                       |
| <b>Total</b>  | <b>268,057.26</b>                       | <b>186,723.37</b>                       |



## Notes on Consolidated Financial Statements

- 22.1 As per the Guidelines for the Shipbuilding Subsidy issued by the Government of India on March 25, 2009, the Company is eligible for subsidy at the rate of 30% of the contract price, in respect of the export order received for vessels for which the contracts with the customers were signed on or before August 14, 2007. Accordingly Government Subsidy of ₹ 5,360.02 Lacs for the year ended March 31, 2013 (Previous Year ₹ 12,753.54 Lacs) has been recognised as revenue including in respect of Ships under construction on proportionate completion basis.
- 22.2 The Company has order for building several panamax sister vessels. The Company has initiated arbitration proceedings as per terms of contract for four panamax vessels & subsequently, the Company has received alleged cancellation notices for these vessels. The Company is of the view that it has a strong case. However, since most of the panamax vessels are sister vessels, the Company can deliver these vessels against orders for balance panamax vessels. Therefore the Company continues to recognise the revenue on these vessels and during the year the Company has recognised revenue of ₹ 17,761.95 Lacs (Previous Year: ₹ 29,047.63 Lacs) on these vessels and subsidy of ₹ 5,328.58 Lacs (Previous Year: ₹ 8,714.29 Lacs).
- 22.3 In pursuance of the re-negotiation of certain contracts the customer agreed to forgo advances given by them and, accordingly the company has accounted ₹ 6,336.59 Lacs (Previous Year: NIL) as other operating revenue.

### Note - 23

#### OTHER INCOME

₹ in lacs

| Particulars                                     | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|-----------------------------------|-----------------------------------|
| Interest Income                                 | 2,587.23                          | 2,087.82                          |
| Profit on Sale of Fixed Assets (Net)            | 4.60                              | 74.74                             |
| Profit on Sale of Current Investments           | 15.08                             | 96.72                             |
| Dividend on Current Investments                 | 15.79                             | 22.83                             |
| Foreign Exchange Differences (Net)              | -                                 | 97.64                             |
| Liability No Longer Required Written Back (Net) | 0.50                              | -                                 |
| Miscellaneous Income                            | 34.87                             | 62.32                             |
| <b>Total</b>                                    | <b>2,658.07</b>                   | <b>2,442.07</b>                   |

### Note - 24

#### COST OF MATERIALS CONSUMED

₹ in lacs

| Particulars               | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---------------------------|-----------------------------------|-----------------------------------|
| Steel Plates and Profiles | 7,989.97                          | 22,676.56                         |
| Equipment and Components  | 20,026.10                         | 27,201.41                         |
| <b>Total</b>              | <b>28,016.07</b>                  | <b>49,877.97</b>                  |

## Notes on Consolidated Financial Statements

### 24.1 Value of Raw Materials Consumed includes:

₹ in lacs

| Particulars | For the year ended<br>March 31, 2013 |            | For the year ended March<br>31, 2012 |            |
|-------------|--------------------------------------|------------|--------------------------------------|------------|
|             | Value                                | Percentage | Value                                | Percentage |
| Indigenous  | 8,478.03                             | 30.26%     | 11,772.73                            | 23.60%     |
| Imported    | 19,538.04                            | 69.74%     | 38,105.24                            | 76.40%     |
|             | 28,016.07                            | 100.00%    | 49,877.97                            | 100.00%    |

### Note - 25

#### PURCHASE OF TRADED GOODS

₹ in lacs

| Particulars   | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|---|---|---|
| Steel Items (Steel Plates, Pipes & Rolled Products) | 106,939.89                              | 51,662.25                               |
| <b>Total</b>  | <b>106,939.89</b>                       | <b>51,662.25</b>                        |

### Note - 26

#### CHANGES IN INVENTORIES OF WORK IN PROGRESS AND SCRAP

₹ in lacs

| Particulars                          | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|--------------------------------------|---|---|
| At the end of the year               |   |   |
| Scrap                                | 181.86                                  | 433.06                                  |
|                                      | 181.86                                  | 433.06                                  |
| Less :- At the beginning of the year |   |   |
| Scrap                                | 433.06                                  | 546.08                                  |
|                                      | 433.06                                  | 546.08                                  |
| Changes in Inventories               | 251.20                                  | 113.02                                  |

### Note - 27

#### EMPLOYEE BENEFITS EXPENSES

₹ in lacs

| Particulars                              | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
|--|---|---|
| Salaries, Wages and Allowances           | 4,887.40                                | 4,158.05                                |
| Contribution to Provident and Other Fund | 204.15                                  | 108.57                                  |
| Staff Welfare Expenses                   | 263.76                                  | 355.35                                  |
| <b>Total</b>                             | <b>5,355.31</b>                         | <b>4,621.97</b>                         |



## Notes on Consolidated Financial Statements

27.1 Salary wages and allowances includes remuneration to Executive Vice Chairman of ₹ 407.28 Lacs (Previous Year: ₹ 150.00 Lacs) which is subject to approval of the Central Government.

### 27.2 Employee Benefits

As per Accounting Standard 15 “Employee Benefits” the disclosure of employee benefits as defined in the accounting standards are given below:

#### Defined Contribution Plan

| Particulars                              | ₹ in lacs   |             |
|--|-------------|-------------|
|  | 2012 - 2013 | 2011 - 2012 |
| Employers Contribution to Provident Fund | 135.42      | 85.97       |
| Employers Contribution to Pension Fund   | 17.88       | 23.81       |
|  | 153.30      | 109.78      |

#### Defined Benefit Plan

The Employees Gratuity Fund Scheme, which is a defined benefit plan is managed by the trust maintained with Life Insurance Corporation of India (LIC). The Company has made contribution to the above mentioned trust upto the financial year ended 31st March 2009 and thereafter no contributions have been made. The Employees Leave Encashment Scheme which is a defined benefit plan is unfunded.

The present value of the obligation is determined based on actuarial valuation using Projected Units Credit Method, which recognizes each period of service as giving rise to additional units of employees benefit entitlement and measures each unit separately to buildup the final obligation.

#### a) Gratuity (Funded)

i) Reconciliation of opening and closing balances of the present value of the defined gratuity benefit obligation.

| Particulars   | 2012 - 2013 |            | 2011 - 2012 |            |
|---|-------------|------------|-------------|------------|
|   | Funded      | Non Funded | Funded      | Non Funded |
| Defined Benefit Obligation at beginning of the year | 104.22      | 3.02       | 95.09       | 2.31       |
| Current & Past Service Cost                         | 60.61       | 0.22       | 53.43       | 0.68       |
| Current Interest Cost                               | 8.60        | 0.51       | 8.20        | 0.20       |
| Actuarial (Gain) / Loss                             | (3.16)      | (1.05)     | (52.50)     | (0.17)     |
| Benefits paid                                       | (0.76)      | (0.62)     | -           | -          |
| Defined Benefit Obligation at end of the year       | 169.51      | 2.08       | 104.22      | 3.02       |

ii) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets.

| Particulars  | 2012 - 2013 |            | 2011 - 2012 |            |
|--|-------------|------------|-------------|------------|
|  | Funded      | Non Funded | Funded      | Non Funded |
| Fair Value of Plan Assets at the beginning of the year | 55.18       | -          | 51.02       | -          |
| Expected Return on Plan Assets                         | 4.59        | -          | 4.25        | -          |
| Actuarial Gain / (Loss)                                | (0.10)      | -          | (0.09)      | -          |
| Contributions  | -           | -          | -           | -          |
| Benefits Paid  | -           | -          | -           | -          |
| Fair Value of the Assets at the end of the year        | 59.67       | -          | 55.18       | -          |

## Notes on Consolidated Financial Statements

### iii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

₹ in lacs

| Particulars  | 2012 - 2013 |            | 2011 - 2012 |            |
|--|-------------|------------|-------------|------------|
|  | Funded      | Non Funded | Funded      | Non Funded |
| Fair Value of Plan Assets at the end of the year               | 59.67       | -          | 55.18       | -          |
| Present Value of Defined Benefit Obligation at end of the year | 169.51      | 2.08       | 104.22      | 3.02       |
| Liabilities / (Assets) recognised in the Balance Sheet         | 109.84      | 2.08       | 49.04       | 3.02       |

### iv) Expenses recognised during the year

₹ in lacs

| Particulars   | 2012 - 2013 |            | 2011 - 2012 |            |
|---|-------------|------------|-------------|------------|
|   | Funded      | Non Funded | Funded      | Non Funded |
| Current & Past Service Cost                         | 60.61       | 0.22       | 53.43       | 0.68       |
| Interest Cost                                       | 8.60        | 0.51       | 8.20        | 0.20       |
| Expected Return on Plan Assets                      | (4.59)      | -          | (4.25)      | -          |
| Actuarial (Gain) / Loss                             | (3.06)      | (1.05)     | (52.40)     | (0.17)     |
| Net Cost Recognised in statement of Profit and Loss | 61.56       | (0.32)     | 4.98        | 0.71       |

### v) Assumptions used to determine the defined benefit obligations

| Particulars                                | 2012 - 2013          |            | 2011 - 2012          |            |
|--|----------------------|------------|----------------------|------------|
|  | Funded               | Non Funded | Funded               | Non Funded |
| Mortality Table (LIC)                      | (1994 - 96 ultimate) |            | (1994 - 96 ultimate) |            |
| Discount Rate (p.a.)                       | 8.28%                | 8.27%      | 8.62%                | 8.62%      |
| Estimated Rate of Return on Plan Asset     | 8.00%                | 0.00%      | 8.00%                | 0.00%      |
| Expected Rate of increase in Salary (p.a.) | 7.00%                | 7.00%      | 7.00%                | 7.00%      |

The estimates of rate of increase in salary considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

### vi) Amounts for the Current and previous year for Gratuity Funded are as follows:

₹ in lacs

| Particulars  | 2012 - 2013 | 2011 - 2012 | 2010 - 2011 | 2009 - 2010 | 2008 - 2009 |
|--|-------------|-------------|-------------|-------------|-------------|
| Defined Benefit Obligation                             | 169.51      | 104.22      | 95.09       | 84.46       | 46.85       |
| Plan Assets  | 59.67       | 55.18       | 51.02       | 45.11       | 63.66       |
| Surplus/(Deficit)                                      | (109.84)    | (49.04)     | (44.07)     | (39.35)     | 16.81       |
| Experience adjustment on plan assets (Gain)/Loss       | (0.10)      | (0.09)      | 2.06        | (4.35)      | *           |
| Experience adjustment on plan Liabilities Gain/ (Loss) | (8.81)      | (50.17)     | 17.48       | (43.63)     | *           |

\*Details are not readily available in the valuation report taken by the Company and hence are not furnished.

Note: In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage and amount for each category of the fair value of plan assets has not been disclosed.





## Notes on Consolidated Financial Statements

### b) Leave Encashment (Unfunded)

- i) Reconciliation of opening and closing balances of the present value of the defined leave encashment benefit obligation.

₹ in lacs

| Particulars   | 2012 - 2013 | 2011 - 2012 |
|---|-------------|-------------|
| Defined Benefit Obligation at beginning of the year | 246.81      | 177.54      |
| Current & Past Service Cost                         | 38.30       | 37.90       |
| Current Interest Cost                               | 19.81       | 14.83       |
| Actuarial (Gain) / Loss                             | 14.97       | (10.69)     |
| Benefits paid                                       | (15.08)     | 27.23       |
| Defined Benefit Obligation at end of the year       | 304.81      | 246.81      |

- ii) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets.

₹ in lacs

| Particulars  | 2012 - 2013 | 2011 - 2012 |
|--|-------------|-------------|
| Fair Value of Plan Assets at the end of the year               | -           | -           |
| Present Value of Defined Benefit Obligation at end of the year | 304.81      | 244.02      |
| Liabilities / (Assets) recognised in the Balance Sheet         | 304.81      | 244.02      |

- iii) Expenses recognised during the year.

₹ in lacs

| Particulars   | 2012 - 2013 | 2011 - 2012 |
|---|-------------|-------------|
| Current & Past Service Cost                         | 38.30       | 37.90       |
| Interest Cost                                       | 19.81       | 14.83       |
| Expected Return on Plan Assets                      | -           | -           |
| Actuarial (Gain) / Loss                             | 14.97       | 27.58       |
| Net Cost Recognised in statement of Profit and Loss | 73.08       | 80.31       |

- iv) Assumptions used to determine the defined benefit obligations.

| Particulars                                | 2012 - 2013 | 2011 - 2012 |
|--|-------------|-------------|
| Mortality Table                            |             |             |
| Discount Rate (p.a.)                       | 8.28%       | 8.62%       |
| Estimated Rate of Return on Plan Asset     | N/A         | N/A         |
| Expected Rate of increase in Salary (p.a.) | 7.00%       | 7.00%       |

The estimates of rate of increase in salary considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

## Notes on Consolidated Financial Statements

v) Amounts for the Current and previous year for Leave Encashment Funded are as follows:

| ₹ in lacs  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Particulars  | 2012 - 2013 | 2011 - 2012 | 2010 - 2011 | 2009 - 2010 | 2008 - 2009 |
| Defined Benefit Obligation                             | 304.81      | 246.81      | 175.57      | 124.37      | 155.03      |
| Plan Assets  | -           | -           | -           | -           | -           |
| Surplus/(Deficit)                                      | (302.34)    | (244.02)    | (175.57)    | (124.37)    | (155.03)    |
| Experience adjustment on plan Liabilities Gain/ (Loss) | 4.13        | 31.08       | 29.10       | (22.86)     | *           |

\*Details are not readily available in the valuation report taken by the Company and hence are not furnished.

### Note - 28

#### FINANCE COSTS

| ₹ in lacs             |                                   |                                   |
|-----------------------|-----------------------------------|-----------------------------------|
| Particulars           | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
| Interest Expenses     | 26,948.84                         | 20,319.81                         |
| Other Borrowing Costs | 12,928.76                         | 5,448.47                          |
| <b>Total</b>          | <b>39,877.60</b>                  | <b>25,768.28</b>                  |

### Note - 29

#### OTHER EXPENSES

| ₹ in lacs  |                                   |                                   |
|--|-----------------------------------|-----------------------------------|
| Particulars  | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
| Stores and Spares Consumed                         | 3,460.61                          | 3,449.59                          |
| Power, Fuel and Water                              | 2,005.24                          | 2,148.78                          |
| Repairs and Maintenance                            | 1,840.44                          | 1,781.26                          |
| Labour and Fabrication Charges                     | 17,434.95                         | 25,875.16                         |
| Equipment Hire Charges                             | 3,763.91                          | 2,081.92                          |
| Rent   | 804.70                            | 718.08                            |
| Design, Drawing and Construction Support Fees      | 2,416.35                          | 609.43                            |
| Insurance  | 502.59                            | 314.02                            |
| Cost Estimated for Revenue Recognised (Reversal)   | 16,913.89                         | (7,245.62)                        |
| Provision for estimated cost over contract revenue | 5,518.86                          | 567.36                            |
| Rates and Taxes                                    | 210.40                            | 13.65                             |
| Communication Expenses                             | 132.40                            | 136.67                            |
| Travelling, Conveyance and Vehicle Hire Charges    | 1,739.41                          | 1,906.13                          |
| Legal and Professional Charges                     | 3,006.45                          | 1,964.79                          |
| Foreign Exchange Difference (Net)                  | 97.70                             | -                                 |
| Payment to Auditors                                | 102.90                            | 71.90                             |
| Advertising, Publicity and Selling Expenses        | 240.57                            | 465.44                            |
| Business Promotion Expenses                        | 791.48                            | 1,148.37                          |
| Brokerage and Commission                           | 786.67                            | -                                 |
| Miscellaneous Expenses                             | 1,884.80                          | 2,384.28                          |
| Donations  | 5.26                              | 18.50                             |
| <b>Total</b>                                       | <b>63,659.58</b>                  | <b>38,409.71</b>                  |



# Notes on Consolidated Financial Statements

## 29.1 Value of Stores and Spares Consumed includes:

₹ in lacs

| Particulars  | As at March 31, 2013 |                | As at March 31, 2012 |                |
|--------------|----------------------|----------------|----------------------|----------------|
|              | Value                | Percentage     | Value                | Percentage     |
| Indigenous   | 3,199.58             | 92.46%         | 2,768.69             | 80.26%         |
| Imported     | 261.03               | 7.54%          | 680.90               | 19.74%         |
| <b>Total</b> | <b>3,460.61</b>      | <b>100.00%</b> | <b>3,449.59</b>      | <b>100.00%</b> |

## 29.2 Payment to Auditors including:

₹ in lacs

| Particulars           | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|-----------------------|-----------------------------------|-----------------------------------|
| Audit Fees            | 52.00                             | 42.00                             |
| Tax Audit Fees        | 12.00                             | 10.00                             |
| Certification Charges | 23.90                             | 19.90                             |
| Other Matters         | 15.00                             | -                                 |
| <b>Total</b>          | <b>102.90</b>                     | <b>71.90</b>                      |

## Note - 30

### EARNINGS PER SHARE (BASIC AND DILUTED)

₹ in lacs

| Particulars   | 2012 - 2013 | 2011 - 2012 |
|---|-------------|-------------|
| Net Profit / (Loss) after Tax   | 3,109.48    | 2,164.70    |
| Amount available for calculation of Basic and Diluted EPS (a)         | 3,109.48    | 2,164.70    |
| Weighted Average No. of Equity Shares outstanding for Basic EPS (b)   | 697,143,593 | 675,444,836 |
| Basic Earnings per share of ₹ 10/- each (in ₹) (a) / (b)              | 0.45        | 0.32        |
| <b>Weighted Average No. of Equity Shares for diluted EPS</b>          |             |             |
| Weighted Average No. of Equity Shares considered for Basic EPS        | 697,143,593 | 675,444,836 |
| Add: Potential Equity Shares  | 576,336     | -           |
| Weighted Average No. of Equity Shares outstanding for Diluted EPS (c) | 697,719,929 | 675,444,836 |
| Diluted Earnings per share of ₹ 10/- each (in ₹) (a) / (c)            | 0.45        | 0.32        |

# Notes on Consolidated Financial Statements

## Note - 31

### PRIOR PERIOD ITEMS

| Particulars                                     | ₹ in lacs                               |   |
|---|---|---|
|   | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
| <b>Expenses</b>                                 |   |   |
| Legal and Professional Expenses                 | -                                       | 4.47                                    |
| Travelling, Conveyance and Vehicle Hire Charges | 30.26                                   | 5.94                                    |
| Salaries Wages and Allowances                   | 1.72                                    | 2.74                                    |
| Miscellaneous Expenses                          | 3.19                                    | 2.72                                    |
| <b>Total</b>                                    | <b>35.17</b>                            | <b>15.87</b>                            |

## Note - 32

### EXPENDITURE IN FOREIGN CURRENCY

| Particulars                                   | ₹ in lacs                               |   |
|---|---|---|
|   | For the<br>year ended<br>March 31, 2013 | For the<br>year ended<br>March 31, 2012 |
| Legal and Professional Charges                | 1,201.47                                | 813.40                                  |
| Travelling, Conveyance and Vehicle Charges    | 111.03                                  | 106.77                                  |
| Labour and Fabrication Charges                | 7,938.09                                | 13,710.55                               |
| Interest Expenses                             | 324.53                                  | 938.89                                  |
| Design, Drawing and Construction Support Fees | 2,406.10                                | 609.43                                  |
| Equipment Hire Charges                        | 1,966.08                                | -                                       |
| Brokerage and Commission                      | 786.67                                  | -                                       |
| Miscellaneous Expenses                        | 205.03                                  | 13.64                                   |
| <b>Total</b>                                  | <b>14,939.00</b>                        | <b>16,192.68</b>                        |



# Notes on Consolidated Financial Statements

## Note - 33

### CONTINGENT LIABILITIES AND COMMITMENTS

#### 33.1 CONTINGENT LIABILITIES

(No Cash Outflow is expected except stated otherwise)

|      |   | ₹ in lacs   |             |
|------|---|-------------|-------------|
|      |   | 2012 - 2013 | 2011 - 2012 |
| a)   | <b>Guarantees given by Company's Bankers</b>  |             |             |
| i)   | Refund Bank Guarantees given to customers<br>(Net of liabilities accounted for)   | 114,943.76  | 106,819.04  |
| ii)  | Other Bank Guarantees<br>(Bank Guarantees are provided under Contractual/ Legal obligations.)                                     | 28,917.31   | 22,842.57   |
| b)   | <b>Demands not acknowledged as Debts</b>  |             |             |
| i)   | <b>Income Tax</b><br>(The Company has deposited under protest ₹ 321.51 Lacs<br>(Previous Year ₹ 321.51 Lacs) out of total demand) | 1,178.81    | 1,130.35    |
| ii)  | <b>Service Tax, Excise Duty and VAT</b><br>(Relates to disallowance of CENVAT Credit and VAT Credit taken by<br>the Company)      | 2,327.88    | 71.83       |
| iii) | <b>Third Party Claims</b><br>(Relates to demands raised by vendors)   | 5,792.06    | 863.79      |
| c)   | <b>Letters of Credit opened in favour of suppliers</b><br>(Cash Flow is expected on receipt of materials from suppliers)          | 7,189.04    | 1,308.97    |

#### 33.2 COMMITMENTS

|    |   |           |           |
|----|---|-----------|-----------|
| a) | Estimated amount of contracts remaining to be executed on Capital<br>Accounts and not provided for (Net of Advances).<br>(Cash flow is expected on execution of such Capital Contracts on<br>progressive basis) | 35,287.06 | 92,211.28 |
| b) | Other Commitments (for investment in an Associate and Joint Venture)  | 802.24    | 159.24    |

## Note - 34

The Company has issued, a Bond cum legal undertaking for ₹ 53,400 Lacs (Previous Year: ₹ 53,400 Lacs) in favour of President of India acting through Development Commissioner of Kandla Special Economic Zone for setting up a SEZ unit for availing exemption from payment of duties, taxes or cess or drawback and concession etc, a General Bond in favour of the President of India for a sum of ₹ 15,300 Lacs (Previous Year : ₹ 15,300 Lacs) as Security for compliance of applicable provisions of the Customs Act, 1962 and the Excise Act, 1944 for EOU unit.

## Note - 35

The Company has received Nineteen show cause notices in its 100% EOU unit from the Office of the Commissioner of Central Excise, Bhavnagar and Directorate of Revenue Intelligence which mainly relates to wrong availment of Cenvat/ Customs Duty/Service Tax Credit availed on inputs/services used for Construction of Dry Dock and Goliath Cranes and non-submission of original evidences/documents and some procedural non-compliances. The company does not foresee any losses on this account.

## Note - 36

In the opinion of the management, Current Assets, Loans and Advances are of the value stated, if realized in the ordinary course of business.

# Notes on Consolidated Financial Statements

## Note - 37

### SEGMENT REPORTING

#### A. Segment information as per Accounting Standard - 17 on Segment Reporting :

Information provided in respect of revenue items for the year ended March 31, 2013 and in respect of assets / liabilities as at March 31, 2013.

#### I Information about Primary (Product wise) segments:

|           |   |                                    |                                  |                                    | ₹ in lacs                          |
|-----------|---|------------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Sr. No.   | Particulars   | Shipbuilding & Fabrication         | Trading                          | Unallocated                        | Total                              |
| <b>1.</b> | <b>REVENUE</b>                                      |                                    |                                  |                                    |                                    |
|           | External Sales                                      | 160,034.93<br>(134,387.45)         | 108,022.33<br>(52,335.92)        | -<br>(-)                           | 268,057.26<br>(186,723.37)         |
| <b>2.</b> | <b>RESULTS</b>                                      |                                    |                                  |                                    |                                    |
|           | Segment Results                                     | 48,935.38<br>(42,530.39)           | 1,082.44<br>(673.67)             | -<br>(-)                           | 50,017.82<br>(43,204.06)           |
|           | Unallocated Corporate Expenses                      | -<br>(-)                           | -<br>(-)                         | 8,314.23<br>(12,112.98)            | 8,314.23<br>(12,112.98)            |
|           | Operating Profit                                    | 48,935.38<br>(42,530.39)           | 1,082.44<br>(673.67)             | (8,314.23)<br>(-12,112.98)         | 41,703.59<br>(31,091.08)           |
|           | Finance Cost  | -<br>(-)                           | -<br>(-)                         | 39,877.60<br>(25,768.28)           | 39,877.60<br>(25,768.28)           |
|           | Unallocated Corporate Income                        | -<br>(-)                           | -<br>(-)                         | 2,658.07<br>(2,344.44)             | 2,658.07<br>(2,344.44)             |
|           | Profit from Ordinary Activities before tax          | 48,935.38<br>(42,530.39)           | 1,082.44<br>(673.67)             | (45,533.76)<br>(-35,536.82)        | 4,484.06<br>(7,667.25)             |
|           | Provision for Income-tax - Net                      | -<br>(-)                           | -<br>(-)                         | 1,377.49<br>(5,525.98)             | 1,377.49<br>(5,525.98)             |
|           | Consolidated share in the profits of the Associates | -<br>(-)                           | -<br>(-)                         | 2.91<br>(23.43)                    | 2.91<br>(23.43)                    |
|           | Net Profit  | 48,935.38<br>(42,530.39)           | 1,082.44<br>(673.67)             | (46,908.34)<br>(-41,039.37)        | 3,109.48<br>(2,164.70)             |
| <b>3.</b> | <b>OTHER INFORMATION</b>                            |                                    |                                  |                                    |                                    |
|           | Segment Assets                                      | 741,829.95<br>(544,015.53)         | 25,494.34<br>(18,339.70)         | -<br>(-)                           | 767,324.29<br>(562,355.23)         |
|           | Unallocated Corporate Assets                        | -<br>(-)                           | -<br>(-)                         | 51,106.13<br>(36,483.64)           | 51,106.13<br>(36,483.64)           |
|           | <b>Total Assets</b>                                 | <b>741,829.95<br/>(544,015.53)</b> | <b>25,494.34<br/>(18,339.70)</b> | <b>51,106.13<br/>(36,483.64)</b>   | <b>818,430.42<br/>(598,838.87)</b> |
|           | Segment Liabilities                                 | 86,819.54<br>(78,734.84)           | 9,205.43<br>(6,835.13)           | -<br>(-)                           | 96,024.97<br>(85,569.97)           |
|           | Unallocated Corporate Liabilities                   | -<br>(-)                           | -<br>(-)                         | 514,613.04<br>(314,435.93)         | 514,613.04<br>(314,435.93)         |
|           | <b>Total Liabilities</b>                            | <b>86,819.54<br/>(78,734.84)</b>   | <b>9,205.43<br/>(6,835.13)</b>   | <b>514,613.04<br/>(314,435.93)</b> | <b>610,638.01<br/>(400,005.90)</b> |



## Notes on Consolidated Financial Statements

| Particulars                                  | Shipbuilding<br>& Fabrication | Trading  | Unallocated      | ₹ in lacs                 |  |
|--|-------------------------------|----------|------------------|---------------------------|--|
|  |                               |          |                  | Total                     |  |
| Capital Expenditure                          | 231,877.73<br>(61,402.67)     | -<br>(-) | 47.18<br>(70.26) | 231,924.91<br>(61,472.93) |  |
| Depreciation and amortisation                | 12,674.17<br>(10,983.67)      | -<br>(-) | 47.00<br>(44.42) | 12,721.17<br>(11,028.09)  |  |
| Non-cash Expenses other than<br>Depreciation | -<br>(-)                      | -<br>(-) | -<br>(-)         | -<br>(-)                  |  |

Figures in brackets represents previous year's amounts.

### II Information about Secondary Segment:

#### Geographical Segment :

| Particulars                              | ₹ in lacs         |                   |
|--|-------------------|-------------------|
|  | 31.03.2013        | 31.03.2012        |
| <b>Revenue by Geographical Segment</b>   |                   |                   |
| Within India                             | 214,087.26        | 74,836.56         |
| Outside India                            | 53,969.99         | 111,886.81        |
| <b>Total Revenue</b>                     | <b>268,057.25</b> | <b>186,723.37</b> |
| <b>Carrying Amount of Segment Assets</b> |                   |                   |
| Within India                             | 725,358.11        | 492,796.67        |
| Outside India                            | 93,072.31         | 106,042.20        |
| <b>Total Assets</b>                      | <b>818,430.42</b> | <b>598,838.87</b> |
| <b>Capital Expenditure</b>               |                   |                   |
| Within India                             | 231,924.91        | 61,472.93         |
| Outside India                            | -                 | -                 |

### B Segment Identification, Reportable Segments and definition of each segment

#### I Primary / Secondary Segment Reporting Format:

The risk - return profile of the Company's business is determined predominantly by the nature of its products. Accordingly, the business segment constitute the Primary Segments for disclosure of segment information.

#### II Reportable Segments:

Segments have been identified based on the organisational structure, internal management reporting system, nature of production process and infrastructure facilities used.

#### III Segment Composition:

Ship Building and Fabrication comprises of Shipbuilding, ship and rig repairs, fabrication etc. at its SEZ and EOU units situated at Pipavav, Gujarat.

Trading includes steel trading activities.

## Note - 38

## RELATED PARTY DISCLOSURES

### a) List of Related parties

#### 1. Associates

SKIL Infrastructure Limited

Conceptia Software Technologies P. Ltd.



## Notes on Consolidated Financial Statements

### 2. Key Managerial Personnel

Mr. Nikhil P. Gandhi

Mr. Bhavesh P. Gandhi

Mr. Praveen Mohnot (w.e.f. June 01, 2012)

Mr. Jigar Shah (upto May 30, 2012)

### 3. Enterprises in which key managerial personnel or their relatives are able to exercise significant influence (Other Related Parties)

Grevek Investments and Finance Private Limited

Awaita Properties Private Limited

### b) Transactions with related parties for the year ended March 31st, 2013

₹ in lacs

| Nature of Transactions                        | Associates               |   | Key Managerial Personnel        |   |                          | Other Related Parties                          |                             | Total      |
|---|--------------------------|---|---------------------------------|---|--------------------------|--|-----------------------------|------------|
|   | SKIL Infrastructure Ltd. | Conceptia Software Technologies P. Ltd. | Mr. Nikhil P. Gandhi (Chairman) | Mr. Bhavesh P. Gandhi (Whole time Director) | Mr. Praveen Mohnot (CFO) | Grevek Investments and Finance Private Limited | Awaita Properties Pvt. Ltd. |            |
| <b>Expenditure</b>                            |                          |   |                                 |   |                          |  |                             |            |
| Lease Rent                                    | -                        | -                                       | -                               | -   | -                        | -  | 427.17                      | 427.17     |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (394.31)                    | (394.31)   |
| Engineering and Design Fees                   | -                        | 6.49                                    | -                               | -   | -                        | -  | -                           | 6.49       |
|   | (-)                      | (14.54)                                 | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (14.54)    |
| Directors Sitting fees                        | -                        | -                                       | 2.40                            | -   | -                        | -  | -                           | 2.40       |
|   | (-)                      | (-)                                     | (1.40)                          | (-)   | (-)                      | (-)  | (-)                         | (1.40)     |
| Remuneration                                  | -                        | -                                       | -                               | 407.28                                      | 47.55                    | -  | -                           | 454.83     |
|   | (-)                      | (-)                                     | (-)                             | (407.28)                                    | (-)                      | (-)  | (-)                         | (407.28)   |
| Expenses reimbursed to                        | 22.53                    | -                                       | -                               | -   | -                        | 66.31  | 51.68                       | 140.52     |
|   | (463.59)                 | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (41.75)                     | (505.34)   |
| Expenses reimbursed from                      | -                        | -                                       | -                               | -   | -                        | -  | -                           | -          |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| Lease Deposits - Non Current as on 31.03.2013 | -                        | -                                       | -                               | -   | -                        | -  | 325.00                      | 325.00     |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (325.00)                    | (325.00)   |
| Trade Payables                                | 400.95                   | 2.15                                    | -                               | -   | -                        | 66.31  | 333.39                      | 802.80     |
|   | (334.59)                 | (7.17)                                  | (-)                             | (-)   | (-)                      | (-)  | (98.37)                     | (440.13)   |
| <b>Inter Corporate Deposits</b>               |                          |   |                                 |   |                          |  |                             |            |
| Received during the year                      | -                        | -                                       | -                               | -   | -                        | 8,650.00                                       | -                           | 8,650.00   |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| Repaid during the year                        | -                        | -                                       | -                               | -   | -                        | 8,650.00                                       | -                           | 8,650.00   |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| Balance as at 31.03.2013                      | -                        | -                                       | -                               | -   | -                        | -  | -                           | -          |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (-)        |
| <b>Equity Share Capital / Share Warrants</b>  |                          |   |                                 |   |                          |  |                             |            |
| Issued during the year                        | -                        | -                                       | -                               | -   | -                        | 5,850.00                                       | -                           | 5,850.00   |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (1,950.00)                                     | (-)                         | (1,950.00) |
| Shares allotted during the year               | -                        | -                                       | -                               | -   | -                        | 7,800.00                                       | -                           | 7,800.00   |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (-)  | (-)                         | -          |
| Balance as at 31.03.2013                      | -                        | -                                       | -                               | -   | -                        | -  | -                           | -          |
|   | (-)                      | (-)                                     | (-)                             | (-)   | (-)                      | (1,950.00)                                     | (-)                         | (1,950.00) |
| <b>Non Current Investment</b>                 |                          |   |                                 |   |                          |  |                             |            |
| Balance as at 31.03.2013                      | -                        | 179.82                                  | -                               | -   | -                        | -  | -                           | 179.82     |
|   | (-)                      | (176.92)                                | (-)                             | (-)   | (-)                      | (-)  | (-)                         | (176.92)   |

Note: Figures in brackets pertain to previous year.



# Notes on Consolidated Financial Statements

## Note - 39

### VALUE OF IMPORTS CALCULATED ON CIF BASIS

₹ in lacs

| Particulars                 | 2012 - 2013      | 2011 - 2012      |
|-----------------------------|------------------|------------------|
| Raw Material and Components | 17,805.78        | 44,167.94        |
| Stores and Spares           | 714.78           | 810.54           |
| Capital Goods               | 2,212.32         | 404.99           |
| <b>Total</b>                | <b>20,732.88</b> | <b>45,383.47</b> |

## Note - 40

### INCOME IN FOREIGN CURRENCY

₹ in lacs

| Particulars                    | 2012 - 2013      | 2011 - 2012       |
|--------------------------------|------------------|-------------------|
| Ship Building and Ship Repairs | 42,755.85        | 119,896.63        |
| Rig Repairs and Fabrication    | 11,088.33        | 180.98            |
| <b>Total</b>                   | <b>53,844.18</b> | <b>120,077.61</b> |

## Note - 41

Disclosure pursuant to Accounting Standard - 7 (AS-7 "Accounting for Construction Contracts") as notified by Companies Accounting Standards Rules, 2006:

₹ in lacs

| Sr. No. | Particulars  | 2012 - 2013 | 2011 - 2012 |
|---------|--|-------------|-------------|
| a       | The contract revenue recognised in the year  | 44,142.00   | 53,523.21   |
| b       | The aggregate amount of cost incurred and recognised profits (less recognised losses) upto the end of year for all contracts in progress | 107,561.96  | 104,346.96  |
| c       | Amount of advance received from the customers for contracts in progress  | 77,292.16   | 75,387.50   |
| d       | The retention amount due from customers for contracts in progress as at the end of financial year  | -           | -           |

## Note - 42

### FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

a) Derivative contracts entered into by the Company and outstanding are as under:

#### For Hedging Currency related risks

₹ in lacs

| Particulars      | 2012 - 2013 | 2011 - 2012 |
|------------------|-------------|-------------|
| Forward Contract | 11,965.65   | 7,673.48    |
| Currency Swap    | 17,802.78   | -           |

## Notes on Consolidated Financial Statements

- b) All derivative and financial instruments acquired by the company are for hedging purpose only.
- c) Foreign currency exposures that are not hedged by derivative instruments or forward contracts are:

₹ in lacs

| Particulars | 2012 - 2013 | 2011 - 2012 |
|-------------|-------------|-------------|
| Receivables | 98,288.71   | 117,135.00  |
| Payables    | 32,671.25   | 71,477.25   |

### Note - 43

On October 12, 2011 the Income Tax authorities carried out search and seizure operations at the Company premises. The Company has filed revised return u/s 153A of the Income Tax Act, 1961. Given the information provided so far and the investigation carried out at the time of this operation, the Company believes that there will be no material tax liability. The amount of tax liability, if any shall be determined upon completion of the assessment by the Tax Authorities.

### Note - 44

On September 20, 2012 the Revenue Department ordered the Collector, Dist Amreli to send a proposal to the Government of Gujarat ('GOG') for raising a demand for payment of 100% premium on the land approximately 451 acres granted to the E Complex Private Limited (ECPL), the Petitioners (formerly known as Metdist Industries Private Limited), for industrial purpose, alleging that there is transfer of land / change of ownership of land on account of change in shareholding pattern, directorships and change of name of ECPL, change of user and for failure to complete the project within the specified period of three years. ECPL has filed the Writ Petition asserting that the legal entity to which the land was allotted is the same and as such there is no transfer of land. Further, the land was allotted for Industrial purpose and being used for industrial purpose, as such there is no change of user. As per principle of proportionality, for minor irregularities harsh action like demand for 100% premium cannot be initiated. The matter is pending before the High Court.

### Note - 45

Previous year figures have been reworked, regrouped, rearranged and reclassified, wherever necessary to make them comparable with those of the current year.

As per our report of even date  
**For Chaturvedi and Shah**  
 Chartered Accountants

For and on behalf of the Board of Directors

**R. Korla**  
 Partner

**Nikhil P. Gandhi**  
 Chairman

**Bhavesh P. Gandhi**  
 Executive Vice Chairman

Place :- Mumbai  
 Date :- May 30, 2013

**Praveen Mohnot**  
 Chief Financial Officer

**Ajit Dabholkar**  
 Corporate Counsel & Company Secretary



## NOTES

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**Pipavav Defence and Offshore Engineering Company Limited**

**Registered Office:** Pipavav Port, Post Ucchaiya, Via-Rajula, District Amreli - 365 560, Gujarat, India

**ATTENDANCE SLIP**

I hereby record my presence at the **16<sup>th</sup> Annual General Meeting** of the Company at the Registered Office of the Company at Pipavav Port, Post Ucchaiya, Via-Rajula, District Amreli - 365 560, Gujarat, on Wednesday, December 18, 2013 at 12.00 noon.

|               |  |               |  |
|---------------|--|---------------|--|
| Client ID No. |  | Folio No.     |  |
| DP ID No.     |  | No. of Shares |  |

Name of the Member in BLOCK letters: \_\_\_\_\_

Member's Signature: \_\_\_\_\_

Name of the Proxy in BLOCK letters: \_\_\_\_\_

Proxy's Signature: \_\_\_\_\_

**Note: Please fill this attendance slip and hand it over at the entrance of the Meeting Hall.**

----- Tear Here -----

**FORM OF PROXY**

|               |  |               |  |
|---------------|--|---------------|--|
| Client ID No. |  | Folio No.     |  |
| DP ID No.     |  | No. of Shares |  |

I/We \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ in the district of \_\_\_\_\_

being a Member/ Members of Pipavav Defence and Offshore Engineering Company Limited hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ in the district of \_\_\_\_\_ or

failing him \_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_ as my/our proxy to vote for me/us on my/our

behalf at the 16<sup>th</sup> Annual General Meeting of the Company to be held on the 18<sup>th</sup> day of December, 2013 at 12.00 noon and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

|                                       |
|---------------------------------------|
| Affix 15<br>paise<br>Revenue<br>Stamp |
|---------------------------------------|

\_\_\_\_\_  
Signature





## Steel Cutting Ceremony - NOPV





PIPAVAV DEFENCE AND OFFSHORE ENGINEERING COMPANY LIMITED

[www.pipavavdoc.com](http://www.pipavavdoc.com)