

CHAIRMAN'S ADDRESS AT THE 51ST AGM ON 26TH SEPTEMBER, 2017

Ladies & Gentlemen,

"There are no great limits to growth because there are no limits of human intelligence, imagination, and wonder."- Ronald Reagan, 40th President of the United States.

1. It gives me immense pleasure in welcoming you all to this 51st Annual General Meeting of the Company. I am delighted to present performance of the Company for yet another financial year. This is a direct result of policy initiatives taken in the last two years, which has started yielding excellent results with a promise for more improvements going forward. Despite the numerous challenges, we have achieved the highest ever VoP in the history of GSL and delivered the best operating performance ever. The Annual Report for FY 2016-17, inter alia, containing Audited Financial Statements and Directors' Report was sent to members on 29th August, 2017. I hope you have perused the same.

Industry Scenario

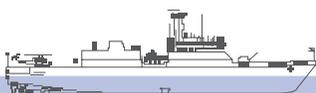
2. Over the last few years, major reforms are unleashing nation's immense potential. Government programmes like Make in India, Startup India and Digital India are being taken up in a mission mode and have the potential to transform India into a manufacturing hub and a developed country. With a sharp focus towards this vision, the Government has unveiled the Defence Procurement Procedure (DPP) 2016, which focuses on institutionalising, streamlining and simplifying defence procurement procedures. Long pending policy changes have also been recently affected by the Government to promote **'Ease of Doing'** business in Defence procurements, which will improve the business environment further.

3. The Company believes that there are enough opportunities in the shipbuilding and repair sector and accordingly, the Company is continuously optimising its capacity/ resources, augmenting capability, realigning internal policies, fortifying its product offerings and taking them to prospective as well as existing customers. In doing so, the Company has always aligned its goal with the aim of nation building and delivered better and technologically advanced vessels for maritime security of our nation.



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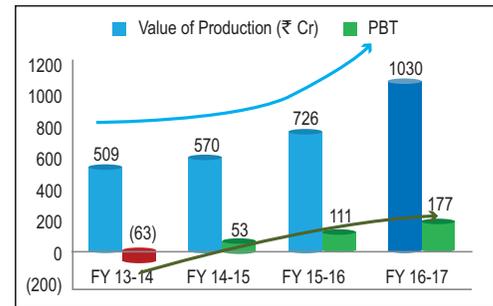
Financial Performance

4. I would like to take the opportunity to share with you the financial highlights of the year gone by. You would be happy to note that your Company has registered an astounding growth in production, revenues and profits as a result of greater thrust on continuous Innovation, Quality Assurances, and reduction in 'Build Period'.

5. Your Company has successfully maintained the momentum of growth and has achieved an impressive **VoP of ₹ 1030 Crore (highest in the history of GSL)** as against ₹ 726 Crore in the previous year, **an increase of 42% over the previous year.** The Company has achieved **highest ever exports of ₹ 399 Crore, which is almost 40% of VoP.** Further, **Operating Profit has jumped to ₹ 131 Crore as against ₹ 69 Crore in the previous year, a growth of 91% year on year.** The Company has achieved **PBT of ₹ 177 Crore during FY 2016-17, highest in the last six years.** This has been made possible due to increase in **Value Added per employee from ₹ 19.81 lakh to ₹ 24.39 lakh and Labour Cost as a percentage of VOP coming down to 15.04% from 19.83% recorded in the previous year,** amongst other profit boosting measures.

6. The overall growth in financial results has been a direct manifestation of unwavering commitment, inexorable pursuit of excellence, close project monitoring and several cost control initiatives. **Gross tonnage of 7800 Tonnes delivered in the last financial year, is highest in the history of GSL, and amongst all other shipyards in India.** The Company has further set an **ambitious target of 12000 Tonnes in the ongoing year** and is relentlessly working on timely execution of concurrent projects like SL OPVs, CG OPVs, NBC Training facility at INS Shivaji, Lonavla, 4 x 1000T Fuel Barges and other General Engineering projects.

7. GSL's '**focus on execution**' with resultant reduced '**Build Periods**', 'timely deliveries at '**Fixed Cost**', coupled with Quality construction, nil / limited D448 liabilities and sensitivity towards customer requirements are some of the key differentiators, that make GSL a '**Preferred and Dependable Shipyard**' with its clients. **Continued focus on timely completion of activities has resulted in before time delivery of all projects in last financial year, which has helped the Shipyard in maintaining the unique distinct reputation of 'delivering before time'.**



Company achieved highest VoP in the history of GSL at ₹ 1030 Crore as against ₹ 726 Crore in the previous year, an increase of 42% over the previous year. Achieved PBT of ₹ 177 Crore, highest in the last six years.

Gross tonnage of 7800 Tonnes delivered in the last financial year, is highest in the history of GSL, and amongst all other shipyards in India.

All projects in last financial year were delivered before contractual delivery schedule, which helped in maintaining Shipyard's unique distinct reputation of 'delivering Projects before time'.



Sub-division of Shares, Increase in Authorised Share Capital, Allotment of Bonus Shares and Dividend

8. In order to benefit our shareholders, the Company Sub-divided its Equity Shares in FY 2016-17, by splitting the face value of the shares from ₹ 10/- to ₹ 5/- each, increased its Authorized Share Capital from ₹ 40 Crore to ₹ 60 Crore and allotted Bonus Shares to the existing shareholders in the ratio of 1:1 by capitalizing the General Reserves.

9. Considering the profits for the year and financial position of the Company, the Board of Directors is happy to recommend higher Dividend of 70% on the Paid-up Share Capital of ₹ 58.20 Crore (post allotment of Bonus Shares) for the year 2016-17, as against 64% Dividend paid on the Paid-up Share Capital of ₹ 29.10 Crore in the previous year. This is more than 100% increase.

MOU Rating

10. **The Company was awarded 'Excellent' MoU grading after a gap of five years for FY 2015-16.** The Company expects to receive 'Excellent' rating for its performance during FY 2016-17 also.

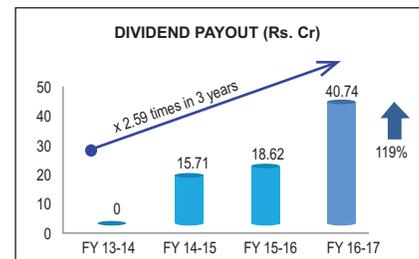
Order Book Position

11. As on 31st March, 2017, the net value of outstanding work against orders received for Ship Construction, Ship Repair/ Refit work & General Engineering Services amounted to ₹ 3,298.29 Crore (approx). **This includes orders of about ₹ 666.56 Cr from exports and ₹ 1870 Cr (approx) order for five CGOPV, which became effective in Aug 2016.**

Execution of Shipbuilding & other Projects

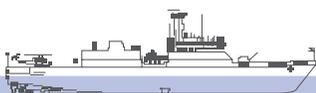
12. FY 2016-17 witnessed culmination of several projects, result of your Company's strong focus to deliver high-technology ships in a time bound manner. **We have created history in Indian Shipbuilding industry by delivering two OPVs (5th CGOPV and 1st SLNOPV) in July 17, both ahead of contractual delivery schedule, within a short span of 10 days. Further, commissioning/delivery of four GSL build Vessels, namely SLN OPV Sayurala, Coast Guard OPV CGS Shaurya, Mauritius Coast Guard FPV MCGS Valiant and 1000T barge for Indian Navy, within span of 16 days is rare distinction for Indian ship building industry.**

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13. Since the **last Annual General Meeting held on 28th September, 2016**, the Company has delivered the following vessels:-

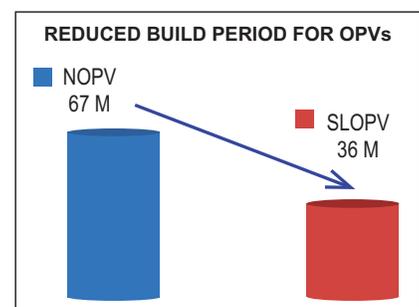
- (a) **4th CGOPV, Yard 1221 (CGS Shaunak)**, was delivered on 5th February, 2017, **61 days ahead of contractual delivery schedule** and the same was commissioned by Shri Suresh Prabhu, Hon'ble Union Minister for Railways on 21st February, 2017 at GSL.
- (b) **5th CGOPV, Yard 1222 (CGS Shaurya)**, was delivered on 7th July, 2017, **32 days ahead of delivery schedule including grace period**, and the same was commissioned by Shri Dharmendra Pradhan, Hon'ble Minister of State (Independent Charge) for Petroleum & Natural Gas on 12th August, 2017 at GSL.
- (c) **2nd Mauritius FPV, Yard 1232 (MCGS Valiant)**, was delivered to Mauritius Coast Guard on 30th April, 2017, **100 days ahead of contractual delivery schedule** and the same was commissioned by Mr. Pravind Kumar Jugnauth, **Hon'ble Prime Minister of Republic of Mauritius** on 16th August 2017 at Port Louis, Mauritius.
- (d) **1st Sri Lanka OPV, Yard 1217 (SLNS Sayurala)**, was delivered on 22nd July 2017, **86 days ahead of contractual delivery schedule and the same was** ceremoniously commissioned on 2nd August, 2017 at Colombo at the hands of **Mr. Maithripala Sirisena, Hon'ble President of Sri Lanka**.

14. Your Company has successfully **launched** the following vessels and the construction activities are progressing well towards timely delivery:-

- (a) **6th CGOPV, Yard 1223** was launched on 30th November, 2016 by IG Suresh Kumar Goyal, PTM, TM, DDG(M&M), Indian Coast Guard.
- (b) **2nd Sri Lanka OPV, Yard 1229** was launched on 2nd May, 2017.

15. The successful back to back launching/ delivery of numerous vessels demonstrates GSL's competency and capability of handling large and voluminous work involved in execution of large scale concurrent projects in a compressed time frame. It is a direct result of significantly reduced '**build periods**' achieved by GSL presently. **The build period for OPVs, which used to take 5-6**

Commissioning/ delivery of four GSL build Vessels (SLN OPV Sayurala, ICG OPV CGS Shaurya, FPV MCGS Valiant and 1000T barge for Indian Navy) within span of 16 days in Aug 17 was rare distinction for Indian ship building industry



years till four years back, has been reduced to mere three years. Further, in contrast to the scenario a few years back when GSL used to work on one project at a time, it is now executing three to four major projects concurrently. **This level of execution and delivery track record stands us apart from other shipyards and has propelled us to 'Fastest growing shipyard' in the country with over 70% growth in VoP and over 233% increase in PBT in last two years. This has been recognized in form of RM's Award for 'Best Performing Shipyard' for FY 15-16 endowed on us - highest award for any shipyard in the country. Not resting on these laurels, we are consolidating on our foothold and gearing up for the future projects by augmenting our capacity through phased infrastructure development and imbibing new technologies.**

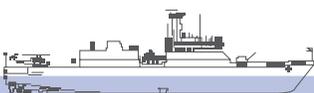
'Build Period' for OPVs has been reduced from 5-6 years to 03 years, indicative of progressive improvement

'Best Performing Shipyard' of MoD for FY 15-16 endowed on GSL by MoD - highest award for any shipyard in the country.

Ship Repairs (SR) and General Engineering Services (GES)

16. SR and GES sections have been consistently contributing about **20% share in the revenue**, which is **highest** amongst DPSU shipyards. A **jump of 13% has been recorded in VoP from SR and GES at ₹ 193 Crore compared to ₹ 171 Crore in previous year.** During the year, the Company has successfully completed the repairs of six vessels which includes Guarantee Refit of NOPVs, Fisheries Research Vessel and Casino Vessel. GSL is presently executing Normal Refit of Sail Training Ship, involving extensive steel renewals and replacement of main engines, entire rigging and both lower and upper wooden decks. Team GES has successfully executed several projects such as delivery of one Glass Reinforced Plastic (GRP) Patrol Boat to Goa Pollution Control Board, one 14m GRP Patrol Boat to Gujarat Maritime Board and three RIBs to Goa Police. The Company has also handed over the 3rd Damage Control Training Facility (DCTF) on 22nd March, 2017, three months ahead of contractual delivery schedule. The execution of four 1000T Fuel Barge Project and Nuclear Biological Chemical Training Facility (NBCTF) are progressing on schedule.

17. In the spirit of Government of India emphasis on 'Make in India', the Shipyard has collaborated with M/s. FHS, Germany for indigenous manufacturing of Heli grids for Vessels constructed at GSL. Heli Grid for first Sri Lankan AOPV was successfully manufactured at Shipyard and installed onboard. Further, Shipyard is making them indigenously for new CGOPV Project.



Future Prospects

18. Your Company is presently executing multiple projects including CGOPV, SLOPV, Fuel Barges, NBCTF and refits. The Company has set target for Value of Production at ₹ 1150 Crore for FY 2017-18, as per the MoU signed with the Government. The Shipyard has been nominated for the Indian Navy Missile Frigate Project 1135.6 and accordingly work has commenced to start production activities of these high end weapon intensive ships by 2020-21. **Entry into shipbuilding of high end missile frigates will change product profile of the company and will catapult it in the frontline along with most advanced ship makers of the world.** The Company is also bidding aggressively to obtain few orders from Ministry of Home Affairs for supply of various boats to Marine Police.

Shipyard nominated for the Indian Navy Missile Frigate Project 1135.6. Work progressing to commence production activities by 2020-21

19. The Company is **well within its reach to achieve over 50% growth in ongoing year too, which can be derived from the fact that ₹ 700 Cr VoP has already been achieved** by the Shipyard in the current financial year till mid September 2017 (≈ 6 months of current FY). However, due to **limited balance order book of ₹ 2600 Cr. as on date, Company is being constrained to slow down its production in balance six months to avoid dip in VoP in Financial Year 2019.** As new Shipbuilding Projects require considerable mobilization time, it is critical to obtain new orders for optimum utilization of capacity and capabilities which will largely otherwise remain idle during next two financial years (FY 2019 and FY 2020), till commencement / pickup of Indian Navy MCMV or 1135.6 Frigate projects, until and unless some other projects for interim period are allotted immediately. This issue is being pursued with the Ministry, Indian Navy and Indian Coast Guard.

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MCMVs and Infrastructure Modernisation

20. The Company has been nominated to build 12 Mine Counter Measure Vessels (MCMVs) for the Indian Navy at a budgetary cost of ₹ 32,600 Crore. The final negotiations with prospective collaborator for providing ToT for construction of MCMVs are in progress. The process for procurement of MCMV Suite as 'Buyer Nominated Equipment' is also being progressed.



21. The Company has achieved steady progress in augmentation / modernisation of infrastructure for MCMV Project. Infrastructure Modernisation Plan is being implemented in four phases of which phase 1, 2 & 3A has since been completed in 2016. **Phase 3A was inaugurated by Hon'ble Prime Minister Shri Narendra Modi on 13th November 2016.** Work on Phase 4 is in progress and expected to be completed by mid 2018. Phase 3B has also commenced and expected to be completed by August, 2020. The Modernisation will equip the yard with most modern and sophisticated infrastructure for advanced warship construction and Glass Reinforced Plastic (GRP) Hull Construction. Shipyard has spent over ₹ 100 Cr annually in the last four years and will continue with major CAPEX program for another three years.



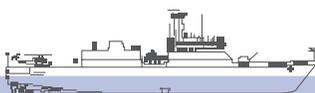
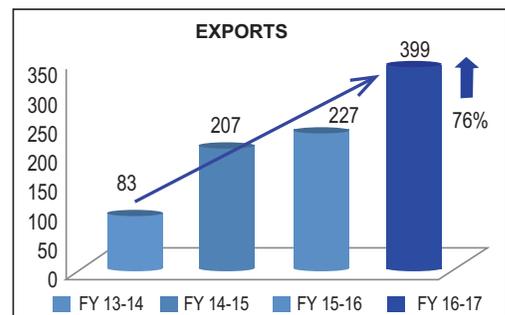
Phase 3A inaugurated by Hon'ble Prime Minister Shri Narendra Modi on 13 Nov 16

Production / Design Improvements

22. The Company continues to lay emphasis on continual transformation to be cost effective and compete with private sector so as to be most competitive. In line with the same, the Company has introduced various innovative measures, new processes/ technology which have made very positive impact on productivity and throughput of the Company. Introduction of F-200 Flanging Machine, Inverter based MIG/MAG Welding Machines and implementation of Modular Construction methodology have not only enhanced productivity but has also saved substantial cost and build time. The Company has upgraded to ISO 9001:2015, Quality Management Standard, valid upto 14th September, 2018.

Export Promotion

23. With the support of MoD / Government of India, the Shipyard has fared exceedingly well in the field of exports. Owing to Shipyard's unique in-house design capabilities and execution skills, it is recognized world-wide as one of the best shipyards in its product range for **'fixed cost'** and **'timely deliveries'**. Export orders of two FPVs for Mauritius have been successfully executed by the Company. It is presently executing export order for Sri Lanka Navy and one out of two Sri Lanka OPVs was delivered on 22nd July, 2017, 86 days ahead of schedule. The second ship is in advanced stage of construction and likely to be delivered by February 2018. Since the Company has potential to undertake further export



orders, it is exploring promotion of its indigenously designed quality products to various friendly foreign nations.

Implementation of Government Programs

24. GSL has been the flag bearer in implementing various programs launched by Government. Some key initiatives undertaken by the Company are as under:-

- (a) **Make in India.** A Purchase Preference Policy has been adopted, which provides preference to local vendors over Foreign Manufacturers.
- (b) **Swachh Bharat Abhiyan.** Towards widening the ambit of Swachh Bharat Abhiyan, the company undertook multiple cleanliness drives, adopted roads and has institutionalised waste disposal system.
- (c) **Skill Development.** Initiatives for Skill Development included adoption of Industrial Training Institute Vasco, collaboration with Society of Industrial & Technical Education Goa for building Centre of Excellence for Welding and organisation of training programmes for ITI Instructors.
- (d) **Increasing Participation of MSMEs.** Several initiatives of the Company to encourage MSMEs resulted in steady increase in procurement from MSE vendors amounting to ₹ 75.02 Crore, during the year 2016-17, which is 33% as against target of 20% set as per MSME procurement guidelines.
- (e) **Startup Policy.** The Company adopted Startup Policy by relaxing the criteria of prior experience and turnover.

Research and Development

25. GSL has the distinction of being one of the few Indian Shipyards armed with in-house design capability, which carries out its own Research & Development. Successful delivery of Fast Patrol Vessel for Mauritius and OPVs to Sri Lanka, designed in-house is indicative of strong in-house R&D capabilities of GSL. The Unit has produced some of the **most innovative designs for 29m 50 Knots Interceptor Boat (IB), Anti Submarine Warfare Shallow Water Craft (ASW SWC) and 75m Patrol Vessel.** The Company's indigenously developed designs of Patrol Vessels have

Company achieved highest ever exports of ₹ 399 Crore, almost 40% of VoP.

Delivered two FPVs to Mauritius and one OPV to Sri Lanka, all before contractual delivery schedule. Second OPV for Sri Lanka likely to be delivered by February 2018.

Steady increase in procurement from MSE vendors amounting to ₹ 75.02 Crore, during the year 2016-17, which is 33% as against target of 20% set as per MSME procurement guidelines.



saved the country considerable amount of foreign exchange by avoiding import of ship designs and achievement of self reliance to a large extent.

Visit of Parliamentary Committee

26. Following Parliamentary Committees visited your Company in the last one year for review:-

- (a) Parliamentary Committee on Papers Laid on the Table, Rajya Sabha, visited on 9th September, 2017.
- (b) Parliamentary Standing Committee on Industry for Procurement Policy for MSMEs and Vendor Development Programme visited on 21st December, 2016.
- (c) Departmental-related Parliament Standing Committee on Human Resource Development, Rajya Sabha visited on 5th November, 2016.

Awards during the Year

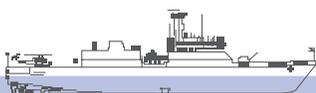
27. As a recognition of the illustrious work undertaken by your Company, the Company has bagged the following prestigious awards during the year:-

- (a) **Raksha Mantri's Award 2015-16 for Best Performing Shipyard, presented by Hon'ble Raksha Mantri in May 17.** Highest award in the country for any shipyard.
- (b) **SCOPE Award for Excellence - Turnaround Category for FY 2014-15, presented by Hon'ble President of India in May 17.** Highest award for a loss making unit on turnaround.
- (c) Raksha Mantri's Award 2014-15 for Design Effort.
- (d) Raksha Mantri's Award 2014-15 for Best Performance in Export.
- (e) 'Rajbhasha Kirti Award' for FY 2015-16 by Hon'ble President of India.
- (f) National Project Excellence Award 2016 for 105m AOPV for Sri Lanka.

Corporate Governance

28. It is the constant endeavour of your Company to maintain the highest standards of ethics and transparency in all spheres of

The well established R&D centre is recognized and registered as in-house R&D unit by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology. GSL is the first shipyard to have this unique recognition, valid for 5 years i.e. 31st March, 2021



business activities. The Company has set itself new mission with the objective of expanding its capacities and becoming globally competitive in its business. The Company has regularly complied with the guidelines on Corporate Governance for CPSEs issued by DPE. As per the Annual Grading Report on Corporate Governance for the year 2016-17, the Company has achieved **“Excellent” grading.**

Corporate Social Responsibility

29. The Company has been contributing immensely towards social development and meaningful quality of life of the community through value creation, promotion of sustained growth of the society and community and environmental sustainability in fulfilment of its role as a Socially Responsible Corporate. Contribution of mobile toilets, garbage disposal van, Watershed Development Project at Adne and Balli Village setting up of Centre of Excellence for training in welding and CSR workshop were some of the key CSR activities undertaken during the year. Continuing its past trend, the Company has spent much higher amount on CSR than as statutory prescribed, which indicates its strong commitment and zeal for social development of the community in and around Goa.

30. As an environmentally conscious Company, new ornamental fruit bearing trees and saplings were planted in various areas and nearby school premises. A number of measures, aimed at conservation of energy, were undertaken by the Company which included phased replacement of conventional lighting with LED lighting, use of LED lighting onboard ships under construction, installation of occupancy sensors in building and installation of Nature switches for outdoor lighting.

Human Resource, Welfare, Health and Safety

31. The Company continues to give utmost importance to learning and development of its human resources through several in-house and external training programmes towards learning and development of its human resources. The structured induction and on boarding program conducted for the employees were immensely helpful in exposure to the corporate world. The Company has also been carrying out regular Safety Training and Awareness Programmes for its employees and contract workers and evolved stringent regulations for Personal Safety. External Safety Audit has also been carried out to improve the safety culture and also comply with statutory requirements.

Contribution of mobile toilets, garbage disposal vans, Watershed Development Project at Adne and Balli Village setting up of Centre of Excellence for training in welding and CSR workshop were some of the key CSR activities undertaken during the year.

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32. A slew of welfare measures were undertaken, towards morale and motivation of workforce, which included reimbursement of Tuition fees for higher studies by employees, sponsorship for M.Tech at DIAT, Pune and Productivity Linked Incentive. Further, awareness program on Sexual Harassment of Women at Workplace and executive programmes through institutes of repute like IIMs etc. are being taken up specifically for women employees. Also, **rain water harvesting system has been provisioned for 12 old & existing buildings at GSL residential colony.**

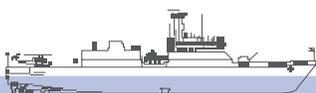
33. The Company's Medical team is working effectively in its efforts to realize the notion of "Healthy Workplace, Healthy Workforce". The Company is providing free medical benefits through various medical camps viz. Eye check up, Dental, Diabetes, Heart, Ayurveda, Homoeopathy, etc. **As an extended medical service, the Company has opened Family Polyclinic services for the employees and their families. The Consultation services from various specialities have also been made available. The Company has also started its in-house medical laboratory facility to all its beneficiaries.**

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Appreciation

34. The Government policies have been a major enabler in the continued journey for transformational reform at GSL. **I am particularly thankful to Hon'ble Raksha Mantri, Defence Secretary, Secretary (DP), JS(NS), JS(Acq), FA and all other officers of MoD / DP, Acquisition and Finance Wings of MoD,** who play a very proactive and positive role in all our endeavours.

35. I would like to place on record our thanks **and appreciation for assistance, co-operation and guidance received by the Company from various Ministries of the Government of India, IHQ MoD, the Indian Coast Guard, Comptroller & Auditor General of India, Controller of Defence Accounts (Navy), Government of Goa, Mormugao Port Trust and Flag Officer Goa Area & Naval Aviation** and look forward to their continued support in the future. I acknowledge with gratitude the continued **patronage and support received from the Company's clients, OEMs and Vendors.** I also thank the **Classification authorities, Company's Bankers, Insurers and Auditors** for their help and co-operation. I would also like to thank my **Directors on the Board, who play a very major role in steering the Company** to the higher levels. I am thankful for their support,





CHAIRMAN'S ADDRESS

co-operation and guidance. I **acknowledge the efforts of 'Team GSL', every worker and officer involved passionately in driving GSL's strong growth.** My special thanks to previous Hon'ble Raksha Mantri Shri Manohar Parrikar, who took extra interest in the affairs of the Company and it is due to his insight and professional guidance that Company has not only been able to turnaround from the operational losses registered in the FY 2013 and 2014, but has achieved the distinction of being the **Best PSU Shipyard in country in FY 2015-16** and is poised for very rapid growth going forward.

36. Thank you for your kind attention.

Jai Hind

CHAIRMAN

NOTE: This does not purport to be a record of the proceedings of the 51st Annual General Meeting.

