Dear Shareholders,

It gives me immense pleasure in welcoming all of you to the 99th “Annual General Meeting” of the Company. I take this opportunity to share with you the Company’s significant achievements during the past year and the future outlook of the Company.

Financial Performance

During the year 2014-15, the Company has achieved a turnover of ₹ 1,612.66 crore as against ₹ 1,611.67 crore in the previous year. The Company’s Profit Before Tax (PBT) was recorded as ₹ 76.02 crore and Net Profit (PAT) as ₹ 43.45 crore. The Company’s Net Worth increased from ₹ 953.73 crore last year to ₹ 965.66 crore this year. Given the performance of the Company, the Directors are pleased to recommend a dividend @ 20% on the Company’s paid up equity capital amounting to ₹ 24.77 crore (approx.). During the year, the Company has made a contribution of ₹ 155.39 crore to the National Exchequer by way of payment of dividend, taxes and duties to various Government Agencies.

Significance Milestones : 2014-15

The year 2014-15 witnessed the Company delivering two (02) high technology trend setting warships. The first being the delivery of Indigenous Anti-Submarine Warfare Corvette (ASWC), ‘INS Kamorta’ to Indian Navy on 12 Jul 14. The ASW Corvette is a frontline warship with anti-submarine warfare capability having very low Radar Cross Section with advanced stealth features including very low signature radiated under water noise. As a conscious endeavor towards the ‘Make in India’ initiative of the Government of India, the ship boosts of 90% indigenous content. The successful construction of ASWC by your Company showcases the capability of the Shipyard to build most complex and most advanced frontline warship for the nation. The ship has been highly appreciated by the Indian Navy for its design and operational capabilities. The ship was commissioned on 23 Aug 2014 by the then Hon’ble Raksha Mantri Shri Arun Jaitley in the august presence of Admiral R K Dhowan, Chief of Naval Staff and other distinguished guests.

The second ship delivered during the year was the first Indian export ship, ‘CGS Barracuda’, an Offshore Patrol Vessel to the Govt. of Mauritius on 20 Dec 14. The ship was subsequently commissioned at an impressive ceremony held at Port Louis, Mauritius on 12 Mar 15, coinciding with the National Day of Mauritius. The commissioning of CGS Barracuda took place in the august presence of the Hon’ble Prime Minister of India, Shri Narendra Modi and the Hon’ble Prime Minister of Mauritius, The Right Hon Sir Anerood Jugnauth and other dignitaries. This was a historical occasion for India in general and your Company in particular, since CGS Barracuda was the first ever warship built and exported by any shipyard in India.

The Govt. of India and the Indian Navy have reposed faith and confidence in the professional competence and expertise of your Company by awarding the Contract for the construction of three (03) more advanced frontline Stealth Frigates under Project P-17A. The order is worth over ₹ 19,200 crore and is the largest ever order won by your Company. These Frigates under Project P-17A are planned to be built employing state-of-the-art Modular Shipbuilding Technology created under recently completed Yard Modernization Initiatives which has all necessary infrastructure required for construction of the state-of-the-art Frigates.

Awards & Accolades

The numerous awards received by the Company during the year speak of its exemplary performance. We have been selected for the Hon’ble Raksha Mantri’s “Best Performing Defence Shipyard Award” for the years
2012-13 and 2013-14. Your Company now has been bestowed with the **Best Performing Defence Shipyard Award for four consecutive years in a row.** In the Official Language category, your Company has been awarded the First Prize (Region-C) of the Prestigious Indira Gandhi Rajbhasha Puraskar for the year 2012-13 and Rajbhasha Kirti Puraskar Second Prize for the year 2014-15 by Ministry of Home Affairs (Deptt. of Official Languages) for excellence in implementation of Official Language. The awards were presented by the Hon'ble President of India. Further, your Company has won the Governance Now PSU Awards 2014 in the category of Strategic Turnaround and the Indian Institution of Industrial Engineering. Performance Excellence Award in the Golden Category (Financial & Operational Strength) for the year 2012-13. Your Company was also conferred the e-Gov Awards 2014, in the Category of Technology - Modernisation Initiatives in PSUs and the "Most Caring Company Award" at CSR Congress - 2015. The QC Teams of the Company also performed very well this year and all the 11 (eleven) Quality Circle Teams from the Company were ranked 'Gold' Category in the Convention on Quality Circles 2014 organized by QCFI Kolkata Chapter. Further, two (02) Quality Circle teams from the Company were judged at 'Par Excellence' Category, two (02) teams were judged in 'Excellent' Category and one (01) in 'Distinguished' category in the National Convention on Quality Concepts 2014 organized by QCFI in Pune.

**MoU Rating**

In terms of parameters contained in the Memorandum of Understanding signed by your Company with the Government of India for the year 2014-15, your Company is expected to be rated as "Good" in its performance.

**Shipbuilding and Production Achievements**

The Company’s Shipbuilding and Engineering activities have registered a growth due to greater thrust on enhanced productivity, improved quality control and dedicated human resources. The following are the main achievements for this year:-

(a) **Delivery of Ships.** During the year, your Company has delivered two (02) ships- 1st Anti-Submarine Warfare Corvette, 'INS Kamorta' to the Indian Navy and the Mauritius Offshore Petrol Vessel, 'CGS Barracuda' to the Govt. of Mauritius.

(b) **Ships ready for Delivery.** The delivery of the 2nd ASW Corvette, 'INS Kadmat', is in advance stages of construction. The sea trials were successfully completed in Aug 15 and the delivery of the ship is planned for Nov 15. Further, the first two ships of the Landing Craft Utility (LCU) MK-IV class and the first two Follow-On WJFAC are also progressing well towards their delivery.

(c) **Launching of Ships.** During the year four (04) ships were launched, the 4th ASW Corvette and the 2nd, 3rd, and 4th LCUs. Further, the first three Follow On-WJFACs were also launched during the current fiscal year on 30 Jun 15.

(d) **Keel Laying.** During the year, your Company laid the Keel of the 5th, 6th & 7th LCUs and the 2nd & 3rd Follow-On WJFACs for Indian Navy.

(e) **Portable Steel Bridges.** The Bailey Bridge Division of your Company has supplied 44 Bridges during the year, which signifies a growth of more than 43% in monetary terms. Further, during 2014-15, the R&D team of your Company has load tested an upgraded version of Portable Steel Bridge 220 ft span & 70R Load Class, with the use of improved "Panel 10’x7’" size. This development is expected to enable your Company to compete extensively in the international market. As on date, our order book position of this division is at about ₹ 150 crore and the future outlook is in favour of the Company.

(f) **Deck Machinery.** It has been an eventful year for the Deck Machinery Unit of the Company. Subsequent to the successful trials on board INS Kamorta (P-28 Project), Indian Coast Guard has consented to award a contract to your Company for supply of Rail less Helo Traversing System ('HTS') for their 06 Numbers of CG OPVs being built at Goa Shipyard Limited. Being the only proven indigenous supplier of such systems, your Company has even bagged orders from private shipyards towards supply of Rail less HTS. Further, you will be pleased to know that quite a few number of further offers are under process for this division. The present order book position for various Deck Machinery items and Naval Pumps is around ₹ 86 crore which is quite encouraging.

(g) **Engine Division (Ranchi).** The Value of Production achieved by Engine Division during the year under review amounted to ₹ 9.40 crore. Moving in the direction of expansion, the assembly & test facilities for Marine Engines have been modernised at a cost of around ₹ 12 Cr. With modernisation, the Engine Division would be able to take-up assembly, repair and testing of latest 4000 Series MTU Engines. Accordingly, the Engine Division plans to enter into an extended License Agreement with MTU(F), Germany for production of MTU 4000 Series Marine Engines and Service Partner Agreement with MTU(India) for major overhauling of MTU 4000 Series diesel Engines.

(h) **Infrastructure Up-gradation.** The newly created facilities are already being used in a big way for the construction of ASW Corvette and LCU projects. In addition, the Company has also completed the first stage of Integrated Construction in a mega block of Yard 2096.
(fifth ship of LCU Project). The Shipyard has now planned to implement the total Integrated Construction Technology (Stage 1 & 2) on the next mega block of Yard 2098 (seventh ship of LCU Project).

(i) Order Book Position. The year under review witnessed your Company bagging an order for construction of three super sophisticated Stealth Frigates under Project P-17A. This order is worth over ₹ 19,200 crore. The present order book position of the Company is around ₹ 30,156 crore. Out of these, sales of approximately ₹ 6,144 crore have been completed and the Balance Order Book is approximate to ₹ 24,012 crore.

Future Outlook

Major Initiatives: GRSE is actively pursuing its goal to become a "World Class Shipbuilding and Engineering company". Following are some of the specific initiatives that have been implemented in the recent past, to progress towards above objective :-

(a) Introduction of Integrated Construction Technology by making mega-hull blocks for the LCUs.
(b) Introduction of laser technology for shaft alignment process on-board LCUs.
(c) Fabrication and consolidation of hull-blocks inside GRSE premises by reputed sub-contractors.
(d) Composite outsourcing of 'Fitting-out' work on-board LCUs.
(e) Augmentation of vendor base to meet the enhanced work load.
(g) Skill development training.

Infrastructure Development: A three year plan for augmentation of infrastructure has also been worked out to further improve infrastructure and prepare for execution of P-17A Project. The Company has also evolved the following plans to further leverage the strength of infrastructure and production facilities and to meet the demands of P-17A Project.

(a) Establishing strategic alliances with other shipyards to make Pre-outfitted Mega-Hull Blocks for Project P-17A, at their premises.
(b) Widening the vendor base and improving the quality of vendors by conducting Vendor Mela periodically.
(c) Engaging reputed sub-contractors to undertake consolidation of Mega-Blocks inside GRSE’s Module Hall.
(d) Revamp processes in the Shipyard to make them amenable for Integrated Modular Shipbuilding.

With a robust order book and initiatives taken towards infrastructure and skill developments, your Company is now poised to grow into a major shipbuilding company in the world. This approach is slated to help your Company to improve quality and reduce build period thereby meeting the stiff timelines as being achieved by leading global players in shipbuilding industry.

New Construction: Your Company is also making persistent efforts to foray into newer horizons to further expand the business profile. Following specific measures have been initiated in the recent past:-

(a) Construction of P-75i Submarines in GRSE. Your Company had conveyed its willingness to participate in the future submarine building programme of the Indian Navy, code named Project 75i. Accordingly, the Road Map for building these submarines at GRSE was submitted to Indian Navy. The High Power Committee convened for the purpose of identifying the shipyard for construction of P-75i submarine visited the Company and our proposal and road map were presented to them. Final decision on selection of shipyard by Indian Navy is awaited.

(b) Bid for construction of second Aircraft Carrier (IAC-2) at new Green Field Deep Water Shipbuilding Facility. Your Company had also conveyed its willingness to participate in the programme for construction of the second indigenous Aircraft Carrier. A green field shipyard needs to be established at a deep water location with 14 M draught to construct the 65000 Ton ship. GRSE had identified suitable location at Rambilli near Visakhapatnam and the Government of Andhra Pradesh had agreed to provide land with adequate water frontage for establishing the green field facility. Your Company’s proposal for construction of IAC-2 was accordingly forwarded to Indian Navy. A Committee convened for the purpose of identifying the shipyard for undertaking construction of IAC-2 visited GRSE and your Company’s proposal and road map were presented to the Committee. The final decision of Indian Navy on selection of shipyard is awaited.

Export Initiatives

Buoyed by the response to its products, your Company is now concentrating with a focused agenda on the export market for its products. Over the last one year, your Company has aggressively focused on undertaking various Export Initiatives including participation in prestigious exhibitions such as International Maritime and Defence Exhibition (IMDEX) - 2015 in Singapore, LAAD - 2015 in Brazil and the Africa Aerospace and Defence Exhibition in South Africa. Your Company built INS
Kamorta recently participated in international exhibition in Langkawi and received rave reviews. Over the last year, your Company has been actively pursuing for export orders from countries such as Philippines, Vietnam, Peru, Bangladesh, Thailand and Oman for products ranging from Frigates to Fast Patrol Boats, Deck Machinery items to Bailey Bridges. Various dignitaries from these countries have visited the Company with a view to enhance further ties. Senior Officers from your Company have also visited these countries to promote our products and capabilities.

Industrial Relations
Industrial Relations situation during the period across all the Units of your Company including DEP, Ranchi was generally peaceful and harmonious. The Company concluded 5 years wage settlement effective from 01 Jan 12 to 31 Dec 16 in respect of unionized category of employees for West Bengal based units and DEP, Ranchi.

Health, Safety, Security & Environment
Your Company continues to accord high priority to Workplace Health, Safety & Security and Preservation of Environment for Sustainable Development. All business units have imbibed safety as a culture across all operations and are focused on imparting continuous training and risk mitigation initiatives.

Corporate Governance
The 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. The Company gives importance to adherence to adopted corporate values and objectives and discharging social responsibilities as a corporate citizen. The 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.

Corporate Social Responsibility
Corporate Social Responsibility (CSR) is an integral part of the Company’s corporate philosophy. Our CSR initiatives reaffirm our belief that addressing societal needs and business growth go hand-in-hand. The Flagship CSR activities aim to benefit the marginalized sections of the local community through different income generating projects such as to provide employment readiness vocational skills to under privileged women, differently-abled children and local unemployed youth. The following major CSR projects were undertaken by the Company during the year :-

a) Vocational training to local unemployed youth in various employment oriented modules such as welding, plumbing, electrical, AC repairing etc.
b) Support to Sai Sarada Math towards augmenting computer training facility and also for constructing vocational training centre at Thakurnagar for promoting education and employment enhancing vocational skills for women.
c) Adoption of 3 classes comprising 41 severely disabled children of Indian Institute of Cerebral Palsy.
d) Constructing/ Renovating toilets in local schools as a part of Swachh Bharat Initiatives.
e) Improving local anganwadi centres into model centres.
f) Regular health check-up camps for the local under privileged community.
g) Blood donation camps for thalassemia and RTA patients.
h) Cataract surgeries for the marginalized section of the locality.

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 co-operation. 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,

Sd/-
A.K. Verma
Kolkata, Rear Admiral (Retd.)
24th September, 2015 Chairman & Managing Director