

CHAIRMAN'S STATEMENT

Ladies & Gentlemen,

1. On behalf of the Board of Directors, I have immense pleasure in welcoming you to this 94th Annual General Meeting of the Company and share with you some of the Company's significant achievements during the year under review. The Company has recorded the highest ever Value of Production during the Financial Year 2009-10. The Company's Profit Before Tax and Net Profit registered an impressive growth of 47% and 122% respectively over last year. The Company's Net Worth has also gone up by 17% compared to last year. The Company launched the first Anti Submarine Warfare Corvette (ASWC) yard No 3017 on schedule on the GRSE day - 19 Apr 10. These accomplishments were possible due to the guidance and unstinted support^[MSOffice1] of the Government of India, especially the Department of Defence Production and employees of GRSE and I am grateful to them. The active role of the members of the Board of Directors, the dedicated efforts put in by the Officers, Supervisors and Workers of the Company as well as the trust extended by our valued customers, i.e. the Indian Navy, Coast Guard and the Ministry of Home Affairs have contributed immensely in meeting our targets.

Performance highlights of the year 2009-10:

2. **Financial Parameters** : The Company recorded Profit Before Tax of ₹131.05 crore, registering a growth of 47%. The Net Profit amounted to ₹114.61 crore, an impressive growth of 122% as compared to last year.

3. **Turnover/Value of Production**: The Company's higher profit is reflected in the substantial increase in the turnover by 29.5% as compared to F.Y. 2008-2009. The VOP of ₹870.74 crore is highest achieved by the Company so far.

4. **Dividend**: For the year 2009-10, the Directors are pleased to recommend a dividend amounting to ₹24.77 crore approx. calculated @ 20% on the Company's paid up equity capital of ₹123.84 crore as on 31 Mar 10.

5. **MOU Rating**: In terms of parameters finally arrived at in the Memorandum of Understanding signed with the Government for the year 2009-2010, the Company is expected to be rated as "Excellent", which is being achieved after a gap of 10 years.

6. **Raksha Mantri's Award for Excellence**: I am happy to share with you that during this year the Company received Raksha Mantri's Award for Excellence under Indigenisation category (for the year 2008-09) for successful designing, developing and productionising Marine Centrifugal Pumps of Monoblock Design. We have received an order for more than 100 pumps from

the Eastern Naval Command of the Indian Navy for manufacturing and delivery within one year.

7. **Corporate Governance:** It is the constant endeavour of the Company to adopt and maintain the highest standards of ethics in all spheres of business activities. The Company's philosophy of Corporate Governance is based on the principles of honesty, integrity, accountability, adequate disclosures and legal / statutory compliances, to protect, promote and safeguard the interests of all its stakeholders.

Shipbuilding and Production Achievements:

8. The Company's Production and Engineering activities have shown a substantial increase due to greater thrust on productivity, quality and human resource. The following are the main achievements for this year:-

(a) INS "Cora-Divh" and INS "Cheriyam", the third and fourth ships of the series of ten Water Jet Fast Attack Crafts (WJFAC) were delivered to the Indian Navy on 30 Jul 09. These ships were subsequently commissioned by Shri Gopal Krishna Gandhi, His Excellency, the Governor of West Bengal on 10 Sep 09 at GRSE, Kolkata. The fifth and sixth vessels were delivered in Apr 10 and subsequently commissioned into Indian Navy on 29 Jun 10 at Vizag as INS Kankarso and Kondul..

(b) Last three vessels of WJFAC class of ships were simultaneously launched from the Raja Bagan Dockyard by Mrs. Letha Sushil, Wife of Vice Admiral KN Sushil, the Flag Officer Commanding-in-chief, Southern Naval Command on 29 Mar 10.

(c) In this financial year, your Company has delivered 28 no. 5T and 20 no. 12T FRP Fast Interceptor Boats to the Ministry of Home Affairs for Coastal Patrolling and Surveillance (to different States on the Eastern Sea Board). 5-T Boats were delivered five months ahead of the contractual delivery dates. 116 No. of Police Personnel from Coastal Police of different States were imparted training at GRSE on operation and maintenance of these FRP Boats

(d) Order for 10 more 12 Ton boats has been placed by Andaman & Nicobar Administration, valued at ₹ 23.00 crore, for coastal patrolling and surveillance of Andaman and Nicobar Islands. These boats are expected to be delivered by January 2011, two months ahead of Contractual Schedule.

(e) The order for 13 Nos Aluminum boats value at ₹176.00 lakh has been received by the company on 19 Mar 10 from the West Bengal Government for use by Civil Emergency Force for Disaster Management

during Natural Calamity. Five of these have been delivered in Jul 10 and remaining boats are expected to be supplied before end of Aug 10.

(f) The Pump Department had delivered 18 Nos. newly developed indigenized Centrifugal Pumps to the Navy.

(g) The Deck Machinery Manufacturing Department achieved a remarkable success of re-commissioning of all Deck Machinery items on board INS TARASA during her refit at NSRY, Port Blair. In addition Deck Machinery has supplied Electrical Package of Hello Traversing System to INS Gomoti. This will replace the imported package installed on board.

(h) Assembly and testing of 18 in no. main Diesel Engine of MTU make has been completed at DEP, Ranchi.

(i) The trials on board INS Abhay post re-engining work, have been successfully completed. Replacement of Russian make radial engines with high power to weight MTU 1163 Engines was finally accomplished in March 2010 after initial teething problems. Experience and expertise gained during execution of the project including modification of the hull structure / compartments will help the company in obtaining re-engining projects of balance two Abhay class ships.

Future Orders:

9. Corporate Planning and Marketing Initiative Division of the company has been actively persuing future projects in India and also for making a niche in the export market. I am pleased to announce that:

(a) The company is in the process of finalizing the price negotiations for 8 in no Landing Craft Utility (LCU) of approximately 800 ton displacement for the Indian Navy.

(b) For the first time, the Company has managed to obtain an export order for building and delivering an Offshore Patrol Vessel of 75 meter in length for a foreign country. The final agreement is likely to be signed between the company and the owner in Sept/Oct 10.

(c) Supply and commissioning of 6 in no. Diesel Engines for various projects of the Navy totaling ₹194 crore.

(d) The company has been selected to build the latest state of the art Stealth Frigate (P-17A). Construction of 7 in no. ships under this project will be shared between M/s MDL and GRSE.

Future Outlook :

10. Your Company is fully committed to building quality ships for the Indian Navy and Coast Guard. Consistent with the acquisition of the additional facilities, the Company is endeavouring to obtain further orders for Naval and Coast Guard Ships for optimization of capacity utilization. Along with induction of fresh blood for revamping the ageing man power base, the company has already embarked upon an ambitious modernization programme, not only for plant / machinery / dock & berth facilities, but also for technology process up-gradation using latest software for ERP, planning, design, Networking, e-mailing etc. to achieve higher productivity in the coming years. At the same time, the Shipyard is also developing vendor base for outsourcing with proper quality assurance for hull fabrication, erection, plumbing, cabling, hull outfit etc, to strengthen the Company efforts towards customer satisfaction.

11. The company has submitted offer for the 80 FIBs for Navy, 05 IBs for CG, 17 QRT Boats for Army, 12 ACVs for Coast Guard, 08 IPVs and 10 Interceptor Crafts for Coast Guard.

12. **Infrastructure Upgradation:** ₹530 crore work on upgradation of the infrastructure consisting of a Dry Dock, an Inclined Berth (both of 180 meter in length), 250 ton Goliath Crane, Module Hall for modular construction and Painting and Blasting Cell has picked up momentum after initial teething problems related to placement of order for civil works. More than 45% financial progress has been achieved as on date, despite problems of lack of mobilization space, unexpected ground condition, lack of skilled manpower etc. The work is likely to be completed by end 2011.

13. Two river Jetties (Ganga & Hooghly) were also constructed at Raja Bagan Dockyard, utilizing in-house expertise and resources (a saving of more than ₹15 crore). To facilitate transportation of materials in and out of the ships berthed on the jetties, a floating crane was also fabricated utilizing in-house expertise and resources and commissioned.

14. **Enterprise Resource Planning:** As part of the modernisation, implementation of SAP/ERP connecting all 8 units of GRSE, is in final stages. This major up-gradation of IT infrastructure by using SAP software under expert guidance of M/s TCS will go "Live" in Oct 10. Training of the personnel including SAP certification course is being actively pursued by the company to avoid any gap in absorbing the technology and its implementation.

15. **Conservation of Energy:** The yard continued its endeavor to conserve the energy. Through energy audit conducted in all the units of the shipyard in Kolkata, we have continued to optimize consumption of fuel i.e. coal, electricity, petroleum etc. A solar water heater panel has been installed to conserve

electricity. Measures like introduction of battery operated material handling equipments, increased installation of electronic ballasts, extensive use of CFL, TL5 fluorescent lamp, LED lamps, maximum use of translucent sheets in shop floors to combine day light with artificial luminaries for absolute utilization of natural light, minimization of distribution loss in compressed air and water supply system etc. have been adopted as part of conversion of energy.

16. **Technology Absorption, Adoption and Innovation:**

(a) The Company has a Licence Agreement with MTU (Germany) for assembly, major overhauling & servicing of a range of Diesel Engines (396, 538 and 4000 series). The extension of the said agreement to cover bigger engines of 1163 & 8000 series is under process.

(b) The Company has signed a MoU with Mactaggart Scott, UK, for Design and manufacture of versatile Rail less Hello Traversing System which is independent of type of Helicopter. Company will be benefited by way of technology transfer and gradual indigenisation upto 77% of the components used. The Company has received first such order for supply of four sets of new HTS for the ships of Project-28.

(c) The Company executed a MoU with KOCKUMS AB, Sweden for production and marketing of KB 48 bridge with technology of fast (with 1½ hrs to 2 hrs time) bridging the gap during assault. This new bridge will enhance the assets capabilities during war time for the Indian Army.

17. **Quality Circle Activities** The Company continues to enhance its Quality Circle activities. Due importance is given to Quality Circle Techniques and Philosophy to enrich the QC teams for gainful utilization of human resources by self development of its grass root level employees. Grass root level workforce of the Company of various shops / departments are participating through group activities for identification of problems, appropriate solution and implementation of the improved production process, improve quality of work, better work environment and neat and clean work place, to increase safety, morale and to reduce wastages. Total QC activities of the Company have been spread over to 209 QC teams in various shops / departments covering 41% of the present work force.

18. **Industrial Relations:** Industrial relations situation during the period across all Units of the Company including DEP, Ranchi were generally peaceful and harmonious.

19. **GRSE Day:** On 19 Apr 10, GRSE has reached the milestone of fifty golden years of glorious performance as a Defence PSU. Various events including the following, were organized to mark the occasion in a befitting manner:-

(a) An Anti Submarine Warfare Corvette (ASWC), the first of its class being built in India, was launched on this historical day of 19 April 2010 by Smt Mamatha M, wife of Shri M.M. Palam Raju, Hon'ble Raksha Rajya Mantri in the august presence of Shri Asim Kumar Dasgupta, Hon'ble Minister of Finance & Excise, Govt. of West Bengal, Janab Abdul Khaleque Mollah, Hon'ble Member of Legislative Assembly, West Bengal, Vice Admiral Anup Singh, AVSM, NM, FOC-IN-C, Eastern Naval Command, Shri R.K. Singh, Secretary (Defence Production), VAdm.N.N.Kumar, AVSM, VSM, CWP&A, Shri Gyanesh Kumar, Joint Secretary (NS), RAdm K.C. Sekhar, AVSM, VSM, Chairman & Managing Director and other distinguished guests.

(b) GRSE has created a modest Motivation Hall portraying the rich heritage of the Company to inspire and motivate the present and future generations. Shri Pallam Raju, Hon'ble Raksha Rajya Mantri, inaugurated the Motivation Hall on this historic day.

(c) The Golden Jubilee of GRSE as a Defence PSU was celebrated through a colourful cultural function held at the Science City Auditorium in the evening of 19 Apr 2010. Shri Pallam Raju, Hon'ble Raksha Rajya Mantri presented Mementos to some of the ex-CMDs of GRSE, Shri S. Soundarajan, RAdm D V Taneja, RAdm R Paralikal and RAdm T S Ganeshan who graced the occasion. Shri Raju also presented 'GRSE Shri' Award to 14 employees of GRSE for their exemplary services to the company during 2009.

20. **Corporate Social Responsibility:** Corporate social responsibility has become an increasingly important activity and a strategic tool for inclusive growth, which aims to integrate business processes with social processes. It is the firm belief of the Company that societal well-being is a pre-requisite for business prosperity. Corporate Social Responsibility (CSR) agenda of GRSE is reflective of its social conscience and commitment to the community and society at large within which it operates. GRSE has partnered with agents of change, the NGOs and local Institutions in order to improve the quality of life of the underprivileged. The key areas of concern are health, education and development of the local community.

21. **Implementation of RTI Act:** Implementation of RTI is being progressed in line with the government directives. Requests received were replied and Annual Return for the year has been uploaded in RTI MIS Updation System developed by NIC.

ACKNOWLEDGEMENTS

22. I would like to conclude by thanking the Central and State Government Authorities, Naval and Coast Guard Authorities, and the Shareholders for the trust they have reposed in us. I would like to place on record our thanks to the Comptroller & Auditor General of India, the Principal Director of Commercial Audit, the Statutory Auditors, the Controller of Defence Accounts (Navy), WPS (Kolkata) and CGRPS (Kolkata) for their valuable suggestions and co-operation. I also acknowledge with gratitude the continual assistance and guidance received from Indian Navy and Coast Guard. Last, but not the least, I appreciate the vital role 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.

Thanking you all,

Kolkata,
Dated, 20th August, 2010

Rear Admiral K.C. Sekhar, IN (Retd)
Chairman & Managing Director