

CHAIRMAN'S ADDRESS AT THE 49TH AGM ON 28TH SEPTEMBER, 2015

“When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical Alchemy of great performance”

– Harvard Business Review

Ladies & Gentlemen,

I have great pleasure in welcoming you to the 49 Annual General Meeting of the Company. This is my second opportunity to address you and present the first full financial year report after taking over as CMD of the Company on 01 Feb, 2014. The Annual Report for Financial year 2014-15, inter alia, containing Audited Financial Statements, was sent by post/e-mail to members on 04 Sep 2015. I hope you must have perused the same.

**Shipbuilding Scenario**

2. Benign policies, proactive decisions with focus on 'Make in India' by Central Govt / MoD has improved the business environment for Defence Shipbuilding industry in particular. Under above environment, and by virtue of its inherent strengths, committed manpower and excellent reputation enjoyed by the company coupled with timely delivery of quality ships at fix cost, company can improve its market share further. However, with the opening of the Defence Market to Private Sector, few years back, your company has lost two major orders to private sector 2-3 years back narrowly. The Company continues to face stiff competition and is severely constrained in the pricing, due to additional financial burden imposed on us, being a PSU Shipyard and subjected to 'Article 12 of the Constitution'. Further procurement / recruitment procedures / hire and fire policy denies us, the benefit of best commercial and HR practices and accompanied level playing field with the private sector. Despite above constraints and competition from Indian Shipyards in both Public and Private sector, the Company has been successful in the year gone by, in finalizing Shipbuilding and General Engineering orders, both at domestic and international levels, which have been pending for years. This will help significantly in arresting the decline in order book; the company was facing for last four years, and will provide traction to the growth in the coming years.

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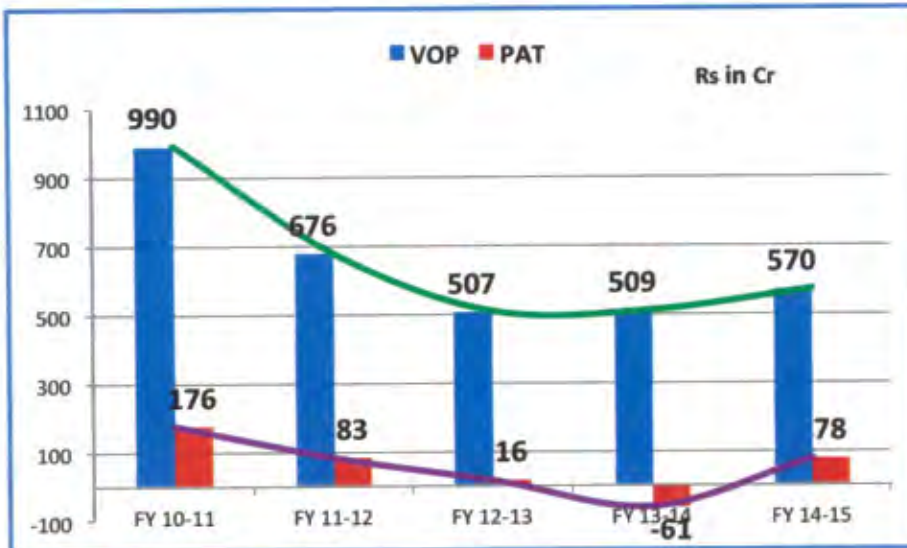


Performance Highlights

3. You will be glad to note, that the past Year proved to be the Inflection point, as your company achieved sharp turnaround with both top and bottom line registering healthy growth. The Company registered Value of Production (VOP) of Rs.569.55 Cr as against Rs 508.90 Cr, an 11.92% increase over the previous year. The Company earned Profit after Tax of Rs. 78.24 Cr during FY 2014-15, as against a loss of Rs (-) 61.09 Cr in the previous year and Profit of Rs 15.5 Cr in FY 2012-13. The excellent financial results achieved, clearly reflects the impact of new policies, strategic realignment of priorities coupled with cost control initiatives and close project monitoring introduced at various levels. The alround improvement in all areas of its operations has been enabled by timely delivery of ships as per contractual schedules to its customers. *'Focus on execution', is one single factor, which has yielded excellent returns, both in terms of boosting the profitability and also in strengthening the brand image of GSL. Yard is known for its disciplined approach along with timely delivery of ships on time and at fix cost.*

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Production and Profit Recorded in Last Five Years



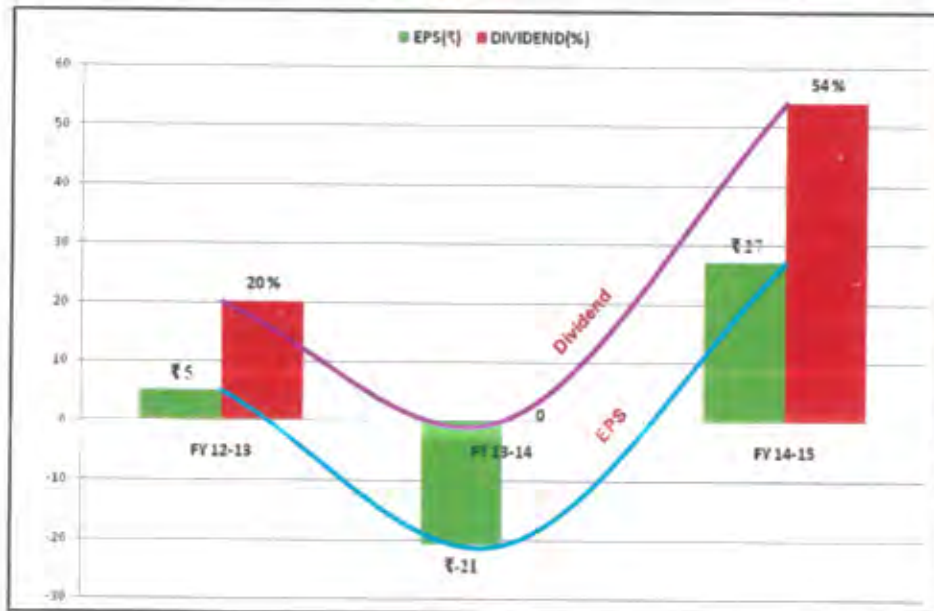
Dividend

4. To share the fruits of excellent results with our shareholders, the Board of Directors have recommended a dividend of 54% on the Paid-up Share Capital of Rs. 2910 Lakh for the FY 2014-15 as against 'NIL' dividend in the previous year and 20% in FY 2012-13. The EPS has also moved up manifold from Rs. (-) 21 in FY 2013-14 to Rs. 27 in FY 2014 -15 and Rs. 5 in FY 2012-13.

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Earning Per Share & Dividend



MOU Rating

5. In terms of parameters laid down in the Memorandum of Understanding signed with the Government, your Company is expected to be rated **'Excellent'** in its performance for the year 2014-15, after achieving continuous 'Good' rating in previous three financial years. **This rating upgrade after three years**, is the best proof of phenomenal changes that have been introduced with surgical turnaround achieved in all divisions during the financial year. The results are clear vindication of strong corrective measures introduced last year. On the basis of sound corrective policies, along with accountability introduced at all levels, the company is confident to achieve further improved performance in the years to come.

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Order Book Improvement

6. The year gone by has seen improvement in Company's order book position. As on 31 Mar 2015, the net value of outstanding work against orders received amounted to Rs 2380 Cr (approx). This includes almost half of the orders at Rs 1200 Cr from exports. You will be happy to note that the Government has cleared the Company for construction of Offshore Patrol Vessels for Coast Guard. The PNC for the Project has since been completed. The Project is about Rs 2000 Cr and construction is expected to start in FY 2016-17. Conclusion of contract by the year-end will improve the much-needed order book.



7. I am happy to inform you, that DAC / Defence Ministry has nominated your company on 28 Feb 2015, to manufacture 12 Mine Counter Measure Vessels (MCMVs) indigenously with 'Transfer of Technology' from foreign shipyard for the Indian Navy amounting to Rs 32600 Cr. This nomination has provided good visibility to the order book of the company. The Project will start construction from April 2018 and last of the vessel will be delivered in 2026. The company has initiated necessary steps to source the technology globally, develop the infrastructure and augment the manpower.

8. In order to expand its range of products, the Company signed an agreement in December, 2014, with M/s Griffon Hoverwork Limited, UK, who are the pioneer in manufacture of world's largest range of amphibious hovercrafts, for providing technology for manufacturing of ACVs indigenously. This has enabled GSL to participate in the recent two global tenders floated for manufacture and supply of Air Cushion Vehicles (ACVs) to Indian Army. This agreement would also help to achieve the vision to make Goa as a production hub for indigenous production of hovercrafts as a part of Government's mission of 'Make in India'. In response to RFP for procurement of 16 Anti Submarine Warfare Shallow Water Crafts for Indian Navy, your Company had submitted Techno Commercial bid based on its in-house design. Your company's bid has been technically cleared by the MoD / Navy.

Execution of Shipbuilding & other Projects

9. During the year, the Company delivered the fourth Naval Offshore Patrol Vessel to the Indian Navy on 16 Jul 2014, thereby successfully concluding the NOPV Project. The Company undertook two Guarantee Refits of NOPVs successfully. The Company also launched two CGOPVs, paving the way for their timely delivery in the current financial year. The Company laid the keel of three ships namely last Coast Guard OPV, Mauritius FPV and Srilankan OPV. The work on multiple export orders including Sri Lankan OPVs, Mauritian FPVs and FICs and DCS for Myanmar has also commenced. These are the major export orders which the Company secured after gap of several years, opening new vistas of opportunity for Company to grow further.

10. Various corrective measures were introduced to improve the business profile and the responsiveness of **SR & GES Division**, which drew continuous attention. Owings of over Rs 30 Cr pending with various clients, including disagreement on payment by MDL, for work done on MSV were chased and resolved. Pending liabilities on Survey Motor Boat supplied to Navy, were liquidated to clear the receipt of pending payments. Further, over Rs. 10 Cr.



payable towards ERV charges to M/s. Wartsila France Ltd. (WFL) for over couple of years, was cleared, enabling restoration of supply of spares, deputation of a specialist and support by WFL, for stern gear for all important Aircraft Carrier Project being built at CSL, Kochi. AMC work for MHA, was strengthened to meet the expectations of Marine Police and MHA. Further, tariff charges and overheads were aligned with the actual expenditure. The focus of refit business was shifted to Guarantee Refits. All the above measures paid good dividend in bringing back the division to healthy state.

Current Year Prospects

11. The company is executing multiple projects including 6 CGOPVs, 2 SLOPVs, 2 MFVS, besides other projects including Fast Interceptor Crafts, Barges, Damage Control Simulator etc concurrently. Further, with the nomination of 12 MCMV Projects, severe manpower crunch is being faced both at senior management and shop floor level. The sanction for additional officers and employees is being progressed with MoD and is expected shortly. Despite delayed material receipt and constraints of manpower, all efforts are being put to deliver the projects on schedule. Needless to say timely augmentation of manpower is critical, going forward, to meet the multiple orders envisaged to be executed by the shipyard. I am glad to inform you that first of the series of Coast Guard OPV (Y-1218) completed Contractors Sea Trials successfully and achieved speed of over 25 knots against rated speed of 23 knots. We are confident of delivering the vessel in October 2015, as per the contractual delivery schedule. ***There are very few parallels of first ship of class, of this size being delivered in time, exist, in Indian ship building industry.*** The ministry has set Value of Production target of Rs 650 Cr for FY 2015-16, as per the MOU signed by the Company with the Government. The Company is working hard to achieve the target.

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Export Promotion

12. Your Company took several initiatives in export of its proven product range for offering to international customers. The Company's efforts have borne fruits and today the Company is the largest exporter of defence ships from the country and is presently executing export orders of 2 OPVs for Sri Lanka Navy, 2 Water Jet Fast Attack Crafts and 11 Fast Interceptor Boats for Government of Mauritius and Damage Control Simulator for Government of Myanmar, amounting to Rs.1200 Cr approx. With available spare capacity, the Company is well equipped, has potential to undertake further export orders and is taking all measures to expand its global footprint further.

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Implementation of Govt. Directives

Make in India

13. As per the current Government focus on 'Make in India' Policy, announced by our Hon'ble Prime Minister, Shri Narendra Modi, your company has formulated three Policies namely: -

- a) Outsourcing,
- b) Long Term Procurement & Vendor Development
- c) Indigenization.

14. The aim of all three policies is to enhance local content / indigenization through increased vendor manufacturing base, so as to give impetus to 'Make in India' Policy of the Govt. of India. All these policies will work in sync with common aim to increase indigenization in our shipbuilding projects. Major thrust of Govt. guidelines on Outsourcing and Vendor Development is to create a strong and vibrant manufacturing base in defence and other industries within the country.

Make in Goa

15. The nomination of MCMV Project to GSL by Defence Acquisition Council (DAC) in February 2015 is expected to spur the high-end shipbuilding industry in the country. The project is of great significance, as it will bring FRP technology for higher end vessels to GSL and the country. In order to boost up local production under 'Make in India' Program, GSL is contemplating to outsource/ subcontract many allied works of the MCMV project to the local Goan companies. Efforts are being made to make Goa a big '**Defence manufacturing cluster**' for supply of various materials, sub-assemblies and services required in construction of these special purpose vessels. This will provide a major boost to the Goan economy.

16. A two-day convention on 'Make in Goa' for Defence and Marine Ancillary Industries was organized by the company in association with CII on 24-25 June 2015, to set the tone for the indigenization of MCMV Programme. This was first ever collaborative initiative aimed at promoting ancillary industries for MCMV programme and defence and commercial shipbuilding and is seen as a game changer for the local Goan industries. There were over 250 B2B deliberations on potential synergies between the Korean delegation and local Goan industries. This initiative will go a long way in bringing world-class technology to maritime sector in India and in the making of MCMV project at GSL, Goa.

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Swachh Bharat Abhiyan

17. In responses to **Swachh Bharat Campaign** launched by Govt. of India on 25 Sep 2014, your Company has taken active steps towards implementation of this mission. The volunteers from cross section of the employees, which include Supervisors and Officers, undertake cleanliness drive regularly on every Friday, which has been declared as **Cleanliness Day** by the Company. In the process of cleanliness drive, the Company has disposed off 250-truck load of scrap worth Rs 4.75 Cr. The motivation for **Swachh Bharat** at all levels of employees is very high.

Skill development

18. In a boost to skill development, number of apprentices, in company's Apprentice Training School, has been increased to 100 from **35** in current financial year, which will be further expanded every year. A new course for skill development in FRP trade has been designed and is being introduced for upcoming mega MCMV Project. Under a CSR initiative, we are also setting up a permanent skill development institute, in collaboration with Society for Industrial and Technical Education of Goa (SITEG) at Vasco, Goa with an outlay of Rs 60 Lakhs for upgrading the technical skills of the students.

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Technology Absorption - Research & Development and Technology Absorption, Adaptation & Innovation

19. OPVs designed by GSL are in service of both Navy and Coast Guard. The Company has further successfully developed the design for 29 M, 40 Knots Interceptor Boat (IB) and the Anti Submarine Warfare Vessel. During the year, the Company incurred **considerably higher** expenditure of Rs. 896 lakh on Research and Development.

20. Your Company is in the process of tying up for appropriate TOT for design and construction of non-magnetic and explosion proof MCMV vessels, and has also initiated dialogue with several specialized MCMV equipment OEMs from abroad for making the equipment in India in collaboration with local private industrial groups with requisite capabilities.

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Infrastructure Modernization

21. The Company is in the process of creating infrastructure and modernizing its facilities in a big way to enhance the capability of the yard to build advanced MCMVs. Infrastructure Modernisation programme for MCMVs is being executed in four phases. GSL has already invested over Rs 550 Cr in infrastructure upgradation for MCMV project over last five years and further about Rs 650 Cr will be invested in over next three years. The work on Phase 3A, which commenced in January 2013, is scheduled to be completed in early 2016. The Capital Expenditure (CAPEX) for 2014-15 was over Rs 110 Cr. The preparatory work for remaining phases (Phase 3B & 4) is also in progress.



IT Initiatives – ERP Systems

22. Your Company has taken various IT initiatives across the organization and stands tall in use of ERP/most advanced design systems/ IT in all its operations and enjoys paperless office environment. The e-procurement system has helped the company to conduct its procurement activities with transparency, shortening of procurement cycle with ease of operation to the company and the Vendors. The on-line Vendor Registration System (VRS) was launched in September 2014. During the year, the company has made around 97% payment through e-payment process. *We are leveraging technology for its transformative nature, to be fully 'future ready'.*

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National Recognition Awards

23. Your Company has recently received following recognitions/ prestigious awards apart from as reported in the Directors Report: -

- a) RM's Award for 2013-14 for Design & Development of 29 Mtr Aluminium Hull, 50 knots Interceptor Boat. The Shipyard has been selected for prestigious R&D award after a gap of 6 years.
- b) The Rajbhasha Kirti Award for the year 2014-15 was presented to Goa Shipyard Ltd. by Hon'ble President of India, Shri Pranab Mukherjee, in an impressive ceremony held at Vigyan Bhawan, New Delhi on 14 Sep 2015.



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Corporate Governance

24. It is the constant endeavor of your Company to maintain the highest standards of ethics and transparency in all spheres of business activities. *Two senior Independent External Monitors have joined the company, after a gap of nearly one year.* The Company continues to comply with the Guidelines on Corporate Governance for CPSEs 2010 issued by DPE / GoI. As per the Self-evaluation Annual Grading Report on Corporate Governance for the year 2014-15, the Company has achieved '**Excellent**' grading.

Industrial Relations

25. Our workmen and officers are our core strength, which are key differentiator in enabling us to excel beyond our immediate capabilities. They are working in perfect synergy with the management to improve the productivity and meet timely delivery schedules. This synergy is direct result of company's belief in the mantra of 'Connect with the People' and Open House policy, whereby free access



CMD presenting his Annual Report on completion of one year in office.



is being provided to all the employees to interact right up to CMD. *The CMD presented his Annual Report Card, on completion of one year in his office, to all employees and officers on 05 Mar and 27 Mar 2015 respectively. The above unique initiatives have strengthened the bond between workers, officers and top management and have enabled the employees to identify more with the company and its achievements.* Industrial relations were cordial and harmonious and the yard continued to work peacefully throughout the year.

Human Resource

26. Your company employees are biggest asset. The Company has created a favorable work environment that encourages innovation, meritocracy and performance. By removing 'fear of failure', the Company has been successful in implementing innovative ideas across the departments. In order to achieve higher professional competence and higher self-actualization by the officers, the company has introduced MTech sponsorship program for young officers at IAT, Pune. Further, for senior, middle and junior managers, residential programs on team building, stress management etc were organized to achieve better bon-homie and team spirit amongst the officers.

Welfare, Health and Safety

27. The Company, as a part of welfare and CSR initiative, has created 'GSL Family Polyclinic' in its premises for extending health services to employees' families and community in the neighbourhood. The polyclinic was formally inaugurated at the hands of Shri G. Mohan Kumar, then Secretary, Defence Production, on 28 Mar 2015. GSL has organized a number of medical camps and super speciality consultation sessions, since then.

28. Your Company is also in the process of introducing Superannuation Pension Scheme for non-unionised Supervisors and Officers who were on the rolls of the Company with effect from 01 Jan 2007.

29. The Company continues to accord utmost importance to Safety. The yard personnel are constantly encouraged to carry out self-inspection and root cause analysis in order to identify appropriate corrective and preventive measures for achieving continual improvement. As a result of continuous efforts and emphasis on safety, the number of accidents has come down over the years.

Corporate Social Responsibility

30. Your Company has exceeded prescribed CSR expenditure ceiling in terms of the provisions of Companies Act, 2013, which demonstrates its zeal and commitment for social development of the community in and around Goa.

31. Your company has been a vital part of the Goan industrial landscape, integrating seamlessly into the community, generating

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employment and business opportunities for the local populace. The Company's operations have played a significant role in providing the necessary impetus required for Goa's industrial growth. It is helping the growth of ancillary units and vendor networks, besides skilling the work force, which will further strengthen with MCMV project. This will also increase avenues for local employment and will also enable availability of good local skilled work force for the shipyard.

Appreciation

32. I would like to place on record our thanks and appreciation for the assistance, co-operation and guidance received by the Company from various Ministries of the Government of India, especially the Ministry of Defence, Department of Defence Production, the Integrated Headquarters (Navy)/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 and 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 and Auditors for their help and co-operation. I would also like to thank my Directors on the Board for their support, co-operation and guidance. I acknowledge 'Team GSL', it's every worker and officer who is working passionately, to see that GSL stays ahead of the curve always.

33. *Government policies and free hand to operate has been major enabler in this transformational reform journey at GSL, which we have embarked upon during last 20 months.* I am particularly thankful to Hon'ble Raksha Mantri, Defence Secretary, Secretary (DP), JS(NS), JS(Acq) and FA in particular and all other officers of MoD / DP, Acquisition and Finance Wings of MoD, to play a very proactive role in all our endeavours to strengthen the strategic warship building capability within the country, under 'Make in India' program of Govt. of India.

34. Thank you for your kind attention and being part of this exciting journey we have embarked upon. I am confident of its success.

"I look forward to your unflinching support, in our earnest efforts to overcome the challenges and fulfill our quest to take company to greater heights."

Jai Hind.

CHAIRMAN

NOTE: This does not purport to be a record of the proceedings of the 49th Annual General Meeting.