

'We have already set the ball rolling and the momentum is firmly with us'

In recent years, Vasco based Goa Shipyard Ltd. is in news for transforming itself from loss making unit to India's most efficient PSU shipyard. The shipyard has been entrusted with several crucial shipbuilding projects. Here RAdm Shekhar Mital, chairman and managing director, who changed GSL's course talks on a range of issues. In a freewheeling interview with **Shoma Patnaik**, he talks of future growth, the turnaround process, progress on new orders and the unique problems affecting the Goan economy



Fast Patrol Boat MCGS Valiant for Mauritius commissioned on 16 Aug 17

Q: GSL's growth in the last four and half years is impressive. Going forward how do the years ahead look?
Backed by timely delivery, GSL recorded phenomenal growth since I took over on Feb 1 2014. From loss of Rs 63 Crore, at the time of taking over we have come quite far and have recorded profit before tax of Rs 305 crore (unaudited) for 2017-18, a jump of five times. Similarly the value of production moved up to about Rs 1400 crore, a three time jump in the last four years. In last two years alone we have nearly doubled our business with profit tripling. We have grown in last four years at a compounded rate of over 30 per cent. This becomes particularly impressive when compared to other government shipyards operating under similar eco system which have either de-grown or remained static. Till 2015-16 we were the third amongst public sector shipyards in terms of our VoP. But since 2016-17 we have cruised up to second position. In next five years, we aim to take our revenue up to Rs 5000 crore and occupy the top position. Towards this we have already set the ball rolling and the momentum is firmly with us.

Q: What are the new projects on hand?
Having consolidated our processes and existing businesses we are working for some time now on new lines of businesses. We are now geared up to manufacture hovercrafts in tie up with Ms Griffon Hoverworks, UK and expect to get few orders soon. We are in the process of signing license production agreement with MTU Germany for local production of MTU 8000 series-10MW engines with significant indigenization content. These engines are widely used in defence applications especially offshore patrol vessels (OPVs). Further there are some prestigious export orders in the pipeline that we expect to announce shortly and will help in consolidating our position as the largest exporter of defence ships from Indian subcontinent. For the last two years we are generating over 40 per cent of revenues from exports. Having completed 100 per cent of our projects ahead of scheduled delivery at fixed cost we are continuously looking for new opportunities to take the momentum forward.

Q: What about the MCMV and the 1135.6 missile frigate projects?
In the last two years our maximum time and resources have been spent on these two projects. The MCMV is a highly prestigious for us as presently the Indian Navy is experiencing a severe shortage of the vessels. To explain, a ship like MCMV has over 50 compartments and for each of the 50 compartments, we have worked out detailed designs, equipment fit, jointly with the Navy as per their combat requirements. Almost close to Rs 900 crore has been invested in infrastructure. There was a minor setback wherein the RFP for Transfer of Technology had to be retracted. But, we have floated the EOI and expect active participation from global players. Considering the preparatory activities already undertaken we expect to catch up on the lost time. The other project viz. the missile frigate, valued at approximately Rs 12,000 crore, involves construction of two heavily weapon intensive ships of 4,500 tons each in collaboration with Russia. Presently the PNC is in progress with the MoD and is expected to be completed in next three months. While the MCMV will go in production by end-2019, the missile frigate project is scheduled from mid-2020.

Q: How is the funding of the two projects?
The funding is in partnership with the government in about 60:40 ratio with 60 per cent coming from the government. We have a strong balance sheet and plan to finance our contribution through internal accruals.

Q: GSL turnaround over the years is interesting. How was it achieved?
The turnaround journey though challenging has also been very exciting. The financial turn-around is a direct manifestation of clear vision and professional understanding of ship building coupled with financial acumen involved in running a over Rs 1000 crore company. New production strategies were put into place with thrust on using efficiency levers and technology for timely execution of projects. From over six years build periods of OPVs we reduced it to below three years hereby reducing interest costs alone by over Rs 60 crore per ship. In a typical OPV the material cost is close to

Rs 200 crore so you can imagine the saving in interest alone and on overheads that was achieved by speeding up production. Basically, in any business what is important is the execution and we focused on speedy execution. Towards that we aligned our processes, decision making to facilitate this. Thanks to these measures in the last four years we have delivered 24 ships, all ahead of schedule and by considerably reducing overheads.

Q: It must have also resulted in big reduction in the working capital?
Absolutely our inventory which used to be over six months of the production came down to nearly a month. Previously we had a collection period of 101 days which is now down to 42 days. We focused on improved cash flows, reducing debtor cycle, chasing old pending bills and improved the working capital parameters on all fronts. Other important ingredient was the alignment of our people with new ambitious goals of management. We achieved it with proactive, progressive and participative HR policies resulting in active participation of all employees. GSL is the only defence shipyard which has an annually inducted about 200-250 people in last four years and nearly 75 per cent of them are locals. We have renewed the contracts of 90 per cent of Fixed Term (FT) employees (taken initially for three years) based on their satisfactory performance. Most of the FTs are again locals.

Q: What is your take on the overall business scenario particularly Goa?
My take is that country's economic micros are turning for good now. Companies by and large have reported improved profitability in the last quarter and same is expected to continue for coming quarters. The economy faced a certain amount of lag due to demonetization and GST, which is behind us now. With the profitability improving businesses are putting in more capital expenditure. Once the investment in-

creases, the ripple effect will be experienced in more and more sectors. Of course, as far as Goa is concerned, there is a problem because of mining. It is highly unfortunate, but I am sure that the state government and the local industry bodies will resolve the issue amicably. The state government has taken the issue of iron ore transportation with the High Court, which is a good thing.

Q: What do you think is the way forward for the local shipyards most of which are caught in the mining closure and doing badly?
Any industry needs business to survive. The orders can come from the government or it have to be earned through competition. The good thing of GSL growth is that half of it goes to outside industry and a good amount is to local shipbuilders, barge builders, component suppliers etc. Our growth will rub-off positively on local industry. Today M/s Chowgule, Timblo, Mandovi Dry Docks etc, are working with us, amongst many others. We are growing at rapid pace and our growth automatically brings prosperity to local industry.

Q: You recently became the new CII-Goa chairman. Your thoughts?
Initially the first six months of

my tenure was spent in trying to understand the business and set the house in order. That was the time when we were in huge losses. So the first one year was spent in doing the course correction and getting the shipyard out of woods. After the turnaround and with concrete systems in place to steer the yard on path of growth, one realizes that it is time to share your experience and knowledge with the industry at large. I decided to take on the responsibility of leading CII Goa Council and do my bit for local industry. I hope I will be able to deliver in policy formulation for the overall benefit of industry and society at large. Everyone wants Goa to do well on all fronts and it is our job to contribute in any manner. That's what I will try to achieve.

Q: Being Goa located, has it helped or hindered the shipyard?
GSL is privileged to be in Goa. This state has given us a lot in terms of support, dedicated workforce, conducive environment to do business and backing of locals. Where would you find this sort of people with this kind of integrity? It is a very big plus. It is such a serene place with wonderful weather all around the year which again is very conducive to good working of industries. The entire Goan ecosystem is highly supporting of shipbuilding undertaken at GSL. We get full support from the state government, police and other statutory bodies and so we are very happy to be in Goa. Lot of credit of our success goes to the people of Goa.

Q: As a CII head in Goa, what do you think of the trend of public protests that are derailing projects?
I am a firm believer of the Incredible Goa slogan and great appreciator of Goa and Goans. It is a wonderful state but has too much of dissent in everything. In a family does every member has the same opinion? There are differences of opinion but someone takes the decision and the family moves on. In the same way, the decision making has to be left largely to the government of the day. Do people realise that the money for inclusive growth comes from growth of industry. Surplus generated from industry in form of tax revenue is diverted into the social sector by any government. In my view excessive agitations are harming the local economy and no government can deliver with constant friction from a section of people. People have chosen the government and so they must allow the government to work. We are now getting in a situation of quid-pro-quo of one against the other. Goans need to work towards self-sufficiency in power. The current trend of pulling down organizations such as MPT etc is bad for employment and industry at large. It is malice which must be stopped. It has taken a whole lot of toil and hard work in last four years to turn around the fortunes of Goa Shipyard, but it will take no time to bring it down with a destructive mindset. I am however, confident that Goa will surge ahead with positive leadership and support of all people at large.



RAdm Shekhar Mital, chairman and managing director, GSL

