Dear Shareholders,

It gives me immense pleasure in welcoming all of you to this 101st Annual General Meeting of the Company. I took over as the Chairman & Managing Director of the Company on 01 Mar 2017 and it is a matter of honour that I have been assigned to lead this Shipyard as its 18th CMD. I wish to place on record the significant contributions made by my predecessor RAdm A K Verma, IN (Retd.) during his tenure as C&MD of the Company. I would like to take this opportunity to share with you the current Industry Scenario, the Company’s significant achievements during the past year and the future outlook for the Company.

Industry Scenario

The global economic and industrial scene has gone through turbulent changes since the onset of Global Liquidity Crisis in the second half of 2008. The economic downturn and consequent reduction in international cargo traffic has seriously impacted the global shipbuilding industry. Though the global economic scenario has somewhat stabilized by now, the demand for commercial ships has still not revived. However, in the Indian context, the demand for warships by the Indian Navy and Indian Coast Guard has remained strong. Considering the complexity and multi-role capabilities demanded in warships, design and construction of such complete platforms has turned out to be a very technology intensive & challenging process.

Further, the Policy of Liberalisation, opening-up of economy and private sector participation in defense preparedness are the factors which have a direct bearing on the market environment, performance imperatives and bottom line of GRSE. Acknowledging the situation, your Company has stepped up performance in terms of productivity, cost competitiveness, quality, timely delivery etc. Your Company is also in the process of upgrading processes and products in line with latest technology. GRSE is striving to set up new profit centers through diversification, product addition, adoption of latest processes & methods, envisaging modern shipbuilding requirements and self-reliance. GRSE is also looking at opportunities to promote and fruitfully implement the real objectives of ‘Make in India’ initiative of the nation to become totally self-reliant in the area of Maritime Security of the country and also to explore opportunities to export warships.

For GRSE to compete in the global arena, quality & cost of construction and build period of ships would be the key drivers. The new Defence Procurement Procedure promulgated by the Ministry of Defence and ‘Make in India’ initiative of the Government of India envision more private participation in the defence shipbuilding, which is set to have a direct bearing on the market environment and performance imperatives thereby impacting GRSE’s order book position and bottom line. The need of the hour is to step-up performance in all areas of operations. The overall shipbuilding capacity of GRSE has almost doubled with the acquisition of Raja Bagan Dockyard and completion of major modernization at the Main Works of the Company, wherein a new Integrated Shipbuilding Facility for modular construction of warships has been created. The Company can now
build 14 ships concurrently. The newly created facilities at the Main Yard of your Company will enable the Shipyard to introduce Integrated Construction Technology, which will result in significant reduction in build period of ships. This approach will help GRSE to improve quality and reduce build period thereby meeting the stiff timelines as being achieved by leading global players in shipbuilding industry.

Financial Performance

During the Financial Year 2016-17, your Company has achieved a turnover of ₹930.41 crore. Your Company’s Profit Before Tax (PBT) was recorded as ₹20.89 crore and the Net Profit (PAT) was at ₹12.23 crore. Your Company's Net Worth is ₹1081.51 crore. The dip in the net profits was mainly due to delay in delivery of the ships. Increase in contractors’ cost by almost 40% also affected the financial performance of your Company. With greater thrust on enhanced productivity, improved quality control and dedicated human resources, your Company is determined to overcome this situation in the coming years.

The Directors are pleased to recommend highest ever Record dividend @ 43.665% on the Company’s paid up equity capital amounting to ₹54.08 crore (approx.).

During the year, the Company has made a contribution of ₹198.16 crore to the National Exchequer by way of payment of dividend, taxes and duties to various Government Agencies.

Disinvestment and IPO

The Cabinet Committee on Economic Affairs, on 12 Apr 2017, has approved disinvestment of your Company’s shares through IPO and its subsequent listing. Since then, the Book Running Lead Managers and the Legal Counsels have been appointed. The Preliminary Due Diligence is in progress.

MoU Rating

In terms of parameters contained in the Memorandum of Understanding signed by your Company with the Government of India for the year 2016-17, your Company is expected to be rated as “Good” in its performance. However, the Company is targeting to improve its MoU rating during the year 2017-18.

Significant Milestones: 2016-17

(a) Delivery of Ships: During the year 2016-17, your Company delivered 04 warships to the Indian Navy – the 1st, 2nd and 3rd Follow On-Water Jet Fast Attack Craft, namely, 'Tarmugli', 'Tihayu' and 'Tilanchang' respectively and the 1st Landing Craft Utility 'L-51'.

It is worth mentioning here that the 4th Follow On-Water Jet Fast Attack Craft 'Tarasa' (Yard 2112) was delivered on 15 Jun 2017. Your Company has also delivered the 2nd Landing Craft Utility 'L-52' (Yard 2093) on 20 Jul 2017.

Further, your Company has the honour of being the first shipyard in the country to deliver a warship post successful completion of Weapon & Sensor Trials, known as the Part-IV trials. This is a new initiative as normally Part-IV trials are done post-delivery of the ships. This initiative would help the ships to join the Fleet soon after its commissioning.

(b) Portable Steel Bridges: The Portable Steel Bridge Unit of your Company has supplied 74 bridges during the year under review amounting to ₹81 crore as against 70 bridges supplied in the previous year amounting to ₹80 crore. The sustained efforts initiated during previous years to increase business potential resulted in entering into an MoU & Rate Contract with Dte. Gen. of Border Roads for supply of Galvanized Bridges. In export business, your Company has received orders worth ₹4 crore from Bhutan and had fruitful discussions with Myanmar and expect to supply good number of bridges during 2017-18. The division is poised to cross a VoP figure of ₹100 crore during 2017-18.

(c) Deck Machinery: The Deck Machinery Unit of your Company has supplied a total number of 25 different equipment and machinery to various new construction yards as well as operational ships of Indian Navy and Indian Coast Guard besides supplying 13 number pumps to Indian Naval Ships during FY 2016-17. The unit has registered a Value of Production worth ₹5 crore in FY 2016-17.

(d) Diesel Engine Plant (DEP), Ranchi: During 2016-17, the VoP achieved by the Engine Division stood at ₹4 crore. Further, the Service Partner Agreement with MTU(India) had been operationalized and W6 routine of six engines have commenced in newly modernized assembly shop for Coast Guard Ships, ICGS Aruna Asaf Ali & ICGS Subhadra Kumari Chauchan. This year has also seen the commencement of production of Portable Steel Bridges from DEP Ranchi after completion of necessary infrastructure augmentation.
Order Book Position
The present order book position of your Company is around ₹21,501 crore including P-17A order of ₹19,286 crore. Your Company is continuing with its efforts for bagging more orders from Indian Navy and Indian Coast Guard.

Future Outlook – Vision 2025
Based on the long association and contribution of your Company towards indigenous warship design & construction program of the Indian Navy, the Govt. of India and the Indian Navy have awarded your Company the contract for construction of three ships under Project P-17A. Latest Modular Shipbuilding Technology would be adopted to build these ships at the new Integrated Shipbuilding Facility, P-17A Project poses immense challenge as well as a great opportunity for your Company. The Shipyard is certainly poised for further growth, when construction of P-17A gets underway in 2018.

In addition to infrastructure and technological growth, the key to being a successful shipbuilding company is to have a robust Vendor Base. Your Company has taken-up Vendor Development as a thrust area in recent years and has increased its Vendor Base from 1746 in 2014-15 to 1985 in 2016-17. As part of Govt. initiatives to encourage Public Private Partnership through Outsourcing, your Company has planned to further strengthen the Vendor Base to meet the challenges of building P-17A and future ships in coming years.

Your Company along with its customers (Indian Navy & Coast Guard) have partnered with many reputed Indian Firms (both Public & Private) for indigenous development and supply of equipment for various ships being built by the Shipyard. The major thrust was given on the equipment fit and material installed on ASW Corvettes (P-28) and the Landing Craft Utility (LCU) ships. Completion of the first two ships of P-28 class marks a significant stride made by the Indian Industry in indigenisation of several high-technology state-of-the-art equipment/ weapons/ sensors which have been fitted to fortify these ASW Corvettes. Your Company has planned to encourage the participation of Public & Private sector firms such as BEL, L&T, Wartsila, Koel Pielstick, Walchand Industries, Johnson Control India, OFB, BHEL, L3, Cummins, Elcome Marine and many others so that the out-fitting work pertaining to Setting to Work & Trials can progress concurrently on all ongoing and future projects.

Your Company has planned to deliver 15 warships in the next 02 Financial Years 2017-18 & 2018-19.

Your Company has set a very challenging target to increase its Value of Production from ₹1,350 crore in 2017-18 to about ₹3,600 crore over the next 6-7 years. The Shipyard has worked out a strategy in consultation with M/s. Fincantieri, Italy, to implement Integrated Construction Technology in Project (P-17A) and future warships. The Shipyard is pursuing with the Indian Navy and MoD for orders of New Generation Corvettes, additional P-17A advanced warships and Follow on Water Jet FACs. Your Company has also planned to upgrade and expand its business of Pre-fabricated Steel Bridges, Engines and Engineering Products.

Export Initiatives
Buoyed by the response for the first warship export CGS Barracuda to Govt. of Mauritius, your Company is seriously exploring the overseas market for its products. The Shipyard is exploring ship export opportunities with Bangladesh, UAE, Oman, Qatar, Malta and Guyana. Your Company has proposed two MoUs with Khulna Shipyard (KSY) & Chittagong Dry Dock Limited (CDDL) of Bangladesh and the matter is being pursued further. Your Company has submitted its RFI response for Design & Construction of an Offshore Patrol Vessel (OPV) for the Armed Forces of Malta. Your Company has submitted the RFI response issued by Exim Bank of India for export of 01 no. Passenger / Cargo Ferry for Govt. of Guyana under Govt. of India Grant & Line of Credit.

Your Company is exploring export opportunities of Pre-fabricated Steel Bridges at neighboring countries like Bhutan, Myanmar etc. and some Latin American countries. Your Company has recently secured an order of ₹4.65 crore for supply of Steel Bridge components for Myanmar Army through Ministry of External Affairs. Your Company also submitted a global Tender issued by United Nation for 66 Nos. Steel Bridges and associated equipment for Myanmar. Your Company is also exploring opportunities to export Engineering products like Deck Machinery items.

Research & Development
Your Company continues its efforts in working towards developing various concept designs for vessels that can cater to the future requirement of Indian Navy and Indian Coast Guard. Generic design of platforms are also being developed which can cater to requirements of auxiliary vessels like survey and research, pollution control, front-line warships like frigates, corvettes and also the vessels required for inland and coastal security. Your Company has been bestowed with an award on ‘In-house Design Effort for Offshore Patrol Vessels for Mauritius – CGS Barracuda’.
Industrial Relations

Industrial Relations situation during the period across all the Units of your Company including DEP, Ranchi, was generally peaceful and harmonious.

HR Initiatives

Your Company has undertaken various HR initiatives like succession planning for officers, conducted study by XLRI for preparing a roadmap for effective management of contractors' labour and introduction of knowledge portal for sharing of knowledge and expertise amongst employees. Your Company has inducted CISF for security of the three major Production Units of our Shipyard viz. Main, FOJ and RBD Units. Your Company has also introduced 56(J) and 56(I) Rules for Officers & Supervisor in order to ensure probity and efficacy among employees.

Corporate Governance

Your Company's philosophy on Corporate Governance is based on the principles of honesty, integrity, accountability, adequate disclosures, legal compliances, transparency in decision making and avoiding conflicts of interest. Your Company gives importance to adherence to adopted corporate values and objectives and discharging social responsibilities as a corporate citizen. Your Company believes in customer satisfaction, financial prudence and commitment to values. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy.

Health, Safety, Security & Environment

Upholding the “Safety First Safety Must” Mantra, your Company continues to take Workplace Health, Safety, Security & Environment (HSSE) including Sustainable Development as an integral component of its business policies and strategic plans. To ensure smooth and safe operations across locations, each of the critical processes, system and their implementation methodology were reviewed and their monitoring and governance practice were strengthened along with bringing clarity, responsibility and accountability. Renewable Energy and Sustainability are the thrust areas for the Company. During the year, your Company has installed 200kWp grid interactive solar power plant increasing the total installed capacity of rooftop solar plant to 500 kWp thereby reducing the consumption of conventional electrical energy.

Corporate Social Responsibility

Your Company’s Corporate Social Responsibility (CSR) initiatives have played a significant role in socio-economic development of the vast stretch of underprivileged inhabitants belonging mostly to minority community, in the vicinity of our production units. Since the promulgation of DPE Guidelines and amendments made to the Companies Act, your Company has assigned high priority to the ideals of CSR enshrined in the guidelines and the statute. The CSR strategies of our Company are aimed to improve the quality of life of the local community and aligned to the national priorities to meet the basic needs of the citizens. Your Company has undertaken various initiatives such as vocational training to unemployed youth, various skill development initiatives, supporting classes of differently abled children, providing aids and appliances to differently abled persons, cataract surgery and monthly health camps for the poor and needy persons and many Swachh Bharat initiatives.

Skill Development

Your Company is committed to the Government’s initiative to promote ‘Skill India’ by undertaking various skill development programmes both within and outside the Company. The initiatives include adoption of a Women ITI in Kolkata for upgradation of training and infrastructure facilities in COPA and Electronic Mechanic trades, setting up of a Centre of Excellence for advanced training in Welder trade at ITI Tollygunge, Vocational Training to local unemployed youth through IEST, increasing intake of Apprentices under the Apprenticeship Act to 19.36% of manpower strength and donation of 15 numbers of spare equipment to ITI Howrah Homes.

In addition, your Company has arranged various training programmes on Project Management, Ergonomics, Welding distortion prevention and control etc. for upgradation of skill sets of the workforce. The Company has been sending its Officers to undergo training on Integrated Construction at Fincantieri, Italy, for the purpose of construction of P-17A ships. Your Company has imparted extensive training to its employees on ISO 9001:2015 QMS and Goods & Service Tax (GST) for successful implementation in the Shipyard.

Swachh Bharat

Swachh Bharat Mission (SBM) was launched on 02 Oct 2014 to fulfill the vision of a cleaner India by 02 Oct 2019 as a tribute to Mahatma Gandhi on his 150th birth anniversary. Taking cognizance of the
national mission and to meet the local needs of the community, your Company as a responsible corporate entity wanted to initiate interventions in the domain of Swachh Bharat by channelizing CSR funds. In this regard, the National CSR Hub, TISS, was engaged to conduct a study of Metiabruz area and identify possible areas of intervention by your Company as a part of CSR agenda at both community and school level. Your Company has undertaken various initiatives such as construction of 39 toilets in 5 local schools & providing them waste bins, training to approx. 5000 school children on hygiene and sanitation, improvement of 23 Anganwadi Centres of Metiabruz, contribution of ₹75 lakh to Swachh Bharat Kosh and ₹25 lakh to Clean Ganga Fund.

Further, your Company has undertaken various in-house initiatives like segregation of waste at source, selling scrap material and organizing Swachh Bharat Pakhwada to sensitize employees on the importance of cleanliness and hygiene.

ACKNOWLEDGEMENTS

I would like to conclude by thanking the Central and State Government Authorities, Indian Navy and Coast Guard Authorities and the Shareholders for their continued trust and confidence they have reposed in us. I would like to place on record our sincere thanks to the Comptroller & Auditor General of India, the Principal Director of Commercial Audit, the Statutory and Branch Auditors, Internal Auditors, Cost Auditors and the Principal Controller of Defence Accounts (Navy) for their valuable suggestions and cooperation. I acknowledge the patronage of our Bankers, Suppliers and Business Associates. I also acknowledge with gratitude the continual assistance and guidance received from Ministry of Defence, Department of Defence Production, Indian Navy, Indian Coast Guard and Ministry of Home Affairs. Last, but not the least, I appreciate the dedication and hard work put in by all the employees of the Company to achieve its goal and the Board of Directors who have supported and guided the Company to put it on a path of accelerated growth.

Thanking you all,

V. K. Saxena

Kolkata, Rear Admiral, IN (Retd.)
25th August, 2017 Chairman & Managing Director