# माझगांव डॉक शिपबिल्डर्स लिमिटेड
# MAZAGON DOCK SHIPBUILDERS LIMITED

वार्षिक रिपोर्ट
Annual Report

2016-2017

# MAZAGON DOCK SHIPBUILDERS LIMITED

*(Formerly known as Mazagon Dock Limited)*

## VISION

*MDL shall strive to be a progressive and profitable shipyard building World Class Warships and Submarines using State-of-the-Art Technology.*

## MISSION

*To deliver quality ships in time within budgeted costs and be a World leader in Warship building.*

## OBJECTIVES

- *To achieve 20% Post Tax return on equity in line with DPE's guidelines with improved order position and profitability.*
- *To progressively reduce overhead expenditure and operational costs.*
- *To attain technological leadership in warship and submarines construction through in house R&D activities and partnership with academic institutions*
- *To enhance the productivity level through improved internal processes through benchmarking and innovative practices.*
- *To take initiatives for growth by undertaking capacity augmentation, technological up-gradation and modernisation of facilities.*
- *To upgrade capabilities of employees as per HRM guidelines issued by DPE.*
- *To maintain consistent quality and retain ISO 9001-2008 Certification of Quality Systems and to maintain high degree of Customer Satisfaction.*
- *To undertake Corporate Social Responsibility and Sustainability projects as per guidelines.*
- *To enhance indigenisation process in line with 'Make in India' policy.*
- *To adhere project time lines to deliver quality ships and submarines in time.*

# *Mazagon Dock Shipbuilders Limited*

***(Formerly known as Mazagon Dock Limited)***

***Papers to be Laid on the table of Lok Sabha / Rajya Sabha***

***Authenticated***

***Raksha Rajya Mantri***

# Contents

# *Chairman's Statement at 84$^{th}$ Annual General Meeting*

**Dear Share Holders,**

1. I am indeed delighted to extend a warm welcome to all of you on behalf of the Board of Directors of your Company, at this 84th Annual General Meeting of the Company. The Directors' Report and Annual Accounts of the Company for the financial year 2016-17 had been circulated to you. It is also a matter of privilege and responsibility that I am announcing the results of this fiscal year through the Annual Report of the Company.

## OVERALL PERFORMANCE DURING THE FISCAL

2. It is my proud privilege to report that your Company has done exceedingly well during the last fiscal year. In particular, the achievement vis-à-vis the MoU targets set with the Ministry of Defence, is likely to be "Very Good". During the year your company achieved a Profit Before Tax (PBT) of ₹ 848 Crores, and the Value of Production (VoP) of ₹ 3524 Crores. The Board of Directors have recommended a dividend of Rs 165.41 Crores, i.e. 66.43% on the Equity share capital for the financial year 2016-17 including the interim dividend of ₹ 100 Crores paid during FY 2016-17.

3. The FY 2016-17 witnessed several milestones in your company's commitment to deliver high-technology frontline war platforms and submarines to the prime customer viz. Indian Navy. P15A Project has been completed and the P15B Project and P17A project are progressing well and picking up pace. The Scorpene Class Submarine project (P75) is also on track with the submarine "Kalvari" delivered to the Indian Navy just yesterday ie on 21 Sep 17 and the progress of construction of the other submarines is satisfactory.

## HIGHLIGHTS OF THE YEAR

4. It is with great pleasure that I highlight some of the major events of the financial year 2016-17:

(a) Submarine Assembly Workshop was inaugurated by Shri Manohar Parrikar, Hon'ble Raksha Mantri on 28th May 2016

(b) The Destroyer, Y-703 (Chennai), of P-15A was delivered to the Navy on 31 Aug 2016.

(c) The Destroyer, Yard 705 (Mormugao) was launched by Mrs Reena Lanba, wife of Admiral Sunil Lanba, Chief of the Naval Staff on 17 Sep 2016.

(d) INS Chennai, third P15A Destroyer, was commissioned by Shri Manohar Parrikar, Hon'ble Raksha Mantri on 21 Nov 2016.

(e) Second Scorpene Submarine of Project-75, 'Khanderi' was launched by Dr. (Shrimathi) Bina Bhamre, wife of Dr. Subhash Bhamre, Hon'ble Raksha Rajya Mantri on 12 Jan 2017.

## CURRENT PROJECTS

5. Your company is having a fairly good order book position at present with two frontline warship projects comprising of four Frigates and four Destroyers and one submarine project comprising of six Scorpene class submarines. The primary focus of your company at present is to make concerted efforts in pooling the available resources and ensure that the ships and submarines are constructed and delivered to the Indian Navy in the contractual time-lines. Your company has also institutionalized a robust project review and monitoring mechanism for timely identification of bottlenecks and to take the needed corrective steps.

6. As regards the construction of four frontline destroyers of P15B, the detailed design and production design is almost complete and the vessels are currently at various stages of construction. In the case of P17A project, for the first time in the history of the company as well of warship building, the country is embarking on a advanced methodology of construction viz. Integrated construction. For this your company had appointed a reputed European Shipyard as a Know-How Provider(KHP) and they have commenced rendering their services in terms of training and handholding during the construction. Furthermore, your company is also rendering lead-yard services to GRSE Kolkata where three ships of this project is being built.

## INFRASTRUCTURE AND MODERNIZATION

7. Your Company having successfully commissioned Mazdock Modernization Project (MMP) for augmentation of its infrastructure through provisioning of a new Wet Basin, Heavy Duty Goliath Crane, Module Workshop, Cradle Assembly Shop, Store Building and associated ancillary structures, is now fully leveraging it for current warships and

submarine projects. The utilization of the MMP have resulted in a quantum leap in the throughputs as well as reduction in the cycle time for key processes in the build phase. It is also noteworthy to state that the modernized infrastructure is amenable for adapting and enabling the Integrated Construction approach practiced by all developed nations worldwide.

8. With the commissioning of the Submarine Assembly Workshop, a specific infrastructure for submarines, your Company has developed a second assembly line for submarines and is geared up to cater to the requirement of future orders. With sound knowledge in various aspects of Submarine construction and the steep learning curve achieved by the skilled manpower in the Yard, MDL is poised itself for the construction of additional submarines.

9. Apart from the augmentation already in place, your company have already initiated action for deepening the navigational channel from the Yard's waterfront to the main entry channel of the MbPT. Modernization of the marine pile jetty at North Yard, provision of new 120 T Level Luffing crane for North Yard and improvised network of piped services across the MDL Yard are also in the pipeline to cater to the growing production requirements of the shipyard.

**RESEARCH AND DEVELOPMENT**

10. A macro-level Research and Development Plan for five financial years from 2014-15 was drawn up and projects under this plan are in progress. The details of the Research and Development activities are stated in the Directors' Report. The amount spent on R&D during the year ended 31 Mar '17 was ₹ 77.09 crores. I am glad to inform you that the Design Department of your company has been registered and recognised as an 'In-House' R&D facility by the Council of Scientific and Industrial Research (CSIR), Government of India.

11. In order to foster innovation in all its spheres of operation, your company has taken steps for an innovation initiative wherein any employee of the company can come forward with ideas that could transform processes and procedures . Your company has also institutionalised a scheme whereby ideas selected for implementation is being incentivised to enable fostering a culture of innovation and to develop an ecosystem conducive for innovation. It is expected that this step will go a long way in transforming the DNA of the yard and enable continuation as a centre of excellence at par with global standards.

12. Your company had carried out an exercise in international productivity benchmarking leveraging the expertise of an international consultant. The recommendations of the benchmarking study is being implemented along with the industry best practices that are germane to warship and submarine building.

13. Employing domain experts for knowledge transfer in key areas is being considered in line with that of the Global Initiative of Academic Networks (GIAN) scheme promulgated by the Ministry of Human Resources. Preliminary steps in this regard has been initiated by your company and it is envisaged that this initiative will take shape and get crystallized in an year's time.

**INDUSTRIAL RELATIONS**

14. With great pride, I would like to share that the Industrial Relations during the year were cordial and harmonious with no man hours lost on account of Industrial conflict. In the absence of a recognized Union, efforts were made to resolve issues of mutual concern through deliberations with the Unions on the Bargaining Council resulting in a win-win situation for the employees and the Company.

## HUMAN RESOURCES

15. Your Company values its human resources the most. To keep their morale high, apart from statutory welfare measures, your company extends several other welfare activities, like Life Insurance Coverage, Medical Insurance Scheme, Scholarships to employees wards, post Retirement medical scheme, Superannuation (Pension) Scheme, etc.

## INDIGENIZATION EFFORTS

16. Your Company , having set-up a dedicated 'Department of Indigenisation' in Nov 2015, to provide focused impetus to the clarion call by the Hon'ble Prime Minister for "Make-in-India" initiative, has been successfully able to partner with the Indian industry to undertake indigenization of equipment/items which since long have been imported. As on date MDL has been able to successfully indigenize seven equipments/items with the help of Indian industry . Procurement of these indigenised items from the Indian industry would result in savings to the tune of approximately ₹ 300 Crore in foreign exchange to the exchequer. With India attaining the manufacturing capabilities for the SICADS, India has become the fourth country in the world to have this capability and have joined the elite club of countries (USA, UK & Germany), which have the capabilities to design & develop such systems.

17. In the triad of capabilities in ship design and construction viz. 'Float', 'Move' and 'Fight', substantial indigenization have been achieved in the 'float' category. In the move category the indigenization content is by and large fair although there are certain segments that require attention. As regards the 'fight' category there is a lot of fresh ground to be traversed. Your company is committed in our country's journey towards technological self-reliance and is taking efforts wherever feasible to fuel and exist as catalyst for import substitution.

## SWACHH BHARAT INITIATIVE

18. Your Company fully adheres to the Hon'ble Prime Minister's Nationwide Swachh Bharat Campaign with the awareness and participation by all sections of the society, so as to make it a mass awareness movement and bring about a lasting change to the mindset . The Abhiyaan is underway at three levels (a) within the Shipyard, (b) adjacent areas, (c) rural areas.

## CORPORATE GOVERNANCE

19. Your Company is complying with the Guidelines on Corporate Governance for CPSEs 2010 issued by the Department of Public Enterprises (DPE) . Necessary disclosures have been made in this regard in the Corporate Governance Report.

## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY DEVELOPMENT

20. Corporate Social Responsibility & Sustainability Development is Company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner.
    Your company has received an award for "Best CSR Practices During Natural Calamities 2016". This award was given by Navbharat during "CSR Leadership Summit & Award" held on 23.06.2017 in Mumbai. Your Company has spent ₹ 13.65 Crore towards CSR activities during FY 2016-17 out of its total CSR budget of ₹ 15.20 Crore as per Companies Act, 2013.

21. Your company has taken various initiatives towards Sustainable Development and Energy Conservation. In alignment with the Government of India's policy to increase the quantum of renewable energy and to reduce energy consumption, various projects were undertaken by your company. Installation of Solar Power Plant, changing of conventional lights to LED lights, procurement of energy efficient welding machines, etc are some of the areas where your company had focused.

## FUTURE OUTLOOK

22. Your company plans to invest in a Floating Dry dock which would be primarily utilized as a submarine launch facility. To ensure optimal utilization, the facility would be utilized for undertaking dry docking and refit of ships.

23. With the rich legacy of building frontline warships, merchant ships and wide gamut of vessels and conventional submarines, your company is uniquely poised for catering to the needs of the Indian Navy to meet their blue water aspirations. Your Company has also formed an International Export Team to tap the export market for future business. Your company is also considering developing the land available at Nhava into a shipbuilding facility that can cater to ongoing and future projects.

24. At present your company has the installed capacity to simultaneously handle ten (10) warships of frigates/ destroyer size and also eleven (11) submarines in two independent assembly lines. As the current orders get progressively liquated, there is enough capacity to take-up future orders.

## CONCLUDING REMARKS

25. The Board of Directors joins me in expressing our deep appreciation to all the stakeholders. I wish to place on record my gratitude for the support of my fellow Directors in maintaining the corporate image and prestige of your Company. The Ministry of Defence, Government of India, gave timely guidance, the needed wisdom in framing the policies and helped us in implementing them.

26. Construction of high-tech and complex platforms like warships and submarines involve not only vertical specialization but also horizontal integration of multifaceted skills. The number of stakeholders, vendors, inspection agencies, blue-collar workforce and white collared personnel involved are too many and the gestation period is considerably long and only with the unstinted efforts of all the stakeholders the targets can be met. In this regard, the high standard of professional acumen, patronage and support displayed by the Indian Navy and other clients of the Company are beyond words and I would like to place on record my appreciation for them. On behalf of the Board of Directors, I must place on record the unmatched commitment, unstinted efforts and untiring contribution of all the employees of MDL who have enabled your company to maintain its growth trajectory.

27. As we look ahead, we not only see challenges to keep pace with exponential technological leaps, but also to keep eyes open to seize every opportunity for your Company to play a critical role in shaping the maritime defense of our country. Let me conclude by stating that as a Company we are committed to create and sustain a technology-enabled and networked group of people, capable of building and delivering quality warships and submarines in keeping with the motto of your Company. In this endeavor we will also seek to evolve relevant conceptual frameworks to acquire the full spectrum of the capabilities to remain as a centre of excellence on a sustained basis. Our endeavour shall be underpinned by continuous upgradation of our human skills and a willingness to innovate and transform as required to meet the challenges of the future. MDL has been and shall always remain committed to enabling safe seas, secure coasts and thereby a potent Navy and in turn a strong nation with peace and prosperity as its hallmarks.

**Jai Hind!**

**Cmde Rakesh Anand (Retd)**
**Chairman & Managing Director**

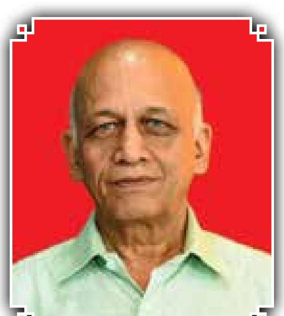
# *Board of Directors*

**Cmde R Anand (Retd)**
Chairman & Managing Director

**Capt R Lath (Retd)**
Director
(Submarine & Heavy Engineering)

**Shri Sanjiv Sharma**
Director
(Finance)

**Shri Vijayendra, JS (NS), MOD**
Part time Official
(Government) Director



**Prof S L Bapat**
Part time Non-Official
(Independent) Director

**Mrs Usha Sankar**
Part time Non-Official
(Independent) Director

**VAdm Sanjeev Bhasin (Retd)**
Part time Non-Official
(Independent) Director

# *Board of Directors*

| | |
|---|---|
| **CMDE R ANAND (RETD)**<br>CHAIRMAN & MANAGING DIRECTOR | (FROM 01.01.2017) |
| **RADM R K SHRAWAT, AVSM (RETD)**<br>CHAIRMAN & MANAGING DIRECTOR | (UPTO 31.12.2016) |
| **CAPT R LATH (RETD)** | (FROM 19.09.2013) |
| **SHRI SANJIV SHARMA** | (FROM 01.06.2015) |
| **SHRI VIJAYENDRA** | (FROM 04.08.2016) |
| **PROF S L BAPAT** | (FROM 27.11.2015) |
| **MRS USHA SANKAR** | (FROM 27.11.2015) |
| **VADM SANJEEV BHASIN (RETD)** | (FROM 07.01.2016) |
| **SHRI BHARAT KHERA** | (UPTO 27.07.2016) |
| **CDR P R RAGHUNATH (RETD)** | (UPTO 27.02.2017) |

## COMPANY SECRETARY

**MS. MADHAVI V KULKARNI**

## BANKERS

**State Bank of India**
**Canara Bank**

## AUDITORS

**M/s. Ford Rhodes**
**Parks & Co. LLP**
**Chartered Accountants**

## REGISTERED OFFICE

**Dockyard Road**
**Mumbai – 400 010**

# *Notice*

NOTICE IS HEREBY GIVEN that the Eighty Fourth Annual General Meeting of Mazagon Dock Shipbuilders Limited ("Company") will be held on **Friday, the 22nd Sep' 17 at 1130** hours at the Registered office of the Company at Dockyard Road, Mazagon, Mumbai-400 010, to transact the following business:

**ORDINARY BUSINESS:**

(1) To receive, consider and adopt:

(a) The Audited Financial Statement for the year ended 31 Mar '17 and the Report of the Directors and Auditors thereon and

(b) The Audited Consolidated Financial Statement for the year ended 31 Mar '17 and the Report of the Auditors thereon.

(2) To declare Dividend.

(3) To fix the remuneration of the Auditors to be appointed by the Comptroller & Auditor General of India for the Financial Year 2017-18.

**SPECIAL BUSINESS:**

(4) To ratify the remuneration payable to the Cost Auditor appointed by the Board of Directors of the company for the financial year 2017-18 pursuant to Section 148 and all other applicable provisions of the Companies Act, 2013 and the Company's (Audit and Auditors) Rules 2014, by passing, with or without modification, the following resolution as an Ordinary Resolution.

**"RESOLVED THAT** pursuant to Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the remuneration of ₹2.25 lakhs + applicable taxes per annum paid / payable to the Cost Auditor appointed by the Board of Directors of the Company to conduct the audit of Cost Records of the Company for the Financial Year 2017-18 be and is hereby ratified."

(5) To consider and if thought fit, to pass with or without modification, the following resolution relating to conversion of the Company into a public limited company and amendment of Articles of Association of the Company as a special resolution:

**"RESOLVED THAT** pursuant to section 13, 14, 18 and other applicable provisions of the Companies Act 2013, and the Rules framed thereunder, if any, and subject to such approvals, consents, permissions and sanctions, as may be necessary from appropriate authorities, the consent of the shareholders be and is hereby accorded for the conversion of the Company from a private limited company to a public limited company and consequent amendment to the Memorandum and Articles of Association in this respect.

**RESOLVED FURTHER THAT** pursuant to the provisions of section 14 and all other applicable provisions of the Companies Act 2013 read with Companies (Incorporation) Rules, 2014, including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, permissions and sanctions, as may be necessary from appropriate authorities, in order to align with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Articles of Association of the Company be and is hereby altered in the manner and to the extent as hereunder:

i) The existing regulations as contained in the Articles of Association of the Company be and are hereby deleted; and

ii) The revised Articles of Association of the Company as placed before the meeting and initialed by the Chairman and Managing Director, for identification be and are hereby approved and adopted as the Articles of Association of the Company and shall substitute in its entirety the existing Articles of Association of the Company.

**RESOLVED FURTHER THAT** Chairman & Managing Director or any one of the Board of Directors of the Company and the Company Secretary of the Company be and is hereby authorised severally to do all such acts, deeds, matters and things as may be considered necessary, usual, proper or expedient to give effect to the above resolution, including but not limited to incorporation/ amendment/suggestion/observations/made by the Registrar of Companies, Maharashtra, Mumbai to the extent applicable, without being required to seek any further consent or approval of members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

6. To sub divide the nominal value of the Equity shares of the Company from the existing ₹ 100 Per share to ₹10 per share, fully paid up and to consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

**"RESOLVED THAT** subject to the provisions of Section 61 and other applicable provisions, if any, of the Companies Act, 2013 read with Rules and in terms of Article 10 of the new Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions, from appropriate authorities, as may be necessary and applicable, the Equity Share Capital of the Company, comprising of 3,23,72,000 (Three Crores Twenty Three Lakhs Seventy Two Thousand) Equity Shares of the face value of ₹ 100 each, aggregating to ₹323.72 Crores (Rupees Three Hundred and Twenty Three Crores and Seventy Two Lakhs ) be sub-divided into 32,37,20,000 (Thirty Two Crores Thirty Seven Lakhs Twenty Thousand ) Equity Shares of face value of ₹ 10 each.

**RESOLVED FURTHER THAT** the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause 5 thereof by the following new Clause 5 as under:

**Clause 5:**

"The Authorized Share Capital of the Company is ₹323,72,00,000/- (Three Hundred and Twenty Three Crores and Seventy Two Lakhs only) divided into 32,37,20,000 (Thirty Two Crores Thirty Seven Lakhs Twenty Thousand ) Equity Shares of ₹ 10/- (Rupees Ten Only) each."

**RESOLVED FURTHER THAT** the Record Date be fixed as the date of the Annual General Meeting at which the shareholders approve the sub division of shares.

**RESOLVED FURTHER THAT** the Share Certificates issued with a face value of ₹ 100/- each be cancelled and the Company Secretary be and is hereby authorized to get the said Share Certificates of the reduced nominal value with denomination of ₹ 10/- each printed.

**RESOLVED FURTHER THAT** new Share Certificates of the reduced nominal value printed with denomination of ₹ 10/- be issued to the existing shareholders of the Company under the signatures of Cmde. Rakesh Anand, Chairman and Managing Director, any one of the other Directors and Ms. Madhavi Kulkarni , Company Secretary of the Company and seal of the Company to be affixed in their presence.

**RESOLVED FURTHER THAT** the Company Secretary and / or the Directors of the Company be and are hereby authorized severally to file appropriate documents and e-forms with Registrar of Companies and make necessary entries in the Register of Members, if required, and to do all such acts, deeds and things which are required to give effect to the above resolution."

BY ORDER OF THE BOARD

Sd/-

**(MADHAVI KULKARNI)**
COMPANY SECRETARY

Mazagon Dock Shipbuilders Limited
Dockyard Road
Mumbai 400 010

Dated 23 Aug '17

**Notes:**

(a) *A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company.*

(b) The instrument appointing the Proxy, if any, in order to be effective, be deposited at the Registered office of the Company not less than 48 hours before the time of holding the Meeting.

(c) The Comments of the Comptroller and Auditor General of India under Section 143 of the Companies Act, 2013 on the Accounts of the Company will be tabled at the Meeting.

## STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

The following statement sets out all material facts relating to special business mentioned in the accompanying notice.

**Item No. 4**

The Board, on the recommendation of the Audit committee has approved the appointment of M/s R. Nanabhoy & Company, Mumbai, as Cost Auditor to conduct the audit of Cost Records of the company for the financial year 2017-18 at a remuneration of ₹2.25 lakhs + applicable taxes per annum.

In accordance with the provisions of Section 148 of the companies Act, 2013, read with the Company's (Audit & Auditors) Rules 2014 the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, the Board recommends to the members to ratify the remuneration paid/payable to the Cost Auditor for the financial year 2017-18 by passing the proposed resolution set out in the Notice as an Ordinary Resolution.

None of the Directors / Key Managerial Personnel of the Company / their relatives are in any way concerned or interested, financially or otherwise, in the said Resolution.

**Item No. 5**

Mazagon Dock Shipbuilders Limited is a private limited company within the meaning of the Companies Act 2013. In order to achieve listing, the Board in its 4/2017 Meeting held on 23 August 2017 resolved to change the status of the Company from "Private Limited" to a "Public Limited" company, subject to the approval of the members of the Company in the general meeting. Further to meet the statutory requirements of the public company, the present Articles of Association of the Company are proposed to be altered in the manner as set out in the above resolution so as to suit the requirements of the public limited company.

Further, the existing Articles of Association was as per the Companies Act, 1956 and several clauses/regulations in the existing Articles of Association contains references to specific sections of the Companies Act 1956 and some of which are no longer in force. With the Companies Act 2013 coming into force, several regulations of the existing Articles of Association of the Company require alteration or deletions at several places.

Since, the Company is planning to undertake an Initial Public Offering, it is necessary to make alterations in the existing Articles of Association of the Company in terms of the provisions of the Securities Contract Regulation Act, 1956 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Accordingly, it is considered expedient to wholly replace the existing Articles of Association by adopting them afresh and the Board recommends this resolution for approval of the members by way of special resolution.

The existing Memorandum and Articles of Association of the Company along with the proposed new set of Articles of Association are available for inspection to all the members at the registered office of the Company during business hours till the completion of the meeting.

The above amendments are subject to the approval of the President of India.

Accordingly, the Board recommends to the members to pass the proposed resolution set out in the notice as a special resolution.

None of the Directors/ Key Managerial personnel of the Company / their relatives are in anyway, concerned or interested, financially or otherwise in the resolution.

**Item No. 6**

The Cabinet Committee on Economic Affairs has given its approval for undertaking an Initial Public Offer for disinvestment of 10 % of the Government of India shareholding in the Company.

According to Clause 31 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, the face value of the equity shares of a Company shall be ₹ 10/- per equity share.

The present face value of the equity shares of the Company is ₹ 100/- per share.

In view of the above, it is necessary to sub divide the nominal value of the Equity shares of the Company from the existing ₹ 100 Per share to ₹10 per share, fully paid up.

The Board of Directors at its meeting held on 25.05.2017 considered and approved the sub-division of 3,23,72,000 (Three Crores Twenty Three Lakhs Seventy Two Thousand) Equity Shares of the face value of ₹ 100 each into 32,37,20,000 (Thirty Two Crores Thirty Seven Lakhs Twenty Thousand) Equity Shares of face value of ₹ 10 each subject to approval of the Members and any other statutory and regulatory approvals, as applicable. The Record Date for the aforesaid sub-division of the Equity shares is the date of the Annual General Meeting at which the shareholders approve the sub division of shares. The sub-division as aforesaid would require consequential amendments to the existing Clause 5 of the Memorandum of Association to reflect the change in face value of each Equity Share from ₹ 100 each to ₹ 10 each.

The above amendments are subject to the approval of the President of India.

Accordingly, the Board recommends to the members to pass the proposed resolution set out in the notice as a special resolution.

None of the Directors, Key Managerial Personnel or their relatives is in any way concerned or interested in the Resolution except to the extent of their shareholding in the Company. Draft copy of altered Memorandum and Articles of Association together with the amendment proposed in Item No. 6 are available for inspection to all the members at the registered office of the Company during business hours till the completion of the meeting.

BY ORDER OF THE BOARD

Sd/-

**(MADHAVI KULKARNI)**

COMPANY SECRETARY

Mazagon Dock Shipbuilders Limited
Dockyard Road
Mumbai 400 010

Dated 23 Aug '17

# DIRECTORS' REPORT

To,

The Shareholders,
Mazagon Dock Shipbuilders Limited.

Dear Shareholders,

On behalf of the Board of Directors I have great pleasure in presenting the 84th Annual Report on the performance and achievements of Mazagon Dock Shipbuilders Limited for the financial year ended 31 Mar '17 together with Audited Statement of Accounts and Auditors' Report.

**1.** The important events that took place in your company during the year were as follows:

(a) Submarine Assembly Workshop was inaugurated by Shri Manohar Parrikar, Hon'ble Raksha Mantri on 28th May 2016

(b) The Destroyer, Y-703 (Chennai), of P-15A was delivered to the Navy on 31 Aug 2016.

(c) The Destroyer, Yard 705 (Mormugao) was launched by Mrs Reena Lanba, wife of Admiral Sunil Lanba, Chief of the Naval Staff on 17 Sep 2016.

(d) INS Chennai, third P15A Destroyer, was commissioned by Shri Manohar Parrikar, Hon'ble Raksha Mantri on 21 Nov 2016.

(e) Second Scorpene Submarine of Project-75, 'Khanderi' was launched by Dr. (Shrimathi) Bina Bhamre, wife of Dr. Subhash Bhamre, Hon'ble Raksha Rajya Mantri on 12 Jan 2017.

(f) Second Scorpene Submarine "Khanderi" was separated successfully from Pontoon at the MbPT (Mumbai Port Trust) on 13 Jan, 2017.

(g) Keel Laying ceremony of Yard 706 (Project 15B) was held on 19 May, 2017. VAdm D M Deshpande, CWP&A was the Chief Guest.

## 2. FINANCIAL HIGHLIGHTS

Your company achieved the Value of Production (VOP) of ₹ 3523.67 Crore in FY 2016-17 as compared to the previous year's VOP of ₹4106.22 Crore. The Profit before tax is ₹ 847.72 Crore for 2016-17 as against ₹ 929.32 Crore in the previous year, a decrease of 8.78 %.

## 2A CONSOLIDATED FINANCIAL STATEMENT

Section 129(3) of the Companies Act, 2013 requires your Company to prepare Consolidated Financial Statement [Consolidation of Financial Statements of Mazagon Dock Shipbuilders Ltd (MDL) & its Associate Company , Goa Shipyard Ltd (GSL)] alongwith Standalone Financial Statements. Your Company has prepared Consolidated Financial Statements of MDL & GSL, placed together with the Standalone Financial Statements and forms part of this Report.

## 3. CAPITAL STRUCTURE

The Authorized Equity Share Capital and Preference Share Capital of the Company as on 31 Mar '17 stood at ₹ 323.72 Crore and NIL respectively owing

*Dr. (Shrimati) B. Bhamre launched INS Khanderi the 2nd Scorpene Class Submarine on 12 Jan '17 Dr. Subhash Bhamre, Hon'ble Raksha Rajya Mantri was the Chief Guest*

*Commencement of Project 17A (Y-12651) Inaugurated by RAdm A K Saxena, NM, DGND, IHQ-MoD (Navy) on 16 Feb '17* to the reclassification of 7% Redeemable Cumulative Preference Share Capital into Equity Share capital approved by the last AGM and issue of bonus shares in the ratio 1:4 . The Paid-up Equity Share Capital as on 31 Mar '17 is ₹ 249.00 Crore in view of 4980000 Equity of shares ₹ 100 each issued and allotted as bonus shares during the previous year.

**4. DIVIDEND**

The Board of Directors recommended a Final Dividend at 66.43% on the Equity Share Capital amounting to ₹ 165.41 Crore including the interim dividend amounting to ₹100 Crore paid for the FY 2016-17.

**5. CONTRIBUTION TO CENTRAL EXCHEQUER**

Your Company's contribution during 2016-17 to the Central Exchequer by way of Income Tax, Service Tax, Custom Duty, Excise Duty & Dividend was ₹ 583.69 crore.

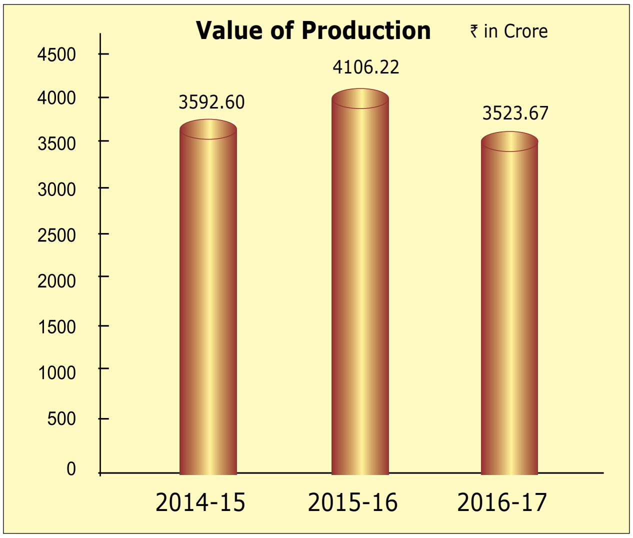
**6. OPERATIONS FOR THE YEAR 2016-17 VIS-À-VIS THE PREVIOUS TWO YEARS**

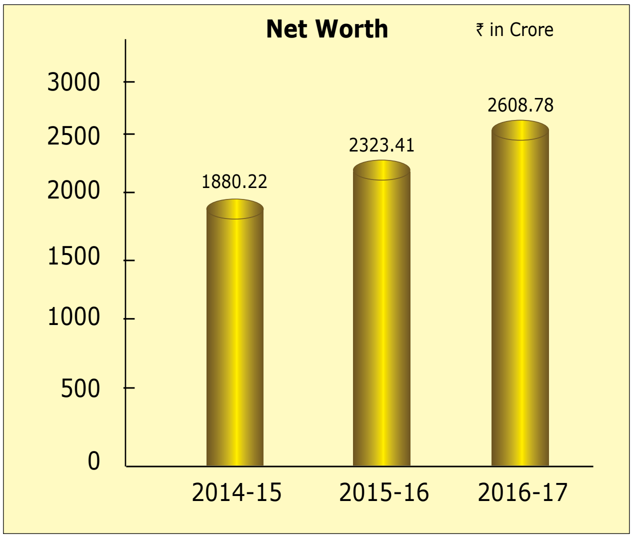
6.1 The results of the Company's operations for the year 2016-17 and the comparative figures for the previous two years are summarized below:

(₹ in Crore)

| | 2014-15 | 2015-16 | **2016-17** |
|---|---|---|---|
| Value of Production (VOP) | 3592.60 | 4106.22 | **3523.67** |
| Profit before Tax | 746.00 | 929.32 | **847.72** |
| Net Profit after Tax | 491.59 | 575.23 | **525.12** |
| Capital Employed | 2260.21 | 2716.87 | **3068.90** |
| Gross Block | 497.60 | 637.70 | **844.54** |
| Net Block | 270.53 | 367.76 | **546.27** |
| Working Capital | 1989.68 | 2349.11 | **2522.63** |
| Net Worth | 1880.22 | 2323.41 | **2608.78** |
| Finance Cost | 0.03 | 3.90 | **3.90** |

(Value of Production means Contract Revenue)

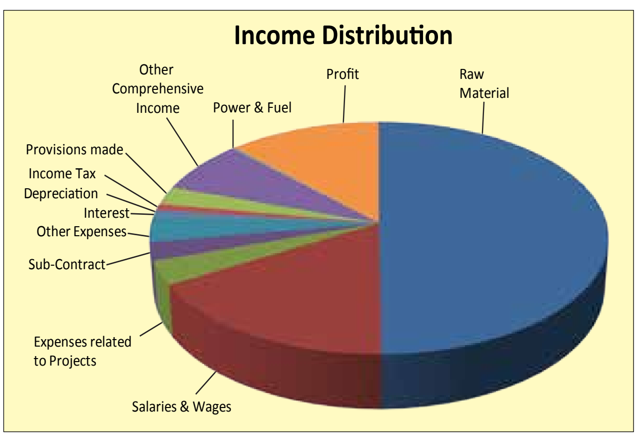



*CSO (Tech), WNC being felicitated on the occassion of the handing over of the 1st Scorpene class Submarine Kalvari on 21 Sept. '17*

6.2 Income Distribution for the year 2016-17 as against previous year is summarized as under:-

| INCOME DISTRIBUTION | % | % |
|---|---|---|
| | 2015-16 | **2016-17** |
| Raw Material | 54.13 | **49.84** |
| Salaries & Wages | 15.44 | **16.71** |
| Expenses related to Projects | 4.16 | **3.30** |
| Sub-Contract | 2.76 | **2.57** |
| Other Expenses | 2.49 | **3.71** |
| Interest | 0.08 | **0.09** |
| Power & Fuel | 0.58 | **0.61** |
| Depreciation | 0.90 | **0.92** |
| Provisions made | 0.44 | **2.53** |
| Income Tax | 7.38 | **7.32** |
| Other Comprehensive Income | -0.14 | **0.19** |
| Profit | 11.77 | **12.23** |
| **Total** | 100.00 | **100.00** |




*Keel Laying of Yard 706 of Project 15B by VAdm D M Deshpande, CWP&A on 19 May '17*

## DIVISION-WISE PERFORMANCE

## 7. SHIPBUILDING DIVISION

7.1 The Shipbuilding Division of your Company recorded a Contract Revenue of ₹ 1184.45 crore for 2016-17 as against ₹ 1053.90 crore of the previous year.

7.2 MDL is handling three Shipbuilding projects for the Indian Navy comprising of seven destroyers and four frigates. One of the destroyers "INS Chennai" has been delivered by your Company and commissioned by the Indian Navy during the year. Another Destroyer Class Ship, "Mormugao" was launched during the year. Preparatory work and detailed design activities for construction and delivery of frigates are in progress. Production of first ship of the Stealth Frigate Project has commenced during the year.

## 8. SUBMARINE & HEAVY ENGINEERING DIVISION

8.1 The Contract Revenue on account of Submarine Construction was ₹ 2339.22 crore for 2016-17 as against ₹ 3052.32 crore of the previous year.

8.2 Six Scorpene class submarines are presently in series production at MDL and are progressing well.

## 9. MAZDOCK MODERNISATION PROJECT

9.1 The shipbuilding capacity of MDL is 40000 DWT. Your company had embarked on a Modernization Project on its infrastructure to meet the increasing demands of the future and the same is now fully functional. The infrastructure augmentation comprises of a new impounded wet basin, a Goliath Crane of 300 MT capacity straddling across the two slipways and the modular workshop, submarine cradle assembly shop, stores and ancillary structures. Further, the track of the Goliath crane was extended into the sea in order to facilitate lifting of mega blocks at MDL waterfront. Modernization of marine pile jetty at North Yard, provision of new 120 T Level Luffing crane for North Yard and improvised network of piped services across the MDL

Yard are also in the pipeline to cater to the growing production requirements of the shipyard. For Project 17A, for the first time in the history of warship building the modernized infrastructure will be fully leveraged for realizing the Integrated Construction Methodology. Having completed the modernization programe, MDL can take up more than one project concurrently.

## 10. OTHER INFRASTRUCTURE PROJECTS

10.1 The state-of-the-art Submarine Section Assembly (SSA) Workshop at Alcock Yard was inaugurated at the hands of Hon'ble Raksha Mantri Shri Manohar Parrikar on 28 May '16. Built at a cost of approximately ₹ 153 crore, the workshop of size 220M x 45M x 39M is a pre-engineered building structure with a total of 07 Nos EOT/ Semi-Goliath cranes at different levels and capable of handling assembly/outfitting of multiple submarines concurrently. It has green building features such as rain water harvesting, sewage treatment plant, grey water treatment plant, oily water separator plant with zero discharge into the municipal drains. The facility also has an Office Complex for accommodating 250 personnel and a Rest Room to cater for 500 operatives in 02 shifts. With the commissioning of the Submarine Assembly Workshop, your Company has developed a second assembly line for submarines and is geared up to cater to the requirement of future orders.

Your company plans to invest in a Floating Dry Dock which would be primarily utilized as a submarine launch facility. To ensure optimal utilization, the facility would be utilized for undertaking dry docking and refits of ships.

## 11. RESEARCH & DEVELOPMENT

11.1 Your company had promulgated a R&D Policy in 2013 and a R&D Plan for 5 years was drawn up to be taken up during the FY 2014-15 to 2018-19. R&D efforts involve a judicious mix of both project carried in-house and also in collaboration with academic institutions of repute like the Indian Institute of Science, Bengaluru, National Institute of Design, Ahmedabad, Welding Research Institute, Trichy, Indian Institute of Technology, Kharagpur, Indian Institute of Technology, Madras etc. Thrust on R&D is essential so as to imbibe industry best practices to enhance the productivity in warship building. R&D team is headed by Director (Shipbuilding) with an executive in the rank of General Manager as a vital member of the team. Under this General Manager, eight specialist groups are currently functioning in domains that are pertinent to shipbuilding viz. structural analysis, ergonomics and HFE, noise & vibration control, Radar Cross Section management, Propulsion System Integration, Materials and HVAC.

11.2 The amount spent on R&D during the year ended 31 Mar '17 amounts to ₹77.09 crores. The various projects undertaken under R&D have been elaborated in Appendix 'F'.

## 12. MASTER DEVELOPMENT PLAN (MDP)

12.1 Your company commissioned a consultant for developing a Master Development Plan (MDP) for the entire company in order to optimally utilize the land area available in the Yard. The MDP has been submitted by the consultant which provides recommendations for optimum utilization of yard's real estate for effective functioning and also with computation of available Floor Space Index for future development of the Yard. MDP has recommended a three-phased development of the Yard comprising of ancillary infrastructure, congenial office space and aesthetic appeal for open areas for all-round development of the yard. A roadmap for development has been drawn up by the consultant along with recommendations for development which has also considered green initiatives like solar energy and rainwater harvesting.

*Republic Day Celebration at MDL*

## 13. INDIGENISATION & "MAKE IN INDIA"

13.1 MDL, having set-up a dedicated 'Department of Indigenisation' in November 2015, to provide focused impetus to the Hon. Prime Minister's "Make-in-India" initiative has been successfully able to partner with the Indian industry to undertake indigenization of equipment/items which since long have been imported. As on date MDL has been able to successfully indigenise seven equipments/items with the help of Indian industry which include SONAR Dome, SICADs, Bridge Window Glass, MCT Glands, Pressure Reducing Station, Remote Controlled Valves and Main Batteries (for Scorpene Submarines). All assistance is being provided by MDL to the Indian Navy for indigenization of submarine equipment.

13.2 The procurement of the abovesaid indigenised items from the Indian industry would result in savings to the tune of approximately ₹300 Crs. in foreign exchange to the exchequer.

13.3 With India attaining the manufacturing capabilities for the SICADS, India has become only the fourth country in the world to have this capability and have joined the elite club of countries (USA, UK & Germany), which have the capabilities to design & develop such systems.

## 14. AWARDS AND RECOGNITIONS

14.1 Two MDL Quality Circle teams 'Phoenix' QC of SB-Design-Structural and 'Sai Samartha' QC of EY-Pipe Shop participated at International Convention on Quality Control Circles (ICQCC) held at Bangkok, Thailand in August '16 and both the QC teams won Gold awards.

14.2 15 QC teams participated at National Convention on Quality Concepts (NCQC) held at Raipur, Chhattisgarh in December '16 in which 08 teams won Par Excellence Award and 07 teams won Excellent Award.

14.3 29 QC teams participated at Chapter Convention on Quality Circles (CCQC) held in Mumbai on 08-09 October '16 in which 21 teams won Gold award, 07 teams won Silver award and 01 team won Bronze award.

14.3.1 "Bhaskar" Quality Circle of Production & Assembly Shop-South Yard had won special Award for Best QC Team of the Day.

14.3.2 "Rang" Quality Circle of SB-Paint Shop won "Special Award for Best Case Study of Convention."

14.3.3 Shri Vinayak Rane of Rang Quality Circle, SB- Paint Shop has won the 1st Rank in the Poster Competition.

14.3.4 Shri Rajendra Bhagat of Phoenix Quality Circle, SB-Design-structural has won the 2nd Rank in the Poster Competition.

14.3.5 Shri Tanmay Pandey of Prabodhan Quality Circle, SB-PSC has won 3rd Rank in the Essay Competition.

14.4 Your company was once again adjudged 'Runners Up' in the BML Munjal Award for Business Excellence through Learning & Development in the year 2016-17. The award organized by Hero Corp. is one of the most prestigious awards in the field of Learning & Development.

14.5 MDL's half yearly Hindi Magazine 'Jaltarang' was awarded 'Kirti Purashkaar' – 1st Prize in 'B' region by the H'ble President of India, Shri Pranab Mukherjee on the occasion of 'Hindi Diwas' on 14 Sep '16.

*Hon'ble Raksha Mantri Shri Arun Jaitley at MDL stall on the occassion of RM's Awards to DPSUs in New Delhi alongwith Hon'ble RRM Dr. Subhash Bhamre and Secretary (DP) Shri. A. K. Gupta on 30 May '17.*

## 15. FUTURE OUTLOOK

15.1 MDL will be leveraging spare capacities available in the Private Sector within the country for liquidating MDL's tasks in hand and for ensuring timely completion of projects. Mega outsourcing has already been initiated in this front and it is envisaged that this step will result in a win-win situation for the DPSU and the private shipyards. The outsourcing content is likely to increase in the future as MDL would be executing a number of projects concurrently.

15.2 With a view to boost exports in the Defence sector and creating global footprint for the country and its products on this front, MDL is exploring to venture into the field of exports by way of manufacturing the products identified by MoD comprising of Warships and Commercial vessels. Towards attainment of this goal MDL has recently constituted International Marketing Team to cater for export requirement of various countries and explore the export potential for its products.

## 16. SWACHH BHARAT INITIATIVES

16.1. Your Company fully adheres to the Prime Minister's Nationwide Swachh Bharat Campaign with the awareness amongst and participation by all sections of the society, so as to make it a mass awareness movement and bring about a lasting behavior change. The Abhiyaan is underway at three levels i) within the Shipyard, ii) adjacent areas, iii) rural areas.

*Swachhta Abhiyan undertaken by MDL employees*

16.2. Your Company has initiated instilling awareness about cleanliness amongst employees through posters, signage, boards, standees, etc. Cleanship within premises is ensured through Block In-charges. Shramdan is carried out by all employees of the Shipyard daily for half an hour at respective work places. Four toilet blocks have been renovated and fourteen more are under renovation. Identification and removal of obsolete records, e-waste, heavy debris, repairs of drainage lines is a regular activity. Out of total 107 old porta cabins 64 have been disposed off and process is on for disposal of the rest. Internal roads are repaired from time to time and are cleaned with the help of sweeping vehicle and cleaning staff.

16.3. Your company has appointed NGO for carrying out daily cleaning of adopted roads approximately 4.5 km. surrounding MDL. Centralised Shramdan by all employees, led by CMD and Directors is carried out at regular intervals. A uniform facelift have been provided for shops of Babu Genu Market located on the approach road to MDL. Construction of three toilet blocks at adjacent Jay Bhim Nagar is in process. Iron grill blocks at road dividers below adjacent eastern freeway have been put up and beautification of boundary wall in the vicinity is in process.

16.4. MDL has adopted Kharade Village at Thane District and is extending support for i) construction of 44 nos. Individual Household Toilets (IHHTs), ii) construction of 04 nos. school toilet blocks in two schools, iii) repairs of 12 toilet blocks in 06 schools, iv) undertaking community village cleanship drives, conducting Swachhata Rally and street plays by students, v) providing dustbins at schools etc. Efforts are also underway for making surrounding five villages Open Defecation Free.

## 17. QUALITY CIRCLES

17.1 Your company continues its participation in Quality Circles competitions representing MDL in various conventions and bagged many awards.

**18. 5S (WORK PLACE MANAGEMENT SYSTEM)**

18.1 5S has been implemented and certified in MDL in 15 workshops/offices/stores. In the year 2016-17, 05 workshops/stores were taken up for implementation of 5S. Internal audit was conducted on a quarterly basis to assess the effectiveness and sustenance of 5S in the 5S certified workshops offices/stores. 26th 5S internal audit was conducted during 16 to 23 Jan '17 in 15 workshops/offices/stores. MDL is committed to progressively implement 5S all over the Yard.

18.2 5S Re-certification audit of 07 MDL Workshops viz. P&A Shop–SY, Sheet Metal Shop, SB-Pipe Shop, Maintenance workshop–NY, Electric Repair Shop, EY Workshop–A&B and EY–Pipe Shop was conducted by Technical Director (TM & Training) of M/s National Productivity Council, New Delhi from 20 – 24 June '16.

18.3 The average score obtained by the above 07 MDL workshops in the 5S Re-certification audit was 82% and the certificate(s) were awarded in the category of "Shrestha".

18.4 The Deputy Director General of M/s National Productivity Council has awarded 5S certificates for 07 MDL workshops on 01 Sep 2016.

**19. ISO 9001:2008 QUALITY MANAGEMENT SYSTEMS**

19.1 ISO 9001:2008 Quality Management System (QMS) certificate of Submarine Division for the scope of "Design, Development & Construction of Submarines" was renewed with effect from 31 May '16 and is valid upto 14 Sep '18.

19.2 The Ist Surveillance audit of the renewed certification was held on 23 and 24 May 2017. The same was successfully completed with "Nil" nonconformities.

**20. QUALITY MANAGMENT SYSTEMS (ISO 9001:2015)**

20.1 MDL has initiated steps to implement ISO 9001:2015 Standard for SB-Division, SM-Division, Marine Engineering Training and Training Department. Existing Lead Auditors, Internal Auditors and Core-team members were imparted in-house training in various ISO 9001:2015 Standard.

20.2 The 1st Surveillance audit of SB-Division as per ISO 9001:2015 Standard is scheduled in Jan '18 and subsequently for other divisions. 02 Internal audits i.e., audit no 36 & 37 are planned during Jul/Aug '17 & Oct/Nov '17 respectively.

**21. INFORMATION TECHNOLOGY**

21.1 The upgrade of hardware for SAP has been carried out.

21.2 Migration of SAP to the new HANA platform with implementation of features like FLM and Fiori is being processed.

21.3 Steps have been initiated to strengthen the perimeter and internal network security.

**22. ENVIRONMENTAL DEVELOPMENT**

22.1 Your company has taken various initiatives towards Sustainable Development and Energy Conservation. In alignment with the Govt. of India's policy to increase the quantum of renewable energy and to reduce energy consumption, various projects were undertaken by your company. Installation of Solar Power Plant, changing of conventional lights to LED lights, procurement of energy efficient welding machines etc are some of the areas where your company had focused.

22.1.1 Your company has installed 100KWp Grid Interactive Solar Power Plant on the roof top of one of the work shop. By installing this Solar Power Plant your company has achieved a cumulative capacity of 840 KWp Solar Power Plant in the company premises. Your company has also placed an order for installation of 450 KWp Solar Power Plant. The installed cumulative capacity 840KWp Solar Power plant will generate nearly 11 lakhs units of energy

*Tree Plantation by CMD on the occassion of World Environment Day.*


*Road show conducted during 46th National Safety Week 06 Mar '17 - 10 Mar '17*

per annum.Your company has initiated process for installation of Net Meters to export excess energy generated during holidays.

22.1.2 Your company is continuing the process of changing conventional lights into LED Lights to save energy. During the financial year all the conventional floodlights installed for illumination of open areas in the yard were changed to LED Flood lights. This has helped your company to save 2.5 lakhs units energy per annum.

22.1.3 A pilot project of replacing conventional lighting fixtures in one of the workshops by LED lighting fixtures were also undertaken by your company and the performance of this project has been found satisfactory . Your company has planned to replace all the conventional lighting fixtures in all the workshops by LED lighting fixtures in the FY 2017 -18.

22.1.4 Your company is keen to adopt energy efficient welding equipment to reduce the energy consumption during welding. Towards this your company has procured 100 numbers of energy efficient inverter based welding machines. This energy saving measure will save 2.00 lakhs units of energy per annum.

## 23. INDUSTRIAL RELATIONS

23.1 Industrial relation scenario during this period was cordial and harmonious. There were no man-hours lost on account of Industrial conflict. In the absence of a recognized Union, efforts were made to resolve issues of mutual concern through deliberations with the Unions on the Bargaining Council. The Pension benefit to the Non-Executives has been successfully implemented post signing of supplementary Long Term Settlement. The revised rate of food items in the Industrial Canteen has been successfully implemented after more than 30 years.

## 24 WELFARE ACTIVITIES

Your Company values its human resources the most. To keep their morale high, apart from statutory welfare measures, your company extends several other welfare activities.

i) Life Insurance Coverage:

Your Company has arranged various Group Savings Linked Insurance Schemes, which provide financial assistance in case of untimely death (accidental/illness) of an employee while on duty. Besides, Group Personal Accident Insurance Scheme has also been in place, which provides 24 hours coverage for compensation in the event of an accident of an employee resulting in death or permanent / partial disability.

ii) Medical Scheme:

All the serving employees, including their dependent family members, are covered under the Medical scheme. Hospitalization claims of around ₹26.86 Crore were disbursed towards treatment to the employees and their dependent family members during the FY 2016-17.

iii) Other Welfare Activities:

Your Company also provides number of welfare measures viz., Onsite Dispensary and Occupational Health Centre, Hospitalization, Wellness Centre, Onsite Gym & Club, Uniform, Monsoon Gears, thoroughly Subsidized Canteen Facility, Scholarship to Unemployed Wards of Employees etc.

## 25. POST RETIREMENT MEDICAL SCHEME (PRMS)

25.1 In order to provide medical facilities to the retired employees and their spouses, your company has Post Retirement Medical Scheme in place. The same is being regulated through Group Mediclaim policy taken from an Insurance Company. Your Company has an annual insurance coverage to the extent of ₹ 2.00, 3.00 & 4.00 Lac for self & spouse in case of Executives. In addition to the above, there is provision for reimbursing additional hospitalization expenses involving 7 (Seven) critical diseases. In case of Non-executives, onetime coverage of ₹ 2.5 lac for self & spouse (each) is also extended. In addition, Executives are also entitled to Outpatient/ Domiciliary Medical Expenses to the tune of ₹ 15000/-, 20000/- & 25000/- every year.

## 26. EXECUTIVES' SUPERANNUATION (PENSION) SCHEME:

26.1 Your Company has introduced a Defined Contributory Superannuation Pension Benefit Scheme to the Executives w.e.f. 01 Jan '07.The company contributes 7% of basic pay + DA towards the corpus of the pension scheme for each eligible executive of the company w.e.f. 01 Jan '07.

## 27. HUMAN RESOURCE DEVELOPMENT

27.1 Your Company has been putting emphasis on the overall development of Human Resources and is committed to continue its relentless efforts in updating the competencies of its executives through exposure to various Learning & Development programs organized by premier management institutions viz. IIM, XLRI & ISB and through sponsoring function based Conferences / workshops. Besides, in order to ensure smooth supply of skill sets for Company's requirement and shipbuilding industry, various training programs viz. trainings of Trade Apprentices under the Apprentices Act, 1961, Graduate Apprentices, Engineering Diploma holders and Marine Engineering students at the Company's run Apprentice Training School, have regularly been organized. For adequate and uninterrupted supply of skill sets to make 'Make in India' initiate more fruitful, your company has increased the capacity of its Apprentice Training School to 625 by way of inducting 200 more Apprentices.

*Cancer screening and early detection camp for MDL lady employees held on 06 Mar '17*

27.2 This year, a program on 'Strategic Management' was organized by IIM Calcutta at Kashid, Maharashtra for senior level executives. Around 47 executives were benefitted.

27.3 A customized 2 (Two) week Management Development Program was also organized by IIM, Indore for both senior and middle level executives from 28.11.2016 to 10.12.2016 as part of Vision 2024, where 30 executives have participated.

## 28. GRIEVANCE REDRESSAL COMMITTEES FOR SCs/STs/WOMEN

Weaker sections of the society are given adequate protection in the form of just and equitable treatment at the hands of employer. To ensure the same, a separate "Grievance Redressal Cell" has been constituted for SC / ST employees. A quarterly meeting of representatives of SC/ ST is held with Director (CP&P) wherein grievances related to SC/ST are discussed and resolved.

## 29. RESERVATION OF POSTS

29.1 Your company has been observing all Government directives and instructions issued from time to time on reservation of posts for SCs / STs / OBCs. All the rosters of SC / ST / OBC / PWD are maintained, which are inspected by the respective Liaison Officer from time to time and also perused by the SC/ST Unions. Detailed statistics regarding the total number of employees, number of women employees, recruitment made during the calendar year 2016 and the representation of SCs / STs / Ex-servicemen as on 01 Jan 2017 are given at Appendices A, B & C to this Report.

## 30. OFFICIAL LANGUAGE IMPLEMENTATION

Your Company has been adhering to the directives issued by the Govt. of India from time to time for extensive use of Hindi for official purposes. To monitor and enhance the progressive use of Hindi, quarterly meetings were regularly held under the chairmanship of Chairman & Managing Director. The sub-committees for Hindi implementation under the chairmanships of respective Directors have also been constituted in each Division. These sub-committees meet every quarter. This has helped effective and progressive use of Hindi language. To promote extensive use of Hindi, a Reward scheme is in place. Workshops on Hindi were conducted every quarter for developing awareness and use in the working knowledge of Hindi. Hindi software viz. Shivaji and Unicode have been installed in all the Personal Computers. To develop an awareness for Hindi language among the employees, Digital Boards have been installed at the entrance of Main Buildings and at conspicuous places for displaying "Aaj ka Shabd" & "Suvichar". This effort has helped employees to understand the meaning of Hindi words used in day to day working and to learn and use the 'Quote' of great personality.

*Throwball Tournament for Lady employees held on 11 Apr '17*

*International Yoga Day observed by MDL employees on 20 Jun '17*

On the occasion of Hindi fortnight, 'Hindi Diwas' was celebrated on 14 September 2016 and "Hindi Pakhwada" was celebrated from 07 September to 30 September 2016. Various competitions on Hindi viz. Typing, Translation, Essay Writing, Debate, Poem and the most popular Singing competition were organized. In these competitions, a large number of Executives and Non-Executives had participated enthusiastically. The winners were felicitated by Chairman & Managing Director. Hindi books worth of ₹ 50,000/- have been purchased for the library during the FY 2016-17. 06 Digital Boards have been installed at conspicuous places.

MDL's half yearly Hindi Magazine 'Jaltarang' has been awarded 'Kirti Purashkaar' – 2nd Prize in 'B' region by Hon'ble President of India Shri Pranab Mukherjee on the occasion of 'Hindi Diwas' on 14 Sep '16. Hindi correspondence is at 97.83%.

Your Company's Rajbhasha Patrika Jaltarang was awarded 1st prize for 'Best Grihpatrika' and 'Official Language Implementation Award' by Rajbhasha Sansthan on 03 Jun '16 at Munnar in Kerala.

Your Company's Rajbhasha Patrika 'Jaltarang' was awarded as the 'Best House Magazine' on 22 Jul '16 in the Corporate Communication Summit, 2016 organised by SCOPE.

## 31. VIGILANCE ACTIVITIES

31.1 As an extended arm of the Central Vigilance Commission, the Vigilance Department takes appropriate action to carry out preventive and punitive vigilance in your Company. It promotes transparency and fairness in various activities of MDL including procurement, outsourcing, recruitment etc. The Vigilance Department also recommends systematic improvements and ensures that integrity is maintained in all domains of the Company's functioning.

31.2 CTE Type Examination:

As a part of Preventive Vigilance activities CTE type (i.e. as conducted by Central Technical Examiner, CVC), intensive examination of Purchase / Subcontracts / Outsourcing orders are taken to verify compliance to prescribed procedures and statutory norms / regulations. During the period 1st April 2016 to 31st March 2017, 11 such CTE type examinations have been carried out by Vigilance Department.

31.3 Complaints:

During the period 01 Apr '16 to 31 Mar '17, Vigilance Department received 46 complaints. Investigation of 25 complaints were pending from 2015–16. Investigation have been completed for 62 complaints and investigation is under progress for the rest.

31.4 Spot Checks / Inspections:

Surprise/Spot checks are also being conducted by Vigilance Department. During the period 01 Apr '16 to 31 Mar '17, 07 numbers of Spot checks/ inspections have been conducted and suggestions/ corrective measures were recommended for systemic improvement.


*CMD inaugurated Vigilance Awareness Week on 28 Oct '16*

31.5 Disciplinary Proceedings:

The pending Disciplinary proceedings against delinquent executives are being closely monitored by Vigilance Department.

31.6 Vigilance clearances:

Timely vigilance clearances were issued for Personal/ official Foreign Tours, Separation (Resignation/Retirement), DPC (Promotion), Board level PESB Recruitment, attending interview/ forwarding applications.

31.7 Vigilance Awareness Activities:

Vigilance Awareness Week (VAW) was observed from 31.10.2016 to 05.11.2016 during which the following activities were conducted:

- In-house Vigilance journal 'SUCHARITA' Vol. XIX was released by CMD and in the same function CMD administered oath/ Integrity Pledge to Directors, Executive Directors and Senior Executives of MDL. All other employees have been administered oath/ Integrity Pledge by respective HOD or senior most executive.
- An interactive Session between CVO and MDL executives was organized on 03.11.2016 wherein 116 executives actively participated.
- A speech by eminent guest speaker Shri V Ramchandran, Ex- CTE, CVC on the subject "Procurement & Contracts" was arranged during the Week. A Suppliers' Meet of contractors / suppliers along with Vigilance & Senior executive of MDL was also arranged on the occasion of celebration of VAW 2016.
- Slogan & Essay completions on vigilance related topics in Hindi, Marathi & English were conducted for MDL employees and their family members to spread Vigilance Awareness. A poster making competition on vigilance matters was also held during the week.

- An online Quiz contest on Vigilance related topics was held for MDL employees.
- The winners in all the above competitions were awarded with prizes at a prize distribution ceremony held on 12.12.2016.
- A sensitization program on Ethics & Moral Values for students of St. Mary School (ICSE), Mumbai was organized on the occasion. The Integrity Pledge was administered on the teachers and students.
- Vigilance Officials visited Kharade Village (a Tribal Village in Thane District adopted by MDL as a part of the CSR Program) and interacted with school children.

31.8 Meeting with CBI officials, Mumbai.

A Vigilance Co-ordination Meeting with SP, CBI, ACB, Mumbai was arranged on 06 / 04 / 2016 to finalize the Agreed List. The Agreed List and Officers of Doubtful Integrity (ODI) for the period 06/04/2016 to 05/04/2017 has been finalized & copies forwarded to CVC & MOD (Vigilance).

31.9 Scrutiny of Annual Property Returns (APR) of MDL executives: As a preventive vigilance measure, property returns of approximately 20% of total number of executives are scrutinized every year by vigilance Department.

## 32. BUSINESS PROMOTION

32.1 Your Company has participated in two International & Five National Exhibitions during the year 2016-17. The exhibitions immensely helped in showcasing MDL's capabilities and technical strength in warship building and submarine construction. The exhibitions were successful in projecting the image and capabilities of India in the Defence Production Sector in general and Warship / Submarine building capabilities in particular.

32.2 During the exhibition your Company displayed posters and backlights on indigenization & also issued booklet on the Company's indigenization programme. This effort was noted and appreciated by the local/ indigenous material suppliers at all the exhibitions.

*Visit of Admiral Vladmir I Korolev Commander-in-Chief, Russian Navy on 17 Mar '17*

## 33. CONSERVATION OF ENERGY

33.1 Information required under Section 134(3)(m) of the Companies Act 2013, pertaining to Conservation of Energy, Technology Absorption is given in Appendix 'D' to this Report.

## 34. PARTICULARS OF EMPLOYEES

Particulars of information in respect of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(i) of the Companies Act (Appointment and Remuneration of Managerial Personnel) Rules 2014 is Nil

## 35. PUBLIC GRIEVANCE COMMITTEE

35.1 Your Company constituted a Public Grievance Committee headed by an officer of the rank of General Manager. The Committee examined and disposed grievances based on their merit.

35.2 CPGRAMS (Central Public Grievance Redress and Monitoring System) : The Committee also deals with redressal of grievances registered on CPGRAMS Portal from the Department of Administrative Reforms & Public Grievances and ensures settlement of online grievances with proper feedback.

## 36 CORPORATE GOVERNANCE

Your Company is complying with the Guidelines on Corporate Governance for CPSEs 2010 issued by the Department of Public Enterprises (DPE) . Necessary disclosures have been made in this regard in the Corporate Governance Report.

A separate report on Corporate Governance as stipulated under the Guidelines forms part of the Annual Report along with the Certificate from the Practising Company Secretary, confirming compliance of conditions of Corporate Governance is placed at Appendix E.

## 37. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY DEVELOPMENT

37.1 Corporate Social Responsibility & Sustainability Development is Company's commitment to its stakeholders to conduct business in an Economically, Socially and Environmentally Sustainable manner.

37.2 Your Company is committed to undertake various programs for integrating social and business goals in a sustainable manner to create social impact through inclusive growth activities to bring about visible impact in particular and society at large. In this regard, your company has adopted Corporate Social Responsibility & Sustainability Policy as part of its compliance of Section 135 of the Companies Act 2013 and Rules framed there under.

37.3 The CSR Budget of your company for 2016-17 is ₹ 15.20 crores (2% of average net profit of previous three FYs as per Companies Act, 2013).

37.4 Your Company has spent ₹ 13.65 Crores towards CSR activities during FY 2016-17 and an amount of ₹ 1.55 Crores remain unspent as number of project/ programs could not commence due to various reasons viz. delay in getting approvals from govt authorities, non-submission of scope of work by NGO and delay in executing commercial process by implementing agency.

37.5 The CSR committee has certified that the implementation and monitoring of the CSR Policy is in compliance with CSR objectives and policy of the Company.

37.6 The annual report on CSR containing the particulars specified in the Companies Act, 2013 is placed at Appendix H.

37.7 Your company has received an award for "Best CSR Practices During Natural Calamities 2016". This award was given by Navbharat during "CSR Leadership Summit & Award" held on 23 Jun '17 in Mumbai.

## 38. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

38.1 The Management Discussion and Analysis Report on the operations of the Company in line with the guidelines issued by the DPE is provided in a separate section and forms a part of this Report placed at Appendix F.

## 39. IMPLEMENTATION OF RTI ACT, 2005

39.1 Under the Right to Information (RTI) Act, 2005, to facilitate provision of information to the citizens requesting for the same, your Company has evolved necessary structure by designating Officers as Assistant Public Information Officer, Public Information Officer and Appellate Authority for the purpose of implementation of the Right to Information Act in the Company. During the year, the Company received 178 applications and 25 appeals. The information / replies sought for were duly furnished. Quarterly and Annual Return for the year to be submitted to Central Information Commission (CIC) had been duly filed and uploaded in RTI - MIS updation system.

## 40. CHANGES IN THE BOARD

40.1 RAdm. R.K.Shrawat, CMD, retired from the services of MDL on 31.12.2016 on superannuation. The Board placed on record their gratitude for the valuable leadership and guidance provided by RAdm. R.K.Shrawat during his tenure as CMD of the Company. Cmde Rakesh Anand, (Retd), assumed the charge

*CMD, MDL alongwith D(CP&P) Children's Aid Society's Mankhurd Home for Mentally Deficient Children, Mumbai* as Chairman & Managing Director, wef 01.01.2017 .The Board welcomed Cmde. R. Anand , on his appointment as CMD of the Company. The Board also welcomed the appointment of part time official (Government) director, Shri Vijayendra, IAS, JS(Naval Systems) MOD w.e.f 04 Aug '16 and Shri Devi Prasad Pande part time non official (Independent) Director w.e.f 13 Sept '17.

## 41. EXTRACT OF ANNUAL RETURN

41.1 The extract of Annual Return in the form No.MGT 9 in terms of Section 92(3) of the Companies Act 2013 and Rule No.12(i) of the Companies (Management & Administration)Rules 2014 has been appended as Appendix 'G' to this report.

## 42. DIRECTORS' RESPONSIBILITY STATEMENT

42.1 As required under Section 134(5) of the Companies Act, 2013 the Directors' Responsibility Statement is given as under, that:-

(a) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit and Loss of the company for that period;

(c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) The Directors had prepared the Annual Accounts on a going concern basis;

(e) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 43. STATUTORY AUDITORS AND THEIR REPORT

43.1 The Comptroller and Auditor General of India under Companies Act 2013, appointed M/s. Ford, Rhodes, Parks & Co., Mumbai, as the Statutory Auditors of the Company for the year 2016-17. The Auditors have certified the Accounts and their Report is placed as a part of Annual Report.

## 44. COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

44.1 The Comments of the Comptroller and Auditor General of India under Section 143 of the Companies Act 2013 have been received and placed as a part of Annual Report.

## 45. COMPLIANCE TO PUBLIC PROCUREMENT POLICY FOR MICRO AND SMALL ENTERPRISES (MSES) ORDER, 2012

Your Company is complying to Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012. Accordingly, out of the total annual procurement, 20 % procurement is being made from MSEs. During the FY 2016-17, your Company has achieved 22.72 % procurement from MSEs. For FY 2017-18, your Company has set the target/goal of 20 % procurement from MSEs.

During the FY 2016-17, your Company had conducted 3 Vendor Development Programmes, out of which one was exclusively for MSEs owned by SC/ST Enterprises. Your Company had also arranged supplier meet (Buyer-Seller) during the year. To further enhance vendor base, your Company had participated in National Level Programmes conducted by MSME-DI and other government bodies.

## 46 ACKNOWLEDGEMENTS

46.1 Your Directors wish to place on record their gratitude and sincere 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

Indian Navy, Greater Mumbai Municipal Corporation, Mumbai Port Trust, Principal Controller of Defence Accounts (Navy), the Departments of Customs, Income Tax, Excise, Service Tax and Sales Tax. The Directors also express their gratitude to the clients, who have extended patronage to the Company. Your Directors also place on record their appreciation for the assistance extended by the Company's Bankers viz. State Bank of India and Canara Bank, the valuable advice rendered and co-operation extended by the Statutory Auditors, M/s. Ford, Rhodes, Parks & Co., Mumbai, and the officers of the Principal Director of Commercial Audit and Ex-officio Member of the Audit Board, Bengaluru. Your Directors also have pleasure in placing on record their appreciation for the devoted efforts put in by the Company's employees at all levels.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

**Cmde Rakesh Anand (Retd)**
**Chairman & Managing Director**

Place: Mumbai
Date: 23 Aug' 17

## APPENDIX 'A' TO THE DIRECTORS' REPORT

### STATEMENT SHOWING POSITION REGARDING REPRESENTATION OF SCHEDULE CASTES AND SCHEDULE TRIBES IN VARIOUS CATEGORIES OF POST ON 01 JAN '16 AND 01 JAN '17

| Classification of Posts / services | As on 01 Jan '16 | | | As on 01 Jan '17 | | |
|---|---|---|---|---|---|---|
| | Total Strength | Schedule Caste | Schedule Tribe | Total Strength | Schedule Caste | Schedule Tribe |
| **Permanent:** | | | | | | |
| Group "A" | 1029* | 189 | 65 | 1085* | 196 | 65 |
| Group "B" | 0 | 0 | 0 | 0 | 0 | 0 |
| Group "C" | 560 | 49 | 2 | 473 | 41 | 0 |
| Group "D" (Excluding Safaiwala) | 3838 | 414 | 214 | 3574 | 378 | 201 |
| Group "D" (Safaiwala) | 15 | 12 | 0 | 14 | 11 | 0 |
| **Temporary:** | | | | | | |
| Group "A" | 0 | 0 | 0 | 0 | 0 | 0 |
| Group "B" | 0 | 0 | 0 | 0 | 0 | 0 |
| Group "C" | 0 | 0 | 0 | 0 | 0 | 0 |
| Group "D"(Excluding Safaiwala) | 0 | 0 | 0 | 0 | 0 | 0 |
| Group "D" (Safaiwala) | 0 | 0 | 0 | 0 | 0 | 0 |
| Group D (Apprentice Under the Act) | 497 | 77 | 34 | 597 | | |
| **Fixed Term Contract for Two Years:** | | | | | | |
| Group "A" | 5 | 0 | 0 | 11 | 2 | 1 |
| Group "B" | 0 | 0 | 0 | 0 | 0 | 0 |
| Group "C" | 197 | 26 | 12 | 220 | 28 | 13 |
| Group "D" (Excluding Safaiwala) | 3377 | 516 | 286 | 2787 | 410 | 239 |
| Group "D" (Safaiwala) | 0 | 0 | 0 | 0 | 0 | 0 |

* Includes Board level executives

## APPENDIX 'B' TO THE DIRECTORS' REPORT

### PARTICULARS OF RECRUITMENT MADE DURING THE CALENDAR YEAR 2016. THE NUMBER FILLED BY MEMBERS OF SC'S / ST'S, REASON FOR SHORTFALL AND STEPS TAKEN TO IMPROVE THE POSITION

| Classification of Posts / services | Total Number of posts Advertised | Schedule Caste | | Schedule Tribes | | Reason for shortfall and steps taken to improve the position |
|---|---|---|---|---|---|---|
| **Permanent:** | | Notified | Filled | Notified | Filled | |
| Group "A" | 113 | 24 | 14 | 24 | 2 | * |
| Group "B" | 0 | 0 | 0 | 0 | 0 | |
| Group "C" | 23 | 1 | 0 | 2 | 0 | |
| Group "D" (Excluding Safaiwala) | 445 | 38 | 0 | 52 | 0 | |
| Group "D" (Safaiwala) | 0 | 0 | 0 | 0 | 0 | |
| **Fixed Term Contract for Two Years:** | | | | | | |
| Group "A" | 9 | 1 | 1 | 1 | 1 | * |
| Group "B" | 0 | 0 | 0 | 0 | 0 | |
| Group "C" | 112 | 6 | 7 | 7 | 7 | * |
| Group "D" (Excluding Safaiwala) | 2323 | 212 | 234 | 191 | 129 | * |
| Group "D" (Safaiwala) | 0 | 0 | 0 | 0 | 0 | |

* Suitable SC, ST candidates were not available, hence Reserved vacancies could not be filled, were carried forward to the year 2017. Group C & D includes SC candidates selected on Merit.

**APPENDIX 'C' TO THE DIRECTORS' REPORT**

**STATEMENT SHOWING REPRESENTATION OF EX-SERVICEMEN IN GROUP 'C' & 'D' AND NUMBER OF WOMEN EMPLOYEES AS ON 01ST JAN '17**

| Classification of Posts / services | Total Strength | Ex service men | | Women Employees | |
|---|---|---|---|---|---|
| | | No | % | No | % |
| **Permanent** | | | | | |
| Group "A" | 1085 | 92 | 8.48 | 60 | 5.53 |
| Group "B" | 0 | 0 | 0 | 0 | 0 |
| Group "C" | 473 | 0 | 0 | 33 | 6.98 |
| Group "D" (Excluding Safaiwala) | 3574 | 2 | 0.05 | 31 | 0.87 |
| Group "D" (Safaiwala) | 14 | 0 | 0 | 0 | 0 |
| **Fixed Term Contract for Two Years** | | | | | |
| Group "A" | 11 | 0 | 0 | 2 | 18.18 |
| Group "B" | 0 | 0 | 0 | 0 | 0 |
| Group "C" | 220 | 0 | 0 | 38 | 17.27 |
| Group "D" (Excluding Safaiwala) | 2787 | 11 | 0.39 | 50 | 1.79 |
| Group "D" (Safaiwala) | 0 | 0 | 0 | 0 | 0 |

**APPENDIX 'D " TO THE DIRECTORS' REPORT**
**ADDITIONAL INFORMATION UNDER SECTION 134(3)(m) OF THE COMPANIES ACT 2013.**

**1. CONSERVATION OF ENERGY**

1.1 Expenditure incurred by your Company on environmental upgradation, pollution control and energy conservation during the year 2016-17 was as under:

| **A. Sustainable Development Projects** | | | | | |
|---|---|---|---|---|---|
| **S. No.** | **ITEM DESCRIPTION** | **Qty.** | **Order No.** | **Order Date** | **Order Value** |
| 1. | Installation of 100KWp Solar Power Plant on Roof Top of Sheet Metal Shop | 1 set | 3020001409 | 27/05/2016 | ₹63.12 lakhs |
| **B. Energy Conservation Projects** | | | | | |
| 1. | Replacement of conventional floodlights by LED Floodlights for illumination of open areas | 300 Nos. | 3020001352 | 07/03/2016 | 47.97 lakhs |
| 2. | Replacement of conventional lighting fixtures by LED lighting fixtures in Workshop | 32 Nos | 3020001497 | 18/10/2016 | 7.75 lakhs |
| 3. | Replacement of conventional Welding Rectifiers with Inverter based Welding Rectifier | 100 Nos. | 3020001348 | 02/03/2016 | 54.63 lakhs |

**2. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION**

1. Four ships of P17A Class shall be constructed at MDL as follow-on of P17 Class. The tripartite contract was signed between MDL, GRSE & Indian Navy on 20 Feb 15. MDL is in process of changing over from its traditional construction wherein Yard will graduate from 40-55 t structural hull units to significantly pre-outfitted 250 t mega blocks in Project P17A. A new improved design by IHQ MoD(N)/DND and detailed design tailored to Integrated Construction with the help of experienced shipyard Fincantieri, Italy (Know How Provider) is arranged for ensuring this change over. Many officers from various departments/designations are trained at Fincantieri, Italy and at MDL to enhance the knowledge regarding block construction.
2. Experience gained through association with National Institute of Design (NID) with regard to Ergonomics and Human Factor Engineering in for P15Avessels is being implemented in the compartment lay out drawings of P15B/P17A vessels at the initial stages.
3. Technology adaptation for warship design optimisation by leveraging Virtual Reality Laboratory (VR Lab). The Line Out Inspection (LOI) is a crucial stage in the construction phase as outfitting consumes almost 80% time of the overall construction period of the ship. The VR lab helped MDL to save substantial time on P15B, increasing the rate of LOI of compartments to an average of 22 per month from 8 per month. The 3D cross check that happens prior to the actual execution of the work allows sufficient number of iterations in the virtual environment thus enhancing the quality of layouts, ergonomic enhancements, better the features.

APPENDIX ' E ' TO DIRECTORS' REPORT

# CORPORATE GOVERNANCE

## 1.1 PHILOSOPHY ON CORPORATE GOVERNANCE

It is the constant endeavour of your Company to adopt and maintain the highest standard of ethics in all sphere of business activities. Your company's philosophy of Corporate Governance is based on the principles of honesty, integrity, accountability, adequate disclosures and legal compliances. It strives for transparency in decision making to avoid conflict of interest. It also accords due importance to adhere to the adopted corporate values and objectives and discharging social responsibilities as a corporate citizen.

In keeping with its professional approach, your company is implementing the precepts of Corporate Governance in letter and spirit.

## 2. COMPOSITION OF BOARD OF DIRECTORS

The Board of Directors of the company as on 31 Mar '17 consisted of Chairman & Managing Director (CMD), two functional directors and one part time official director and three part time non official directors. The Directors as on 31 Mar '17 were as under:

## 2.1 WHOLE TIME DIRECTORS

Cmde R Anand (Retd) - Chairman & Managing Director and also holding additional Charge of Director (Corporate Planning & Personnel) w.e.f. 01.01.2017 and Director (Shipbuilding) w.e.f. 28.02.2017

Capt R Lath (Retd) - Director (Submarine & Heavy Engineering)

Shri Sanjiv Sharma - Director (Finance)

## 2.2 PART-TIME OFFICIAL(GOVERNMENT) DIRECTOR:

Shri Bharat Khera, Joint Secretary (NS), Ministry of Defence till 27 July 2016

Shri Vijayendra, Joint Secretary (NS), Ministry of Defence wef 04 Aug 2016

## 2.3 INDEPENDENT DIRECTORS (PART-TIME NON OFFICIAL DIRECTORS):

Prof. S.L.Bapat

Mrs. Usha Sankar

VAdm. Sanjeev Bhasin(Retd)

## 3. ATTENDANCE OF DIRECTORS IN THE MEETINGS OF BOARD AND SHARE HOLDERS

During the financial year ended 31 Mar '17, seven meetings of the Board of Directors were held i.e. on 6 May '16, 04 Aug '16, 30 Aug '16, 16 Nov '16, 28 Dec'16 , 23 Feb '17 and 10 Mar' 17. The Annual General Meeting was held on 28 Sep '16. Details of attendance of the Directors at the Board Meeting & Annual General Meeting during 2016-17 are given below:

| Sl. | Directors | Meetings held during respective tenure of Director | No. of Board Meetings Attended | Attendance in the last AGM |
|---|---|---|---|---|
| a. | RAdm R K Shrawat (Retd) | 5 | 5 | Yes |
| b. | Cdr P R Raghunath (Retd) | 6 | 6 | Yes |
| c. | Cmde R Anand (Retd) | 7 | 7 | Yes |
| d. | Capt R Lath (Retd) | 7 | 7 | Yes |
| e. | Shri Sanjiv Sharma | 7 | 7 | Yes |
| f. | Shri Bharat Khera | 1 | 0 | NA |
| g. | Prof S.L.Bapat | 7 | 6 | Yes |
| h. | Mrs. Usha Sankar | 7 | 5 | Yes |
| i. | VAdm Sanjeev Bhasin (Retd) | 7 | 6 | No |
| J | Shri Vijayendra | 6 | 5 | No |

## SUB-COMMITTEES OF BOARD OF DIRECTORS

### 4 AUDIT COMMITTEE

4.1 The Audit Committee consisted of following Directors as on 31 Mar '17:

| | | |
|---|---|---|
| Mrs. Usha Sankar | - | Chairperson |
| Prof S.L.Bapat | - | Member |
| Cmde R Anand (Retd) | - | Member as D(CP&P) |

4.2 During the financial year ending 31 March 2017, the Audit Committee met four times i.e on 16 May 2016, 03 Aug 2016, 30 Aug 2016, and 28 Dec 2016. The attendance of Chairman and Members of the Audit Committee in these meetings was as follows:-

| Sl. | Name | Number of meetings held during the tenure of the respective member | Number of meetings attended |
|---|---|---|---|
| a. | Mrs. Usha Sankar | 4 | 3 |
| b. | Prof. S.L. Bapat | 4 | 4 |
| c. | Cmde R Anand (Retd) | 4 | 4 |

4.3 The terms of reference to the Audit Committee, inter-alia, include the following:-

(a) Oversee of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

(b) Recommend to the Board, the fixation of audit fees.

(c) Approve payment to statutory auditors for any other services rendered by the statutory auditors.

(d) Review the annual financial statements before submission to the Board for approval.

(e) Reviewing performance of internal auditors, and adequacy of the internal control systems.

(f) Discuss with internal auditors and / or auditors any significant findings and follow up thereon.

(g) Discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

(h) Review the follow up action on the audit observations of the C&AG audit.

5. Two Chartered Accountant firms have been appointed to conduct internal audit of specific areas of the company's operations. These are in addition to the in-house Internal Audit department. Audit reports given by Internal Auditors were reviewed by Audit Committee and necessary directives were issued. The Company had initiated suitable actions on the said directions.

### 6. PROCUREMENT SUB COMMITTEE (PSC)

6.1 The Procurement Sub Committee consisted following Directors as on 31 Mar '17

| | | |
|---|---|---|
| Cmde R Anand (Retd) | - | Chairman |
| Capt R Lath (Retd) | - | Member |
| Shri Sanjiv Sharma | - | Member |

Prof. S L Bapat in his absence Mrs. Usha Sankar or Vice Admiral Sanjeev Bhasin (Retd)

Cmde R Anand (Retd) also represented D(CP & P) w.e.f. 01.01.2017 and D(S) wef 28.02.2017

6.2 The Procurement Sub-Committee (PSC) of the Board of Directors reviews and approves the procurement proposals as per the powers delegated by the Board. During the year PSC had 9 meetings. The minutes of the meetings of PSC are placed before the Board for information.

### 7. HR & REMUNERATION COMMITTEE

7.1 The HR and Remuneration Committee consisted of following Directors as on 31 Mar '17.

a. Prof S L Bapat

b. Mrs Usha Sankar

c. Vice Admiral Sanjeev Bhasin(Retd)

7.2 The HR and Remuneration Committee of the Board of Directors reviews proposals related to HR issues before the same are placed for approval of Board. During the year, HR and Remuneration Committee had 6 meetings. The minutes of the meetings of HR and Remuneration Committee are placed before the Board for information.

## 8. INVESTMENT COMMITTEE

8.1 A Sub Committee of Board of Directors for investment of company's short term surplus funds was constituted by the Board and the following Directors were the members of the committee as of 31 Mar '17.

Capt R Lath (Retd) - Chairman

Shri Sanjiv Sharma - Member

Cmde R Anand (Retd) - Member as D(CP&P)

8.2 The Committee has been delegated powers to invest short term surplus funds as per DPE guidelines and within the limits prescribed by the Board. The committee meets as and when the available surplus funds are required to be invested.

## 9. COMMITTEE ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABLE DEVELOPMENT (SD)

9.1 The CSR & SD Committee consisted of following Directors as on 31 Mar '17.

Vice Admiral Sanjeev Bhasin(Retd) – Chairman

Prof. S.L.Bapat - Member

Cmde R Anand (Retd) - Member as D(CP&P) & D(S)

The CSR & SD committee oversees the CSR & SD activities and implementation in compliance with the Companies Act, 2013 and the DPE Guidelines on the subject.

## 10. ANNUAL GENERAL MEETINGS

Details of last three Annual General Meetings are as follows:

| FY | Place of Meeting | Date and time |
|---|---|---|
| 2013-14 | Registered Office of the Company at Dockyard Road, Mumbai-400 010 | 25 Aug '14 at 1230 hrs |
| 2014-15 | Registered Office of the Company at Dockyard Road, Mumbai-400 010 | 04 Sep '15 at 1230 hrs |
| 2015-16 | Registered Office of the Company at Dockyard Road, Mumbai-400 010 | 28 Sep '16 at 1230 hrs |

## 11. CODE OF BUSINESS CONDUCT AND ETHICS

The Board of Directors of your company has laid down a Code of Business Conduct & Ethics for all Board Members and Senior Management of the Company. The Board Members and Senior Management Executives have affirmed the compliance with the Code of Business Conduct and Ethics.

## 12. WHISTLE BLOWER POLICY

The company has framed Whistle Blower Policy and the same has been approved by the Board. The policy has been promulgated.

## 13. RISK MANAGEMENT POLICY

Risk Management Plan, approved by the Board of Directors and promulgated, provides risk management implementation framework for MDL. Risk Management plan, as a supporting document, establishes MDL's risk management philosophy, risk management policy, risk management strategy, risk management structure, risk categorisation, risk assessment, risk treatment, risk monitoring, review and reporting.

Risks are identified and categorised. Identified risk are analysed based in their assessed impact and likelihood. Risk treatment for high risk, perceived as per their composite risk index, is brought out and implemented. Risk occurrences are monitored to evaluate the effectiveness of the controls and treatment plan. Plan to integrate Risk Management into the QMS framework is underway.

## 14. REMUNERATION OF DIRECTORS

MDL being a Central Government Public Sector Undertaking, the appointment, tenure and remuneration of Directors of the Company is decided by the Government of India. Part-time Non-official (Independent) Directors are paid only sitting fees for attending meetings of the Board of Directors and Committees thereof. The Independent Directors are paid sitting fees of ₹15,000/- per meeting of the Board or Committee thereof attended by them. In case more than one meeting of the Board or Committee thereof is held on the same day, the sitting fees payable is ₹15,000/- for the first meeting and ₹10,000/- for every additional meeting on the same day attended by the independent Director. The company does not pay any commission to its Directors. Part-time official (Government) Directors are not paid sitting fees or any other remuneration.

## 15. DISCLOSURE

15.1 There were no cases of non-compliance of applicable laws by the company and no penalties/ strictures were imposed on the company by a Statutory Authority on any matter related to any guidelines issued by any Government during the last three years.

15.2 The company has complied with Presidential Directives issued by the Central Government.

15.3 There were no items of expenditure debited in books of Accounts, which are not for the purpose of the business.

15.4 The expenses incurred which are personal in nature and incurred for the Board of Directors and Top Management were NIL.

15.5 The company has not entered into any transactions with any Directors that may have potential conflict with the interest of the company at large. The members of the Board, apart from receiving Directors' remuneration (wherever applicable), do not have any material or pecuniary relationship or transaction with the company which in the judgment of the Board may affect independence of judgment of the directors.

15.6 During the financial year 2016-17 NIL case was filed under Sexual Harassment of women at work place (Prevention, Prohibition and Redressal) Act 2013.

## 16. DECLARATION

As provided under the guidelines on Corporate Governance for CPSEs 2010 issued by Department of Public Enterprises, Government of India, it is hereby declared that all Board Members and Senior Management Executives had affirmed compliance with the code of conduct for Directors and Senior Management Executives of Mazagon Dock Shipbuilders Limited, for the year ended 31 Mar '17.

**Cmde R Anand (Retd)**
**Chairman & Managing Director**

Place : Mumbai

23 Aug' 17

**Ragini Chokshi & Co.**
Company Secretaries
34, Kamar Building, 5th Floor,
38, Cawasji Patel Street, Fort,
Mumbai - 400 001.
Email : ragini.c@rediffmail.com
mail@csraginichokshi.com

To

The Members
Mazagon Dock Shipbuilders Limited

We have examined the compliance of conditions of corporate governance by Mazagon Dock Shipbuilders Limited (formerly known as Mazagon Dock Limited), for the year ended on 31 Mar '17, as stipulated in the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) 2010 issued by the Government.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the aforesaid Guidelines on Corporate Governance.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For Ragini Chokshi & Co.**
Company Secretaries

Sd/
Mrs. Ragini Chokshi
Partner
CP No. 1436
FCS No. 1290
Tel: 22831120, 22831134

Place : Mumbai
Date : 23 Aug'17

**APPENDIX ‛ F**

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2016-17

The Management of your Company is pleased to present its analysis on the performance of the Company for the financial year 2016-17 and its vision for the future.

## (A) NATURE AND SCOPE OF THE SHIPBUILDING INDUSTRY

1.1 Your Company is owned by the Government of India and is operating under the administrative control of the Ministry of Defence, Department of Defence Production. Your Company was conferred the 'Mini-ratna' status in 2006, by the Department of Public Enterprises.

1.2 Your Company is primarily catering to the force requirements of the Indian Navy with the main business thrust being construction of frontline warships and conventional submarines. Warship building industry is highly capital intensive with the requirement of highly skilled workforce and involves integration of high technology, weapon-sensor platforms to meet the strategic mission requirements of the Navy. Since Indian Navy is the end user of these combat platforms, the vessels being built by your company will add teeth to the blue water capability of the country in its maritime defence. Merchant shipbuilding on the other hand is driven by market force and by and large is highly cyclic in nature. Micro and macro economic developments, geo-political scenario will impact the merchant ship segment. Primary driver for warship building is the force level requirements of the Navy and is governed by threat perception and security calculus of the pertinent region. Warships and conventional Submarines are high technology platforms and that can engage the enemy multi-dimensional in a asymmetrical threat scenario. Therefore, with the evolving threat perception, defence technology as such is very dynamic and to keep pace with the technological developments world over is indeed one of the major challenges of defence warship building segment. Shipbuilding Industry has its unique set of nuances and is multidisciplinary in nature. The size of the ship, the triad of capabilities viz. float, move and fight functionalities coupled with state of the art habitability requirements (hotel functions) indeed makes the platform a highly complex one.

1.3 Frontline war vessels and submarines, considering their complexity have a long gestation period for functional design, detailed design, construction and delivery. The maturities of design and procurement available at the time of commencement of production will drive the take-off level for the physical progress of the construction. Therefore, it is always advantageous for a ship yard to take series orders so that enhancement of maturity and the learning curve in the first ship can be effectively leveraged for construction of follow-on ships.

1.4 Your company indeed is blessed with a rich legacy of building wide variety of high-tech warships and has adopted the motto "Building Quality Ships On Time". A modern infrastructure, highly skilled workforce, a group of dedicated engineers has collectively transferred the yard into a center of excellence. With regard to the infrastructure, your company is now capable of handling concurrent multiple projects comprising of ten warships and eleven submarines.

1.5 The Indian Shipyards, particularly in the commercial shipbuilding are starving for orders due to economic downturn and therefore policy initiatives are required to sustain the Indian Shipbuilding industry. The economical environment in the country also needs to be conducive for private players to sustain themselves in the business. There is a long way for the Indian Shipbuilding industry to go compared to that of the developed nations. The best practices being followed in defence yards are now being imbibed through various means into the shipbuilding yards in the country.

1.6 From the maritime defence perspective, India is placed with a coastline of about 7500 KMs and territorial border over 15000 KMs. Therefore, defence preparedness and strategy to safeguard the national interest gain paramount significance. India's geo strategic location in the Indian Ocean Region (IOR) also calls for unique approach for maritime defence. The Govt. of India has remained committed to strengthen the defence capabilities at all levels and particularly Indian navy with the required blue water capability to handle asymmetrical threats. Your company has played a yeoman role in fulfilling aspirations of the Indian navy as major contributor to the Indian defence shipbuilding and submarine construction requirements.

1.7 Your company will continue to make concerted efforts to maintain the growth trajectory by securing orders from their major customer, the Indian navy apart from exploring possibilities of export orders. There is a huge requirement of new warships and submarines for the Indian Navy and your company will continue to play a major role in meeting needs of Navy in the frontline warships and submarine segments

## (B) SWOT ANALYSIS

## 2. STRENGTHS

2.1 Your company is having a fairly good order book position at present with two frontline warship projects comprising of four Frigates and four Destroyers and one submarine project comprising of six scorpene class submarines.

2.2 Your company possesses the requisite infrastructure for adopting the Integrated Construction methodology for building ships and in the warship building arena your company is having an edge over other domestic players. In this regard, your company has appointed a 'Know-How Provider' (KHP) from a European Shipyard who will assist and hand-hold both white and blue collared personnel for realizing Integrated Construction methodology on ground. Your company continues to be the only Defence PSU in the country capable of constructing conventional submarines.

2.3 The modernized infrastructure that your company possesses for integrated construction along with the highly skilled workforce.

2.4 Your company has adapted industry best practices that can enhance productivity and quality.

2.5 Your company has a vast repository of legacy data pertaining to shipbuilding and submarine construction. A highly valuable Technical Information Centre(TIC) is existing within the company premises.

2.6 Your company has a top-notch design facility for warships which can carry out detailed design of frontline warships and submarines.

2.7 Integration of highly complex combat systems and propulsion systems for warships continues to be niche forte of your company.

2.8 The skilled workforce of the company are the backbone for delivering quality ships and submarines. They are adept in absorbing new technologies and adapting novel construction practices.

2.9 With increased outsourcing of manpower, the company has succeeded in injecting more young blood into the system and this step is envisaged to yield long-term returns in terms of availability of skilled manpower adept with warship and submarine building.

2.10 A dedicated Indigenization cell for spearheading 'Make in India' initiatives to enable partnership with the Indian Industry to embark on import substitution.

2.11 Your Company is located at Mumbai, the commercial capital of India. Proximity to the HQ Western Naval Command, Naval Dock Yard and a host of ancillary industry in Mumbai is an added advantage.

2.12 The rich legacy of your company with a wide gamut of vessels constructed and delivered in the past six decades have helped the company to remain as a centre of excellence in the warship building space.

2.13 The company has already implemented ERP solution for better project management. The company has a fully operational virtual reality centre for simulation of detailed design. Product Lifecycle Management (PLM) is being implemented for efficient data management.

2.14 Your Company is certified with ISO 9001-2008 Quality Certificate.

2.15 Good industrial relations.

2.16 Enjoys a very cordial customer relation with the main customer viz. Indian Navy.

## 3. WEAKNESSES

3.1 The real estate availability of your company is limited to 75 acres, which restricts operations of large scale shipbuilding.

3.2 The layout of your company is not optimal like that of a green field shipyard. The layout of production facilities, constrained by availability of limited land area, hinders optimized production flow.

3.3 Movement of vessels is dependent on tide availability thus restricting operational windows.

3.4 Depleting strengths of experienced blue collar work force due to retirements.

3.5 We are dependent on our suppliers and subcontractors for timely delivery of our products and any delay or failure in delivery may result in adverse effect on our business, financial condition and results of operations.

3.6 We are dependent on Indian Navy and MbPT for unpontooning of submarine under refit and construction.

3.7 The existing dock cannot handle large vessels due to dimensional restrictions

## 4. OPPORTUNITIES

4.1 Indian Navy requires a large number of frontline warships to meet the required force levels. This affords good business opportunities for shipbuilding companies across the country, including your company.

4.2 Your Company as the lead shipyard for construction of frontline warships and submarines could be highly potential contender to build warships and submarines dovetailed to meet Indian Navy's acquisition plan.

4.3 The submarine acquisition plan of the Navy lays emphasis on indigenization. Considering the high scope of technology transfer in the ongoing submarine construction programme, your Company will be front runner to win orders for additional submarine construction.

4.4 Modernized infrastructure is a key enabler for reducing build timelines and this opens up opportunities for quick liquidation of orders.

4.5 With defense production opening up for the private sector in the country have opened doors for win-win partnership wherein the strengths in the private sector could be gainfully leveraged by your company to enter into Partnerships for non-core technologies.

4.6 Considering your company's longstanding reputation, Coastal states are likely to approach your Company to set up ship building infrastructure.

4.7 Your company can facilitate the 'Make In India' initiative promulgated by the GoI, for some of the critical ship-borne systems/ equipment in close liaison with OEMs.

4.8 The export potential especially with developing countries is a good opportunity that has opened up. Although commercial shipbuilding is now undergoing a downturn, the maritime defense space is still agile with orders.

## 5. THREATS

5.1 Our entire business operations is affected by the geographical limitation for expansion and any disruption in the operations may materially affect our business.

Our shipbuilding and other facilities are based out of premises in Mumbai. Accordingly, we rely exclusively on our facilities at our Mumbai premises to earn revenues, pay our operating expenses and service our debt. Any significant interruption to, or loss or shutdown of, operations at our shipyard in Mumbai would adversely affect our business.

5.2 The Defence procurement procedure adopted by the Government of India, which focuses on "Make Indian. Buy Indian", has encouraged the domestic private sector to invest and participate in defence production. Your company will have to prepare for an era beyond the "nomination" era as private sector ship builders would like the government to introduce competitive bidding for warship building. The new Defence Procurement Procedure promulgated by the MoD also encourages private sector participation in acquisition of defence assets.

5.3 Losing skilled manpower to private sector.

5.4 Changing preference of defence customers by moving away from single source to multiple sources.

5.5 It may not be commercially viable to continue with telescopic designing of warship. Frozen design which ensures design and procurement maturities become inevitable for honoring contractual timelines and price-lines.

5.6 Stiff competition from established foreign players

There is stiff competition from various private sector shipyards in the international markets such as China, Japan and South Korea. Based on their stronger market positions, competitive labour cost, government supports and larger production capacities, these shipyards may compete vigorously on price. However, we believe that customers consider, among other things, the technical capabilities, quality and efficiency of vessels constructed by us.

5.7 High dependency on foreign sources for weapons and Propulsion Systems

In respect of the weapons and propulsions systems to be fitted on the warships and the submarines, we are dependent on foreign suppliers for sourcing high-tech weapons, sensors and propulsion systems.

5.8 Excessive dependence on the Ministry of Defence and the Indian Navy to procure its order. Any change in the existing government policies may affect our business.

Our Company is highly dependent on the Ministry of defence and the Indian Navy for its business since most of our orders have been procured from Indian Navy. In case there is any new government initiatives or change in the existing policies including but not limited to any bilateral agreements with other countries which could result in GoI procuring ships and submarines from such other countries which could result in loss of business thereby affecting our finances.

5.9 We face stiff competition from other exporters. Our inability in the future to grow and challenge such competition may result in adverse effect on our business, financial condition and results of operations.

5.10 We rely on a small number of customers and partners for a large proportion of our revenue.

## C. RISKS AND CONCERNS

6. Risks and Concern are an integral part of the business of the Company and giving impetus to address these risks with appropriate risk management practices is the main focus. These risks can affect the operating performance, cash flows, financial performance, management performance and sustainability. Your Company has developed an appropriate risk management framework to strategize, monitor, identify, assess and mitigate risks that may potentially impact the Company's performance and barriers to success.

The risks that may affect the Company include:

6.1 Delay in the deliveries may materially and adversely affect our reputation, results of operations and financial condition.

6.2 We may be unable to attract and retain sufficient skilled or qualified personnel. Our business, financial condition and results of operations could be adversely affected if we are unable to recruit and retain suitable staff for our operations.

6.3 We face the risk of unsatisfactory quality of work performed by our subcontractors which could result in a negative impact on our business, reputation, financial condition and results of operations.

6.4 Our businesses are dependent on our information technology infrastructure and we rely on third-party licenses for our business. Any failure or breakdown of our information technology infrastructure may adversely impact our business, reputation, financial conditions and results of operations.

6.5 Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, may adversely affect our business, results of operations and cash flows.

6.6 Our business is substantially affected by prevailing economic, political and other prevailing conditions in India.

6.7 We are dependent on our suppliers and subcontractors for timely delivery of our products and any delay or failure in delivery may result in adverse effect on our business, financial condition and results of operations.

6.8 The volatile nature of prices and non-availability of critical imported raw material in the international market coupled with exchange rate fluctuation, play adversely on the competitive edge of the Company. The exact prediction of timing and the price at which most economic buying can be resorted to, has become highly volatile.

6.9 Meeting customers stringent and dynamic technical specifications:

Company's aim is to achieve its customers stringent and dynamic technical specifications with innovative activities and improvements in processes, products, product applications, etc with technological excellence and expertise.

## (D) CORPORATE INITIATIVES FOR ENSURING SUSTAINED PERFORMANCE AND GROWTH

### 7. INFRASTRUCTURE MODERNISATION

7.1 Your Company has successfully completed the augmentation of its infrastructure through Mazdock Modernization Project (MMP) which comprises of the new Submarine Section Assembly Workshop, new Wet Basin, Heavy Duty Goliath Crane, Module Workshop, Cradle Assembly Shop, Store Building and associated ancillary structures. Introduction of these facilities will augment the shipyards capacity & effectively reduce construction period of warships/Submarines.

The Company has already put all these facilities to intended use for production.

### 8. INFORMATION TECHNOLOGY

8.1 The company has institutionalized SAP / ERP to support its operations. The details are provided in the Directors' Report.

### 9. MARKETING AND BUSINESS DEVELOPMENT

9.1 The company has participated in various Naval/ Defence related exhibitions in India as well as abroad in order to project its capability and to assimilate the product range . The details are provided in the Directors' Report.

### 10. HUMAN RESOURCE INITIATIVES

10.1 Your company has taken a number of initiatives on the HRM front. Some of the initiatives are as below:

10.1.1 Manpower Assessment Study Model is used for forecasting manpower in a scientific way. Manpower is inducted through various modes viz. Permanency, Fix Term Contract for two years, Manpower Outsourcing and Job Contract Outsourcing for optimal utilization of manpower.

10.1.2 The Performance Management System (PMS) already in place for executives has been providing meaningful inputs for individual development vis-a-vis taking care of their promotional aspiration as well. Your company is set to make PMS online in the coming financial year for which activities have been initiated.

10.1.3 Pension to the non-executive category has been implemented during the FY 2016-17. Also a number of progressive HR policies for betterment of Career Progression, Health, Work Environment and Welfare have been devised and implemented during the period which has improved employee morale

## 11. SKILL INDIA INITIATIVES:

11.1 You company has taken a number of steps as part of 'Skill India Initiative'. Three prong strategies have been adopted for contributing towards 'Skill India':

(a) Through the Company run Apprentice Training School:

The intake of ATS has been increased to 625 paving the way for imparting training to 200 more Trainees and this continued during FY 2016-17.

(b) Through adoption of ITIs and Polytechnics:

ITI Chikhaldhara, a Government run institute, in Amravati district of Maharashtra has been adopted. Scholarship program has been started with an annual outgo of ₹ 25.00 lakh, supporting 300 Apprentices during FY 2016-17. Steps have been taken to adopt VTCs run by Father Agnel in Thane. Around 830 Apprentices would get benefitted through this endeavour of MDL.

(c) Skill development through Vocational Training Centers:

Your company has taken a number of initiatives in skill development area by suitably imparting vocational training of 1000 Persons with Disability (PWD) through National Handicap Finance and Development Corporation (NHFDC) at an estimated cost of ₹ 83.62 lakh. Similarly, skill development of 80 candidates has been undertaken through Central Institute of Plastic Engineering and Technology (CIPET) through its various centers viz. Aurangabad and Guwahati at cost of ₹ 25.36 lakh.

## 12. CORPORATE SOCIAL RESPONSIBILITY

MDL's CSR activities include various types of projects in sectors such as Education, Health & Sanitation, Skill Development and Village Development in line with schedule VII of the Companies Act. Major Projects being undertaken in FY 2016-17 are:

12.1 In the Education sector, major projects supported by MDL includes projects like Support to Residential Tribal Girls' School at Kharade Gram Panchayat in Thane district through ABM Sanstha, Creation of 10 Child friendly village through BAL Ashram Trust at Viratnagar in Rajasthan, providing mid day meal to 3148 students in 11 Govt. Schools in Surat district through Akshay Patra Foundation. Further MDL has continued its Support to Mentally deficient Children through Children Aid's Society at Mankhurd, Mumbai. MDL has also undertaken Infrastructure Up-gradation of Bhonsala Military School at Nagpur through construction of cadet's mess (1000 student capacity) at the school.

12.2 Under the Village Development Project, MDL is supporting the adoption of village Kharade in Shahapur Taluka of Thane district for overall development to transform it into a model village. The project includes Installation of solar light, community center, providing potable drinking water, Improving sanitation & Waste Management, setting up e-learning module at Zilla Parishad Schools, Creating Self Help Groups for employment generation and Agriculture Development through implementing partner M/s. Karve Institute of Social Service, Pune.

12.3 Under Health & Sanitation sector, MDL had undertaken projects like Renovation of NICU facility at KEM Hospital, Mumbai, Support & Counseling of cancer patients at 9 cancer hospitals in different states, Vision Restoration of 5000 patients through Cataract Surgeries in Raigad & Thane district, Support to 20 children for Cochlear Implant to address hearing impairment and distribution of assistive aids to 450 PWDs in Maharashtra.

Under Sanitation sector, MDL constructed 44 individual toilets at Kharade village along with construction/ repair of toilet blocks in 08 Govt schools and awareness generation activities. MDL has also undertaken, construction of Community Toilet Block at Jai Bheem Nagar, Mumbai and cleanship of area around MDL. Further, MDL had contributed ₹ 100 lakhs each towards Swachh Bharat Kosh & Clean Ganga Fund.

12.4 Under Skill Development program MDL has adopted ITI at Chikhaldhara, District Amravati for overall development of the institute. MDL supported projects with NHFDC and CIPET for vocational training of 1000 PWDs and 80 youths respectively. Under the Apprentice Training Program, MDL has supported training of 300 youths through the in-house Apprentice Training School.

12.5 Under the Drought Mitigation project in Beed district (Marathwada), MDL supported project for de-silation of water bodies and plantation of 33,000 trees along with other initiatives like Livestock support and livelihood initiatives.

## 13. RESEARCH & DEVELOPMENT

13.1 The various initiatives/projects undertaken by your company under R&D are listed as under:

(a) Ergonomics in Ship Detailed Design- NID Ahmedabad: MoU with National Institute of Design (NID), Ahmedabad has been signed on 13 June 2014 regarding implementation of ergonomics studies and Human Factors Engineering. Seventeen (17) MDL officers received training from NID in the year 2016-17.

(b) NIRDESH: A list of potential R&D projects that can be spearheaded by NIRDESH has been identified. The following proposals are being pursued for implementation by MDL.

| Sr. No. | Title of Project | Expected Deliverables |
|---|---|---|
| 1. | Development of Feedback ANC algorithm for Noise Reduction in HVAC Systems | Developing algorithm suitable for HVAC and validation for implementation at design stage. |
| 2. | Nanostructured Rare Earth Metal Based Ceramic Solid Solutions as an Alternate to Ceramic Wool | Develop, test, optimize an alternate to ceramic wool as heat insulating material |

(c) Project for creation of navigational channel: Feasibility study for creation of a dedicated navigation channel from northern waterfront of MDL to Offshore Container Terminal Berth of MbPT has been finalised in liaison with MbPT and Central Water and Power Research Station (CWPRS) Pune. WAPCOS, a PSU under the Ministry of Water Resources has been engaged for the conduct of bathymetry studies, EIA studies and for seeking requisite clearances for the creation of the channel. WAPCOS has completed data collection and based on that a TOR for rapid EIA was prepared which is presented to the EAC of MoEF in Nov 16.The EIA report has been submitted to the MPCB.

(d) Research activities in welding: MoU has been signed with Welding Research Institute (WRI), Trichy on 04 Dec '14 for research areas in one of the MDL's key production processes – welding. Regular trainings are given to concerned MDL employees every year at WRI, Trichy.

(e) Model testing of P17A ships : Model test of P17A ships are conducted at MARIN Netherlands to obtain a comprehensive assessment of resistance and power requirements and for selection of propeller.

(f) Wind tunnel tests of P17A ships - The process for placing an order on IISc Bangalore for carrying out aerodynamic simulation studies by wind tunnel tests and CFD for P17A ships is at the final stages.

(g) In-house projects: In-house projects have been taken up by R&D teams at MDL for different verticals (Eight specialists groups) that are functioning in the Design Dept under General Manager (Design).

- FE based analysis regarding load distribution on stern tube bearing carried out in February 2017.
- Pressure loss calculation for fresh water system in P17A vessels in PIPENET software carried out in December 2016.
- Modal vibration analysis for fire pump seat P15B ships was completed on 16 Jan '17.

## 14 INTERNAL CONTROL SYSTEM

i. The Company has an Internal Audit Department, which monitors compliances of Company's procedures, and policies with well defined annual audit program and significant audit observations are reported to the Audit Committee of Board of Directors. The Internal Audit function is headed at the level of Addl. General Manager who is reporting directly to the Chairman & Managing Director.

ii. The implementation of SAP/ERP system has helped to strengthen the Internal Control Systems with its in-built checks and balances at various level of operations.

iii. The system of Internal Control comprises well defined organization structures, pre-identified authority level and procedure issued by management covering all vital and important areas of activities which includes Purchase, Inventory consumption, Fixed Assets, Cash & Bank management & Treasury,Payroll, Statutory Compliance, Personnel & all other activities involved in financial statement closing process.

**APPENDIX-G**

# EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31/03/2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS

i) CIN: U35100MH1934GOI002079

ii) Registration Date: 26th FEBRUARY 1934

iii) Name of the Company: MAZAGON DOCK SHIPBUILDERS LIMITED

iv) Category / Sub-Category of the Company: Company limited by shares

v) Address of the registered office and contact details: DOCKYARD ROAD, MUMBAI-400 010 Tele.No.022-23762000 Fax: 022-23726293

vi) Whether listed Company : ~~Yes~~ / No

vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: N.A

## II. PRINCIPLE BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

| Sl. No. | Name and Description of main products /services | NIC Code of the Product/ service | % to total turnover of the Company |
|---|---|---|---|
| 1. | SHIPBUILDING | 89061000 | 100% |

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S. No. | Name and Address of the Company | CIN/GLN | Holding/ Subsidiary / Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1. | Goa Shipyard Limited | U63032GA1967GOI000077 | Associate | 47.21% | Section 2(6) |

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| **A. Promoters (1) Indian** | | | | | | | | | |
| a) Individual/HUF | Nil | Nil | NIL | Nil | Nil | Nil | Nil | Nil | Nil |
| b) Central Govt | Nil | 199,20,000 | 199,20,000 | 100% | Nil | 249,00,000 | 249,00,000 | 100% | 25% |
| c) State Govt(s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| d) Bodies Corp | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| e) Banks / FI | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| f) Any Other | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Sub-total (A) (1):-** | Nil | 199,20,000 | 199,20,000 | 100% | Nil | 249,00,000 | 249,00,000 | 100% | 25% |
| **(2) Foreign** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| a) NRIs - Individuals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| b) Other – Individuals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| c) Bodies Corp. | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| d) Banks / FI | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| e) Any Other.... | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Sub-total (A) (2):-** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Total shareholding of Promoter (A) = (A)(1)+(A)(2)** | Nil | 199,20,000 | 199,20,000 | 100% | Nil | 249,00,000 | 249,00,000 | 100% | 25% |
| **B. Public Shareholding** | | | | | | | | | |
| **1. Institutions** | | | | | | | | | |
| a) Mutual Funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| b) Banks / FI | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| c) Central Govt | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| d) State Govt(s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| e) Venture Capital Funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| f) Insurance Companies | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| g) FIIs | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| h) Foreign Venture Capital Funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| i) Others | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Sub-total (B)(1):-** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **2. Non Institutions** | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | | | | | | | | | |
| ii) Overseas | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| b) Individuals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| i) Individual shareholders holding nominal share capital upto ₹ 1 lakh | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| c) Others | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Sub-total (B)(2):-** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Total Public Shareholding(B)=(B)(1)+(B)(2) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **C. Shares held by Custodian for GDRs & ADRs** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Grand Total (A+B+C)** | Nil | 199,20,000 | 199,20,000 | 100% | Nil | 249,00,000 | 249,00,000 | 100% | 25% |

### (ii) Shareholding of Promoters

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the Company | %of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the Company | %of Shares Pledged / encumbered to total shares | % change in share holding during the year |
| 1. | President of India | 199,19,995 | 100 | Nil | 248,99,995 | 100 | Nil | +25% |
| 2 | Ashok Kumar Gupta, Secretary (DP)* | 1 | 0.00 | Nil | 1 | 0.00 | Nil | Nil |
| 3. | Rahulkumar Shrawat, CMD MDL* | 1 | 0.00 | Nil | 0 | 0.00 | Nil | -100% |
| 4 | Cmde Rakesh Anand | 0 | 0.00 | Nil | 1 | 0.00 | Nil | +100% |
| 5. | Bharat Khera, JS(NS) MOD* | 2 | 0.00 | Nil | 0 | 0.00 | Nil | -100% |
| 6 | Shri Vijayendra, JS(NS) MOD* | 0 | 0.00 | Nil | 2 | 0.00 | Nil | +100% |
| 7. | Prem Kumar Kataria, Addl. (FA) & JS MOD* | 1 | 0.00 | Nil | 0 | 0.00 | Nil | -100% |
| 8. | Dr Ashwani Kumar, Addl FA, MOD | 0 | 0.00 | Nil | 1 | 0.00 | Nil | +100% |
| | **Total** | 199,20,000 | 100% | Nil | 249,00,000 | 100% | Nil | +25% |

### (iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | President of India | | | | |
| | At the beginning of the year | 199,19,995 | 100 | 199,19,995 | 100 |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Bonus shares issued on 31.03.2017) | 49,80,000 | 25 | 49,80,000 | 25 |
| | At the End of the year | 248,99,995 | 100 | 248,99,995 | 100 |
| 2 | Rahulkumar Shrawat, CMD MDL* | | | | |
| | At the beginning of the year | 1 | 0.00 | 1 | 0.00 |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 21.03.2017) | -1 | 0.00 | -1 | 0.00 |
| | At the End of the year | Nil | Nil | Nil | Nil |
| 3 | Prem Kumar Kataria, Addl. (FA) & JS MOD* | | | | |
| | At the beginning of the year | 1 | 0.00 | 1 | 0.00 |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 04.08.2016) | -1 | 0.00 | -1 | 0.00 |
| | At the End of the year | Nil | Nil | Nil | Nil |
| 4 | Ashok Kumar Gupta , Secretary (DP)* | | | | |
| | At the beginning of the year | 1 | 0.00 | 1 | 0.00 |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease | Nil | Nil | Nil | Nil |
| | At the End of the year | 1 | 0.00 | 1 | 0.00 |
| 5 | Bharat Khera, JS(NS) MOD* | | | | |
| | At the beginning of year | 2 | 0.00 | 2 | 0.00 |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 16.09.2016) | -2 | 0.00 | -2 | 0.00 |
| | At the End of the year | Nil | Nil | Nil | Nil |

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 6 | Vijayendra, JS(NS) MOD* | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 16.09.2016) | 2 | 0.00 | 2 | 0.00 |
| | At the End of the year | 2 | 0.00 | 2 | 0.00 |
| 7 | Cmde R Anand , CMD MDL* | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 21.03.2017) | 1 | 0.00 | 1 | 0.00 |
| | At the End of the year | 1 | 0.00 | 1 | 0.00 |
| 8 | Dr. Ashwani Kumar, Addl. (FA) & JS MOD* | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 04.08.2016) | 1 | 0.00 | 1 | 0.00 |
| | At the End of the year | 1 | 0.00 | 1 | 0.00 |

### (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| SI. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | **For Each of the Top 10 Shareholders** | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1. | At the beginning of the year | Nil | Nil | Nil | Nil |
| 2. | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease | Nil | Nil | Nil | Nil |
| | At the End of the year | Nil | Nil | Nil | Nil |

### (v) Shareholding of Directors and KMP :

| SI. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | **For Each of the Directors and KMP** | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | **Directors** | | | | |
| 1. | Cmde Rakesh Anand, CMD MDL* | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 21.03.2017) | 1 | 0.00 | 1 | 0.00 |
| | At the End of the year | 1 | 0.00 | 1 | 0.00 |
| 2. | Vijayendra, JS(NS) MOD* | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (Shares transferred on 16.09.2016) | 2 | 0.00 | 2 | 0.00 |
| | At the End of the year | 2 | 0.00 | 2 | 0.00 |
| | **Key Managerial Personnel** | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease | Nil | Nil | Nil | Nil |
| | At the End of the year | Nil | Nil | Nil | Nil |

* Held as nominee shareholders of the President of India, percentage shareholding rounded off to two decimal places.

### V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

₹ in crore

| | Secured Loans excluding deposits | Unsecured Loans (₹ in Lakhs) | Deposits | Total Indebtedness |
|---|---|---|---|---|
| Indebtedness at the beginning of the financial year. | | | | |
| i) Principal Amount | Nil | Nil | Nil | Nil |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| **Total (i+ii+iii)** | Nil | Nil | Nil | Nil |
| Change in Indebtedness during the financial year | | | | |
| • Addition | Nil | Nil | Nil | Nil |
| • Reduction | Nil | Nil | Nil | Nil |
| **Net Change** | Nil | Nil | Nil | Nil |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | Nil | Nil | Nil | Nil |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| **Total (i+ii+iii)** | Nil | Nil | Nil | Nil |

### VI.REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors :

| Sl N | Particulars of Remuneration | Name of MD/WTD - | | | | | |
|---|---|---|---|---|---|---|---|
| | | **R K Shrawat CMD (Up to 31.12.2016)** | **Rakesh Anand CMD (from 01.01.2017) D (S) (from 28.02.2017) D(CP&P)** | **Rajiv Lath D(S&HE)** | **P R Raghunath D(S) (Up to 27.02.2017)** | **Sanjiv Sharma D(F)** | **Total Amount** |
| 1. | Gross salary | | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 6315311 | 4557993 | 4443227 | 4625989 | 3528634 | 23471154 |
| | (b) Value of perquisites u/s 17(2) of Income Tax Act, 1961 | 742747 | 679026 | 667469 | 701589 | 536440 | 3327271 |
| | (c) Profit in lieu of salary u/s 17(3) of Income Tax At, 1961 | Nil | Nil | Nil | Nil | Nil | Nil |
| 2. | Stock option | Nil | Nil | Nil | Nil | Nil | Nil |
| 3. | Sweat Equity | Nil | Nil | Nil | Nil | Nil | Nil |
| 4. | Commission | | | | | | |
| | - as% of profits | Nil | Nil | Nil | Nil | Nil | Nil |
| | - others | Nil | Nil | Nil | Nil | Nil | Nil |
| 5. | Others | | | | | | |
| | a) Retirement Benefit* | 4337033 | Nil | Nil | 1000000 | Nil | 5337033 |
| | b) Other Benefits (net of perquisite value) | Nil | Nil | Nil | Nil | Nil | Nil |
| | Total A | 11395091 | 5237019 | 5110696 | 6327578 | 4065074 | 32135458 |
| | Ceiling as per the Act | Being a Government Company, Exempted | | | | | |

* Retirement Benefit includes paid PF and Gratuity

**B. REMUNERATION TO OTHER DIRECTORS:**

| Sl. No. | Particulars of Remuneration | Name of Directors | | | Total Amount |
|---|---|---|---|---|---|
| | | Prof.S.L. Bapat | Mrs. Usha Sankar | VAdm. Sanjeev Bhasin | |
| 1. | 1. Independent Directors<br>• Fee for attending board / committee meetings<br>• Commission<br>• Others | 395000<br>-<br>- | 160000<br>-<br>- | 225000<br>-<br>- | 780000<br>-<br>- |
| | Total (1) | 395000 | 160000 | 225000 | 780000 |
| 2. | 2. Other Non-Executive Directors<br>• Fee for attending board / committee meetings<br>• Commission<br>• Others | Nil | Nil | Nil | Nil |
| | Total (2) | Nil | Nil | Nil | Nil |
| | Total (B) = (1)+(2) | 395000 | 160000 | 225000 | 780000 |
| | Total Managerial Remuneration | 395000 | 160000 | 225000 | 780000 |
| | Overall Ceiling as per the Act | Being a Government Company, Exempted | | | |

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | Total Amount |
|---|---|---|---|---|
| | | CS/GM(L&E) till 30.06.2016 | CS (w.e.f. 04.08.2016) | |
| 1. | Gross salary<br>(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961<br>(b) Value of perquisites u/s 17(2) of Income Tax Act, 1961<br>(c) Profit in lieu of salary u/s 17(3) of Income Tax At, 1961 | 3049349<br>269134<br>0 | 1088310<br>0 | 4137659<br>269134<br>0 |
| 2. | Stock option | Nil | Nil | Nil |
| 3. | Sweat Equity | Nil | Nil | Nil |
| 4. | Commission<br>- as% of profits<br>- others | Nil<br>Nil | Nil<br>Nil | Nil<br>Nil |
| 5. | Others | 10145258 | Nil | 10145258 |
| | Total A | **13463741** | **1088310** | **14552051** |

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT / COURT] | Appeal made, if any (give Details) |
|---|---|---|---|---|---|
| **A. Company** | | | | | |
| Penalty | Nil | Nil | Nil | Nil | Nil |
| Punishment | Nil | Nil | Nil | Nil | Nil |
| Compounding | Nil | Nil | Nil | Nil | Nil |
| **B. Directors** | | | | | |
| Penalty | Nil | Nil | Nil | Nil | Nil |
| Punishment | Nil | Nil | Nil | Nil | Nil |
| Compounding | Nil | Nil | Nil | Nil | Nil |
| **C. Other officers in default** | | | | | |
| Penalty | Nil | Nil | Nil | Nil | Nil |
| Punishment | Nil | Nil | Nil | Nil | Nil |
| Compounding | Nil | Nil | Nil | Nil | Nil |

**Cmde Rakesh Anand, (Retd)**
Chairman & Managing Director

Place : Mumbai
Date : 23 Aug' 17

# APPENDIX H

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY

1) A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

Mazagon Dock Shipbuilders Limited (MDL) is committed to take up various developmental Projects / Programs as part of its Corporate Social Responsibility and Sustainability initiatives in order to improve the quality of life of underprivileged and downtrodden sections of the Society and other stakeholders with an attempt to make a meaningful difference in people's lives and contribute towards sustainability of Society and Nation building. The details of Projects / Activities being undertaken / are undertaken is uploaded on MDL website. Similarly, MDL's CSR & Sustainability policy is also available on MDL's website www.mazdock.com.

2) The composition of the CSR Committee:

| | | |
|---|---|---|
| VAdm Sanjeev Bhasin | : | Chairman |
| Cmde Rakesh Anand | : | Member as D(CP&P) and D(S) |
| Prof S L Bapat | : | Member |

3) Average Net Profit of the Company for last three financial years. (₹ in lakhs)

| FY | 2013-14 | 2014-15 | 2015-16 |
|---|---|---|---|
| PAT | 39761 | 49159 | 63782 |
| PAT for CSR | 55007 | 75773 | 97287 |

Average Net Profit ₹ 76022 lac

4) Prescribed CSR Expenditure (2% of the amount as in Item 3 above) ₹ 1520 lac

5) Details of CSR spent during the financial year:

a) Total amount to be spent for the financial year (2016-17) : ₹ 1520.00 lakhs (as per Companies Act, 2013)

b) Amount unspent, if any : ₹ 155.00 lakhs

c) Manner in which the amount spent during the financial year is detailed below:

(₹ in Lakhs)

| Sr. No | CSR project or activity identified | Sector in which the project is covered | Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs was undertaken | Amount Outlay (budgeted) project or program wise | Amount Spent of project or programs Sub heads | | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| | | | | | Direct expenditure on projects or programs | Overheads | | |
| 1 | Support to mentally deficient children with special teachers for training in vocational trades - NGO - Children's Aid Society's Mankhurd Home For Mentally Deficient Children, Mumbai | Education | Local/ Maharashtra/ Mumbai | 19.40 | 13.19 | 0.41 | 40.88 | Children's Aid Society |

(₹ in Lakhs)

| Sr. No | CSR project or activity identified | Sector in which the project is covered | Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs was undertaken | Amount Outlay (budgeted) project or program wise | Amount Spent of project or programs Sub heads | | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| | | | | | Direct expenditure on projects or programs | Overheads | | |
| 2 | Contribution to Clean Ganga Fund of GOI | Sanitation | Others / India | 100.00 | 100.00 | 0.00 | 200.00 | Directly |
| 3 | Contribution to Swachh Bharat Kosh of GOI | Sanitation | Others / India | 100.00 | 100.00 | 0.00 | 200.00 | Directly |
| 4 | Contribution to National Sports Development Fund of GOI | Sports | Others / India | 50.00 | 50.00 | 0.00 | 50.00 | Directly |
| 5 | Renovation and provision of Neonatal Intensive care unit equipment to Municipal Corporation of Greater Mumbai's KEM Hospital, Mumbai | Health | Local/ Maharashtra/ Mumbai | 64.49 | 64.49 | 1.99 | 372.19 | KEM Hospital |
| 6 | Adoption of Tribal Girls School at Changyachapada, Ta: Shahpur | Education | Local/ Thane District Maharashtra | 35.38 | 31.98 | 0.99 | 67.53 | ABM Samaj Prabhodhan Sanstha |
| 7 | Adoption of village Kharade at Shahpur Taluka of Thane district for transforming it into a Model Village. | Village Development | Local/ Thane District Maharashtra | 70.19 | 41.99 | 1.14 | 64.16 | Karve Institute of Social Service |
| 8 | Developing Environment and Livelihood Generation at Beed district | Village Development | Other/ Beed District Maharashtra | 35.31 | 34.70 | 1.08 | 35.78 | Karve Institute of Social Service |
| 9 | Creation of 10 Bal Mitr Gram (BMG) in Alvar District of Rajasthan | Education | Others/ Rajasthan/ Alvar | 23.96 | 23.96 | 0.74 | 47.32 | Bal Ashram Trust |
| 10 | Providing Skill Training to Apprentices under CSR | Skill Development | Local/ Maharashtra/ Mumbai | 296.44 | 296.44 | 9.17 | 112.3 | Directly |
| 11 | Distribution of E- tablets to VIII standard students of Gadhchiroli District of Maharashtra | Education | Others/ Maharashtra/ Gadchiroli | 10.25 | 10.25 | 0.32 | 33.31 | AKANSHA |
| 12 | Erection of Vikrant Memorial in Mumbai | Maintenance of Cultural Heritage | Local/ Maharashtra/ Mumbai | 1.92 | 1.92 | 0.06 | 16.48 | Mumbai Citizen's Group |
| 13 | Installation of SPV lights at Pali District | Village Development | Others/ Rajasthan/ Pali | 14 | 14 | 3.53 | 114.27 | REIL |
| 14 | Cochlear Implant for 20 Children | Health | Local/ Maharashtra/ Mumbai | 61.68 | 61.68 | 1.91 | 137.33 | ALIMCO |
| 15 | Distribution of 450-500 Assistive aids and appliances to PWD candidates (2015 to 2016) | Health | Local / Maharashtra / Mumbai | 26.10 | 26.10 | 0.81 | 52.51 | ALIMCO |

(₹ in Lakhs)

| Sr. No | CSR project or activity identified | Sector in which the project is covered | Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs was undertaken | Amount Outlay (bud-geted) project or program wise | Amount Spent of project or programs Sub heads | | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| | | | | | Direct expenditure on projects or programs | Overheads | | |
| 16 | Skill Development Training of 80 Youths through CIPET | Skill Development | Others/ Maharashtra & Assam/ Auraganbad & Guwahati | 25.36 | 25.36 | 0.78 | 34.52 | CIPET |
| 17 | Skill Development of 1000 PWD candidates through NHFDC | Skill Development | Others/ Mumbai, Raigad & Nashik District of Maharashtra, Tiruvnnamalal District of Tamilnadu, Yadgiri, Raichur, Bagalkot, Bidar & Gulbarga District of Karnataka, Nellor, vishakapatnam & west Godavari of Andhra Pradesh, Ramgarh and Ranchi of Jharkand. | 97.16 | 83.78 | 5.68 | 127.72 | NHFDC |
| 18 | Carrying out cleanliness drive in and around MDL and other Swachh Bharat Activities | Sanitation | Sanitation | 85.45 | 85.45 | 2.0 | 123.15 | Maharashtra Berojgar Yuvak Sewa Sanstha |
| 19 | Construction of Community Toilet Block at Jai Bheem Nagar, Mumbai | Sanitation | Sanitation | 47 | 6.21 | 0.83 | 6.21 | Directly |
| 20 | Renovation & development of Radiology Department Unit at GTB Hospital, Seewri, Mumbai | Health | Local/ Maharashtra/ Mumbai | 98.11 | 0.11 | 0.00 | 0.11 | Mumbai District TB Control Society |
| 21 | Distribution of Mid-Day Meal to 3148 School students | Education | Other/ Gujarat/ Surat | 23.68 | 23.68 | 0.73 | 24.41 | Akshay Patra Foundation |

(₹ in Lakhs)

| Sr. No | CSR project or activity identified | Sector in which the project is covered | Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs was undertaken | Amount Outlay (budgeted) project or program wise | Amount Spent of project or programs Sub heads | | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| | | | | | Direct expenditure on projects or programs | Overheads | | |
| 22 | Support & Counseling to Cancer Patients at 9 Cancer Hospitals | Health | Other/Mumbai, Thane, Nagpur and Wardha districts of Maharashtra, Ahmedabad district of Gujarat, Jaipur & Bikaner districts of Rajasthan, Kolkata district of West Bengal, Pudu-cherry district of Pudu-cherry | 21.50 | 21.50 | 0.66 | 22.16 | Sanjeevani Life beyond Cancer |
| 23 | Cataract Surgeries of 5000 patients in Raigad & Thane district | Health | Local/ Maharashtra/ Raigad & Thane | 150 | 128.31 | 5.51 | 133.82 | Laxmi Charitable Trust |
| 24 | Adoption of ITI Chikaldhara at Amrawati district | Skill Development | Other/ Maharashtra/ Amrawati | 105.90 | 3.79 | 0.12 | 3.91 | ITI, Chikaldhara |
| 25 | De-siltation activity in Beed Region of Maharashtra | Village Development | Other/ Maharashtra/ Beed | 45.14 | 10.59 | 0.33 | 10.92 | International Association of Human Values (IAHV) |
| 26 | Infrastructure upgradation at Bhonsala Military School, Nagpur | Education | Other/ Maharashtra/ Nagpur | 77.20 | 37.35 | 1.16 | 38.51 | Bhonsala Military School |
| 27 | Naval Welfare Fund Trust | Skill Development | Local/ Maharashtra/ Mumbai | 15.00 | 15.00 | 0.46 | 15.46 | Naval Welfare Fund Trust |
| 28 | Distributing Assistive aids to 450 to 500 PWDs (2017 to 2018); | Health | Local / Maharashtra / Mumbai | 12.50 | 12.50 | 0.54 | 13.04 | ALIMCO |
| | **TOTAL** | | | | **1324.33** | **40.95** | | |

6) The total amount budgeted for CSR could not be consumed, as following major projects earmarked for the financial year 2016-17 couldn’t commence due to the reasons stated below:

(₹ in lakhs)

| Sr. No | Project | Amount Budgeted | Reasons |
|---|---|---|---|
| 1 | Installation of SPV solar lights Badhoi, Pali & Shravasti | 160.00 | Delay in commercial process for installation of solar street lights |
| 2 | Adoption of ITI Chikaldhara at Amrawati district | 105.00 | Delay in commercial process for installation of solar street lights and solar power plant. |
| 3 | Renovation & development of Radiology Department Unit at GTB Hospital, Seewri, Mumbai | 98.00 | The implementing agency could not complete the required commercial procedure for awarding the civil work |
| 4 | Construction of Community Toilet block at Jai Bheem Nagar (Mumbai) | 47.00 | Delay in getting requisite NOC from MbPT |
| 5 | Construction of Ladies Hostel at Kumbhavade, Kankavali | 182.00 | The implementing agency is yet to submit the detailed Scope of Work, therefore Commercial Procedure could not begin. |

MDL is committed to abide by the provisions of the Section 135 of the Companies Act’ 2013, Rules framed there-under and the guidelines issued by Department of Public Enterprises (DPE) from time to time in implementing the programs/ projects under CSR.

7) A responsibility Statement of the CSR Committee

"The implementation and monitoring of CSR policy, is in compliance with CSR objectives and Policy of the company."

**CMDE R ANAND (RETD) D(CP&P)**
**MEMBER, CSR & SD COMMITTEE**

Place : Mumbai
Date : 23 Aug '17

**VADM SANJEEV BHASIN (RETD)**
**CHAIRMAN, CSR & SD COMMITTEE**

## TEN YEARS AT A GLANCE

FINANCIAL POSITION & OPERATING RESULTS

₹ in Cr

| | | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **(A) FINANCIAL POSITION :** | | | | | | | | | | | |
| 1 | Equity Share Capital | 249.00 | 199.20 | 199.20 | 199.20 | 199.20 | 199.20 | 199.20 | 199.20 | 199.20 | 199.20 |
| 2 | Preference Share Capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 24.74 | 49.49 | 74.23 |
| 3 | Other Equity | 2359.78 | 2124.21 | 1681.02 | 1894.04 | 1615.09 | 1319.37 | 940.82 | 756.15 | 576.9 | 369.19 |
| 4 | Net Worth | 2608.78 | 2323.41 | 1880.22 | 2093.24 | 1814.29 | 1518.57 | 1140.02 | 980.09 | 825.59 | 642.62 |
| 5 | Capital Employed | 3068.9 | 2716.87 | 2260.21 | 1776.91 | 1438.29 | 1486.62 | 837.06 | 842.66 | 755.94 | 622.93 |
| 6 | Gross Block | 844.54 | 637.70 | 497.60 | 375.20 | 312.79 | 314.81 | 301.87 | 297.55 | 264.03 | 249.15 |
| 7 | Net Fixed Assets (Net Block) | 546.27 | 367.76 | 270.53 | 176.12 | 126.03 | 123.36 | 114.78 | 113.73 | 87.86 | 80.35 |
| 8 | Working Capital | 2522.63 | 2349.11 | 1989.68 | 1600.79 | 1312.26 | 1363.26 | 722.28 | 728.93 | 668.08 | 542.58 |
| **(B) OPERATING RESULTS :** | | | | | | | | | | | |
| 1 | Contract Revenue (VOP) | 3523.67 | 4106.22 | 3592.60 | 2865.51 | 2290.64 | 2523.69 | 2611.41 | 2856.13 | 2568.93 | 2321.69 |
| 2 | Value Added | 1222.42 | 1265.45 | 1312.16 | 1337.09 | 1160.34 | 1127.87 | 947.60 | 896.76 | 584.98 | 459.80 |
| 3 | Gross Margin (EBIDTA) | 891.01 | 977.03 | 776.33 | 606.03 | 631.17 | 705.75 | 378.79 | 398.66 | 405.54 | 389.48 |
| 4 | Gross Profit | 851.62 | 933.22 | 745.47 | 587.80 | 616.53 | 692.61 | 366.23 | 386.49 | 397.32 | 382.11 |
| 5 | Added Value | 584.12 | 705.34 | 550.31 | 428.34 | 487.34 | 557.09 | 295.08 | 314.39 | 329.95 | 327.19 |
| 6 | Profit/(Loss) Before Tax | 847.72 | 929.32 | 746.00 | 587.57 | 638.89 | 691.78 | 366.05 | 386.47 | 397.28 | 380.70 |
| 7 | Provision for Tax | 314.23 | 360.84 | 254.41 | 189.96 | 226.17 | 197.47 | 122.53 | 146.28 | 126.55 | 139.84 |
| 8 | Profit/(Loss) After Tax | 525.12 | 575.23 | 491.59 | 397.61 | 412.72 | 494.31 | 243.52 | 240.19 | 270.73 | 240.86 |
| **(C) APPROPRIATION:** | | | | | | | | | | | |
| 1 | Capital Redemption Reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 24.74 | 24.74 | 24.75 |
| 2 | General Reserve | 0.00 | 350.00 | 350.00 | 260.00 | 285.00 | 375.00 | 200.00 | 150.00 | 180.00 | 182.00 |
| 3 | Dividend-Equity Shares (Declared) | 165.41 | 199.20 | 100 | 100 | 100 | 99.6 | 49.8 | 49.8 | 49.8 | 41.83 |
| 4 | Dividend-Preference Shares | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.84 | 2.46 | 4.07 | 6.06 |
| 5 | Tax on Proposed Dividend | 33.67 | 40.55 | 19.99 | 17.00 | 17.00 | 16.16 | 8.21 | 8.68 | 9.15 | 8.14 |
| 6 | Corporate Social Responsibility | 0.00 | 13.16 | 12.77 | 3.96 | 7.26 | - | - | - | - | - |
| **(D) RATIOS :** | | | | | | | | | | | |
| 1 | Gross Profit : Capital Employed | 0.277 | 0.343 | 0.33 | 0.331 | 0.429 | 0.466 | 0.438 | 0.458 | 0.525 | 0.614 |
| 2 | Net Profit : Net Worth | 0.201 | 0.248 | 0.261 | 0.19 | 0.228 | 0.326 | 0.214 | 0.245 | 0.328 | 0.375 |
| 3 | Gross Margin : Gross Block | 1.055 | 1.532 | 1.56 | 1.615 | 2.018 | 2.242 | 1.255 | 1.34 | 1.536 | 1.563 |
| 4 | Added Value : Contract Revenue (VOP) | 0.166 | 0.172 | 0.153 | 0.149 | 0.213 | 0.221 | 0.113 | 0.11 | 0.128 | 0.141 |
| 5 | Profit Before Tax : Contract Revenue (VOP) | 0.241 | 0.226 | 0.208 | 0.205 | 0.279 | 0.274 | 0.14 | 0.135 | 0.155 | 0.164 |
| 6 | Contract Revenue (VOP) : Gross Block | 4.172 | 6.439 | 7.22 | 7.637 | 7.323 | 8.017 | 8.651 | 9.599 | 9.73 | 9.319 |
| 7 | Value Added : Contract Revenue (VOP) | 0.347 | 0.308 | 0.365 | 0.467 | 0.507 | 0.447 | 0.363 | 0.314 | 0.228 | 0.198 |
| **No. of Employees :** | | 8655 | 8945 | 9131 | 8640 | 8670 | 8325 | 8090 | 8072 | 8018 | 7764 |
| Gross Margin per employee | | 0.103 | 0.109 | 0.085 | 0.07 | 0.073 | 0.085 | 0.047 | 0.049 | 0.051 | 0.05 |

Note: The previous period (FY 2015-16 and 2014-15) figures have been regrouped/reclassified wherever necessary to conform to the current presentation.

# INDEPENDENT AUDITOR'S REPORT

## To the Members of Mazagon Dock Shipbuilders Limited

## Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of 'Mazagon Dock Shipbuilders Limited' ('the Company'), which comprise the Balance Sheet as at 31st March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2017 and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### Emphasis of Matters

We draw attention to note no. 2.36.2 to the standalone Ind AS financial statements relating to the balances due from / to Indian Navy which are in the process of reconciliation.

Our opinion is not modified in respect of these matters.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, we give in Annexure - I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by the directions issued by the Office of the Comptroller and Auditor General of India under section 143(5) of the Act, we give in Annexure - II, a statement on the matters referred to in those directions.
3. As required by section 143(3) of the Act, we report that:
   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   c. the Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
   d. in our opinion, the aforesaid Standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act
   e. the provisions of Section 164(2) of the Act are not applicable to Government Company;
   f. with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure III';
   g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements (Refer note no. 2.35 to the standalone Ind AS financial statements).
      ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. However, the Company does not have any derivative contracts.
      iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv) The Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company (Refer note no. 2.49 to the standalone Ind AS financial statements).

**For Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm's Registration No. 102860W/W100089

Sd/-
Shrikant Prabhu
Partner
Membership No. 35296

Place: Mumbai
Date : 23 Aug '17

## Annexure - I

**Annexure to the Independent Auditor's Report of even date on the Standalone Ind AS Financial Statements of Mazagon Dock Shipbuilders Limited**

**Report on Companies (Auditor's Report) Order, 2016, issued by the Central Government in terms of sub section (11) of section 143 of the Companies Act, 2013 ('the Act')**

As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government in terms of sub section (11) of section 143 of the Act, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of the audit, we further report that: -

1. (a) As per the information and explanations given to us, the fixed asset register showing full particulars including quantitative details and situation of its fixed assets is compiled by the Company.

   (b) As per the information and explanations given to us the fixed assets of the Company have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable having regard to the size of operations of the Company and the nature of its assets. No material discrepancy were noticed on physical verification.

   (c) The title deeds of immovable properties are held in the name of the Company except for the following:

| Sr. No. | Plot No. | Location | Type of Property | Area (in Sq Mtrs) | Remarks |
|---|---|---|---|---|---|
| 1 | Plot No. 355 PH I | Dockyard Road, Mumbai | Leasehold | 6240.14 | Lease renewal of the plots is under consideration of MBPT. Awaiting formulation of land policy. |
| 2 | Plot No. 355 PH II | Dockyard Road, Mumbai | Leasehold | 1960.93 | |
| 3 | Extension. Of Slipway | Dockyard Road, Mumbai | Leasehold | 3746.00 | |
| 4 | Additional Water Area for further extension of slipway to 20M | Dockyard Road, Mumbai | Leasehold | 1850.00 | |
| 5 | F Type Sector – ¾ | Vashi, Navi Mumbai | Quarters | 96.95 | Deed of Apartments & its registration is under process. |
| 6 | F Type Sector - 10 | Vashi, Navi Mumbai | Quarters | 100.00 | |
| 7 | JN – 1 Type Sector -10 | Vashi, Navi Mumbai | Quarters | 19.25 | |
| 8 | JN-2 Type Sector -10 | Vashi, Navi Mumbai | Quarters | 45.85 | |
| 9 | JN – 4 Type Sector- 10 | Vashi, Navi Mumbai | Quarters | 61.20 | |

2. (a) As per the information and explanations given to us the inventory (except those held with third parties) has been physically verified by the management during the year at reasonable intervals.

   (b) The discrepancies between the physical inventory and the book records noticed on physical verification were not material and have been properly dealt with in the books of account.

3. The Company has not granted any loan or given any guarantee or provided any security to companies, firms or other parties covered in the register maintained under Section 189 of the Act.

4. The Company has not granted any loan, given any guarantee or provided any security covered u/s 185 of the Act. Section 186 of the Act relating to investments, loans granted, guarantees given and security provided is not applicable to the Company being a Government company engaged in defense production.

5. The Company has not accepted any deposits from the public within the meaning of the provisions of Section 73 to 76 or any other relevant provisions of the Act and Rules framed thereunder.

6. We have broadly reviewed the cost records maintained by the Company, as prescribed by the Central Government under sub section (1) of section 148 of the Act, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of these records with a view to determine whether they are accurate and complete.

7.(a) According to the information and explanations given to us by the management and on the basis of examination of the books of accounts carried out by us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales-tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess and any other statutory dues, as applicable, with the appropriate authorities. There were no undisputed arrears of statutory dues outstanding as at 31st March, 2017 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us by the management and the records of the Company examined by us, there were no disputed dues in respect of Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax and Cess which have not been deposited as on 31st March, 2017 except as stated below:

| Sr. No. | Name of Statute | Period | Amount (₹ in Lakhs) | Forum where dispute is pending |
|---|---|---|---|---|
| 1. | Central Excise Act,1944 | F.Y. 2001-02 to F.Y. 2003–04 and F.Y.2007-08 | 383 | CESTAT, Mumbai |
| 2. | Central Excise Act, 1944 | F.Y. 2000-01 | 15 | Additional Commissioner, Mumbai |
| 3. | BST Act,1959 | F.Y. 1980-81 to F.Y. 2004-05 | 107,983 | Maharashtra Sales Tax Tribunal,Mumbai |
| 4. | MVAT Act, 2002 | F.Y. 2005-06, F.Y. 2006-07, F.Y. 2008-09, F.Y. 2009-10, F.Y. 2010-11, F.Y. 2011-12 and F.Y. 2012-13 | 3,420 | Jt. Commissioner of Sales Tax |
| 5. | Karnataka Sales Tax Act | F.Y. 1989-90, F.Y. 1990-91, F.Y. 1992-93, F.Y. 1995-96 to F.Y. 1996-97 | 304 | Karnataka Sales Tax Appellate Tribunal |
| 6. | Service tax | F.Y. 2001–02 to F.Y. 2003-04 | 3,949 | Bombay High Court |

| Sr. No. | Name of Statute | Period | Amount (₹ in Lakhs) | Forum where dispute is pending |
|---|---|---|---|---|
| 7. | Service tax | F.Y. 2004-05 to F.Y. 2013-14 | 2,928 | Commissioner of Service Tax – I Mumbai |
| 8. | Income Tax | A.Y. 2014-15 | 4,418 | Commissioner of Income Tax (Appeals) |
| 9. | Custom Duty | F.Y. 2007-08 | 8 | Asst. Commissioner of Customs |

8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions during the year. The Company has not issued any debentures.

9. According to the information given to us and as per the records examined by us, the Company has not made any public offer during the year and has not availed term loans from banks during the year.

10. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

11. Section 197 of the Act relating to managerial remuneration is not applicable to the Company being a Government Company.

12. Clause (xii) of the Order is not applicable to the Company since the Company is not a Nidhi Company.

13. All the transactions with the related parties are in compliance with Section 177 and 188 of the Act, where applicable and the details as required by the Accounting Standards have been disclosed in the standalone Ind AS financial statements.

14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

15. The Company has not entered into any non-cash transactions covered in Section 192 of the Act with Directors or persons connected with him during the year.

16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For Ford Rhodes Parks & Co. LLP**

Chartered Accountants
Firm's Registration No. 102860W/W100089

Sd/-
Shrikant Prabhu
Partner
Membership No. 35296

Place: Mumbai
Date: 23 Aug '17

## Annexure - II to the Independent Auditor's Report

**To the Members of Mazagon Dock Shipbuilders Limited**

As referred to in Paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in our Auditors' report of even date and as required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013, we give below our comments on the matters referred therein.

1. **Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/ lease deeds are not available.**

   The Company has clear title/lease deeds for freehold and leasehold land except;

| Sr. No. | Plot No. | Location | Type of Property | Area (in Sq Mtrs) | Remarks |
|---|---|---|---|---|---|
| 1 | Plot No. 355 PH I | Dockyard Road, Mumbai | Leasehold | 6240.14 | Lease renewal of the plots is under consideration of MBPT. Awaiting formulation of land policy. |
| 2 | Plot No. 355 PH II | Dockyard Road, Mumbai | Leasehold | 1960.93 | |
| 3 | Extension. Of Slipway | Dockyard Road, Mumbai | Leasehold | 3746.00 | |
| 4 | Additional Water Area for further extension of slipway to 20M | Dockyard Road, Mumbai | Leasehold | 1850.00 | |

2. Please report whether there are any cases of waiver / write off of debts / loans / interest etc., if yes, the reasons there for and the amount involved.

| Sr. No. | Name of the Party | Amount written off (₹ in Lakhs) | Reasons |
|---|---|---|---|
| 1. | PCDA(N) | 925.00 | Delivery of P15A-12701 Ship was due on 29th June, 2014 including the extended period for delivery. However, the same got delivered on 9th July, 2014, resulting in a levy of LD for 11 days amounting to ₹ 1,425.35 lakhs calculated on total contract price. The total contract price includes B&D and BFE components on which LD is not leviable. The amount of ₹ 1,425.35 lakhs has been deducted by the Navy from one of the claim bill raised by the Company on the Navy. The Company has shown an amount of ₹ 1,425.35 lakhs as receivable in the earlier year out of which an amount of ₹ 925.00 lakhs (relating to LD on Contract Price excluding B&D and BFE components) has been charged off as an expense during the year as the Company has accepted the deduction made by the Navy. |

3. **Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.**

   The total value of inventory of the Company lying with third parties is ₹ 353.09 lakhs as at 31st March, 2017. The Company has maintained only manual records identifying inventories lying with third parties. In our opinion, track of such inventories needs to be maintained through the ERP system operated by the Company in order to have proper control on such inventories. There are no assets received as gift from Government.

**For Ford Rhodes Parks & Co. LLP**

Chartered Accountants
Firm's Registration No. 102860W / W100089

Sd/-
Shrikant Prabhu
Partner
Membership No. 35296

Place: Mumbai
Date: 23 Aug '17

# Annexure III

**Annexure to the Independent Auditor's Report of even date on the Standalone Ind AS Financial Statements of Mazagon Dock Shipbuilders Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

We have audited the internal financial controls over financial reporting of Mazagon Dock Shipbuilders Limited ('the Company') as of 31st March, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone Ind AS financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Ford Rhodes Parks & Co. LLP**

Chartered Accountants
Firm's Registration No. 102860W / W100089

Sd/-
Shrikant Prabhu
Partner
Membership No. 35296

Place: Mumbai
Date: 23 Aug '17

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF M/S. MAZAGON DOCK SHIPBUILDERS LIMITED, MUMBAI FOR THE YEAR ENDED 31 MARCH 2017.**

The preparation of financial statements of M/s. Mazagon Dock Shipbuilders Limited, Mumbai for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 23 August 2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of **M/s. Mazagon Dock Shipbuilders Limited, Mumbai** for the year ended 31 March 2017. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

**For and on behalf of the**
**Comptroller & Auditor General of India.**

Prachi Pandey
21.9/XVII

**(Prachi Pandey)**
**Pr. Director of Commercial Audit**
**& Ex-Officio Member Audit Board, Bangalore.**

**Place: Bangalore**
**Date: 21 September 2017**

# BALANCE SHEET AS AT 31st MARCH, 2017

| | | Notes | As at 31st March, 2017 (₹ in Lakhs) | As at 31st March, 2016 (₹ in Lakhs) | As at 1st April, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|
| | **ASSETS** | | | | |
| **(1)** | **Non-current assets** | | | | |
| (a) | Property, Plant and Equipment | 2.1.1 | 52492 | 34493 | 26148 |
| (b) | Capital work-in-progress | 2.2 | 9843 | 16958 | 14589 |
| (c) | Other intangible assets | 2.1.2 | 2135 | 2283 | 905 |
| | | | **64470** | **53734** | **41642** |
| (d) | Financial assets | | | | |
| (i) | Investments | 2.3 | 600 | 600 | 600 |
| (ii) | Trade receivable | 2.4 | 1605 | 1674 | 1569 |
| (iii) | Loans | 2.5 | 308 | 293 | 271 |
| (iv) | Other financial assets | 2.6 | 340 | 340 | 340 |
| (e) | Deferred tax assets (net) | 2.7 | 48381 | 50054 | 46278 |
| (f) | Non-current tax assets (net) | | 18114 | 12809 | 22036 |
| (g) | Other non-current assets | 2.8 | 14215 | 11339 | 7739 |
| | **Total non-current assets** | | **148033** | **130843** | **120475** |
| **(2)** | **Current assets** | | | | |
| (a) | Inventories | 2.9 | 402865 | 424467 | 443573 |
| (b) | Financial assets | | | | |
| (i) | Trade receivables | 2.10 | 74620 | 91973 | 150967 |
| (ii) | Cash and cash equivalents | 2.11 | 14288 | 89777 | 21488 |
| (iii) | Bank balances other than cash and cash equivalents | 2.12 | 822000 | 790500 | 740000 |
| (iv) | Loans | 2.13 | 664 | 696 | 615 |
| (v) | Others | 2.14 | 14765 | 16592 | 18904 |
| (c) | Assets held for sale | | 2 | - | - |
| (d) | Other current assets | 2.15 | 419902 | 325853 | 340894 |
| | **Total current assets** | | **1749106** | **1739858** | **1716441** |
| | **Total Assets** | | **1897139** | **1870701** | **1836916** |
| | **EQUITY AND LIABILITIES** | | | | |
| | **EQUITY** | | | | |
| | Equity Share capital | 2.16 | 24900 | 19920 | 19920 |
| | Other equity | 2.17 | 235978 | 212421 | 168102 |
| | **Total equity** | | **260878** | **232341** | **188022** |
| | **LIABILITIES** | | | | |
| **(1)** | **Non-current liabilities** | | | | |
| (a) | Financial liabilities | | | | |
| (i) | Trade payable | 2.18.1 | 1605 | 1674 | 1569 |
| (ii) | Others | 2.18.2 | 14 | 8 | - |
| (b) | Other long-term liabilities | 2.19 | 16695 | 13163 | 10474 |
| (c) | Long-term provisions | 2.20 | 121104 | 118568 | 119378 |
| | **Total non-current liabilities** | | **139418** | **133413** | **131421** |
| **(2)** | **Current liabilities** | | | | |
| (a) | Financial liabilities | | | | |
| (i) | Trade payables | 2.21 | 89826 | 109275 | 86498 |
| (ii) | Others | 2.22 | 17007 | 20568 | 17563 |
| (b) | Other current liabilities | 2.23 | 1381739 | 1368465 | 1408156 |
| (c) | Short-term provisions | 2.24 | 8271 | 6639 | 5256 |
| | **Total current liabilities** | | **1496843** | **1504947** | **1517473** |
| | **Total liabilities** | | **1636261** | **1638360** | **1648894** |
| | **Total Equity and Liabilities** | | **1897139** | **1870701** | **1836916** |
| | Significant accounting policies and notes to the financial statements | 1 and 2 | | | |

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2017

| | | Notes | 2016-17 (₹ in Lakhs) | 2015-16 (₹ in Lakhs) |
|---|---|---|---|---|
| **I.** | **Revenue from Operations** | | | |
| | i Contract revenue | 2.25 | 352,367 | 410,622 |
| | ii Other operating revenue | 2.26 | 607 | 2,084 |
| | | | 352,974 | 412,706 |
| **II** | **Other Income** | 2.27 | 76,456 | 75,963 |
| **III.** | **Total Revenue** | | **429,430** | **488,669** |
| **IV.** | **Expenses:** | | | |
| | Cost of materials consumed | 2.28 | 214,007 | 264,497 |
| | Employee benefits expense | 2.29 | 71,738 | 75,472 |
| | Finance costs | 2.30 | 390 | 390 |
| | Depreciation and amortization expenses | | 3,939 | 4,381 |
| | Sub-contract | | 11,019 | 13,492 |
| | Power and fuel | | 2,604 | 2,822 |
| | Other expenses :(a) Project related | 2.31 | 14,171 | 20,352 |
| | (b) Others | 2.32 | 15,945 | 12,161 |
| | Provisions | 2.33 | 10,845 | 2,170 |
| | **Total Expenses** | | **344,658** | **395,737** |
| **V.** | **Profit before tax** | | **84,772** | **92,932** |
| **VI.** | **Tax expense:** | | | |
| | Current tax | | 29,307 | 35,220 |
| | Deferred tax | | 2,116 | 407 |
| | Tax adjustments relating to prior years | | - | 457 |
| **VII.** | **Profit / (Loss) for the year** | | **53,349** | **56,848** |
| **VIII.** | **Other comprehensive income** | | | |
| | A) Items that will not be reclassified to profit or loss | | | |
| | i) Remeasurement of defined employee benefit plan (net of tax) | | (837) | 675 |
| | B) Items that will be reclassified to profit or loss | | - | - |
| **IX.** | **Total comprehensive income for the year** | | **52,512** | **57,523** |
| **X.** | **Earning per Share** | | | |
| | Basic and Diluted | | 214.25 | 228.31 |
| | Significant accounting policies and notes to the Financial Statements | 1 and 2 | | |

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED 31st MARCH, 2017

| Sr.No | Particulars | 2016-17 (₹ in Lakhs) | 2015-16 (₹ in Lakhs) |
|---|---|---|---|
| A | **Cash Flow From Operating Activities** | | |
| | **Net Profit Before Tax** | 84772 | 92932 |
| | **Adjustments for :** | | |
| | **(+) Non Cash Expenditure and Non Operating Expenses** | | |
| | Depreciation / Amortisation | 3939 | 4381 |
| | Finance cost | 390 | 390 |
| | **(-) Non operating income** | | |
| | Profit / Loss on sale of fixed assets | (31) | (7) |
| | Interest income | (63288) | (67806) |
| | Dividend received | (879) | (742) |
| | **Other items** | | |
| | Fund utilised for CSR | - | (1169) |
| | **Operating profit before working capital changes** | **24902** | **27979** |
| | **Adjustment for (increase) / decrease in working capital** | | |
| | **Adjustments for :** | | |
| | Inventories | 21602 | 19106 |
| | Trade receivables and loans and advances | 17439 | 58787 |
| | Other current and non current assets | (126929) | (36225) |
| | Trade payables and provisions | (16578) | 24104 |
| | Other current and non current liabilties | 13252 | (33990) |
| | **Cash generated from operations** | (66312) | 59761 |
| | **Direct tax paid (net)** | (34612) | (30990) |
| | **Net cash from (used in) operating activities** | **(100924)** | **28771** |
| B | **Cash flow from investing activities** | | |
| | Purchase of fixed assets (net of adjustments) | (21836) | (14115) |
| | Capital work in progress | 7116 | (2369) |
| | Sale of fixed assets | 76 | 19 |
| | Capital advance | (113) | (522) |
| | Interest income | 63288 | 67806 |
| | Dividend received | 879 | 742 |
| | **Net cash from / (used in) investing activities** | **49410** | **51561** |
| C | **Cash flow from financing activities** | | |
| | **Dividend paid (including tax on dividend)** | (23975) | (12036) |
| | Interest paid | - | (7) |
| | **Net cash from / (used in) financing activities** | **(23975)** | **(12043)** |
| | **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | **(75489)** | **68289** |
| | **Cash and cash equivalents at the beginning of the year** | **89777** | **21488** |
| | **Cash and cash equivalents at the end of the year** | **14288** | **89777** |
| | Note: Figure in bracket indicate outflow | | |

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

## Note 1: Statement of Significant Accounting Policies

**1) Corporate information:**

The Company is a Government Company domiciled and incorporated in India. The registered office of the Company is located at Dockyard Road, Mumbai.

The Company is principally engaged in building and repairing of ships, submarines, various types of vessels and related engineering products for its customers.

**2) Significant accounting policies:**

**2.1 Basis of preparation:**

These financial statements have been prepared in compliance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015. These financial statements are the Company's first Ind AS Financial statements

**2.2 Summary of significant accounting policies:**

**a) Use of estimates:**

The preparation of Financial Statements in accordance with Ind AS requires use of estimates and assumptions for some items, which might have an effect on their recognition and measurement in the Balance Sheet and Statement of Profit and Loss. The actual amounts realised may differ from these estimates. Accounting estimates could change from period to period. Appropriate changes in estimates are made as the management becomes aware of changes in circumstances surrounding the estimates. Differences between the actual results and estimates are recognised in the period in which the results are known / materialized.

**Estimates and assumptions are required in particular for:**

**i. Determination of the estimated useful life of tangible assets and the assessment as to which components of the cost may be capitalized:**

Useful life of tangible assets is based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful life is different from that prescribed in Schedule II, it is based on technical advice, taking into account the nature of the asset, estimated usage and operating conditions of the asset, past history of replacement and maintenance support.

**ii. Recognition and measurement of defined benefit obligations:**

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

**iii. Recognition of deferred tax assets:**

A deferred tax asset is recognised for all the deductible temporary differences and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the unused tax losses can be utilized. The management assumes that taxable profits will be available while recognising deferred tax assets.

**iv. Recognition and measurement of other provisions:**

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may vary.

**v. Discounting of long-term financial liabilities**

All financial liabilities are measured at fair value on initial recognition. In case of financial liabilities, which are required to be subsequently measured at amortised cost, interest is accrued using the effective interest method.

**vi. Determining whether an arrangement contains a lease:**

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At the inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate. In case of operating lease, the Company treats all payments under the arrangement as lease payments.

**vii.** Determination of estimated cost to complete the contract is required for computing revenue as per Ind AS 11 on 'Construction Contracts'. The estimates are revised periodically.

**b) Current versus non-current classification:**

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

**i. An asset is treated as current when it is:**

i. Expected to be realised or intended to be sold or consumed in normal operating cycle

ii. Held primarily for the purpose of trading

iii. Expected to be realised within twelve months after the reporting period, or

iv. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non - current.

**ii. A liability is treated as current when it is:**

i. It is expected to be settled in normal operating cycle

ii. It is held primarily for the purpose of trading

iii. It is due to be settled within twelve months after the reporting period, or

iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are treated as non - current.

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

**c) Property, plant and equipment:**

i. Property, plant and equipment, including capital work-in-progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Capital works executed internally are valued at prime cost plus appropriate overheads.

- Cost means cost of acquisition, inclusive of inward freight, duties, taxes and other incidental expenses incurred in relation to acquisition of such assets. It also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised.
- When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.
- When a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.
- Spares purchased along with PPE are capitalised.
- The present value of the expected cost for decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.
- Unserviceable tangible assets are valued at the net realisable value. In case the net realisable value is not available, the same is considered at 5% of original cost as scrap value. For IT hardware assets, i.e. end user devices such as desktops, laptops, etc. residual value is considered as nil.
- An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The Company has elected to measure all its Property Plant & Equipment, on the date of transition i.e. 1st April 2015, at deemed cost being the carrying value of the assets in accordance with previous GAAP.

Funds received from customers for acquisition or construction of property, plant and equipment from 1st April, 2015, are recognised as deferred revenue, which is amortised equally over the useful lives of the assets.

ii. Depreciation:

(a) Depreciation is calculated on a straight-line basis, based on the useful lives specified in Schedule II to the Companies Act, 2013 except for the following items, where useful lives are estimated on technical assessment by technical experts, past trends and management estimates:

| Asset class | Description | Years |
|---|---|---|
| Plant & Machinery | Wet basin | 60 |
| Plant & Machinery | Goliath crane (300 ton capacity) | 30 |

(b) Loose tools costing over ₹ 5000 is written off evenly over a period of five years commencing from the year of purchase.

(c) Additions to assets individually costing ₹ 5000 or less are depreciated at 100%.

(d) Spares purchased along-with the main asset are depreciated over the estimated useful life of that asset.

(e) In respect of additions / extensions forming an integral part of the existing assets, depreciation has been provided over residual life of the respective assets.

(f) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(g) Depreciation on property, plant and equipment commences when the assets are ready for intended use

(h) In respect of assets whose useful life has been revised, the unamortised depreciable amount has been charged over the revised remaining useful life of the assets.

(i) The residual value of all the assets have been considered at 5% of the original cost of the respective assets, except for computer and related hardware assets, where the residual value is considered to be nil.

(j) When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

**d) Intangible assets:**

Intangible assets are stated at cost of acquisition less accumulated amortisation and accumulated impairment, if any. Amortisation is done over their estimated useful life of five years on straight line basis from the date they are available for intended use.

**e) Impairment of assets:**

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment and intangible assets may be impaired. If any such impairment exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less cost of disposal and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**f) Investment in associate:**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control over those policies.

Company has investment in equity shares of its associate and it is measured at cost. Provision for Impairment loss on such investment is made only when there is a diminution in value of the investment which is other than temporary.

**Exemption availed under Ind AS 101:** On transition to Ind AS, Company has elected to continue with the carrying value of its investments in its associate as at April 1, 2015, measured as per previous GAAP and used that carrying value as the deemed cost of the same.

**g) Foreign currency transactions:**

The financial statements are prepared in Indian Rupees being the functional currency.

- Transactions denominated in foreign currencies are initially recorded at the exchange rate prevailing on the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange at the reporting date.
- Non-monetary items that are measured in terms of historical cost in a foreign

currency are translated using the exchange rates at the dates of the initial transactions.

- Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

**h) Borrowing costs:**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowings of funds and includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

**i) Inventory valuation**

i. Raw materials and stores and general spares are valued at weighted average cost.

ii. Equipment for specific projects are valued at cost.

iii. Stock-in-transit is valued at cost.

iv. Cost of inventories comprises of purchase cost, conversion and other cost incurred in bringing them to the present location and condition.

v. Provision for obsolescence will be made for raw materials, stores and spares not moved for over 3 years. For Project specific material, obsolescence is provided to the items for which shelf life is expired.

vi. Scrap is valued at estimated net realizable value.

vii. Work in progress and finished goods other than construction contracts & ship repair contracts have been valued at lower of cost and net realisable value.

**j) Revenue recognition**

**i. Construction & repair contracts**

**Fixed Price Contract:**

When the outcome of a construction / repair contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The estimated cost of each contract is determined based on management estimate of cost to be incurred till final completion of the vessel and includes cost of material, services and other related overheads. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction / repair contract cannot be reliably estimated, contract revenue is recognized only to the extent of contract cost incurred that are likely to be recoverable.

**Cost Plus Contract:**

In case of Cost plus contracts, contract revenue is recognized on the basis of cost incurred plus profit margin applicable on the contract, when such cost can be estimated reliably.

Additional revenue, in respect of contracts completed in earlier years, is accounted for as contract revenue in the year in which such revenue materializes.

**Unbilled Revenue:**

When contract costs incurred till date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as 'Unbilled Revenue'.

**Unearned Income:**

For contracts where gross billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as 'Unearned Income'.

Amounts received in excess of trade receivables are presented in the statement of financial position as a liability, as 'Advances received'. Amounts billed as per terms of contract / work performed but not yet paid by the customer are classified under 'Trade receivables'.

**ii. Dividend income**

Dividend income from investments is recognized when the Company's right to receive payment has been established, which is generally when shareholders approve the dividend.

**iii. Interest income**

For all debt instruments, interest income is recorded using the effective interest rate (EIR). Interest income is included in finance income in the statement of profit and loss.

**iv. Rendering of services**

Revenue from services is recognized in the accounting period in which the services are rendered. For fixed price contracts exceeding 12 month tenure, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided

**v. Insurance claims:**

Amounts due against insurance claims are accounted for on accrual basis; in respect of claims which are yet to be finally settled at the end of reporting date by the underwriter, credits are reckoned, based on the company's estimate of the realisable value.

**k) Financial instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Assets:**

**i. Classification:**

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

**ii. Initial recognition and measurement:**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

**iii. Financial assets measured at amortised cost:**

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The losses arising from impairment are recognised in the Statement of profit and loss. This category generally applies to trade and other receivables.

iv. **Financial assets measured at fair value through other comprehensive income (FVTOCI):**

Financial assets under this category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income.

v. **Financial assets measured at fair value through profit or loss (FVTPL):**

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

vi. **Investment in equity instruments:**

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income.

vii. **Investment in debt instruments:**

A debt instrument is measured at amortised cost or at FVTPL. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of profit and loss.

viii. **Impairment of financial asset:**

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss of all the financial assets that are debt instrument and trade receivable.

ix. **Derecognition of financial assets:**

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

**Financial liabilities:**

Financial liabilities of the Company are contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

The Company's financial liabilities include loans & borrowings, trade and other payables.

i. **Classification, initial recognition and measurement**

Financial liabilities are recognised initially at fair value minus transaction costs that are directly attributable to the issue of financial liabilities. Financial liabilities are classified as subsequently measured at amortized cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit and Loss over the period of the borrowings using the effective rate of interest.

ii. **Subsequent measurement**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. In each financial year, the unwinding of discount pertaining to financial liabilities is recorded as finance cost in the statement of profit and loss.

iii. **De-recognition of financial liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance cost.

iv. **Retentions**

Retention amount payable / receivable under the terms of the contracts with the vendors / customers are retained towards performance obligation under the normal terms of trade and do not constitute financial arrangement and hence are not amortised.

v. **Security deposit**

Security Deposits obtained from vendors below ₹ 1 lakh individually are not amortised as the same is not considered material.

**l) Leases**

**i. As a lessee**

Leases of property, plant and equipment where the Company, as lessee, where substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rent shall be charged as expense in the period in which they are incurred.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**ii. As a lessor**

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

**m) Employee benefits**

**i. Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**ii. Other long-term employee benefit obligations**

The liabilities for earned leave and sick leave that are not expected to be settled wholly within 12 months are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the Government Securities (G-Sec) at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Statement of Profit and Loss.

**iii. Post-employment obligations**

The Company operates the following post-employment schemes:

(a) defined benefit plans such as gratuity and post-retirement medical scheme for non executives; and

(b) defined contribution plans such as provident fund, pension and post-retirement medical scheme for executives.

**Gratuity**

Gratuity Fund, a defined benefit scheme, is administered through duly constituted independent Trust and yearly contributions based on actuarial valuation are charged to revenue. Any additional provision as may be required is provided for on the basis of actuarial valuation as per Ind AS 19 on Employee Benefits.

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

**Post-retirement medical scheme**

The post-retirement medical scheme to the non executives employees is a defined benefit plan and is determined based on actuarial valuation as per Ind AS 19 on Employee Benefits using Projected Unit Credit method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

The post-retirement medical scheme liability towards executives is recognised on accrual basis and charged to statement of profit and loss, which is a contribution plan.

**Provident fund and Pension**

Retirement benefits in the form of Provident fund and Family pension funds are defined contribution plans and the contribution is charged to Statement of Profit and Loss of the year when the contributions to the respective funds are due in accordance with the relevant statute.

Defined contribution to Superannuation Pension Scheme is charged to statement of Profit & Loss at the applicable contribution rate as per approved Pension scheme.

**n) Dividend to equity shareholders**

Dividend to Equity Shareholders is recognised as a liability and deducted from shareholders equity, in the period in which dividends are approved by the equity shareholders in the general meeting.

**o) Provision for current & deferred tax**

Income tax expense represents the sum of current tax, deferred tax and adjustments for tax provisions of previous years. It is recognised in Statement of Profit and Loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

**Current income tax:**

Current tax comprises of the expected tax payable on the taxable income for the year. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Deferred tax:**

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date using the tax rates and laws that are enacted or substantively enacted as on reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and credits can be utilised. Deferred tax relating to items recognised in other comprehensive income and directly in equity is recognised in correlation to the underlying transaction.

Deferred tax assets and liabilities are offset only if:

- Entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- Deferred tax assets and the deferred tax liabilities relate to the income taxes levied by the same taxation authority.

**p) Provision for doubtful debts and loans and advances:**

Provision is made in the accounts for doubtful debts, loans and advances in cases where the management considers the debts, loans and advances to be doubtful of recovery.

**q) Warranty provision:**

Provision for warranty related costs are recognised when the product is sold or services are rendered to the customer in terms of the contract. Initial recognition is based on the historical experience and management estimates. The initial estimate of warranty related costs are revised periodically.

**r) Provision, contingent liabilities and contingent assets:**

A provision is recognised if as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are not recognised but disclosed in the Financial Statements when economic inflow is probable.

**2.1.1 TANGIBLE ASSETS : 2016-17**

(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions | Adjust-ments | Dis-posal | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments | Disposal | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| A | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Freehold Land | 2867 | - | - | - | 2867 | - | - | - | - | - | 2867 | 2,867 |
| 2 | Buildings: i) Factory Building | 3622 | 856 | - | - | 4478 | 2781 | 60 | - | - | 2841 | 1637 | 841 |
| | ii) Office and Staff Quarters | | | | | | | | | | | | |
| | a) RCC | 2145 | 293 | - | - | 2438 | 587 | 54 | - | - | 641 | 1797 | 1558 |
| | b) Non RCC | 295 | 137 | - | - | 432 | 49 | 15 | - | - | 64 | 368 | 246 |
| 3 | Road | 735 | - | - | - | 735 | 166 | 133 | - | - | 299 | 436 | 569 |
| 4 | Other Civil Works | 9 | - | - | - | 9 | 3 | 3 | - | - | 6 | 3 | 6 |
| 5 | Plant and Equipment | 22762 | 2449 | - | 765 | 24446 | 11563 | 993 | - | 727 | 11828 | 12617 | 11199 |
| 6 | Furniture and Fixtures | 1573 | 310 | - | - | 1883 | 685 | 154 | - | - | 839 | 1044 | 888 |
| 7 | Vehicles | 2016 | 63 | - | 12 | 2067 | 551 | 236 | - | 11 | 776 | 1291 | 1465 |
| 8 | Office Equipment | 2099 | 757 | - | 79 | 2777 | 1344 | 320 | - | 75 | 1589 | 1188 | 755 |
| 9 | Building Berths, Kasara Basin, Dry Docks and Launchways | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Computers and Data Processing Units | | | | | | | | | | | | |
| | i) Desktops, Laptops etc. | 1872 | 307 | - | 247 | 1932 | 1644 | 200 | - | 246 | 1598 | 334 | 228 |
| | ii) Server and Network | 1462 | 1333 | - | 34 | 2761 | 1022 | 194 | - | 34 | 1182 | 1579 | 440 |
| 11 | Loose Tools | 1386 | 107 | - | - | 1493 | 1304 | 129 | - | - | 1433 | 60 | 82 |
| 12 | Ship - Launches and Boats | 897 | - | - | - | 897 | 610 | 15 | - | - | 625 | 272 | 287 |
| 13 | Electrical Installation and Equipments | 1587 | 334 | - | 13 | 1908 | 821 | 149 | - | 12 | 957 | 951 | 766 |
| | **Sub-total** | **45327** | **6946** | **-** | **1150** | **51123** | **23130** | **2655** | **-** | **1105** | **24680** | **26444** | **22197** |
| | Previous Year's Figures | 37089 | 8379 | (36) | 105 | 45327 | 21005 | 2218 | - | 93 | 23130 | 22197 | 16083 |

Note : 9 Nos. Vessels under the head "Launches and Boats" costing ₹ 897 Lakhs are registered in the name of CMD of the Company to comply with the requirement of Indian Costal Act,1838 / Indian Vessels Act, 1917.

(₹ in Lakhs)

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions | Adjust-ments | Dis-posal | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments | Disposal | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| 1 | Buildings: i) Factory Building | 8779 | 9,318 | - | - | 18096 | 381 | 304 | - | - | 685 | 17412 | 8398 |
| | ii) Office and Staff Quarters | - | - | - | - | | - | | - | - | - | - | - |
| | a) RCC | - | 1,565 | - | - | 1565 | - | 2 | - | - | 2 | 1563 | - |
| | b) Non RCC | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Roads | | 133 | | | 133 | | 2 | | | 2 | 131 | - |
| 2 | Plant and Equipment | 4385 | 1,312 | - | - | 5696 | 822 | 196 | - | - | 1018 | 4679 | 3563 |
| 3 | Electrical Installation and Equipments | - | 626 | - | - | 626 | - | 5 | - | - | 5 | 621 | - |
| 4 | Furniture and Fixtures | - | 226 | - | - | 226 | - | 5 | - | - | 5 | 221 | - |
| 5 | Office Equipment | - | 145 | - | - | 145 | - | 7 | - | - | 7 | 138 | - |
| 6 | Computers and Data Processing Units | | | | | | | | | | | | - |
| | i) Server and Network | 338 | - | - | - | 338 | 2 | 56 | - | - | 58 | 280 | 336 |
| 7 | Ship - Launches and Boats | - | 1,017 | - | - | 1017 | - | 11 | - | - | 11 | 1006 | - |
| | **Sub-total** | **13502** | **14341** | **-** | **-** | **27843** | **1204** | **590** | **-** | **-** | **1794** | **26049** | **12297** |
| | Previous Year's Figures | 10571 | 2603 | 327 | - | 13501 | 505 | 699 | - | - | 1204 | 12297 | 10066 |
| | **Total Tangibles Assets (A+B)** | **58829** | **21287** | **-** | **1150** | **78966** | **24334** | **3245** | **-** | **1105** | **26474** | **52492** | **34493** |
| | Previous Year's Figures | 47660 | 10982 | 291 | 105 | 58828 | 21510 | 2917 | - | 93 | 24334 | 34493 | 26148 |

**2.1.2 INTANGIBLE ASSETS**
(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions in the year | Adjust-ments in the Year | Dispo-sal in the Year | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| **A** | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Computer Software/SAP-ERP | 892 | - | - | - | 892 | 258 | 149 | - | - | 407 | 485 | 634 |
| 2 | Other than SAP-ERP | 2632 | 546 | - | - | 3178 | 1161 | 509 | - | - | 1670 | 1508 | 1471 |
| | **Sub Total** | **3524** | **546** | **-** | **-** | **4070** | **1419** | **658** | **-** | **-** | **2077** | **1993** | **2105** |
| | Previous Year's Figures | 1863 | 1661 | - | - | 3524 | 958 | 461 | - | - | 1419 | 2105 | 905 |

(₹ in Lakhs)

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions in the year | Adjust-ments in the Year | Dispo-sal in the Year | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| 1 | Computer Software/SAP-ERP | 1237 | - | - | - | 1237 | 1237 | - | - | - | 1237 | - | - |
| 2 | Other than SAP-ERP | 181 | - | - | - | 181 | 3 | 36 | - | - | 39 | 142 | 178 |
| | **Sub Total** | **1,418** | **-** | **-** | **-** | **1,418** | **1,240** | **36** | **-** | **-** | **1,276** | **142** | **178** |
| | Previous Year's Figures | 237.00 | 1181 | - | - | 1418 | 237.00 | 1003 | - | - | 1240 | 178 | - |
| | **Total Intangible Assets (A+B)** | **4942** | **546** | **-** | **-** | **5488** | **2659** | **694** | **-** | **-** | **3353** | **2135** | **2283** |
| | Previous Year's Figures | 2100 | 2842 | - | - | 4942 | 1195 | 1464 | - | - | 2659 | 2283 | 905 |
| | **Total Assets (i+ii)** | **63771** | **21833** | **-** | **1150** | **84454** | **26993** | **3939** | **-** | **1105** | **29827** | **54627** | **36776** |
| | Previous Year's Figures | 49760 | 13824 | 291 | 105 | 63770 | 22705 | 4381 | - | 93 | 26993 | 36776 | 27053 |

**2.1.3** (i) Residential Building at Vashi: Registration formalities are pending in respect of flats at Vashi purchased from CIDCO amounting to ₹ 114 lakhs (Previous year ₹ 114 lakhs).

**2.1.4** Government of Kerala has assigned "Free of Cost" 40.52 acres of land and handed over the same to the Company in September 2010 for setting up National Institute of Warship/Submarine design and indigenisation centre. A society titled "National Institute for Research and Design in Defence Shipbuilding" (NIRDESH) has been formed in 2010-11 by Government of India, Ministry of Defence, having representation from all the shipyards including the Company under the control of Ministry of Defence, Department of Defence Production. As per the order of Government of Kerala dated 24.04.2015, the ownership of land shall be retained by the Company and only possession will be handed over to NIRDESH for undertaking future infrastructure development.

**2.1.5** Depreciation has been charged on single shift basis during the year except for wet basin on which depreciation has been charged on double shift basis.

**2.1.6** No provision for impairment of assets has been considered necessary during the year as required under Indian Accounting Standard - 36.

**2.1.7** As envisaged under the Schedule II to the Companies Act 2013, the Company has charged the depreciation on its existing tangible assets on straight line basis over the balance life of the assets keeping a residual value of five percent, except for computers and data processing units where no residual value is retained.

**2.1.8** As per Significant Accounting Policy at Para-IV (C), assets amounting to ₹ 11492 lakhs (Previous Year ₹ 11135 lakhs) (net cost to Company) were capitalised upto 31st March 2017 as jointly funded by the Company and Indian Navy and depreciation of ₹ 3070 lakhs (Previous Year ₹ 1244 lakhs) has been accounted on it upto 31st March 2016. Total Assets of ₹ 101612 lakhs (Previous Year ₹ 87272 lakhs) are jointly funded by the Company and Indian Navy.

**Assets jointly funded by MDL and Indian Navy**

(₹ in Lakhs)

| Sr. No. | Particulars | Office and Factory Building | Electric Installa-tions & Equip-ment | Plant and Equip-ment | CDPU | Tempo-rary Struc-ture | Ships , Launches & Boats | Office Equip-ment | Furni-ture and Fix-tures | Intan-gible asset SAP | Roads | Total as on 31-03-17 | Total as on 31-03-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Total Cost upto 31.03.2017 | 33788 | 626 | 63790 | 345 | 96 | 1017 | 158 | 241 | 1418 | 133 | **101612** | **87272** |
| 2 | Less: Funded By Navy | 25409 | 626 | 61098 | 345 | 96 | 966 | 158 | 241 | 1181 | - | **90120** | **76137** |
| **3** | **Funded By MDL** | **8379** | - | **2692** | - | - | **51** | - | - | **237** | **133** | **11492** | **11135** |
| | Previous Year's Figures | 8221 | - | 2677 | - | - | | - | - | 237 | - | **11135** | **9572** |

**2.1.1 TANGIBLE ASSETS : 2015-16**

(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions | Adjust-ments | Dis-posal | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments | Disposal | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| A | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Freehold | 1 | 2866 | - | - | 2867 | - | - | - | - | - | 2867 | 1 |
| 2 | Buildings: i) Factory Building | 3543 | 79 | - | - | 3622 | 2737 | 44 | - | - | 2781 | 841 | 806 |
| | ii) Office and Staff Quarters | | | | | | | | | | | | |
| | a) RCC | 1489 | 659 | - | 3 | 2145 | 560 | 29 | - | 2 | 587 | 1558 | 929 |
| | b) Non RCC | 137 | 158 | - | - | 295 | 39 | 10 | - | - | 49 | 246 | 98 |
| 3 | Road | 72 | 663 | - | - | 735 | 68 | 98 | - | - | 166 | 569 | 4 |
| 4 | Other Civil Works | - | 9 | - | - | 9 | - | 3 | - | - | 3 | 6 | - |
| 5 | Plant and Equipment | 20096 | 2765 | (36) | 63 | 22762 | 10798 | 821 | - | 56 | 11563 | 11199 | 9298 |
| 6 | Furniture and Fixtures | 1303 | 277 | - | 7 | 1573 | 537 | 154 | - | 6 | 685 | 888 | 766 |
| 7 | Vehicles | 1873 | 158 | - | 15 | 2016 | 339 | 226 | - | 14 | 551 | 1465 | 1534 |
| 8 | Office Equipment | 1737 | 368 | - | 6 | 2099 | 1038 | 311 | - | 5 | 1344 | 755 | 699 |
| 9 | Building Berths, Kasara Basin, Dry Docks and Launchways | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Computers and Data Processing Units | | | | | | | | | | | | |
| | i) Desktops, Laptops etc. | 1723 | 154 | - | 5 | 1872 | 1502 | 147 | - | 5 | 1644 | 228 | 221 |
| | ii) Server and Network | 1381 | 81 | - | - | 1462 | 864 | 158 | - | - | 1022 | 440 | 517 |
| 11 | Loose Tools | 1335 | 51 | | | 1386 | 1242 | 62 | - | - | 1304 | 82 | 93 |
| 12 | Ship - Launches and Boats | 897 | - | - | - | 897 | 595 | 15 | - | - | 610 | 287 | 302 |
| 13 | Electrical Installation and Equipments | 1502 | 91 | - | 6 | 1587 | 686 | 140 | | 5 | 821 | 766 | 816 |
| | **Sub-total** | **37089** | **8379** | **(36)** | **105** | **45327** | **21005** | **2218** | **-** | **93** | **23130** | **22197** | **16083** |

Note : 9 Nos. Vessels under the head "Launches and Boats" costing ₹ 897 lakhs are registered in the name of CMD of the Company to comply with the requirement of Indian Costal Act,1838 / Indian Vessels Act, 1917.

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions | Adjust-ments | Dis-posal | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments | Disposal | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| 1 | Factory Building | 8106 | 558 | 115 | - | 8779 | 103 | 278 | - | - | 381 | 8398 | 8003 |
| 2 | Plant and Equipment | 2465 | 1,707 | 212 | - | 4384 | 402 | 419 | - | - | 821 | 3563 | 2063 |
| 3 | Computers and Data Processing Units | | | | | | | | | | | | |
| | i) Server and Network | - | 338 | - | - | 338 | - | 2 | - | - | 2 | 336 | - |
| | **Sub-total** | **10571** | **2603** | **327** | **-** | **13501** | **505** | **699** | **-** | **-** | **1204** | **12297** | **10066** |
| | **Total Tangibles Assets (A+B)** | **47660** | **10982** | **291** | **105** | **58828** | **21510** | **2917** | **-** | **93** | **24334** | **34493** | **26148** |

**2.1.2 INTANGIBLE ASSETS**

(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions in the year | Adjust-ments in the Year | Dis-posal in the Year | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| **A** | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Computer Software/SAP-ERP | 242 | 650 | - | - | 892 | 165 | 93 | - | - | 258 | 634 | 77 |
| 2 | Other than SAP-ERP | 1621 | 1011 | - | - | 2632 | 793 | 368 | - | - | 1161 | 1471 | 828 |
| | **Sub Total** | **1863** | **1661** | **-** | **-** | **3524** | **958** | **461** | **-** | **-** | **1419** | **2105** | **905** |

(₹ in Lakhs)

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions in the year | Adjust-ments in the Year | Dis-posal in the Year | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| 1 | Computer Software/SAP-ERP | 237 | 1,000 | - | - | 1237 | 237 | 1,000 | - | - | 1237 | - | - |
| 2 | Other than SAP-ERP | - | 181 | - | - | 181 | - | 3 | - | - | 3 | 178 | - |
| | **Sub Total** | **237** | **1,181** | **-** | **-** | **1,418** | **237** | **1,003** | **-** | **-** | **1,240** | **178** | **-** |
| | **Total Intangible Assets (A+B)** | **2100** | **2842** | **-** | **-** | **4942** | **1195** | **1464** | **-** | **-** | **2659** | **2283** | **905** |
| | **Total Assets (i+ii)** | **49760** | **13824** | **291** | **105** | **63770** | **22705** | **4381** | **-** | **93** | **26993** | **36776** | **27053** |

## Notes to Financial Statements

| | | 31st March, 2017 | (₹ in Lakhs) | 31st March, 2016 | (₹ in Lakhs) | 31st March, 2015 | (₹ in Lakhs) |
|---|---|---|---|---|---|---|---|
| **2.2** | **Capital work-in-progress** | | | | | | |
| | **1. Own resources** | | | | | | |
| | **A. Tangible assets** | | | | | | |
| | Opening balance | 3,175 | | 1,860 | | 1,864 | |
| | Add: Expenditure during the year | 12,425 | | 9,794 | | 6,429 | |
| | Less: Capitalisation during the year | 7,213 | 8,388 | 8,479 | 3,175 | 6,433 | 1,860 |
| | **B. Intangible assets under development** | | | | | | |
| | Opening balance | | | - | | 106 | |
| | Add: Expenditure during the year | 546 | | 1,661 | | 324 | |
| | Less: Capitalisation/adjustments during the year | 546 | - | 1,661 | - | 430 | - |
| | **2. Funded by Indian Navy** | | | | | | |
| | a) Mazdock Modernisation Project | | | | | | |
| | Opening balance | - | | - | | 18,177 | |
| | Add: Expenditure / adjustments during the year | - | | - | | 4,033 | |
| | Less: Capitalisation/adjustments during the year | - | | - | | 22,210 | |
| | | - | | - | | - | |
| | b) Submarine facilities upgradation project | | | | | | |
| | Opening balance | 13,784 | | 12,729 | | 8,753 | |
| | Add: Expenditure/adjustments during the year | 1,656 | | 5,166 | | 6,188 | |
| | Less: Capitalisation/Adjustments during the year | 13,985 | | 4,112 | | 2,212 | |
| | | 1,455 | | 13,783 | | 12,729 | |
| | 2 (a) + 2 (b) | 1,455 | | 13,783 | | 12,729 | |
| | | - | 1,455 | | 13,783 | | 12,729 |
| | | | **9,843** | | **16,958** | | **14,589** |
| | **Financial assets** | | | | | | |
| **2.3** | **Investments** | | | | | | |
| | Investments in equity instruments (At cost, unquoted) | | | | | | |
| | In associate | | | | | | |
| | 5,49,57,600 Equity shares of ₹ 5 each fully paid up (previous year 1,37,39,400 Equity shares of ₹ 10 each fully paid up) in Goa Shipyard Ltd | | 600 | | 600 | | 600 |
| | (GSL has issued Bonus shares during the year in the ratio of 1:1 and has also subdivided the face value from ₹ 10 to ₹ 5) | | **600** | | **600** | | **600** |

| | | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|---|---|
| **2.4** | **Trade receivable** | | | | | | |
| | (Unsecured, Considered good, unless otherwise stated) | | | | | | |
| | Deferred debts | | 1,996 | | 2,079 | | 1,947 |
| | Less: Amount receivable within 12 months | | 391 | | 405 | | 378 |
| | | | **1,605** | | **1,674** | | **1,569** |
| **2.5** | **Loans** | | | | | | |
| | (Unsecured, Considered good, unless otherwise stated) | | | | | | |
| | Security deposits | | | | | | |
| | Security deposits with Mumbai Port Trust | | 293 | | 278 | | 444 |
| | Less: Deferred deposits | | - | | - | | (173) |
| | Add: Interest income | | 15 | | 15 | | - |
| | | | **308** | | **293** | | **271** |
| **2.6** | **Other financial assets** | | | | | | |
| | Fixed deposits with bank with maturity over 12 months | | 340 | | 340 | | 340 |
| | (The above deposit is under lien with Mumbai Port Trust) | | | | | | |
| | | | **340** | | **340** | | **340** |
| **2.7** | **Deferred tax assets / (liabilities)** | | | | | | |
| | Deferred tax assets | | | | | | |
| | Provisions | | 58,539 | | 56,353 | | 50,844 |
| | Deferred tax liabilities | | | | | | |
| | Service tax | (1,443) | | (1,690) | | (1,660) | |
| | Depreciation | (8,715) | | (3,047) | | (2,166) | |
| | Others | - | (10,158) | (1,562) | (6,299) | (740) | (4,566) |
| | Deferred tax assets (net) | | **48,381** | | **50,054** | | **46,278** |
| **2.8** | **Other non-current assets** | | | | | | |
| | (Unsecured, Considered good unless otherwise stated) | | | | | | |
| | Capital advances | | 671 | | 558 | | 36 |
| | Deposits with custom authorities | | 20 | | 20 | | 20 |
| | Deposits with excise authorities | | 4 | | | | |
| | Other deposits | | - | | 8 | | 8 |
| | Other receivables - considered good | 4 | | | | | |
| | Other receivables - considered doubtful | 2,946 | | 2,946 | | 3,076 | |
| | Less: Provision for doubtful receivables | 2,946 | 4 | 2,946 | - | 3,076 | - |

| | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) | |
|---|---|---|---|---|---|---|
| Advances paid to vendors - considered doubtful | 2 | | 2 | | | |
| Less Provisions for doubtful advances | 2 | - | 2 | - | | - |
| VAT/Sales tax credit | | 12,574 | | 9,763 | | 6,627 |
| Export incentive receivable | | | | | | |
| Considered good | 371 | | 478 | | 478 | |
| Considered doubtful | 107 | | - | | - | |
| | 478 | | 478 | | 478 | |
| Less: Provision for doubtful receivables | 107 | 371 | - | 478 | | 478 |
| Advance income tax (net) | | | | | | |
| Prepaid expenses (Refer Note 2.8.1) | | | | | | |
| Rent | 371 | | 421 | | 471 | |
| Less: Current | 51 | 320 | 51 | 370 | 51 | 421 |
| Others | | 144 | | 20 | | 12 |
| Prepaid lease rentals | 122 | | 137 | | 137 | |
| Less: Amortisation of prepaid lease | 15 | 107 | 15 | 122 | - | 137 |
| | | **14,215** | | **11,339** | | **7,739** |

**2.8.1** Lease agreements have not been executed in the cases of:-

a. Land at Mumbai taken from Mumbai Port Trust (MbPT) Mumbai.

b. Land at Nhava (Dist: Raigad): MDL possesses approximately 15.59 hectares of land (12.30 hectares reclaimed plus 3.29 hectares from CIDCO firm land). The reclaimed land of 12.30 hectares was jointly reclaimed with ONGC in 1980s. Whereas the balance land is CIDCO firm land handed over by ONGC to MDL.

Pending execution of lease deeds of above, initial premium paid has been treated as prepaid rent and charged on the basis of available information in respect of a and b above.

**2.9 Inventories**

| | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) | |
|---|---|---|---|---|---|---|
| Raw materials | | | | | | |
| Material in stores | 17,164 | | 10,890 | | 11,097 | |
| Less: Provision/reduction for obsolescene | 89 | 17,075 | 80 | 10,810 | 31 | 11,066 |
| Stores and spares | - | | | | | |
| Material in stores | 1,878 | | 1,517 | | 1,572 | |
| Less: Provision/reduction for obsolescene | 73 | 1,805 | 21 | 1,496 | 25 | 1,547 |
| Equipment for specific projects | - | | | | | |
| Material in stores/site | 363,802 | | 390,366 | | 412,712 | |
| Less: Provision/reduction for obsolescene | 181 | | 140 | | | |
| | 363,621 | | 390,226 | | 412,712 | |
| Stock in transit | 19,717 | | 21,583 | | 17,803 | |
| Materials pending inspection | 539 | 383,877 | 272 | 412,081 | 313 | 430,828 |
| Scrap | - | 108 | | 80 | | 132 |
| | | **402,865** | | **424,467** | | **443,573** |

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) | |
|---|---|---|---|---|---|---|---|
| **2.10** | **Trade receivables** | | | | | | |
| | (Unsecured, Considered good unless otherwise stated) | | | | | | |
| | Debts outstanding over six months | | | | | | |
| | Considered good | 74,620 | | 91,973 | | 150,967 | |
| | Considered doubtful | 18,616 | | 19,053 | | 17,746 | |
| | | 93,236 | | 111,026 | | 168,713 | |
| | Less: Provision for doubtful receivable | 18,616 | 74,620 | 19,053 | 91,973 | 17,746 | 150,967 |
| | | | **74,620** | | **91,973** | | **150,967** |
| **2.11** | **Cash and cash equivalents** | | | | | | |
| | Cash and cash equivalents | | | | | | |
| | Balances with banks:- | | | | | | |
| | - In Current accounts | | | | | | |
| | i) In India | 61 | | 6,887 | | 2,803 | |
| | ii) Outside India | 79 | 140 | 83 | 6,970 | 69 | 2,872 |
| | - In cash credit accounts | | - | | - | | - |
| | - In deposit accounts | | 14,148 | | 26,807 | | 17,615 |
| | - In fixed deposit accounts - maturity less than 3 months | | - | | 56,000 | | 1,000 |
| | Cash on hand | | - | | - | | 1 |
| | | | **14,288** | | **89,777** | | **21,488** |
| **2.12** | **Bank balance other than cash and cash equivalents** | | | | | | |
| | In fixed deposit accounts - more than 3 months but not more than 12 months maturity | | 822,000 | | 790,500 | | 740,000 |
| | | | **822,000** | | **790,500** | | **740,000** |
| **2.12.1** | Cash and bank balances from stage payment received from customer for projects | | 771,928 | | 782,845 | | 689,404 |
| | Other cash and bank balance | | 64,360 | | 97,432 | | 72,084 |
| | | | **836,288** | | **880,277** | | **761,488** |
| **2.13** | **Loans** | | | | | | |
| | (Unsecured, Considered good) | | | | | | |
| | Employee related | | 102 | | 145 | | 117 |
| | Security deposits | | 561 | | 551 | | 470 |
| | Others | | - | | - | | 28 |
| | | | **664** | | **696** | | **615** |

| | | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|
| **2.14** | **Others** | | | |
| | Insurance claims receivable | - | 81 | 791 |
| | Interest accrued on deposits and advances | 14,714 | 14,924 | 16,524 |
| | Interest receivable on income tax refund | - | 1,522 | 1,522 |
| | Other receivables | 51 | 65 | 67 |
| | | **14,765** | **16,592** | **18,904** |

| | | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|---|---|
| **2.15** | **Other current assets** | | | | | | |
| | (Unsecured, Considered good) | | | | | | |
| | Advances other than capital advances | | | | | | |
| | Advances paid to vendors | | 296,359 | | 221,291 | | 289,135 |
| | Advances paid on behalf of customer for B&D spares | | | | | | |
| | Considered good | 6,177 | | 25,733 | | 15,553 | |
| | Considered doubtful | 3,226 | | 752 | | 752 | |
| | | 9,404 | | 26,485 | | 16,305 | |
| | Less: Provision for doubtful debts | 3,226 | 6,177 | 752 | 25,733 | 752 | 15,553 |
| | Travel advance to employees | | 46 | | 24 | | 18 |
| | Others | | 15 | | 2 | | 2 |
| | Prepaid expenses | | | | | | |
| | Rent | | 51 | | 51 | | 51 |
| | Others | | 931 | | 825 | | 667 |
| | Unbilled revenue | | 116,323 | | 77,927 | | 35,469 |
| | | | **419,902** | | **325,853** | | **340,894** |

**2.16 Share Capital**

| | | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|
| **2.16.1** | **Authorized** | | | |
| | 3,23,72,000 (previous year 2,00,00,000) equity shares of ₹ 100 each | 32,372 | 20,000 | 20,000 |
| | Nil (previous year 1,23,72,000) 7% redeemable cumulative preference shares of ₹ 100 each | - | 12,372 | 12,372 |
| | | **32,372** | **32,372** | **32,372** |
| **2.16.2** | **Issued, subscribed and fully paid-up** | | | |
| | 2,49,00,000 (previous year 1,99,20,000) equity shares of ₹ 100 each. | 24,900 | 19,920 | 19,920 |
| | | **24,900** | **19,920** | **19,920** |

All 2,49,00,000 (previous year 1,99,20,000) equity shares are held by the President of India and his nominees.

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) | |
|---|---|---|---|---|---|---|---|
| **2.16.3** | **Details of shareholding more than 5% shares in the Company Shareholder** | **No. Of Shares** | **Percentage holding** | **No. Of Shares** | **Percentage holding** | **No. Of Shares** | **Percentage holding** |
| | President of India and his nominees | 24900000 | 100% | 19920000 | 100% | 19920000 | 100% |

**2.17 (A) Equity share capital**

| Particulars | 2016-17 (₹ in Lakhs) | 2015-16 (₹ in Lakhs) |
|---|---|---|
| Opening balance | 19,920 | 19,920 |
| Changes in equity share capital during the year | | |
| Issue of Bonus shares (in the ratio of 1:4) | 4,980 | - |
| **Closing balance** | **24,900** | **19,920** |

**(B) Other equity**

**For the year ended 31st March, 2017**

(₹ in Lakhs)

| Particulars | Retained Earnings | General Reserve | Capital Reserve | Capital Redemption Reserve | CSR Fund | Total Equity |
|---|---|---|---|---|---|---|
| **Balance as at 1st April, 2016** | (44337) | 242500 | 5 | 12372 | 1881 | 212421 |
| Profit / (loss) for the year | 53349 | | | | | 53349 |
| Other comprehensive income / (loss) for the year | | | | | | - |
| Remeasurement of defined employee benefit plan (net of tax) | (837) | | | | | (837) |
| Changes in accounting policies / prior period items | | | | | | - |
| Issue of bonus shares | | | | (4,980) | | (4980) |
| Dividends | | | | | | - |
| Interim | (10000) | | | | | (10000) |
| Final | (9920) | | | | | (9920) |
| Tax on dividends | (4055) | | | | | (4055) |
| Utilised for expenses | | | | | (1881) | (1881) |
| Transfer from surplus | | 1881 | | | | 1881 |
| Transferred on amalgamation of subsidiary | | | | | | - |
| Transferred on demerger | | | | | | - |
| Reserves held for disposal | | | | | | - |
| **Balance as at 31st March, 2017** | **(15800)** | **244381** | **5** | **7392** | **-** | **235978** |

**For the year ended 31st March, 2016**

(₹ Lakhs)

| Particulars | Retained Earnings | General Reserve | Capital Reserve | Capital Redemption Reserve | CSR Fund | Total Equity |
|---|---|---|---|---|---|---|
| **Balance as at 1st April, 2015** | (53509) | 207500 | 5 | 12372 | 1734 | 168102 |
| Profit for the year | 56848 | | | | | 56848 |
| Other comprehensive income / (loss) for the year | | | | | | - |
| Remeasurement of defined employee benefit plan (net of tax) | 675 | | | | | 675 |
| Changes in accounting policies / prior period items | | | | | | - |
| Dividends | | | | | | - |
| Interim | (10000) | | | | | (10000) |
| Final | | | | | | - |
| Tax on dividends | (2036) | | | | | (2036) |
| Utilised for expenses | | | | | (1169) | (1169) |
| Transfer from surplus | (36316) | 35000 | | | 1316 | - |
| Transferred on amalgamation of subsidiary | | | | | | - |
| Reserves held for disposal | | | | | | - |
| **Balance as at 31st March, 2016** | **(44337)** | **242500** | **5** | **12372** | **1881** | **212421** |

The description of the nature and purpose of each reserve within equity is as follows:

**Capital reserve:** The capital reserve was created till 1974 on the realised profit on sale of fixed asset.

**Capital redemption reserve:** These reserves created out of redemption of 7% Redeemable cumulative preference shares.

**CSR fund:** CSR reserve had been created for unspent amount in the CSR budget to be utilised exclusively for CSR activities.

**Proposed Dividend:** The Company has paid interim dividend of Rs 10000 Lakhs (Rs 10000 Lakhs for FY 2015-16). In addition,The Board has recommended the payment of final dividend of Rs 6541 Lakhs (Rs 9920 Lakhs for FY 2015-16). This proposed dividend is subject to the approval of shareholders in ensuing Annual General Meeting.

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|
| **2.18.1 Trade payables** | | | |
| Deferred payment liability to a foreign supplier | 1,996 | 2,079 | 1,947 |
| Less: Amount payable within 12 months | 391 | 405 | 378 |
| | **1,605** | **1,674** | **1,569** |
| **2.18.2 Others** | | | |
| Security and other deposits | 12 | 8 | - |
| Add: Interest cost on deferred deposits | 2 | 0 | - |
| | **14** | **8** | **-** |

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|
| **2.19 Other long-term liabilties** | | | | | |
| Funds received from customer for infrastructure projects | | 18,159 | | 14,373 | 10,474 |
| Less: Amortisation of deferred revenue | | 1,466 | | 1,212 | - |
| Deferred deposits | 4 | | 2 | | |
| Less: Amortised gain | 2 | 2 | 0 | 2 | - |
| | | **16,695** | | **13,163** | **10,474** |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|
| **2.20 Long-term provisions** | | | |
| **Employee benefits** | | | |
| Post retirement benefit schemes | | | |
| Medical | 6,531 | 5,768 | 6,099 |
| Gift card | 73 | 76 | 80 |
| Leave salary encashment | 11,707 | 9,876 | 10,300 |
| Welfare Expenses | 378 | 418 | 451 |
| Other provisions | | | |
| Provision for liquidated damages | 102,415 | 102,415 | 102,415 |
| Others | 0 | 15 | 33 |
| | **121,104** | **118,568** | **119,378** |
| **2.21 Trade payables** | | | |
| MSME vendors | 1,316 | 1,130 | 227 |
| Other vendors | 88,119 | 107,740 | 85,893 |
| Deferred payment liability to a foreign supplier | 391 | 405 | 378 |
| | **89,826** | **109,275** | **86,498** |
| **2.22 Others** | | | |
| Retention money payable | 606 | 3,266 | 3,145 |
| Liquidated damages payable | 8,886 | 7,838 | 6,619 |
| Interest payable on advances received from customer | 1,051 | 895 | 701 |
| Employee related | 6,404 | 8,471 | 7,074 |
| Others | 60 | 98 | 24 |
| | **17,007** | **20,568** | **17,563** |

| | | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|
| **2.23** | **Other current liabilities** | | | |
| | Security and other deposits | 464 | 551 | 443 |
| | Advances received from customers | 226,798 | 130,692 | 109,005 |
| | Statutory dues | 2,511 | 5,474 | 2,171 |
| | Provision for expenses | 2,808 | 2,736 | 7,700 |
| | Unearned income | 1,149,159 | 1,228,224 | 1,288,004 |
| | Others | - | 788 | 833 |
| | | **1,381,739** | **1,368,465** | **1,408,156** |
| **2.24** | **Short-term provisions Employee benefit** | | | |
| | Post retirement benefit | | | |
| | Medical | 268 | 237 | 319 |
| | Gift card | 22 | 21 | 24 |
| | Leave salary encashment | 3,781 | 3,177 | 2,800 |
| | Gratuity | 2,307 | 1,265 | 846 |
| | Welfare Expenses | 134 | 112 | 83 |
| | Other provisions | | | |
| | Guarantee repairs | 1,225 | 1,188 | 545 |
| | Custom duty demand | 426 | 426 | 426 |
| | Others | 108 | 213 | 213 |
| | | **8,271** | **6,639** | **5,256** |

| | | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|---|
| **2.25** | **Revenue from operations** | | |
| | **Contract revenue** | | |
| | Ship construction | 352,367 | 410,622 |
| | | **352,367** | **410,622** |
| **2.26** | **Sale of services** | | |
| | Ship Repair | (19) | 66 |
| | **Other operating revenue** | | |
| | Commission on procurement of spares | 208 | 1,504 |
| | Sale of scrap and stores | 390 | 514 |
| | Changes in inventory of scrap | 28 | - |
| | | **607** | **2,084** |

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | |
|---|---|---|---|---|---|
| **2.27** | **Other income** | | | | |
| | Interest | | | | |
| | On deposits with banks | 64,035 | | 68,452 | |
| | Less: Interest liability to customer on advances | 1,051 | | 895 | |
| | | 62,984 | | 67,557 | |
| | On income tax refund | 118 | | 1 | |
| | Other interest | 186 | 63,288 | 248 | 67,806 |
| | Dividend from Goa Shipyard Ltd. | | 879 | | 742 |
| | Other non operating income | | | | |
| | Rent refund on right to occupancy | | - | | 495 |
| | Liabilities / provisions no longer required written back | | 2,297 | | 4,601 |
| | Provision for trade receivables reversed | | 8,602 | | 291 |
| | Provision for obsolete stock reversed | | 35 | | - |
| | Insurance claims | | 16 | | - |
| | Sale / scrapping of fixed assets (net) | | | | |
| | Profit | 53 | | 12 | |
| | Less: Loss | 22 | 31 | 5 | 7 |
| | Liquidated damages recovered | | | | |
| | Capital | | 52 | | - |
| | Others | | 198 | | 165 |
| | Miscellaneous income / recoveries | | 400 | | 246 |
| | Amortisation gain on deferred deposits of Vendors | | 2 | | 0 |
| | Amortisation of deferred revenue (Customer funded assets) | | 254 | | 1,212 |
| | Interest Income on deferred payment liability to foreign supplier | | 388 | | 383 |
| | Interest Income on deferred deposit with MbPT | | 15 | | 15 |
| | | | **76,456** | | **75,963** |
| **2.28** | **COST OF MATERIALS CONSUMED** | | | | |
| | **Opening stock** | | | | |
| | Raw materials, stores and spares | 12,307 | | 12,613 | |
| | Equipment for specific projects | 390,366 | | 412,951 | |
| | Stock-in-transit and materials pending inspection | 21,855 | 424,527 | 18,116 | 443,680 |
| | **Add: Purchases** | | 194,938 | | 248,856 |
| | | | 619,465 | | 692,536 |

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|---|---|
| **Less: Closing stock** | | | | |
| Raw materials, stores and spares | 19,042 | | 12,306 | |
| Equipment for specific projects | 363,802 | | 391,673 | |
| Stock-in-transit and materials pending inspection | 20,256 | 403,100 | 21,855 | 425,834 |
| | | **216,365** | | **266,702** |
| Less: Provision for obsolete stock | | 61 | | 45 |
| Less: Stores and spares consumption included in repairs and maintenance | | 13 | | 13 |
| Less: Stores and spares consumption included in other expenses | | 2,283 | | 2,147 |
| | | **214,007** | | **264,497** |

## 2.29 Employee benefits expense

| | | |
|---|---|---|
| Salaries, wages, allowances and bonus | 54,442 | 57,607 |
| Pension | 1,170 | 4,039 |
| Contribution to provident fund | 4,066 | 4,015 |
| Contribution to employees state insurance scheme | 186 | 71 |
| Workmen and staff welfare expenses | 6,518 | 5,682 |
| Gratuity | 1,510 | 1,613 |
| Encashment of privilege leave | 3,845 | 2,445 |
| | **71,738** | **75,472** |

## 2.30 Finance costs

| | | |
|---|---|---|
| Interest cost on deferred deposit of vendors | 2 | 0 |
| Interest cost on deferred payment liability to foreign supplier | 388 | 383 |
| Others | - | 7 |
| | **390** | **390** |

## 2.31 Other expenses - Projects related

| | | |
|---|---|---|
| Technicians' fees and other expenses | 3,439 | 4,806 |
| Service tax expenses | 2,494 | 3,266 |
| Technical know-how expenses | 98 | 993 |
| Advising team fees and other expenses | 2,100 | 5,033 |
| Facility hire | 690 | 913 |
| Rent | 67 | 65 |
| Insurance | 10 | 37 |

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|---|---|
| Bank charges and guarantee commission | | 278 | | 264 |
| Travelling expenses | | 320 | | 83 |
| Sea Trial, launching and commissioning expenses | | 734 | | 364 |
| Legal, professional and consultant fees | | 1,068 | | 29 |
| Training expenses | | 2,584 | | 4,389 |
| Miscellaneous expenses | | 288 | | 110 |
| | | **14,171** | | **20,352** |

**2.32 Other expenses**

| | | | | |
|---|---|---|---|---|
| Repairs and maintenance: | | | | |
| Buildings | 713 | | 785 | |
| Plant and machinery | 1,687 | | 2,135 | |
| Steam launches and boats, motor cars, lorries, etc. | 1,329 | 3,729 | 1,154 | 4074 |
| Less: Work done internally and other expenditure which has been included in other heads of expenses | | 2,418 | | 2821 |
| | | 1311 | | 1253 |
| Facility hire | | 729 | | 446 |
| Water expenses | | 264 | | 239 |
| Rent | | 825 | | 764 |
| Insurance | | 398 | | 288 |
| Rates and taxes | | 633 | | 641 |
| Bank charges and guarantee commission | | 24 | | 54 |
| Printing and stationery | | 64 | | 73 |
| Travelling expenses | | 766 | | 459 |
| Business promotion expenses | | 769 | | 966 |
| Sea trial, launching and commissioning expenses | | 176 | | 46 |
| Corporate membership expenses | | 19 | | 159 |
| Changes in inventory of scrap | | | | |
| Opening scrap | - | | 132 | |
| Less: Closing scrap | - | - | 80 | 52 |
| Foreign exchange variation (net) | | | | |
| Loss | 209 | | 444 | |
| Less: Income | 198 | 10 | 441 | 3 |
| Miscellaneous expenses | | 784 | | 297 |
| Lease charges | | 33 | | 20 |
| Research and development expenses | | 1358 | | 1047 |

| | | $31^{st}$ March, 2017 (₹ in Lakhs) | | $31^{st}$ March, 2016 (₹ in Lakhs) |
|---|---|---|---|---|
| Legal, professional and consultant fees | | 442 | | 177 |
| Books and periodicals | | 12 | | 9 |
| Postage, telegrams and phones | | 161 | | 124 |
| Training expenses | | 206 | | 155 |
| CISF and security board expenses | | 2576 | | 2226 |
| Directors fees and expenses | | 9 | | 1 |
| Provision for obsolete stock | | 136 | | 185 |
| Consumption of stores and spares etc. | | 2283 | | 2147 |
| Other interest | | 552 | | 25 |
| Amortisation of prepaid rentals | | 15 | | 15 |
| Bad debts | | - | | 290 |
| Advance write off | | 25 | | |
| Corporate social responsibility expenses | - | 1,365 | 1,169 | - |
| Less: Utilised from CSR fund | - | - | 1,169 | - |
| | | **15,945** | | **12,161** |

## 2.33 PROVISIONS MADE

| | | |
|---|---|---|
| Doubtful debts / receivable | 10,745 | 1,467 |
| Guarantee repairs | 100 | 700 |
| Others | - | 3 |
| | **10,845** | **2,170** |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|

**2.34 Business Segment Reporting**

a) The Company is engaged in the production of defence equipment and was exempted from AS 17 'Segment Reporting' vide notification 464(E) dt. 05.06.2015. In order to extend the exemption under Indian AS 108, an amendment to the aforesaid notification is required which, the Company understands is initiated by Ministry of Coporate Affairs. In view of the above, no disclosure is made separately by the Company on operating segments under Ind AS 108.

b) For management purposes, the Company is organized into two major segments – Shipbuilding (New Construction and Ship Repairs) and Submarine.

c) There are no geographical segments within the business segments.

**2.35 Contingent Liabilities and Commitments:**

**2.35.1** Amounts for which Company may be contingently liable:

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| a) Estimated amount of contracts remaining to be executed on capital account. | 5754 | 17461 |
| b) Estimated amount of liquidated damages on contracts under execution. | - | 33046 |
| c) Position of non-fund based limits utilized for: | | |
| (i) Letters of credit | 87664 | 115128 |
| (ii) Guarantees and counter guarantees | 726 | 3269 |
| d) Indemnity Bonds issued by the Company to customers for various contracts. | 4833875 | 4733080 |
| e) Bonus to eligible employees as per Payment of Bonus Act for the year 2014-15. | 467 | 467 |

**2.35.2** Claims against the Company pending under litigation not acknowledged as debts in respect of claims made by:

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| (i) Suppliers and sub-contractors | 1390 | 2183 |
| (ii) Others | 3487 | 3820 |
| (iii) Interest on (i) and (ii) above | 12957 | 13265 |
| | 17834 | 19268 |

**2.35.3** Amounts paid / payable by Company and reimbursable by Customers in the matters under dispute pending at various Assessment / Appellate Authorities relating to:

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| i) Sales Tax * | 112287 | 111625 |
| ii) Excise Duty | | |
| a) On Vendors | 177 | 171 |
| b) On MDL | 27 | 26 |
| | 204 | 197 |
| | 112491 | 111822 |

* Against the above claim, part payments of ₹ 583.92 lakhs (Previous year ₹ 583.92 lakhs) have been made under protest.

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|

The Excise authorities have passed an order dated 31.05.2013 resulting in demand for ₹ 183.28 lakhs inclusive of interest and penalty (Previous year ₹ 177.95 lakhs) in respect of BBLRP Project Job Work carried out at Nhava Yard, for the removals during the period March 2007-March 2008. The Company has filed an appeal at CESTAT against the order of the Commisioner. The final hearing is in progress.

**2.35.4** Appeals against disputed tax demands pending before Adjudicating / Appellate Authorities not provided for in matters relating to:

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| (i) Excise Duty | 15 | 15 |
| (ii) Service Tax* (including interest and penalties) | 6877 | 6770 |
| (iii) Income Tax | 4418 | 178 |
| | 11310 | 6963 |

* Includes ₹ 2928 lakh (Previous years ₹ 2927 lakh) towards Show Cause Notices issued by the Service Tax Department for the years from 2005-06 to 2012-13.

**2.35.5** Appeals pending against disputed demands pending before Adjudicating / Appellate authorities

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| Custom Duty | 28 | 20 |

**2.36.1** Letters seeking confirmation of balances in the accounts of sundry creditors were sent to vendors. On the basis of replies received from certain vendors, adjustments wherever necessary have been made in the accounts.

**2.36.2** Balances due to / from Indian Navy included in current assets / current liabilities are subject to reconciliation and confirmation. Consequent adjustments thereof,if any, will be given effect to in the books of account in the year of completion of the reconciliation process.

**2.37 Normal Operating Cycle**

1. The classification of current and non-current balances of assets and liabilities are made in accordance with the normal operating cycle defined as follows -

   The Normal Operating Cycle in respect of different business activities is defined as under-

   a) In case of ship / submarine building and ship/submarine repair and refit activities, normal operating cycle is considered as the time period from the effective date of the Contract/LOI to the date of expiry of guarantee period.

   b) In case of other business activities, normal operating cycle will be the time period from the effective date of the contract/order to the date of expiry of guarantee period.

**2.38 Employee Benefits**

**2.38.1 Various benefits provided to employees are classified as under:-**

**(I) Defined Contribution Plans**

(a) Provident Fund

(b) State Defined Contribution Plans

(i) Employers' Contribution to Employees' State Insurance

(ii) Employers' Contribution to Employees' Pension Scheme, 1995.

(iii) Employers' Contribution to Employees' Deposit Linked Insurance Scheme.

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|

During the year, the Company has recognized the following amounts in the Profit and Loss Account:-

| | | |
|---|---|---|
| 1. Employers' Contribution to Provident Fund | 3921 | 3926 |
| 2. Employers' Contribution to Employees' State Insurance | 186 | 71 |
| 3. Employers' Contribution to EPS (Employees' Pension Scheme) | 1170 | 4039 |
| 4. Employers' Contribution to Employees' Deposit Linked Insurance Scheme | 145 | 89 |

Retirement benefits in the form of Provident Fund and Pension are defined contribution schemes and the contribution is charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

**(II) Defined Benefit Plans**
**Contribution to Gratuity Fund (Funded Scheme)**

Actuarial valuation was performed by an insurer in respect of the aforesaid Defined Benefit Plans based.

| | | |
|---|---|---|
| 1 Discount Rate (per annum) | 7.25% | 7.50% |
| 2 Rate of increase in compensation levels | 7.50% | 7.50% |

Gratuity liability is a defined benefit obligation and is provided for, on the basis of an actuarial valuation on projected net credit method made at the end of each financial year. The Gratuity Fund is invested in a Group Gratuity-cum-Life Assurance cash accumulation policy by an insurer. The investment return earned on the policy comprises interest declared by an insurer having regard to its investment earnings. It is known that insurer's overall portfolio of assets is well diversified and as such, the long term return on the policy is expected to be higher than the rate of return on Central Government Bonds. Historically too, the returns declared by an insurer on such policies have been higher than Government Bond yields.

| | | |
|---|---|---|
| Opening Balance | 22469 | 23866 |
| Add : Credit from Company | 214 | 242 |
| Less : Amount paid towards claims | (3339) | (3636) |
| Add : Interest credited | 1714 | 1997 |
| Closing Balance | 21058 | 22469 |
| Present value of past service benefit | 22366 | 22750 |

The actuarial liability excludes the fixed term employees, for which separate provision exists.

**2.38.2 Actuarial valuation of liability towards Gratuity**
**Defined Benefit Plans Gratuity - as per actuarial valuation on 31st March, 2017**

The Ind AS-19 stipulates that the rate used to discount post-employment benefit obligation (both funded & non-funded) shall be determined by reference to market yields at the end of reporting period on government bonds. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligation.

In the computation of gratuity liability, Projected Unit Credit Method is used.

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| **i) Assumptions** | | |
| a) Discount Rate | 7.25% | 7.50% |
| b) Salary Escalation | 7.50% | 7.50% |
| c) Actual Rate of Return = Estimated Rate of Return as ARD falls on 31st March | 8.19% | 8.37% |
| d) Expected average remaining working lives of employees (years) | 14 | 13 |
| **ii) Table showing changes in present value of obligations** | | |
| Present value of obligations as at beginning of year | 22750 | 24092 |
| Interest cost | 1706 | 1915 |
| Current service cost | 1114 | 1044 |
| Benefits paid | (3339) | (3636) |
| Actuarial (gain) / loss on obligations | 135 | (665) |
| Present value of obligations as at end of year | 22366 | 22750 |
| **iii) Table showing changes in the fair value of plan assets** | | |
| Fair value of plan assets at beginning of year | 22469 | 23866 |
| Expected return on plan assets | 1714 | 1997 |
| Contributions | 214 | 242 |
| Benefits paid | (3339) | (3636) |
| Actuarial (gain) / loss on plan assets | - | - |
| Fair value of plan assets at the end of year | 21058 | 22469 |
| **iv) Table showing fair value of plan assets** | | |
| Fair value of plan assets at beginning of year | 22469 | 23866 |
| Actual return on plan assets | 1714 | 1997 |
| Contributions | 214 | 242 |
| Benefits paid | (3339) | (3636) |
| Fair value of plan assets at the end of year | 21058 | 22469 |
| Funded status | (1308) | (281) |
| Excess of Actual over estimated return on plan assets | - | - |
| **v) Actuarial gain / loss recognized** | | |
| Actuarial (gain) / loss for the year - obligation | 135 | (665) |
| Actuarial (gain) / loss for the year - plan assets | - | - |
| Total (gain) / loss for the year | 135 | (665) |
| Actuarial (gain) / loss recognised in the year | 135 | (665) |
| Un-recognised actuarial (gains) / losses at the end of year | - | - |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| **vi) The amounts to be recognized in the balance sheet** | | |
| Present value of obligations as at the end of year | 22366 | 22750 |
| Fair value of plan assets as at the end of the year | 21058 | 22469 |
| Funded status | (1308) | (281) |
| Net Asset / (Liability) recognized in balance sheet | (1308) | (281) |
| **vii) Expenses recognized in statement of Profit and Loss** | | |
| Current service cost | 1114 | 1044 |
| Interest cost | 1706 | 1915 |
| Expected return on plan assets | (1714) | (1997) |
| Expenses recognized in statement of profit and loss | 1106 | 962 |
| **viii) Expenses recognized in Other Comprehensive Income** | | |
| Actuarial (gain) / loss recognised in the year | 135 | (665) |
| **ix) Current/Non-current Liability** | | |
| Current Liability | 5746 | 5582 |
| Non-current Liability | 16620 | 17168 |
| Present Value of the Defined Gratuity Benefit Obligation | 22366 | 22750 |

**Sensitivity of Gratuity Benefit Liability to key Assumptions**

Key assumptions for determination of the Defined Benefit Obligation are Discount Rate (i.e Interest Rate) and Salary Growth rate

| **Particulars** | **Impact on Defined Benefit Obligation** | | | |
|---|---|---|---|---|
| | **31st March, 2017** | | **31st March, 2016** | |
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| **Discount Rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| if Discount rate is decreased to 6.75% | 467 | | 308 | |
| (Previous Year 7%) | 2.09% | | 1.35% | |
| if Discount rate is increased to 7.75% | | 443 | | 174 |
| (Previous Year 8%) | | 1.98% | | 0.77% |
| **Salary Growth Rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| if Discount rate is increased to 8% | 174 | | 201 | |
| (Previous Year 8%) | 0.78% | | 0.88% | |
| if Discount rate is decreased to 7% | | 165 | | 71 |
| (Previous Year 7%) | | 0.74% | | 0.31% |

| | | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|---|
| **2.38.3** | **Actuarial valuation of liability towards Leave Encashment** | | |
| | **Defined Benefit Plan Leave Encashment as per Actuarial Valuation on 31st March, 2017** | | |
| | The Ind AS-19 stipulates that the rate used to discount post-employment benefit obligation (both funded & non-funded) shall be determined by reference to market yields at the end of reporting period on government bonds. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligation. | | |
| | In the computation of leave encashment benefit liability, Projected Unit Credit Method is used. | | |
| **i)** | **Assumptions** | | |
| | Discount rate | 7.25% | 7.50% |
| | Rate of increase in compensation levels | 7.50% | 7.50% |
| | Expected average remaining working lives of employees (years) | 14 | 13 |
| **ii)** | **Table showing changes in present value of obligations** | | |
| | Present value of obligation as at the beginning of the year | 12389 | 12792 |
| | Acquisition adjustment | - | - |
| | Interest cost | 929 | 991 |
| | Current service cost | 1572 | 390 |
| | Curtailment cost / (credit) | - | - |
| | Settlement cost / (credit) | - | - |
| | Benefits paid | (1333) | (1416) |
| | Actuarial (gain) / loss on obligations | 1142 | (368) |
| | Present value of obligation as at the end of the year | 14699 | 12389 |
| **iii)** | **Table showing changes in the fair value of plan assets** | | |
| | Fair value of plan assets at the beginning of the year | - | - |
| | Acquisition adjustments | - | - |
| | Expected return on plan assets | - | - |
| | Contributions | - | - |
| | Benefits paid | - | - |
| | Actuarial gain / (loss) on plan assets | - | - |
| | Fair value of plan assets at the end of the year | - | - |
| **iv)** | **Tables showing fair value of plan assets** | | |
| | Fair value of plan asset at the beginning of the year | - | - |
| | Acquisition adjustments | - | - |
| | Actual return on plan assets | - | - |
| | Contributions / (withdrawals) | - | - |
| | Benefits paid | - | - |
| | Fair value of plan asset at the end of the year | - | - |
| | Funded status | (14699) | (12389) |
| | Excess of actual over estimated return on plan assets | - | - |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| **v) Actuarial gain / loss recognized** | | |
| Actuarial (gain) / loss for the year - obligation | 1142 | (368) |
| Actuarial (gain) / loss for the year - plan assets | - | - |
| Total (gain) / loss for the year | 1142 | (368) |
| Actuarial (gain) / loss recognised in the year | 1142 | (368) |
| Un-recognised actuarial (gains) / losses at the end of year | - | - |
| **vi) The amounts to be recognized in the balance sheet** | | |
| Present value of obligation as at the end of the year | 14699 | 12389 |
| Fair value of plan assets as at end of the year | - | - |
| Funded status | (14699) | (12389) |
| Unrecognized actuarial (gains) / losses | - | - |
| Net asset / (liability) recognized in balance sheet | (14699) | (12389) |
| **vii) Expenses recognized in statement of profit and loss** | | |
| Current service cost | 1572 | 390 |
| Interest cost | 929 | 991 |
| Expected return on plan assets | - | - |
| Curtailment cost / (credit) | - | - |
| Settlement cost / (credit) | - | - |
| Expenses recognized in the statement of profit and loss | 2501 | 1381 |
| **viii) Expenses recognized in Other Comprehensive Income** | | |
| Actuarial (gain) / loss recognised in the year | 1142 | (368) |
| **ix) Current/Non-current Liability** | | |
| Current Liability | 2992 | 2513 |
| Non-current Liability | 11707 | 9876 |
| Present Value of the Defined Leave Encashment Benefit Obligation | 14699 | 12389 |

**Sensitivity of Leave Encashment Benefit Liability to key Assumptions**

Key assumptions for determination of the Defined Benefit Obligation are Discount Rate (i.e Interest Rate) and Salary Growth rate

| **Particulars** | **Impact on Defined Benefit Obligation** | | | |
|---|---|---|---|---|
| | **31st March, 2017** | | **31st March, 2016** | |
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| **Discount Rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| if Discount rate is decreased to 6.75% | 435 | | 339 | |
| (Previous Year 7%) | 2.96% | | 2.74% | |
| if Discount rate is increased to 7.75% | | 406 | | 319 |
| (Previous Year 8%) | | 2.76% | | 2.57% |

| **Particulars** | **Impact on Defined Benefit Obligation** | | | |
|---|---|---|---|---|
| | **31st March, 2017** | | **31st March, 2016** | |
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| **Salary growth rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| If discount rate is increased to 8% | | 432 | | 337 |
| (Previous Year 8%) | 2.94% | | 2.72% | |
| if Discount rate is decreased to 7% | | 407 | | 320 |
| (Previous Year 7%) | | 2.77% | | 2.58% |

**2.39 PROVISIONS MADE, UTILISED, WRITTEN BACK :**

| | As at 01.04.2016 | Additions | Utilised/ Adjustment | As at 31.03.2017 |
|---|---|---|---|---|
| Provision for Custom Duty Demand | 426 | - | - | 426 |
| Provision for Liquidated Damages* | 102415 | | | 102415 |
| Provision for Guarantee Repairs | 3488 | 1200 | 3462 | 1226 |
| Other Provisions | 21 | - | 15 | 6 |

* Includes amount of ₹ 102049 Lakhs adjusted in retained earnings

**2.40** Details of dues to Micro, Small and Medium Enterprises (MSME), as defined in the Micro, Small and Medium Enterprises Development Act, 2006, as on 31st March, 2017 based on available information with the Company are as under:

| **Particulars** | **31st March, 2017 (₹ in Lakhs)** | **31st March, 2016 (₹ in Lakhs)** |
|---|---|---|
| Principal amount due and remaining unpaid | 89 | - |
| Interest due on above and the unpaid interest | 8 | - |
| Interest paid | - | - |
| Payment made beyond the appointed day during the year | 877 | 495 |
| Interest accrued and remaining unpaid on above | 34 | 22 |
| Amount of further interest remaining due and payable in succeeding years | - | - |

**2.41 Miscellaneous Expenses include:**

| Remuneration to the Statutory Auditors | | |
|---|---|---|
| i) Audit fees | 10 | 10 |
| ii) Out of pocket expenses | - | - |
| iii) Tax audit fees | 1 | 1 |
| | 11 | 11 |

**2.42** The Company has entered into a Joint Venture with Reliance Defence and Engineering Ltd and formed a Joint Venture Company - "Mazagon Dock Pipavav Defence Pvt Ltd." incorporated in Mumbai, India, during FY 2012-13. The Company's equity share in the Joint Venture is 50%. The Company has subscribed to 100000 equity shares of ₹ 10 each at par in the Joint Venture Company but the same has not been paid. As on 31st March, 2017, the Joint Venture Company has not commenced its operations and reported loss of ₹ 11,615 (₹ 11,773 for FY 2015-16) as per latest audited results of FY 2016-17.

**2.43 Russian (USSR) deferred State Credit**

An intergovernmental agreement between Russian Federation and Government of India was reached for reconstructing of Russian Deferred State Credit in Rouble in connection with procurement of equipment for certain ships built and delivered by the company to India Navy in earlier years. The deferred payment liability (non-interest bearing) of ₹ 9628 lakhs, payable over 45 years from 1992-93, in equal annual installments of ₹ 214 lakhs was converted from Rouble to units of Special Drawings Rights (SDR) and stated in Rupees. The amount payable within a year of ₹ 405 lakhs (Previous year ₹ 378 lakhs) includes yearly instalment payable of ₹ 214 lakhs (Previous year ₹ 214 lakhs) and ₹ 191 lakhs (Previous year ₹ 164 lakhs) towards exchange variation fluctuation. The balance loan amount has been reinstated at the present rate of SDR announced by RBI as on 31st March 2017 which is ₹ 91.0858 for 1 SDR. These payments are reimbursable by Indian Navy. Accordingly, ₹ 7826 lakhs (amortised costs of ₹ 1996 lakhs) held at foreign supplier deferred credit as on 31st March 2017.

**2.44** DPE had issued a guideline for creation and contribution to a corpus fund to the extent of not more than 1.5% of profit before tax to cater to the medical and other emergency needs of employees retired prior to 01st January, 2007. No provision has, however, been made in the Accounts as the related DPE guideline is subject to directive / guideline from the concerned Administrative Ministry, i.e. MoD and no guideline / directive for mechanism and operation of the scheme has been received from MoD.

**2.45** "Liquidated damages of ₹ 102049 lakhs for delays in future deliveries relating to a Project was not accounted in earlier years anticipating a reversal of liquidated damages upon negotiation with customer. This expectation was erroneous based on communication received from customer conforming the liquidated damages. The amount is provided and adjusted in the retained earning as on 01st April, 2015, since the delays were anticipated in FY 2014-15 and earlier years".

**2.46** Pursuant to notification S.O. 2437(E) dated 04th September, 2015, the Board has approved the non disclosure following information on the exemption granted under section 129 of the Companies Act, 2013 and hence the same has not been disclosed in the financial statements.

i) Goods purchased under broad heads

ii) Value of import on CIF basis

iii) Expenditure on foreign currency

iv) Total value of imported raw material

v) Earning in foreign currency

**2.47 Related Party Disclosure:**

**a) Name of related party and description of relationships**

i) The Company is controlled by President of India having ownership interest of 100%

ii) Goa Shipyard Limited — Associate Company

iii) Key Managerial Personnel

| | | |
|---|---|---|
| RAdm R K Shrawat AVSM (Retd) | (Upto 31.12.2016) | Chairman and Managing Director |
| Cmde Rakesh Anand (Retd) | (From 01.01.2017) | Chairman and Managing Director |
| | | Director (Corporate Planning & Personnel) |
| | (From 28.02.2017) | Director (Shipbuilding) |
| Cdr P R Raghunath (Retd) | (Upto 27.02.2017) | Director (Shipbuilding) |
| Capt Rajiv Lath (Retd) | | Director (Submarine & Heavy Engineering) |
| Shri Sanjiv Sharma | | Director (Finance) |

**b) Transactions with Related Parties**

The total amount of transactions that have been entered with related parties for the relevant financial year is as given below:

| **Particulars** | **Year ended** | **Sales to related parties** | **Rent from related parties** | **Amounts receivable/ (payable) by related parties** |
|---|---|---|---|---|
| | | ₹ Lakhs | ₹ Lakhs | ₹ Lakhs |
| **Associate:** | | | | |
| Goa Shipyard Ltd. | 31 March 2017 | - | 7 | 3 |
| | 31 March 2016 | - | 7 | 3 |
| Indian Navy | 31 March 2017 | 352367 | - | 76227 |
| | 31 March 2016 | 410622 | - | 81932 |

| **Remuneration to Key Managerial Personnel*** | **31st March, 2017 (₹ in Lakhs)** | **31st March, 2016 (₹ in Lakhs)** |
|---|---|---|
| RAdm R K Shrawat AVSM (Retd) (Upto 31.12.16) | 114 | 29 |
| Cdr P R Raghunath (Retd) (Upto 27.02.2017) | 63 | 28 |
| Shri M Selvaraj (Upto 31.05.2015) | - | 7 |
| Cmde Rakesh Anand (Retd) | 52 | 27 |
| Capt Rajiv Lath (Retd) | 51 | 28 |
| Shri Sanjiv Sharma | 41 | 21 |
| Balance Outstanding | - | - |

* As per Statement of Profit and Loss Account.

Besides the remuneration indicated above, the Chairman and Managing Director and four Functional Directors are allowed to use Company's Car for private purposes upto 1000 kms per month, for which charges were collected at the rates prescribed by Government of India.

**2.48 Construction Contracts**

Disclosure in respect of ships under construction contracts (undelivered) as on :

| Particulars | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| i) Aggregate amount of costs incurred and recognized profit (less recognized losses) | 1659401 | 1559914 |
| ii) Amount of customer advances received | 2916226 | 2801030 |

**2.49 Specified Bank Notes**

In accordance with the MCA Notification No. G.S.R. 308 (E) dt. 30th March, 2017, every company shall disclose the details of Specified Bank Notes (SBN) held and transacted during the period 08/11/2016 to 30/12/2016. The denomination wise SBNs and other notes as per the notification is given below:-

| Sl. No. | SBNs denominations | Specified Bank Notes | Other Denomination Notes | Total |
|---|---|---|---|---|
| 1 | Closing Cash in hand as on 08.11.2016 | 0.74 | 0.00 | 0.74 |
| 2 | Permitted receipts | 4.28 | 26.58 | 30.86 |
| 3 | Permitted payments | - | - | - |
| 4 | Amount deposited in Banks | 5.02 | 25.84 | 30.86 |
| 6 | Closing Cash in hand as on 30.12.2016 | - | 0.74 | 0.74 |

**2.50 Earnings per share (EPS)**

| Computation of Profit/Loss for Earnings Per Share | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| Profit attributable to equity shareholders of the company used in calculating basic and diluted earnings per share (₹ Lakhs) | 53349 | 56848 |
| Weighted average number of equity shares used as the denominator in calculating basic & diluted earnings per share | 24900000 | 24900000 |
| Earnings per share Basic & Diluted (in ₹) | 214.25 | 228.31 |

(Share having nominal value of ₹ 100 each)

During FY 2016-17 the Company issued bonus shares in the ratio of 1:4. As per Ind AS 33, weighted average number of total equity shares for FY 2015-16 has been adjusted for bonus issue.

**2.51 Income Tax Reconciliation 2016-17**

This note provides an analysis of the Company’s income tax expense, show amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items.

**(a) Income Tax Expenses**

(₹ in Lakhs)

| Particulars | Year ended 31st March 2017 | Year ended 31st March 2016 |
|---|---|---|
| Current tax | | |
| Current tax on profits for the year | 29341 | 35220 |
| Tax adjustments relating to prior years | - | 457 |
| **Total current tax expense** | **29341** | **35677** |
| Deferred tax | | |
| Deferred tax benefit | (2082) | (407) |
| **Total deferred tax benefit** | **(2082)** | **(407)** |
| **Income tax expense** | **27259** | **35270** |

**(b) Reconciliation of tax expense and the accounting profit multiplied by tax rate:**

(₹ in Lakhs)

| | | |
|---|---|---|
| **Enacted income tax rate in India applicable to the Company** | **34.608%** | **34.608%** |
| Profit before tax | 84772 | 92932 |
| Current tax expenses on Profit before tax expenses at the enacted Income Tax rate in India | 29338 | 32162 |
| Tax effect of the amounts which are not deductible/ (taxable) in calculating taxable income | | |
| Permanent disallowances | 161 | 163 |
| Other | (2240) | (3271) |
| **Total Tax Expenses** | **27259** | **35270** |

**2.52 Fair Value Measurement**

**Financial Instrtuments by Category**

(₹ in Lakhs)

| Particulars | 31st March 2017 | | | 31st March 2016 | | |
|---|---|---|---|---|---|---|
| | FVPL | FVOCI | Amortised Cost | FVPL | FVOCI | Amortised Cost |
| **Financial Assets** | | | | | | |
| Security Deposits | - | - | 301 | - | - | 286 |
| **Financial Liabilities** | | | | | | |
| Russian Deferred Credit | - | - | 1996 | - | - | 2079 |
| Security Deposits | - | - | 14 | - | - | 8 |

**Valuation technique used to determine fair value**

Specific valuation technique used to value financial instruments include:

the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

**Fair Value Hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are

(a) recognised and measured at fair value

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of input used in determining fair value, the company has classified the financial instruments in three levels prescribed under the Ind AS.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

**Financial assets and liabilities measured at amortised cost**

(₹ in Lakhs)

| Particulars | Fair value Hierarchy | As at 31st March 2017 | | As at 31st March 2016 | |
|---|---|---|---|---|---|
| | | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets** | | | | | |
| Security deposits | Level 3 | 376 | 301 | 376 | 286 |
| **Financial liabilities** | | | | | |
| Russian Deferred Credit | Level 3 | 7826 | 1996 | 8514 | 2079 |
| Security Deposits | Level 3 | 16 | 14 | 10 | 8 |

**2.53 Financial risk management**

**a) Credit Risk**

Credit Risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities ( primarily trade receivables) including deposits with banks and financial institutations, foreign exchange transactions and other financial instruments.

i) Trade Recivables and unbilled revenue

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally carrying no credit terms. Outstanding customer receivables are regularly monitored. Trade receivables are primarily from Navy (being department of Govt. of India), hence the credit risk is considered low. Further the Company receives advance against orders which also mitigates the credit risk.

ii) Financial Instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Management in accordance with the company's investment policy. Investment of surplus funds are made only in accordance with the Department of Public Enterprises(DPE) guidelines on investment of surplus funds, with the approved banks and within credit limits assigned to each bank. The limits applicable to single bank and public / private sectors as per the DPE guidelines minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to repay the principal and interest.

**b) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the underlying business, the Company maintains sufficient cash and liquid investments available to meet its obligation.

The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, if any.

**c) Market Risk**

i) Foreign currency risk and sensitivity

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk since it imports components from foriegn vendors. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (₹) In most of the Contracts, the gains / losses from forex exchange fluctuations are passed on / borne by the customer of the Company. Therefore, the foreign exchange risk and sensitivity of the Company is Nil.

ii) Foreign Currency Risk Exposure

The company's exposure to foreign currency risk at the end of the reporting period expressed in INR (foreign currency amount multiplied by closing rate), are as follows:

(₹ in Lakhs)

| Particulars | CAD | EUR | GBP | NOK | SEK | SGD | USD |
|---|---|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | | | |
| 31st March 2017 | 1 | 9094 | 26 | 8 | 4166 | - | 97 |
| 31st March 2016 | 1 | 18633 | 7 | 3 | 8 | 9 | 4305 |

**Sensitivity**

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ in Lakhs)

| Particulars | | Impact on Proft Before Tax | |
|---|---|---|---|
| | | 31st March 2017 | 31st March 2016 |
| ***CAD Sensitivity**** | | | |
| | INR/CAD increases by 5% | 0.07 | 0.07 |
| | INR/CAD decreases by 5% | (0.07) | (0.07) |
| ***EUR Sensitivity**** | | | |
| | INR/EUR increases by 5% | 454.69 | 931.64 |
| | INR/EUR decreases by 5% | (454.69) | (931.64) |
| ***GBP Sensitivity**** | | | |
| | INR/GBP increases by 5% | 1.29 | 0.36 |
| | INR/GBP decreases by 5% | (1.29) | (0.36) |
| ***NOK Sensitivity**** | | | |
| | INR/NOK increases by 5% | 0.42 | 0.16 |
| | INR/NOK decreases by 5% | (0.42) | (0.16) |
| ***SEK Sensitivity**** | | | |
| | INR/SEK increases by 5% | 208.28 | 0.42 |
| | INR/SEK decreases by 5% | (208.28) | (0.42) |
| ***SGD Sensitivity**** | | | |
| | INR/SGD increases by 5% | - | 0.45 |
| | INR/SGD decreases by 5% | - | (0.45) |
| ***USD Sensitivity**** | | | |
| | INR/USD increases by 5% | 4.85 | 215.26 |
| | INR/USD decreases by 5% | (4.85) | (215.26) |
| | * Holding all other variables constant | | |

**2.54 Capital management**

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objectives of the Company's capital management are to

- maximise the shareholder value while providing stable capital structure that facilitate considered risk taking and pursued of business growth
- safeguard the company's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders
- maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and business opportunities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

**2.55 Expenditure on Corporate Social Responsibilities (CSR) Activities**

The various heads under which the CSR expenditure was incurred during the year is detailed as follows:

| Relevant clause of Schedule VII to the Companies Act, 2013 | Description of CSR activities | Amount Spent (₹ in Lakhs) | |
|---|---|---|---|
| | | **2016-17** | **2015-16** |
| Clause (i) | Eradicating hunger, poverty and malnutrition,promoting health care, sanitation and making available safe drinking water. | 606 | 603 |
| Clause (ii) | Promoting education, including special education and employment enhancing vocational skills among the children, women, elderly and the differently abled. | 565 | 282 |
| Clause (v) | Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public liabraries, promotion and development of traditional arts and handicrafts | 2 | 15 |
| Clause (vii) | Training to promote rural sports, nationally recognised sports,paralympic sports and Olympic sports; | 50 | |
| Clause (x) | Rural development projects; | 101 | 232 |
| | **Total** | **1324** | **1132** |

| Particulars | 2016-17 | 2015-16 |
|---|---|---|
| Amount required to be spent by the Company during the year | 1520 | 1316 |
| Amount spent during the year (incl. Administration Expenses) | 1365 | 1169 |

**2.56.1 First-time adoption of Ind AS**

**Transition to Ind AS**

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 1, have been applied in preparing the financial statements for the year ended 31 March, 2017, the comparative information presented in these financial statements for the year ended 31 March, 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

**A. Exemptions and exceptions availed**

Set below are the applicable Ind AS optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

**A.1 Ind AS optional exemptions**

**A.1.1 Deemed cost**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

**A.1.2 Transfer of assets from Customers**

As per Ind AS 101 a first time adopter should apply Appendix C of Ind AS 18 prospectively to transfer of assets from customers received on or after the transition date. A first time adopter elects to apply appendix C retrospectively, it may do so only if the valuations and other information needed to apply the Appendix to past transfer were obtained at the time those transfer occurred.

The Company has applied Appendix C of Ind AS 18 prospectively to transfer of assets from customers received on or after the transition date from 1 April 2015.

**A.1.3 Investments in Associate**

Company has availed the option to continue recording of Investments (in each of these cases) at cost as per IGAAP as on transition date amongst available options of fair valuation or cost as per Ind AS 27 'separate financial statement'.

**A.2 Ind AS mandatory exceptions**

**A.2.1 Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exists at the date of transition to Ind AS. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing on the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets on the basis of the fact and circumstances that exists at the date of transition to Ind AS. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

**2.56.2 Effect of Ind AS adoption on the Balance Sheet**

(₹ in Lakhs)

| Particulars | As at 31st March, 2016 | | | As at 1st April, 2015 | | |
|---|---|---|---|---|---|---|
| | Previous GAAP | Effect of transition to Ind AS | Ind AS | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| **ASSETS** | | | | | | |
| **(1) Non-current assets** | | | | | | |
| (a) Property, Plant and Equipment | 32354 | 2139 | 34493 | 25676 | 472 | 26148 |
| (b) Capital work-in-progress | 6461 | 10497 | 16958 | 4014 | 10575 | 14589 |
| (c) Other Intangible assets | 2105 | 178 | 2283 | 905 | - | 905 |
| (d) Financial Assets | | | | | | |
| (i) Investments | 600 | - | 600 | 600 | - | 600 |
| (ii) Trade Receivable | 8109 | (6435) | 1674 | 7943 | (6374) | 1569 |
| (iii) Loans | - | 293 | 293 | | 271 | 271 |
| (iv) Other Financial Assets | 340 | - | 340 | 340 | - | 340 |
| (e) Deferred tax assets (net) | 15745 | 34309 | 50054 | 12019 | 34259 | 46278 |
| (f) Non current tax assets (Net) | - | 12809 | 12809 | - | 22036 | 22036 |
| (g) Other non-current assets | 23629 | (12290) | 11339 | 24657 | (16919) | 7739 |

(₹ in Lakhs)

| Particulars | As at 31st March, 2016 | | | As at 1st April, 2015 | | |
|---|---|---|---|---|---|---|
| | Previous GAAP | Effect of transition to Ind AS | Ind AS | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| **(2) Current assets** | | | | | | |
| (a) Inventories | 2032591 | (1608124) | 424467 | 1854192 | (1410619) | 443573 |
| (b) Financial Assets | | | | | | |
| (i) Trade receivables | 78264 | 13709 | 91973 | 76097 | 74870 | 150967 |
| (ii) Cash and cash equivalents | 880277 | (790500) | 89777 | 761488 | (740000) | 21488 |
| (iii) Bank balances other than (ii) above | - | 790500 | 790500 | - | 740000 | 740000 |
| (iv) Loans | 1155 | (459) | 696 | 1067 | (452) | 615 |
| (v) Other Financial assets | 16594 | (2) | 16592 | 18906 | (2) | 18904 |
| (d) Other current assets | 248644 | 77209 | 325853 | 306137 | 34757 | 340894 |
| **Total Assets** | **3346868** | **(1476167)** | **1870701** | **3094041** | **(1257125)** | **1836916** |
| **EQUITY AND LIABILITIES** | | | | | | |
| **EQUITY** | | | | | | |
| (a) Equity Share capital | 19920 | - | 19920 | 19920 | - | 19920 |
| (b) Other Equity | 264703 | (52282) | 212421 | 226065 | (57963) | 168102 |
| **LIABILITIES** | | | | | | |
| **(1) Non-current liabilities** | | | | | | |
| (a) Financial Liabilities | | | | | | |
| (i) Trade payables | 8109 | (6435) | 1674 | 7943 | (6374) | 1569 |
| (ii) Others | | 8 | 8 | | | |
| (b) Other long term liabilities | - | 13163 | 13163 | - | 10474 | 10474 |
| (c) Long term provisions | 16158 | 102050 | 118568 | 17329 | 102049 | 119378 |
| **(2) Current liabilities** | | | | | | |
| (a) Financial Liabilities | | | | | | |
| (i) Trade payables | 114034 | (4759) | 109275 | 94849 | (8351) | 86498 |
| (ii) Others | 20568 | - | 20568 | 17563 | - | 17563 |
| (b) Other current liabilities | 2882138 | (1513673) | 1368465 | 2704399 | (1296243) | 1408156 |
| (c) Short term provisions | 20878 | (14239) | 6639 | 5973 | (717) | 5256 |
| **Total Equity and Liabilities** | **3346868** | **(1476167)** | **1870701** | **3094041** | **(1257126)** | **1836916** |

**Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31.03.2016**

(₹ in Lakhs)

| **Particulars** | **Previous GAAP** | **Effect of transition to Ind AS** | **IndAS** |
|---|---|---|---|
| Contract revenue | 412099 | (1477) | 410622 |
| Other operating revenue | 2084 | - | 2084 |
| **Total revenue from operations** | **414183** | **(1477)** | **412706** |
| Other income | 74353 | 1610 | 75963 |
| **Total revenue** | **488536** | **133** | **488669** |
| **Expenses:** | | | |
| Cost of materials consumed | 265804 | (1307) | 264497 |
| Employee benefits expense | 74439 | 1033 | 75472 |
| Finance costs | 7 | 383 | 390 |
| Depreciation and amortization expense | 3100 | 1281 | 4381 |
| Sub-contract | 13492 | - | 13492 |
| Power and fuel | 2822 | - | 2822 |
| Other expenses - Project related | 20352 | - | 20352 |
| Other expenses - Others | 12208 | (47) | 12161 |
| Provisions | 3753 | (1583) | 2170 |
| **Total expenses** | **395977** | **(240)** | **395737** |
| **Profit before prior period adjustments** | **92559** | **373** | **92932** |
| Prior period adjustments | 3174 | (3174) | - |
| **Profit before tax** | **95733** | **(2801)** | **92932** |
| (1) Current tax | 35220 | - | 35220 |
| (2) Deferred tax | (3726) | 4133 | 407 |
| (3) Prior tax adjustment | 457 | - | 457 |
| **Profit (Loss) for the period** | **63782** | **(6934)** | **56848** |
| **Other Comprehensive Income** | | | |
| **A Items that will not be reclassified to profit or loss** | | | |
| (i) Remeasurements of post employment benefit obligations | - | 675 | 675 |
| (ii) Income tax relating to items that will be not be reclassified to profit or loss | | | |
| **B Items that will be reclassified to profit or loss** | | | |
| **Total Comprehensive Income for the period comprising Profit / (Loss) and Other Comprehensive Income for the period** | **63782** | **(6258)** | **57523** |
| Earnings per equity share: | 256.15 | | 228.31 |

**Material adjustments made while transition form previous GAAP**

**Proposed dividend**

Under the previous GAAP, dividends proposed by the Board of directors after the Balance sheet date but before the approval of the financial statements were considered as adjusting events, accordingly the provision for proposed dividend was recognised as a liabilitiy. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for Proposed Dividend and Dividend Distribution Tax of ₹ 11939 lakhs as at 31st March 2016 (₹ Nil as at 01st April 2015) included under provisions has been reversed with corresponding adjustment to retained earnings. Consequently the total equity has increased by an equivalent amount.

**Reclassification of Lease hold land**

Under the IGAPP land obtained on lease from various authorities was disclosed under fixed assets schedule at initial premium paid. The premium paid was amortised over the period of lease. Since lease is cancellable and significant risk and reward has not been transferred to MDL, lease hold land is treated as operating lease. The initial premium paid is considered as advance lease rental. Accordingly, while transition from IGAAP to Ind AS, the Company has reclassified the unamortised portion of leasehold land of ₹ 471 lakhs (net of amortisation) from PPE to other non-current assets as prepaid lease rentals which will be amortised as operating lease over the remaining period of lease. During the year ended March 17, under Ind AS, Company has reversed depreciation expenses of ₹ 51 lakhs which was earlier charged off as per IGAAP & recognised as lease rental of ₹ 51 lakhs as per Ind AS.

**Amortisation of Security deposit**

Under Ind AS security deposits paid are measured at amorstised cost, accordingly Company has adjusted ₹ 36 lakhs against retained earnings which resulted in decrease in retained earnings and net deferred lease expenses asset is recognised of ₹ 137 lakhs on transtiton date. During the year ended 31st March 16, Company has expensed out deferred lease expenses of ₹ 15 lakhs with a closing balance of ₹ 122 lakhs and ₹ 15 lakhs are recorded as interest income on security deposit paid.

**Employee Benefits**

Under Ind AS, ₹ 1033 lakhs has been regrouped from employee benefit expenses to other comprehensive income on account of remeasurement of actuarial gains and losses as on 31st March 2016.

**Contract Revenue as per Ind AS 11 Construction Contracts**

a. The Company was accounting, hitherto, the revenue from shipbuilding as a sale of ship in respect of completed ship upon delivery and in respect of ongoing contracts, based on accretion/decretion in work in progress. The Company has changed this practice and is accounting for such revenue as Contract Revenue as per Ind AS 11 Construction Contracts. This change has no impact on revenues and profits of FY 2015-16 and FY 2016-17.

b. The Company was providing hitherto the estimated cost of work yet to be completed in respect of the fixed price element of delivered ship, in the year of delivery. During the year in line with Ind AS 11, the Company has changed the practice and is accounting for cost based on actual incurred and revenue on percentage completion basis after taking into consideration the future cost to be incurred on unfinished work on the project as part of total estimated cost of the project. Due to this change, provision of ₹ 717 lakhs was reversed in retained earning along with revenue of ₹ 730 lakhs as at 1st April 2015. During FY 2015-16, provision of ₹ 2300 lakhs and revenue of ₹ 1578 lakhs was reversed.

c. The Company was hitherto reflecting cost incurred on ships under construction as Work in Progress (WIP) under inventory. During the year the Company has changed this practice and is recognising progressive billings on such contract work in progress as "Trade Receivables". The difference between such Trade Receivables and the Contract revenue earned calculated as per percentage completion method is reflected as unbilled revenue or unearned income under current assets or current liabilities as the case may be. Due to this change Current assets have gone up by ₹ 14087 lakhs in FY 2015-16 with corresponding reduction in inventory.

**2.57** In the preparation of these Ind AS Financial Statements, figures for the previous year have been regrouped/reclassified, wherever considered necessary to conform to current year presentation.

---

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Mazagon Dock Shipbuilders Limited**

**Report on the Consolidated Ind AS Financial Statements**

We have audited the accompanying consolidated Ind AS financial statements of 'Mazagon Dock Shipbuilders Limited' (hereinafter referred to as 'the Company') and its associate, comprising of the Consolidated Balance Sheet as at 31st March, 2017, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

**Management's Responsibility for the Consolidated Ind AS Financial Statements**

The Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated state of affairs (financial position), consolidated profit or loss (financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued therunder.

The respective Board of Directors of the Company and its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and its associate and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Company, as aforesaid.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of other auditor on separate financial statements of the associate, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the consolidated state of affairs (financial position) of the Company as at 31st March, 2017 and its consolidated profit (financial performance including other comprehensive income), its consolidated cash flows and the changes in equity for the year ended on that date.

## Emphasis of Matters

We draw attention to the following matters in the notes to the consolidated Ind AS financial statements:

1. In respect to the balances due from / to Indian Navy which are in the process of reconciliation (Refer note no. 2.36.2).
2. The financials of Joint Venture Company Mazagon Dock Pipava Defence Pvt Ltd. in which the Company holds 50% of the equity has not been consolidated by the management in the consolidated Ind AS financial statements (Refer note no. 2.57.3).

Our opinion is not modified in respect of these matters.

**Other Matters**

a. The consolidated Ind AS financial statement includes the Company's share of net profit (including other comprehensive income) of ₹ 6,075 lakhs for the year ended 31st March, 2017, as considered in the consolidated Ind AS financial statement in respect of its associate, whose financial statements have not been audited by us. These financial statement have been audited by other auditor whose report has been furnished to us by the management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosure included in respect of this associate and our report in terms of sub-section (3) of 143 of the Act, in so far as it relates to the aforesaid associate, is based solely on the report of the other auditor.

b. Our opinion on the consolidated Ind AS financial statements, and our audit report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor.

## Report on Other Legal and Regulatory Requirements

1. As required by the directions issued by the Office of the Comptroller and Auditor General of India under section 143(5) of the Act, we give in Annexure – I (a) and I (b), a statement on the matters referred to in those directions.
2. As required by section 143(3) of the Act, we report that:
   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;
   b. in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
   c. the Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
   d. in our opinion, the aforesaid Consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
   e. the provisions of Section 164(2) of the Act are not applicable to Government Company;

f. with respect to the adequacy of the internal financial controls over financial reporting of the Company and its associate company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in 'Annexure II';

g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i) The consolidated Ind AS financial statements disclose the impact of pending litigations on consolidated financial position of the Company (Refer note no. 2.35 to the consolidated Ind AS financial statements).

   ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. However, the Company does not have any derivative contracts.

   iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

   iv) The Company has provided requisite disclosures in its consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company (Refer note no. 2.49 to the consolidated Ind AS financial statements).

**For Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm's Registration No. 102860W/W100089

Sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Place: Mumbai
Date : 23 Aug '17

## Annexure - I (a) to the Independent Auditor's Report

**To the Members of Mazagon Dock Shipbuilders Limited (pertaining to the Company)**

As referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in our Auditors' report of even date and as required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013, we give below our comments on the matters referred therein.

1. **Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/ lease deeds are not available.**
   The Company has clear title/lease deeds for freehold and leasehold land except;

| Sr. No. | Plot No. | Location | Type of Property | Area (in Sq Mtrs) | Remarks |
|---|---|---|---|---|---|
| 1 | Plot No. 355 PH I | Dockyard Road, Mumbai | Leasehold | 6240.14 | Lease renewal of the plots is under consideration of MBPT. Awaiting formulation of land policy. |
| 2 | Plot No. 355 PH II | Dockyard Road, Mumbai | Leasehold | 1960.93 | |
| 3 | Extension of Slipway | Dockyard Road, Mumbai | Leasehold | 3746.00 | |
| 4 | Additional Water Area for further extension of slipway to 20M | Dockyard Road, Mumbai | Leasehold | 1850.00 | |

2. **Please report whether there are any cases of waiver / write off of debts / loans / interest etc., if yes, the reasons there for and the amount involved.**

| Sr. No. | Name of the Party | Amount written off (₹ in lakhs) | Reasons |
|---|---|---|---|
| 1 | PCDA(N) | 925.00 | Delivery of P15A-12701 Ship was due on 29th June, 2014 including the extended period for delivery. However, the same got delivered on 9th July, 2014, resulting in a levy of LD for 11 days amounting to ₹ 1,425.35 lakhs calculated on total contract price. The total contract price includes B&D and BFE components on which LD is not leviable. The amount of ₹ 1,425.35 lakhs has been deducted by the Navy from one of the claim bill raised by the Company on the Navy. The Company has shown an amount of ₹ 1,425.35 lakhs as receivable in the earlier year out of which an amount of ₹ 925.00 lakhs (relating to LD on Contract Price excluding B&D and BFE components) has been charged off as an expense during the year as the Company has accepted the deduction made by the Navy. |

3. **Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.**

   The total value of inventory of the Company lying with third parties is ₹ 353.09 lakhs as at 31st March, 2017. The Company has maintained only manual records identifying inventories lying with third parties. In our opinion, track of such inventories needs to be maintained through the ERP system operated by the Company in order to have proper control on such inventories. There are no assets received as gift from Government.

**For Ford Rhodes Parks & Co. LLP**

Chartered Accountants
Firm's Registration No. 102860W/W100089

Sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Place: Mumbai
Date: 23 Aug '17

## Annexure - I (b) to the Independent Auditor's Report

**To the Members of Mazagon Dock Shipbuilders Limited (pertaining to its associate - Goa Shipyard Limited)**

As referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in our Auditors' report of even date and as required by the directions and sub-directions issued by the Office of the Comptroller and Auditor General of India under Section 143(5) of the Companies Act, 2013, we give below our comments on the matters referred therein.

| Sr. No. | Areas Examined | Observation/Findings |
|---|---|---|
| 1 | Whether the Company has clear title/ lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available. | According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company. |
| 2 | Whether there are any cases of waiver / write off of debts / loans / interest etc., if yes, the reasons there for and the amount involved. | During the year the Company has reversed receivable amounting to ₹ 264 lakhs due from M/s Cochin Shipyard Ltd. on account of disallowance of FE variation. Further receivable amounting to ₹ 146 lakhs from Coast guard, GRSE and MDL have been written-off during the year on account of disallowances by customers due to defects/ineligibility. |
| 3 | Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities. | In our opinion and according to the information provided by the Company, all the records with regard to inventories lying with third parties and assets funded by the customer are maintained. No assets have been received as gifts from government or other authorities during the year. |

**For Ford Rhodes Parks & Co. LLP**

Chartered Accountants
Firm's Registration No. 102860W/W100089

Sd/-
Shrikant Prabhu
Partner
Membership No. 35296

Place: Mumbai
Date: 23 Aug '17

## Annexure II

**Annexure to the Independent Auditor's Report of even date on the Consolidated Ind AS Financial Statements of Mazagon Dock Shipbuilders Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

In conjuction with our audit of the consolidated Ind AS financial statements of the Mazagon Dock Shipbuilders Limited ('the Company') as of and for the year ended 31st March, 2017, we have audited the internal financial controls over financial reporting of the Company and its associate incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Company and its associate incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's, and its associate incorporated in India, internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's and its associate incorporated in India, internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Consolidated Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated Ind AS financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company and its associate, have in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal controls over financial reporting criteria established by the Company and its associate, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Ford Rhodes Parks & Co. LLP**

Chartered Accountants
Firm's Registration No. 102860W / W100089

Sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Place: Mumbai
Date: 23 Aug '17

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF M/S. MAZAGON DOCK SHIPBUILDERS LIMITED, MUMBAI FOR THE YEAR ENDED 31 MARCH 2017.**

The preparation of consolidated financial statements of M/s. Mazagon Dock Shipbuilders Limited, Mumbai for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act is responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their **Audit Report dated 23 August 2017.**

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of **M/s. Mazagon Dock Shipbuilders Limited, Mumbai** for the year ended 31 March 2017. We conducted a supplementary audit of the financial statements of M/s. Mazagon Dock Shipbuilders Limited, Mumbai and M/s. Goa Shipyard Limited, Goa but did not conduct supplementary audit of the financial statements of M/s. Mazagon Dock Pipavav Defence Pvt Limited for the year ended on that date. **Further, section 139(5) and 143 (6) (b) of the Act are not applicable to M/s. Mazagon Dock Pipavav Defence Pvt Limited being private entity, for appointment of their Statutory Auditor nor for conduct of supplementary audit. Accordingly, C&AG has neither appointed the Statutory Auditors nor conducted the supplementary audit of this company.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

**For and on behalf of the**
**Comptroller & Auditor General of India.**

Prachi Pandey
21.9/XVII

**(Prachi Pandey)**
**Pr. Director of Commercial Audit**
**& Ex-Officio Member Audit Board, Bangalore**

**Place: Bangalore**
**Date: 21 September 2017**

## CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2017

| | | Notes | As at 31st March, 2017 (₹ in Lakhs) | As at 31st March, 2016 (₹ in Lakhs) | As at 1st April, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|
| | **ASSETS** | | | | |
| **(1)** | **Non-current assets** | | | | |
| (a) | Property, Plant and Equipment | 2.1.1 | 52492 | 34493 | 26148 |
| (b) | Capital work-in-progress | 2.2 | 9843 | 16958 | 14589 |
| (c) | Other intangible assets | 2.1.2 | 2135 | 2283 | 905 |
| | | | **64470** | **53734** | **41642** |
| (d) | **Financial assets** | | | | |
| | (i) Investments | 2.3 | 37617 | 32422 | 29727 |
| | (ii) Trade receivable | 2.4 | 1605 | 1674 | 1569 |
| | (iii) Loans | 2.5 | 308 | 293 | 271 |
| | (iv) Other financial assets | 2.6 | 340 | 340 | 340 |
| (e) | Deferred tax assets (net) | 2.7 | 48381 | 50054 | 46278 |
| (f) | Non-current tax assets (net) | | 18114 | 12809 | 22036 |
| (g) | Other non-current assets | 2.8 | 14215 | 11339 | 7739 |
| | **Total non-current assets** | | **185051** | **162665** | **149602** |
| **(2)** | **Current assets** | | | | |
| (a) | Inventories | 2.9 | 402865 | 424467 | 443573 |
| (b) | Financial assets | | | | |
| (i) | Trade receivables | 2.10 | 74620 | 91973 | 150967 |
| (ii) | Cash and cash equivalents | 2.11 | 14288 | 89777 | 21488 |
| (iii) | Bank balances other than cash and cash equivalents | 2.12 | 822000 | 790500 | 740000 |
| (iv) | Loans | 2.13 | 664 | 696 | 615 |
| (v) | Others | 2.14 | 14765 | 16592 | 18904 |
| (c) | Assets held for sale | | 2 | - | - |
| (d) | Other current assets | 2.15 | 419902 | 325853 | 340893 |
| | **Total current assets** | | **1749106** | **1739858** | **1716441** |
| | **Total Assets** | | **1934157** | **1902522** | **1866043** |
| | **EQUITY AND LIABILITIES** | | | | |
| | **EQUITY** | | | | |
| | Equity Share capital | 2.16 | 24900 | 19920 | 19920 |
| | Other equity | 2.17 | 272995 | 244242 | 197229 |
| | **Total equity** | | **297895** | **264162** | **217149** |
| | **LIABILITIES** | | | | |
| **(1)** | **Non-current liabilities** | | | | |
| (a) | Financial liabilities | | | | |
| (i) | Trade payable | 2.18.1 | 1604 | 1674 | 1569 |
| (ii) | Others | 2.18.2 | 14 | 8 | - |
| (b) | Other long-term liabilities | 2.19 | 16695 | 13163 | 10474 |
| (c) | Long-term provisions | 2.20 | 121105 | 118568 | 119378 |
| | **Total non-current liabilities** | | **139418** | **133413** | **131421** |
| **(2)** | Current liabilities | | | | |
| (a) | Financial liabilities | | | | |
| (i) | Trade payables | 2.21 | 89826 | 109275 | 86498 |
| (ii) | Others | 2.22 | 17007 | 20568 | 17563 |
| (b) | Other current liabilities | 2.23 | 1381739 | 1368465 | 1408156 |
| (c) | Short-term provisions | 2.24 | 8271 | 6639 | 5256 |
| | **Total current liabilities** | | **1496843** | **1504947** | **1517473** |
| | **Total liabilities** | | **1636261** | **1638360** | **1648894** |
| | **Total Equity and Liabilities** | | **1934157** | **1902522** | **1866043** |
| | Significant accounting policies and notes to the financial statements | 1 and 2 | | | |

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2017

| | | Notes | 2016-17 (₹ in Lakhs) | 2015-16 (₹ in Lakhs) |
|---|---|---|---|---|
| I. | **Revenue from Operations** | | | |
| | i Contract revenue | 2.25 | 352,367 | 410,622 |
| | ii Other operating revenue | 2.26 | 607 | 2,084 |
| | | | 352,974 | 412,706 |
| II | **Other Income** | 2.27 | 75,578 | 75,221 |
| III. | **Total Revenue** | | **428,552** | **487,927** |
| IV. | **Expenses:** | | | |
| | Cost of materials consumed | 2.28 | 214,007 | 264,497 |
| | Employee benefits expense | 2.29 | 71,738 | 75,472 |
| | Finance costs | 2.30 | 390 | 390 |
| | Depreciation and amortization expenses | | 3,939 | 4,381 |
| | Sub-contract | | 11,019 | 13,492 |
| | Power and fuel | | 2,604 | 2,822 |
| | Other expenses :(a) Project related | 2.31 | 14,171 | 20,352 |
| | (b) Others | 2.32 | 15,945 | 12,161 |
| | Provisions | 2.33 | 10,845 | 2,170 |
| | **Total Expenses** | | **344,658** | **395,737** |
| V. | **Profit before tax** | | **83,894** | **92,190** |
| VI. | **Tax expense:** | | | |
| | Current tax | | 29,307 | 35,220 |
| | Deferred tax | | 2,116 | 407 |
| | Tax adjustments relating to prior years | | - | 457 |
| VII. | **Profit / (Loss) for the year** | | **52,471** | **56,106** |
| VIII. | **Share of Net Profit/(Loss) of Associate** | | **6,039** | **3,448** |
| IX. | **Profit for the year** | | **58,510** | **59,555** |
| X. | **Other comprehensive income** | | 35220 | 35220 |
| | A) Items that will not be reclassified to profit or loss | | | |
| | i) Remeasurement of defined employee benefit plan (net of tax) | | (837) | 675 |
| | ii) Remeasurement of post employment benefit obligation of Associate | | 36 | (12) |
| | B) Items that will be reclassified to profit or loss | | - | - |
| XI. | **Total comprehensive income for the year** | | **57,708** | **60,218** |
| X. | **Earnings per Share** | | | |
| | Basic and Diluted | | 234.98 | 239.17 |
| | Significant accounting policies and notes to the financial statements | 1 and 2 | | |

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2017

| Sr.No | Particulars | 2016-17 (₹ in Lakhs) | 2015-16 (₹ in Lakhs) |
|---|---|---|---|
| **A** | **Cash flow from operating activities** | | |
| | **Net Profit Before Tax** | 83894 | 92190 |
| | **Adjustments for :** | | |
| | **(+) Non cash expenditure and non operating expenses** | | |
| | Depreciation / Amortisation | 3939 | 4381 |
| | Finance cost | 390 | 390 |
| | **(-) Non operating income** | | |
| | Profit / Loss on sale of fixed assets | (31) | (7) |
| | Interest income | (63288) | (67806) |
| | **Other items** | | |
| | Fund utilised for CSR | - | (1169) |
| | **Operating profit before working capital changes** | **24904** | **27979** |
| | **Adjustment for (increase) / decrease in working capital** | | |
| | **Adjustments for :** | | |
| | Inventories | 21602 | 19106 |
| | Trade receivables and loans and advances | 17439 | 58787 |
| | Other current and non current assets | (126929) | (36226) |
| | Trade payables and provisions | (16578) | 24104 |
| | Other current and non current liabilties | 13252 | (33989) |
| | **Cash generated from operations** | (66312) | 59761 |
| | **Direct tax paid (net)** | (34612) | (30990) |
| | **Net cash from (used in) operating activities** | **(100924)** | **28771** |
| **B** | **Cash flow from investing activities** | | |
| | Purchase of fixed assets (net of adjustments) | (21836) | (14115) |
| | Capital work in progress | 7116 | (2369) |
| | Sale of fixed assets | 76 | 19 |
| | Capital advance | (113) | (522) |
| | Interest income | 63288 | 67806 |
| | Dividend received from Associate | 879 | 742 |
| | **Net cash from / (used in) investing activities** | **49410** | **51561** |
| **C** | **Cash flow from financing activities** | | |
| | Dividend paid (including tax on dividend) | (23975) | (12036) |
| | Interest paid | - | (7) |
| | **Net cash from / (used in) financing activities** | **(23975)** | **(12043)** |
| | **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | **(75489)** | **68289** |
| | **Cash and cash equivalents at the beginning of the year** | **89777** | **21488** |
| | **Cash and cash equivalents at the end of the year** | **14288** | **89777** |
| | Note: Figure in bracket indicate out flow | | |

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

## Note 1: Statement of Significant Accounting Policies

**1) Principles of Consolidation:**

**The consolidated financial Statements consist of Mazagon Dock Shipbuilders Limited ("The Company") and its associate company. The Consolidated Financial Statements are prepared on the following basis:**

Investments in associates where the Company holds more than 20% of equity are accounted for using equity method as per Indian Accounting Standard (Ind AS) 28- "Investments in Associates and Joint Ventures".

The consolidated financial statements are prepared using uniform accounting policies and are presented to the extent possible in the same manner as the Company's separate financial statement except where adjustment for the differences are immaterial/ impractical.

The goodwill/capital reserve arising on acquisition of Associate is included in the carrying amount of the investment and disclosed separately. The carrying amount of the investment in associates is adjusted by the share of net profits / losses in the Consolidated Balance Sheet.

**2) Corporate information:**

The Company is a Government Company domiciled and incorporated in India. The registered office of the Company is located at Dockyard Road, Mumbai.

The Company is principally engaged in building and repairing of ships, submarines, various types of vessels and related engineering products for its customers.

**3) Significant accounting policies:**

**3.1 Basis of preparation:**

These financial statements have been prepared in compliance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015. These financial statements are the Company's first Ind AS Financial statements.

**3.2 Summary of significant accounting policies:**

**a) Use of estimates:**

The preparation of Financial Statements in accordance with Ind AS requires use of estimates and assumptions for some items, which might have an effect on their recognition and measurement in the Balance Sheet and Statement of Profit and Loss. The actual amounts realised may differ from these estimates. Accounting estimates could change from period to period. Appropriate changes in estimates are made as the management becomes aware of changes in circumstances surrounding the estimates. Differences between the actual results and estimates are recognised in the period in which the results are known / materialized.

**Estimates and assumptions are required in particular for:**

**i. Determination of the estimated useful life of tangible assets and the assessment as to which components of the cost may be capitalized:**

Useful life of tangible assets is based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful life is different from that prescribed in Schedule II, it is based on technical advice, taking into account the nature of the asset, estimated usage and operating conditions of the asset, past history of replacement and maintenance support.

**ii. Recognition and measurement of defined benefit obligations:**

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

**iii. Recognition of deferred tax assets:**

A deferred tax asset is recognised for all the deductible temporary differences and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the unused tax losses can be utilized. The management assumes that taxable profits will be available while recognising deferred tax assets.

**iv. Recognition and measurement of other provisions:**

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may vary.

**v. Discounting of long-term financial liabilities**

All financial liabilities are measured at fair value on initial recognition. In case of financial liabilities, which are required to be subsequently measured at amortised cost, interest is accrued using the effective interest method.

**vi. Determining whether an arrangement contains a lease:**

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At the inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate. In case of operating lease, the Company treats all payments under the arrangement as lease payments.

**vii.** Determination of estimated cost to complete the contract is required for computing revenue as per Ind AS 11 on 'Construction Contracts'. The estimates are revised periodically.

**b) Current versus non-current classification:**

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

**i. An asset is treated as current when it is:**

i. Expected to be realised or intended to be sold or consumed in normal operating cycle.

ii. Held primarily for the purpose of trading.

iii. Expected to be realised within twelve months after the reporting period, or

iv. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non - current.

**ii. A liability is treated as current when it is:**

i. It is expected to be settled in normal operating cycle

ii. It is held primarily for the purpose of trading

iii. It is due to be settled within twelve months after the reporting period, or

iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are treated as non - current.

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

**c) Property, plant and equipment:**

i. Property, plant and equipment, including capital work-in-progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Capital works executed internally are valued at prime cost plus appropriate overheads.

- Cost means cost of acquisition, inclusive of inward freight, duties, taxes and other incidental expenses incurred in relation to acquisition of such assets. It also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised.
- When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.
- When a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.
- Spares purchased along with PPE are capitalised.
- The present value of the expected cost for decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.
- Unserviceable tangible assets are valued at the net realisable value. In case the net realisable value is not available, the same is considered at 5% of original cost as scrap value. For IT hardware assets, i.e. end user devices such as desktops, laptops, etc. residual value is considered as nil.
- An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The Company has elected to measure all its Property Plant & Equipment, on the date of transition i.e. 1st April 2015, at deemed cost being the carrying value of the assets in accordance with previous GAAP.

Funds received from customers for acquisition or construction of property, plant and equipment from 1st April, 2015, are recognised as deferred revenue, which is amortised equally over the useful lives of the assets.

ii. Depreciation:

(a) Depreciation is calculated on a straight-line basis, based on the useful lives specified in Schedule II to the Companies Act, 2013 except for the following items, where useful lives are estimated on technical assessment by technical experts, past trends and management estimates:

| Asset class | Description | Years |
|---|---|---|
| Plant & Machinery | Wet basin | 60 |
| Plant & Machinery | Goliath crane (300 ton capacity) | 30 |

(b) Loose tools costing over ₹ 5000 is written off evenly over a period of five years commencing from the year of purchase.

(c) Additions to assets individually costing ₹ 5000 or less are depreciated at 100%.

(d) Spares purchased along-with the main asset are depreciated over the estimated useful life of that asset.

(e) In respect of additions / extensions forming an integral part of the existing assets, depreciation has been provided over residual life of the respective assets.

(f) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(g) Depreciation on property, plant and equipment commences when the assets are ready for intended use

(h) In respect of assets whose useful life has been revised, the unamortised depreciable amount has been charged over the revised remaining useful life of the assets.

(i) The residual value of all the assets have been considered at 5% of the original cost of the respective assets, except for computer and related hardware assets, where the residual value is considered to be nil.

(j) When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

**d) Intangible assets:**

Intangible assets are stated at cost of acquisition less accumulated amortisation and accumulated impairment, if any. Amortisation is done over their estimated useful life of five years on straight line basis from the date they are available for intended use.

**e) Impairment of assets:**

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment and intangible assets may be impaired. If any such impairment exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less cost of disposal and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**f) Investment in associate:**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control over those policies.

Company has investment in equity shares of its associate and it is measured at cost. Provision for Impairment loss on such investment is made only when there is a diminution in value of the investment which is other than temporary.

**Exemption availed under Ind AS 101:** On transition to Ind AS, Company has elected to continue with the carrying value of its investments in its associate as at April 1, 2015, measured as per previous GAAP and used that carrying value as the deemed cost of the same.

**g) Foreign currency transactions:**

The financial statements are prepared in Indian Rupees being the functional currency.

- Transactions denominated in foreign currencies are initially recorded at the exchange rate prevailing on the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange at the reporting date.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.
- Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

**h) Borrowing costs:**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowings of funds and includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

**i) Inventory valuation**

i. Raw materials and stores and general spares are valued at weighted average cost.

ii. Equipment for specific projects are valued at cost.

iii. Stock-in-transit is valued at cost.

iv. Cost of inventories comprises of purchase cost, conversion and other cost incurred in bringing them to the present location and condition.

v. Provision for obsolescence will be made for raw materials, stores and spares not moved for over 3 years. For Project specific material, obsolescence is provided to the items for which shelf life is expired.

vi. Scrap is valued at estimated net realizable value.

vii. Work in progress and finished goods other than construction contracts & ship repair contracts have been valued at lower of cost and net realisable value.

**j) Revenue recognition**

**i. Construction & repair contracts**

**Fixed Price Contract:**

When the outcome of a construction / repair contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The estimated cost of each contract is determined based on management estimate of cost to be incurred till final completion of the vessel and includes cost of material, services and other related overheads. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction / repair contract cannot be reliably estimated, contract revenue is recognized only to the extent of contract cost incurred that are likely to be recoverable.

**Cost Plus Contract:**

In case of Cost plus contracts, contract revenue is recognized on the basis of cost incurred plus profit margin applicable on the contract, when such cost can be estimated reliably.

Additional revenue, in respect of contracts completed in earlier years, is accounted for as contract revenue in the year in which such revenue materializes.

**Unbilled Revenue:**

When contract costs incurred till date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as 'Unbilled Revenue'.

**Unearned Income:**

For contracts where gross billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as 'Unearned Income'.

Amounts received in excess of trade receivables are presented in the statement of financial position as a liability, as 'Advances received'. Amounts billed as per terms of contract / work performed but not yet paid by the customer are classified under 'Trade receivables'.

**ii. Dividend income**

Dividend income from investments is recognized when the Company's right to receive payment has been established, which is generally when shareholders approve the dividend.

**iii. Interest income**

For all debt instruments, interest income is recorded using the effective interest rate (EIR). Interest income is included in finance income in the statement of profit and loss.

**iv. Rendering of services**

Revenue from services is recognized in the accounting period in which the services are rendered. For fixed price contracts exceeding 12 month tenure, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

If the work done against contract extending upto 12 months, revenue is recognized at cost or realisable value, whichever is lower.

**v. Insurance claims:**

Amounts due against insurance claims are accounted for on accrual basis; in respect of claims which are yet to be finally settled at the end of reporting date by the underwriter, credits are reckoned, based on the company's estimate of the realisable value.

**k) Financial instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Assets:**

**i. Classification:**

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

**ii. Initial recognition and measurement:**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

**iii. Financial assets measured at amortised cost:**

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The losses arising from impairment are recognised in the Statement of profit and loss. This category generally applies to trade and other receivables.

**iv. Financial assets measured at fair value through other comprehensive income (FVTOCI):**

Financial assets under this category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income.

**v. Financial assets measured at fair value through profit or loss (FVTPL):**

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

**vi. Investment in equity instruments:**

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income.

**vii. Investment in debt instruments:**

A debt instrument is measured at amortised cost or at FVTPL. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of profit and loss.

**viii. Impairment of financial asset:**

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss of all the financial assets that are debt instrument and trade receivable.

**ix. Derecognition of financial assets:**

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset..

**Financial liabilities:**

Financial liabilities of the Company are contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

The Company's financial liabilities include loans & borrowings, trade and other payables.

i. **Classification, initial recognition and measurement**

Financial liabilities are recognised initially at fair value minus transaction costs that are directly attributable to the issue of financial liabilities. Financial liabilities are classified as subsequently measured at amortized cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit and Loss over the period of the borrowings using the effective rate of interest.

ii. **Subsequent measurement**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. In each financial year, the unwinding of discount pertaining to financial liabilities is recorded as finance cost in the statement of profit and loss.

iii. **De-recognition of financial liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance cost.

iv. **Retentions**

Retention amount payable / receivable under the terms of the contracts with the vendors / customers are retained towards performance obligation under the normal terms of trade and do not constitute financial arrangement and hence are not amortised.

v. **Security deposit**

Security Deposits obtained from vendors below ₹ 1 lakh individually are not amortised as the same is not considered material.

**l) Leases**

**i. As a lessee**

Leases of property, plant and equipment where the Company, as lessee, where substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rent shall be charged as expense in the period in which they are incurred.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**ii. As a lessor**

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

**m) Employee benefits**

**i. Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**ii. Other long-term employee benefit obligations**

The liabilities for earned leave and sick leave that are not expected to be settled wholly within 12 months are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the Government Securities (G-Sec) at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Statement of Profit and Loss.

**iii. Post-employment obligations**

The Company operates the following post-employment schemes:

(a) defined benefit plans such as gratuity and post-retirement medical scheme for non executives; and

(b) defined contribution plans such as provident fund, pension and post-retirement medical scheme for executives.

**Gratuity**

Gratuity Fund, a defined benefit scheme, is administered through duly constituted independent Trust and yearly contributions based on actuarial valuation are charged to revenue. Any additional provision as may be required is provided for on the basis of actuarial valuation as per Ind AS 19 on Employee Benefits.

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

**Post-retirement medical scheme**

The post-retirement medical scheme to the non executives employees is a defined benefit plan and is determined based on actuarial valuation as per Ind AS 19 on Employee Benefits using Projected Unit Credit method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

The post-retirement medical scheme liability towards executives is recognised on accrual basis and charged to statement of profit and loss, which is a contribution plan.

**Provident fund and Pension**

Retirement benefits in the form of Provident fund and Family pension funds are defined contribution plans and the contribution is charged to Statement of Profit and Loss of the year when the contributions to the respective funds are due in accordance with the relevant statute.

Defined contribution to Superannuation Pension Scheme is charged to statement of Profit & Loss at the applicable contribution rate as per approved Pension scheme.

**n) Dividend to equity shareholders**

Dividend to Equity Shareholders is recognised as a liability and deducted from shareholders equity, in the period in which dividends are approved by the equity shareholders in the general meeting.

**o) Provision for current & deferred tax**

Income tax expense represents the sum of current tax, deferred tax and adjustments for tax provisions of previous years. It is recognised in Statement of Profit and Loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

**Current income tax:**

Current tax comprises of the expected tax payable on the taxable income for the year. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Deferred tax:**

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date using the tax rates and laws that are enacted or substantively enacted as on reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and credits can be utilised. Deferred tax relating to items recognised in other comprehensive income and directly in equity is recognised in correlation to the underlying transaction.

Deferred tax assets and liabilities are offset only if:

- Entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- Deferred tax assets and the deferred tax liabilities relate to the income taxes levied by the same taxation authority.

**p) Provision for doubtful debts and loans and advances:**

Provision is made in the accounts for doubtful debts, loans and advances in cases where the management considers the debts, loans and advances to be doubtful of recovery.

**q) Warranty provision:**

Provision for warranty related costs are recognised when the product is sold or services are rendered to the customer in terms of the contract. Initial recognition is based on the historical experience and management estimates. The initial estimate of warranty related costs are revised periodically.

**r) Provision, contingent liabilities and contingent assets:**

A provision is recognised if as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are not recognised but disclosed in the Financial Statements when economic inflow is probable.

## Note 2: Notes to the financial statements

**2.1.1 TANGIBLE ASSETS : 2016-17**

(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions | Adjust-ments | Dis-posal | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments | Disposal | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| **A** | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Freehold Land | 2867 | - | - | - | 2867 | - | - | - | - | - | 2867 | 2,867 |
| 2 | Buildings: i) Factory Building | 3622 | 856 | - | - | 4478 | 2781 | 60 | - | - | 2841 | 1637 | 841 |
| | ii) Office and Staff Quarters | | | | | | | | | | | | |
| | a) RCC | 2145 | 293 | - | - | 2438 | 587 | 54 | - | - | 641 | 1797 | 1558 |
| | b) Non RCC | 295 | 137 | - | - | 432 | 49 | 15 | - | - | 64 | 368 | 246 |
| 3 | Road | 735 | - | - | - | 735 | 166 | 133 | - | - | 299 | 436 | 569 |
| 4 | Other Civil Works | 9 | - | - | - | 9 | 3 | 3 | - | - | 6 | 3 | 6 |
| 5 | Plant and Equipment | 22762 | 2449 | - | 765 | 24446 | 11563 | 993 | - | 727 | 11828 | 12617 | 11199 |
| 6 | Furniture and Fixtures | 1573 | 310 | - | - | 1883 | 685 | 154 | - | - | 839 | 1044 | 888 |
| 7 | Vehicles | 2016 | 63 | - | 12 | 2067 | 551 | 236 | - | 11 | 776 | 1291 | 1465 |
| 8 | Office Equipment | 2099 | 757 | - | 79 | 2777 | 1344 | 320 | - | 75 | 1589 | 1188 | 755 |
| 9 | Building Berths, Kasara Basin, Dry Docks and Launchways | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Computers and Data Processing Units | | | | | | | | | | | | |
| | i) Desktops, Laptops etc. | 1872 | 307 | - | 247 | 1932 | 1644 | 200 | - | 246 | 1598 | 334 | 228 |
| | ii) Server and Network | 1462 | 1333 | - | 34 | 2761 | 1022 | 194 | - | 34 | 1182 | 1579 | 440 |
| 11 | Loose Tools | 1386 | 107 | - | - | 1493 | 1304 | 129 | - | - | 1433 | 60 | 82 |
| 12 | Ship - Launches and Boats | 897 | - | - | - | 897 | 610 | 15 | - | - | 625 | 272 | 287 |
| 13 | Electrical Installation and Equipments | 1587 | 334 | - | 13 | 1908 | 821 | 149 | - | 12 | 957 | 951 | 766 |
| | **Sub-total** | **45327** | **6946** | **-** | **1150** | **51123** | **23130** | **2655** | **-** | **1105** | **24680** | **26444** | **22197** |
| | Previous Year's Figures | 37089 | 8379 | (36) | 105 | 45327 | 21005 | 2218 | - | 93 | 23130 | 22197 | 16083 |

Note : 9 Nos. Vessels under the head "Launches and Boats" costing ₹ 897 Lakhs are registered in the name of CMD of the Company to comply with the requirement of Indian Costal Act,1838 / Indian Vessels Act, 1917.

(₹ in Lakhs)

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions | Adjust-ments | Dis-posal | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments | Disposal | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| 1 | Buildings: i) Factory Building | 8779 | 9,318 | - | - | 18096 | 381 | 304 | - | - | 685 | 17412 | 8398 |
| | ii) Office and Staff Quarters | - | - | - | - | | - | | - | - | - | - | - |
| | a) RCC | - | 1,565 | - | - | 1565 | - | 2 | - | - | 2 | 1563 | - |
| | b) Non RCC | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Roads | | 133 | | | 133 | | 2 | | | 2 | 131 | - |
| 2 | Plant and Equipment | 4385 | 1,312 | - | - | 5696 | 822 | 196 | - | - | 1018 | 4679 | 3563 |
| 3 | Electrical Installation and Equipments | - | 626 | - | - | 626 | - | 5 | - | - | 5 | 621 | - |
| 4 | Furniture and Fixtures | - | 226 | - | - | 226 | - | 5 | - | - | 5 | 221 | - |
| 5 | Office Equipment | - | 145 | - | - | 145 | - | 7 | - | - | 7 | 138 | - |
| 6 | Computers and Data Processing Units | | | | | | | | | | | | - |
| | i) Server and Network | 338 | - | - | - | 338 | 2 | 56 | - | - | 58 | 280 | 336 |
| 7 | Ship - Launches and Boats | - | 1,017 | - | - | 1017 | - | 11 | - | - | 11 | 1006 | - |
| | **Sub-total** | **13502** | **14341** | **-** | **-** | **27843** | **1204** | **590** | **-** | **-** | **1794** | **26049** | **12297** |
| | Previous Year's Figures | 10571 | 2603 | 327 | - | 13501 | 505 | 699 | - | - | 1204 | 12297 | 10066 |
| | **Total Tangibles Assets (A+B)** | **58829** | **21287** | **-** | **1150** | **78966** | **24334** | **3245** | **-** | **1105** | **26474** | **52492** | **34493** |
| | Previous Year's Figures | 47660 | 10982 | 291 | 105 | 58828 | 21510 | 2917 | - | 93 | 24334 | 34493 | 26148 |

**2.1.2 INTANGIBLE ASSETS**

(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions in the year | Adjust-ments in the Year | Dis-posal in the Year | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| **A** | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Computer Software/SAP-ERP | 892 | - | - | - | 892 | 258 | 149 | - | - | 407 | 485 | 634 |
| 2 | Other than SAP-ERP | 2632 | 546 | - | - | 3178 | 1161 | 509 | - | - | 1670 | 1508 | 1471 |
| | **Sub Total** | **3524** | **546** | **-** | **-** | **4070** | **1419** | **658** | **-** | **-** | **2077** | **1993** | **2105** |
| | Previous Year's Figures | 1863 | 1661 | - | - | 3524 | 958 | 461 | - | - | 1419 | 2105 | 905 |

(₹ in Lakhs)

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-16 | Additions in the year | Adjust-ments in the Year | Dis-posal in the Year | Balance 31-03-17 | Opening 01-04-16 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-17 | As on 31-03-17 | As on 31-03-16 |
| 1 | Computer Software/SAP-ERP | 1237 | - | - | - | 1237 | 1237 | - | - | - | 1237 | - | - |
| 2 | Other than SAP-ERP | 181 | - | - | - | 181 | 3 | 36 | - | - | 39 | 142 | 178 |
| | **Sub Total** | **1,418** | **-** | **-** | **-** | **1,418** | **1,240** | **36** | **-** | **-** | **1,276** | **142** | **178** |
| | Previous Year's Figures | 237 | 1181 | - | - | 1418 | 237 | 1003 | - | - | 1240 | 178 | - |
| | **Total Intangible Assets (A+B)** | **4942** | **546** | **-** | **-** | **5488** | **2659** | **694** | **-** | **-** | **3353** | **2135** | **2283** |
| | Previous Year's Figures | 2100 | 2842 | - | - | 4942 | 1195 | 1464 | - | - | 2659 | 2283 | 905 |
| | **Total Assets** | **63771** | **21833** | **-** | **1150** | **84454** | **26993** | **3939** | **-** | **1105** | **29827** | **54627** | **36776** |
| | Previous Year's Figures | 49760 | 13824 | 291 | 105 | 63770 | 22705 | 4381 | - | 93 | 26993 | 36776 | 27053 |

**2.1.3** (i) Residential Building at Vashi: Registration formalities are pending in respect of flats at Vashi purchased from CIDCO amounting to ₹ 114 lakhs (Previous year ₹ 114 lakhs).

**2.1.4** Government of Kerala has assigned "Free of Cost" 40.52 acres of land and handed over the same to the Company in September 2010 for setting up National Institute of Warship/Submarine design and indigenisation centre. A society titled "National Institute for Research and Design in Defence Shipbuilding" (NIRDESH) has been formed in 2010-11 by Government of India, Ministry of Defence, having representation from all the shipyards including the Company under the control of Ministry of Defence, Department of Defence Production. As per the order of Government of Kerala dated 24.04.2015, the ownership of land shall be retained by the Company and only possession will be handed over to NIRDESH for undertaking future infrastructure development.

**2.1.5** Depreciation has been charged on single shift basis during the year except for wet basin on which depreciation has been charged on double shift basis.

**2.1.6** No provision for impairment of assets has been considered necessary during the year as required under Indian Accounting Standard - 36.

**2.1.7** As envisaged under the Schedule II to the Companies Act 2013, the Company has charged the depreciation on its existing tangible assets on straight line basis over the balance life of the assets keeping a residual value of five percent, except for computers and data processing units where no residual value is retained.

**2.1.8** As per Significant Accounting Policy at Para-IV (C), assets amounting to ₹ 11492 lakhs (Previous Year ₹ 11135 lakhs) (net cost to Company) were capitalised upto 31st March 2017 as jointly funded by the Company and Indian Navy and depreciation of ₹ 3070 lakhs (Previous Year ₹ 1244 lakhs) has been accounted on it upto 31st March 2016. Total Assets of ₹ 101612 lakhs (Previous Year ₹ 87272 lakhs) are jointly funded by the Company and Indian Navy.

**Assets jointly funded by MDL and Indian Navy**

(₹ in Lakhs)

| Sr. No. | Particulars | Office and Factory Building | Electric Instal-lations & Equip-ment | Plant and Equip-ment | CDPU | Tempo-rary Structure | Ships, Launches & Boats | Office Equip-ment | Furniture and Fixtures | Intan-gible asset SAP | Roads | Total as on 31-03-17 | Total as on 31-03-16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Total Cost upto 31.03.2017 | 33788 | 626 | 63790 | 345 | 96 | 1017 | 158 | 241 | 1418 | 133 | **101612** | **87272** |
| 2 | Less: Funded By Navy | 25409 | 626 | 61098 | 345 | 96 | 966 | 158 | 241 | 1181 | - | **90120** | **76137** |
| **3** | **Funded By MDL** | **8379** | - | **2692** | **-** | - | **51** | - | - | **237** | **133** | **11492** | **11135** |
| | Previous Year's Figures | 8221 | - | 2677 | - | - | - | - | - | 237 | - | **11135** | **9572** |

**2.1.1 TANGIBLE ASSETS : 2015-16**

(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions | Adjust-ments | Dis-posal | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments | Disposal | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| **A** | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Freehold | 1 | 2866 | - | - | 2867 | - | - | - | - | - | 2867 | 1 |
| 2 | Buildings: i) Factory Building | 3543 | 79 | - | - | 3622 | 2737 | 44 | - | - | 2781 | 841 | 806 |
| | ii) Office and Staff Quarters | | | | | | | | | | | | |
| | a) RCC | 1489 | 659 | - | 3 | 2145 | 560 | 29 | - | 2 | 587 | 1558 | 929 |
| | b) Non RCC | 137 | 158 | - | - | 295 | 39 | 10 | - | - | 49 | 246 | 98 |
| 3 | Road | 72 | 663 | - | - | 735 | 68 | 98 | - | - | 166 | 569 | 4 |
| 4 | Other Civil Works | - | 9 | - | - | 9 | - | 3 | - | - | 3 | 6 | - |
| 5 | Plant and Equipment | 20096 | 2765 | (36) | 63 | 22762 | 10798 | 821 | - | 56 | 11563 | 11199 | 9298 |
| 6 | Furniture and Fixtures | 1303 | 277 | - | 7 | 1573 | 537 | 154 | - | 6 | 685 | 888 | 766 |
| 7 | Vehicles | 1873 | 158 | - | 15 | 2016 | 339 | 226 | - | 14 | 551 | 1465 | 1534 |
| 8 | Office Equipment | 1737 | 368 | - | 6 | 2099 | 1038 | 311 | - | 5 | 1344 | 755 | 699 |
| 9 | Building Berths, Kasara Basin, Dry Docks and Launchways | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Computers and Data Processing Units | | | | | | | | | | | | |
| | i) Desktops, Laptops etc. | 1723 | 154 | - | 5 | 1872 | 1502 | 147 | - | 5 | 1644 | 228 | 221 |
| | ii) Server and Network | 1381 | 81 | - | - | 1462 | 864 | 158 | - | - | 1022 | 440 | 517 |
| 11 | Loose Tools | 1335 | 51 | | | 1386 | 1242 | 62 | - | - | 1304 | 82 | 93 |
| 12 | Ship - Launches and Boats | 897 | - | - | - | 897 | 595 | 15 | - | - | 610 | 287 | 302 |
| 13 | Electrical Installation and Equipments | 1502 | 91 | - | 6 | 1587 | 686 | 140 | | 5 | 821 | 766 | 816 |
| | **Sub-total** | **37089** | **8379** | **(36)** | **105** | **45327** | **21005** | **2218** | **-** | **93** | **23130** | **22197** | **16083** |

Note : 9 Nos. Vessels under the head "Launches and Boats" costing ₹ 897 Lakhs are registered in the name of CMD of the Company to comply with the requirement of Indian Costal Act,1838 / Indian Vessels Act, 1917.

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions | Adjust-ments | Dis-posal | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments | Disposal | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| 1 | Factory Building | 8106 | 558 | 115 | - | 8779 | 103 | 278 | - | - | 381 | 8398 | 8003 |
| 2 | Plant and Equipment | 2465 | 1,707 | 212 | - | 4384 | 402 | 419 | - | - | 821 | 3563 | 2063 |
| 3 | Computers and Data Processing Units | | | | | | | | | | | | |
| | i) Server and Network | - | 338 | - | - | 338 | - | 2 | - | - | 2 | 336 | - |
| | **Sub-total** | **10571** | **2603** | **327** | **-** | **13501** | **505** | **699** | **-** | **-** | **1204** | **12297** | **10066** |
| | **Total Tangibles Assets (A+B)** | **47660** | **10982** | **291** | **105** | **58828** | **21510** | **2917** | **-** | **93** | **24334** | **34493** | **26148** |

**2.1.2 INTANGIBLE ASSETS**

(₹ in Lakhs)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions in the year | Adjust-ments in the Year | Dis-posal in the Year | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| **A** | **Assets Owned by MDL** | | | | | | | | | | | | |
| 1 | Computer Software/SAP-ERP | 242 | 650 | - | - | 892 | 165 | 93 | - | - | 258 | 634 | 77 |
| 2 | Other than SAP-ERP | 1621 | 1011 | - | - | 2632 | 793 | 368 | - | - | 1161 | 1471 | 828 |
| | **Sub Total** | **1863** | **1661** | **-** | **-** | **3524** | **958** | **461** | **-** | **-** | **1419** | **2105** | **905** |

(₹ in Lakhs)

| B | Jointly Funded Assets | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost as on 01-04-15 | Additions in the year | Adjust-ments in the Year | Dis-posal in the Year | Balance 31-03-16 | Opening 01-04-15 | For the Year | Adjust-ments in the Year | Disposal in the Year | Balance 31-03-16 | As on 31-03-16 | As on 31-03-15 |
| 1 | Computer Software/SAP-ERP | 237 | 1,000 | - | - | 1237 | 237 | 1,000 | - | - | 1237 | - | - |
| 2 | Other than SAP-ERP | - | 181 | - | - | 181 | - | 3 | - | - | 3 | 178 | - |
| | **Sub Total** | **237** | **1,181** | **-** | **-** | **1,418** | **237** | **1,003** | **-** | **-** | **1,240** | **178** | **-** |
| | **Total Intangible Assets (A+B)** | **2100** | **2842** | **-** | **-** | **4942** | **1195** | **1464** | **-** | **-** | **2659** | **2283** | **905** |
| | **Total Assets** | **49760** | **13824** | **291** | **105** | **63770** | **22705** | **4381** | **-** | **93** | **26993** | **36776** | **27053** |

## Notes to Consolidated Financial Statements

| | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) | |
|---|---|---|---|---|---|---|
| **2.2 Capital work-in-progress** | | | | | | |
| **1. Own resources** | | | | | | |
| **A. Tangible assets** | | | | | | |
| Opening balance | 3,175 | | 1,860 | | 1,864 | |
| Add: Expenditure during the year | 12,425 | | 9,794 | | 6,429 | |
| Less: Capitalisation during the year | 7,213 | 8,388 | 8,479 | 3,175 | 6,433 | 1,860 |
| **B. Intangible assets under development** | | | | | | |
| Opening balance | | | - | | 106 | |
| Add: Expenditure during the year | 546 | | 1,661 | | 324 | |
| Less: Capitalisation/adjustments during the year | 546 | - | 1,661 | - | 430 | - |
| **2. Funded by Indian Navy** | | | | | | |
| a) Mazdock Modernisation Project | | | | | | |
| Opening balance | - | | - | | 18,177 | |
| Add: Expenditure / adjustments during the year | - | | - | | 4,033 | |
| Less: Capitalisation/adjustments during the year | - | | - | | 22,210 | |
| | - | | - | | - | |
| b) Submarine facilities upgradation project | | | | | | |
| Opening balance | 13,784 | | 12,729 | | 8,753 | |
| Add: Expenditure/adjustments during the year | 1,656 | | 5,166 | | 6,188 | |
| Less: Capitalisation/Adjustments during the year | 13,985 | | 4,112 | | 2,212 | |
| | 1,455 | | 13,783 | | 12,729 | |
| 2 (a) + 2 (b) | 1,455 | | 13,783 | | 12,729 | |
| | - | 1,455 | | 13,783 | | 12,729 |
| | | **9,843** | | **16,958** | | **14,589** |

| | | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|---|---|
| | **Financial assets** | | | | | | |
| **2.3** | **Investments** | | | | | | |
| | Investments in equity instruments (At cost, unquoted) | | | | | | |
| | In associate | | | | | | |
| | 5,49,57,600 Equity shares of ₹ 5 each fully paid up (previous year 1,37,39,400 Equity shares of ₹ 10 each fully paid up) in Goa Shipyard Ltd | | 37,617 | | 32,422 | | 29,727 |
| | (GSL has issued Bonus shares during the year in the ratio of 1:1 and has also subdivided the face value from ₹ 10 to ₹ 5) | | | | | | |
| | Net of Capital Reserve of ₹ 3.91 Lakhs (Previous year ₹ 3.91 Lakhs) | | **37,617** | | **32,422** | | **29,727** |
| **2.4** | **Trade receivable** | | | | | | |
| | (Unsecured, Considered good, unless otherwise stated) | | | | | | |
| | Deferred debts | | 1,996 | | 2,079 | | 1,947 |
| | Less: Amount receivable within 12 months | | 391 | | 405 | | 378 |
| | | | **1,605** | | **1,674** | | **1,569** |
| **2.5** | **Loans** | | | | | | |
| | (Unsecured, Considered good, unless otherwise stated) | | | | | | |
| | Security deposits | | | | | | |
| | Security deposits with Mumbai Port Trust | | 293 | | 278 | | 444 |
| | Less: Deferred deposits | | - | | - | | (173) |
| | Add: Interest income | | 15 | | 15 | | - |
| | | | **308** | | **293** | | **271** |
| **2.6** | **Other financial assets** | | | | | | |
| | Fixed deposits with bank with maturity over 12 months | | 340 | | 340 | | 340 |
| | (The above deposit is under lien with Mumbai Port Trust) | | **340** | | **340** | | **340** |
| **2.7** | **Deferred tax assets / (liabilities)** | | | | | | |
| | Deferred tax assets | | | | | | |
| | Provisions | | 58,539 | | 56,353 | | 50,844 |
| | Deferred tax liabilities | | | | | | |
| | Service tax | (1,443) | | (1,690) | | (1,660) | |
| | Depreciation | (8,715) | | (3,047) | | (2,166) | |
| | Others | - | (10,158) | (1,562) | (6,299) | (740) | (4,566) |
| | Deferred tax assets (net) | | **48,381** | | **50,054** | | **46,278** |

| | | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|---|---|
| **2.8** | **Other non-current assets** | | | | | | |
| | (Unsecured, Considered good unless otherwise stated) | | | | | | |
| | Capital advances | | 671 | | 558 | | 36 |
| | Deposits with custom authorities | | 20 | | 20 | | 20 |
| | Deposits with excise authorities | | 4 | | | | |
| | Other deposits | | - | | 8 | | 8 |
| | Other receivables - considered good | 4 | | | | | |
| | Other receivables - considered doubtful | 2,946 | | 2,946 | | 3,076 | |
| | Less: Provision for doubtful receivables | 2,946 | 4 | 2,946 | - | 3,076 | - |
| | Advances paid to vendors - considered doubtful | 2 | | 2 | | | |
| | Less Provisions for doubtful advances | 2 | - | 2 | - | | - |
| | VAT/Sales tax credit | | 12,574 | | 9,763 | | 6,627 |
| | Export incentive receivable | | | | | | |
| | Considered good | 371 | | 478 | | 478 | |
| | Considered doubtful | 107 | | - | | - | |
| | | 478 | | 478 | | 478 | |
| | Less:Provision for doubtful receivables | 107 | 371 | - | 478 | | 478 |
| | Advance income tax (net) | | | | | | |
| | Prepaid expenses (Refer Note 2.8.1) | | | | | | |
| | Rent | 371 | | 421 | | 471 | |
| | Less: Current | 51 | 320 | 51 | 370 | 51 | 421 |
| | Others | | 144 | | 20 | | 12 |
| | Prepaid lease rentals | 122 | | 137 | | 137 | |
| | Less: Amortisation of prepaid lease | 15 | 107 | 15 | 122 | - | 137 |
| | | | **14,215** | | **11,339** | | **7,739** |

**2.8.1** Lease agreements have not been executed in the cases of:-

a. Land at Mumbai taken from Mumbai Port Trust (MbPT) Mumbai.

b. Land at Nhava (Dist: Raigad): MDL possesses approximately 15.59 hectares of land (12.30 hectares reclaimed plus 3.29 hectares from CIDCO firm land). The reclaimed land of 12.30 hectares was jointly reclaimed with ONGC in 1980s. Whereas the balance land is CIDCO firm land handed over by ONGC to MDL.

Pending execution of lease deeds of above, initial premium paid has been treated as prepaid rent and charged on the basis of available information in respect of a and b above.

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) | |
|---|---|---|---|---|---|---|---|
| **2.9** | **Inventories** | | | | | | |
| | Raw materials | | | | | | |
| | Material in stores | 17,164 | | 10,890 | | 11,097 | |
| | Less: Provision/reduction for obsolescene | 89 | 17,075 | 80 | 10,810 | 31 | 11,066 |
| | Stores and spares | - | | | | | |
| | Material in stores | 1,878 | | 1,517 | | 1,572 | |
| | Less: Provision/reduction for obsolescene | 73 | 1,805 | 21 | 1,496 | 25 | 1,547 |
| | Equipment for specific projects | - | | | | | |
| | Material in stores/site | 363,802 | | 390,366 | | 412,712 | |
| | Less: Provision/reduction for obsolescene | 181 | | 140 | | | |
| | | 363,621 | | 390,226 | | 412,712 | |
| | Stock in transit | 19,717 | | 21,583 | | 17,803 | |
| | Materials pending inspection | 539 | 383,877 | 272 | 412,081 | 313 | 430,828 |
| | Scrap | - | 108 | | 80 | | 132 |
| | | | **402,865** | | **424,467** | | **443,573** |
| **2.10** | **Trade receivables** | | | | | | |
| | (Unsecured, Considered good unless otherwise stated) | | | | | | |
| | Debts outstanding over six months | | | | | | |
| | Considered good | 74,620 | | 91,973 | | 150,967 | |
| | Considered doubtful | 18,616 | | 19,053 | | 17,746 | |
| | | 93,236 | | 111,026 | | 168,713 | |
| | Less: Provision for doubtful receivable | 18,616 | 74,620 | 19,053 | 91,973 | 17,746 | 150,967 |
| | | | **74,620** | | **91,973** | | **150,967** |
| **2.11** | **Cash and cash equivalents** | | | | | | |
| | Cash and cash equivalents | | | | | | |
| | Balances with banks:- | | | | | | |
| | - In Current accounts | | | | | | |
| | i) In India | 61 | | 6,887 | | 2,803 | |
| | ii) Outside India | 79 | 140 | 83 | 6,970 | 69 | 2,872 |
| | - In cash credit accounts | | - | | - | | - |
| | - In deposit accounts | | 14,148 | | 26,807 | | 17,615 |
| | - In fixed deposit accounts - maturity less than 3 months | | - | | 56,000 | | 1,000 |
| | Cash on hand | | - | | - | | 1 |
| | | | **14,288** | | **89,777** | | **21,488** |

| | | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|---|---|
| **2.12** | **Bank balance other than cash and cash equivalents** | | | | | | |
| | In fixed deposit accounts - more than 3 months but not more than 12 months maturity | | 822,000 | | 790,500 | | 740,000 |
| | | | **822,000** | | **790,500** | | **740,000** |
| **2.12.1** | Cash and bank balances from stage payment received from customer for projects | | 771,928 | | 782,845 | | 689,404 |
| | Other cash and bank balance | | 64,360 | | 97,432 | | 72,084 |
| | | | **836,288** | | **880,277** | | **761,488** |
| **2.13** | **Loans** | | | | | | |
| | (Unsecured, Considered good) | | | | | | |
| | Employee related | | 102 | | 145 | | 117 |
| | Security deposits | | 561 | | 551 | | 470 |
| | Others | | - | | - | | 28 |
| | | | **664** | | **696** | | **615** |
| **2.14** | **Others** | | | | | | |
| | Insurance claims receivable | | - | | 81 | | 791 |
| | Interest accrued on deposits and advances | | 14,714 | | 14,924 | | 16,524 |
| | Interest receivable on income tax refund | | - | | 1,522 | | 1,522 |
| | Other receivables | | 51 | | 65 | | 67 |
| | | | **14,765** | | **16,592** | | **18,904** |
| **2.15** | **Other current assets** | | | | | | |
| | (Unsecured, Considered good) | | | | | | |
| | Advances other than capital advances | | | | | | |
| | Advances paid to vendors | | 296,359 | | 221,291 | | 289,134 |
| | Advances paid on behalf of customer for B&D spares | | | | | | |
| | Considered good | 6,177 | | 25,733 | | 15,553 | |
| | Considered doubtful | 3,226 | | 752 | | 752 | |
| | | 9,404 | | 26,485 | | 16,305 | |
| | Less: Provision for doubtful debts | 3,226 | 6,177 | 752 | 25,733 | 752 | 15,553 |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|
| Travel advance to employees | 46 | 24 | 18 |
| Others | 15 | 2 | 2 |
| Prepaid expenses | | | |
| Rent | 51 | 51 | 51 |
| Others | 931 | 825 | 667 |
| Unbilled revenue | 116,323 | 77,927 | 35,469 |
| | **419,902** | **325,853** | **340,893** |

**2.16 Share Capital**

**2.16.1 Authorized**

| | | | |
|---|---|---|---|
| 3,23,72,000 (previous year 2,00,00,000) equity shares of ₹ 100 each | 32,372 | 20,000 | 20,000 |
| Nil (previous year 1,23,72,000) 7% redeemable cumulative preference shares of ₹ 100 each | - | 12,372 | 12,372 |
| | **32,372** | **32,372** | **32,372** |

**2.16.2 Issued, subscribed and fully paid-up**

| | | | |
|---|---|---|---|
| 2,49,00,000 (previous year 1,99,20,000) equity shares of ₹ 100 each. | 24,900 | 19,920 | 19,920 |
| | **24,900** | **19,920** | **19,920** |

All 2,49,00,000 (previous year 1,99,20,000) equity shares are held by the President of India and his nominees.

| **2.16.3 Details of shareholding more than 5% shares in the Company** | **No. Of Shares** | **Percentage holding** | **No. Of Shares** | **Percentage holding** | **No. Of Shares** | **Percentage holding** |
|---|---|---|---|---|---|---|
| **Shareholder** | | | | | | |
| President of India and his nominees | 24900000 | 100% | 19920000 | 100% | 19920000 | 100% |

**2.17 (A) Equity share capital**

| **Particulars** | **2016-17 (₹ in Lakhs)** | **2015-16 (₹ in Lakhs)** |
|---|---|---|
| Opening balance | 19920 | 19920 |
| Changes in equity share capital during the year | | |
| Issue of Bonus shares (in the ratio of 1:4) | 4980 | - |
| **Closing balance** | **24900** | **19920** |

**(B) Other equity**

**For the year ended 31st March, 2017**

(₹ in Lakhs)

| Particulars | Retained Earnings | General Reserve | Capital Reserve | Capital Redemption Reserve | CSR Fund | Total Equity |
|---|---|---|---|---|---|---|
| **Balance as at 1st April, 2016** | (12516) | 242500 | 5 | 12372 | 1881 | 244242 |
| Profit / (loss) for the year | 52471 | | | | | 52471 |
| Share in Profit of GSL | 6039 | | | | | 6039 |
| Other comprehensive income / (loss) for the year | | | | | | - |
| Remeasurement of defined employee benefit plan (net of tax) | (837) | | | | | (837) |
| Remeasurement of post employment benefit obligation of Associate | 36 | | | | | 36 |
| Changes in accounting policies / prior period items | | | | | | - |
| Issue of bonus shares | | | | (4,980) | | (4980) |
| Dividends | | | | | | - |
| Interim | (10000) | | | | | (10000) |
| Final | (9920) | | | | | (9920) |
| Tax on dividends | (4055) | | | | | (4055) |
| Utilised for expenses | | | | | (1881) | (1881) |
| Transfer from surplus | | 1881 | | | | 1881 |
| Transferred on amalgamation of subsidiary | | | | | | - |
| Transferred on demerger | | | | | | - |
| Reserves held for disposal | | | | | | - |
| **Balance as at 31st March, 2017** | **21217** | **244381** | **5** | **7392** | **-** | **272995** |

**For the year ended 31st March, 2016**

(₹ Lakhs)

| Particulars | Retained Earnings | General Reserve | Capital Reserve | Capital Redemption Reserve | CSR Fund | Total Equity |
|---|---|---|---|---|---|---|
| **Balance as at 1st April, 2015** | (24382) | 207500 | 5 | 12372 | 1734 | 197229 |
| Profit for the year | 56106 | | | | | 56106 |
| Share in Profit of GSL | 3448 | | | | | 3448 |

(₹ in Lakhs)

| Particulars | Retained Earnings | General Reserve | Capital Reserve | Capital Redemption Reserve | CSR Fund | Total Equity |
|---|---|---|---|---|---|---|
| Remeasurement of defined employee benefit plan (net of tax) | 675 | | | | | 675 |
| Remeasurement of post employment benefit obligation of Associate | (12) | | | | | (12) |
| Changes in accounting policies / prior period items | | | | | | - |
| Dividends | | | | | | - |
| Interim | (10000) | | | | | (10000) |
| Final | | | | | | - |
| Tax on dividends | (2036) | | | | | (2036) |
| Utilised for expenses | | | | | (1169) | (1169) |
| Transfer from surplus | (36316) | 35000 | | | 1316 | - |
| Transferred on amalgamation of subsidiary | | | | | | - |
| Reserves held for disposal | | | | | | - |
| **Balance as at 31st March, 2016** | **(12516)** | **242500** | **5** | **12372** | **1881** | **244242** |

The description of the nature and purpose of each reserve within equity is as follows:

**Capital reserve:** The capital reserve was created till 1974 on the realised profit on sale of fixed asset.

**Capital redemption reserve:** These reserves created out of redemption of 7% Redeemable cumulative preference shares.

**CSR fund:** CSR reserve had been created for unspent amount in the CSR budget to be utilised exclusively for CSR activities.

**Proposed Dividend:** The Company has paid interim dividend of ₹ 10000 Lakhs (₹ 10000 Lakhs for FY 2015-16). In addition,The Board has recommended the payment of final dividend of ₹ 6541 Lakhs (₹ 9920 Lakhs for FY 2015-16). This proposed dividend is subject to the approval of shareholders in ensuing Annual General Meeting.

| | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|---|
| **2.18.1 Trade payables** | | | | | |
| Deferred payment liability to a foreign supplier | | 1,995 | | 2,079 | 1,947 |
| Less: Amount payable within 12 months | | 391 | | 405 | 378 |
| | | **1,604** | | **1,674** | **1,569** |
| **2.18.2 Others** | | | | | |
| Security and other deposits | | 12 | | 8 | - |
| Add: Interest cost on deferred deposits | | 2 | | 0 | - |
| | | **14** | | **8** | **-** |
| **2.19 Other long-term liabilties** | | | | | |
| Funds received from customer for infrastructure projects | | 18,159 | | 14,373 | 10,474 |
| Less: Amortisation of deferred revenue | | 1,466 | | 1,212 | - |
| Deferred deposits | 4 | | 2 | | |
| Less: Amortised gain | 2 | 2 | 0 | 2 | - |
| | | **16,695** | | **13,163** | **10,474** |
| **2.20 Long-term provisions** | | | | | |
| **Employee benefits** | | | | | |
| Post retirement benefit schemes | | | | | |
| Medical | | 6,531 | | 5,768 | 6,099 |
| Gift card | | 73 | | 76 | 80 |
| Leave salary encashment | | 11,707 | | 9,876 | 10,300 |
| Welfare Expenses | | 378 | | 418 | 451 |
| Other provisions | | | | | |
| Provision for liquidated damages | | 102,415 | | 102,415 | 102,415 |
| Others | | 0 | | 15 | 33 |
| | | **121,104** | | **118,568** | **119,378** |
| **2.21 Trade payables** | | | | | |
| MSME vendors | | 1,316 | | 1,130 | 227 |
| Other vendors | | 88,119 | | 107,740 | 85,893 |
| Deferred payment liability to a foreign supplier | | 391 | | 405 | 378 |
| | | **89,826** | | **109,275** | **86,498** |

| | | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) | 31st March, 2015 (₹ in Lakhs) |
|---|---|---|---|---|
| **2.22** | **Others** | | | |
| | Retention money payable | 606 | 3,266 | 3,145 |
| | Liquidated damages payable | 8,886 | 7,838 | 6,619 |
| | Interest payable on advances received from customer | 1,051 | 895 | 701 |
| | Employee related | 6,404 | 8,471 | 7,074 |
| | Others | 60 | 98 | 24 |
| | | **17,007** | **20,568** | **17,563** |
| **2.23** | **Other current liabilities** | | | |
| | Security and other deposits | 464 | 551 | 443 |
| | Advances received from customers | 226,798 | 130,692 | 109,005 |
| | Statutory dues | 2,511 | 5,474 | 2,171 |
| | Provision for expenses | 2,808 | 2,736 | 7,700 |
| | Unearned income | 1,149,159 | 1,228,224 | 1,288,004 |
| | Others | - | 788 | 833 |
| | | **1,381,739** | **1,368,465** | **1,408,156** |
| **2.24** | **Short-term provisions** | | | |
| | **Employee benefit** | | | |
| | Post retirement benefit | | | |
| | Medical | 268 | 237 | 319 |
| | Gift card | 22 | 21 | 24 |
| | Leave salary encashment | 3,781 | 3,177 | 2,800 |
| | Gratuity | 2,307 | 1,265 | 846 |
| | Welfare Expenses | 134 | 112 | 83 |
| | Other provisions | | | |
| | Guarantee repairs | 1,225 | 1,188 | 545 |
| | Custom duty demand | 426 | 426 | 426 |
| | Others | 108 | 213 | 213 |
| | | **8,271** | **6,639** | **5,256** |

| | | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|---|---|---|
| **2.25** | **Revenue from operations** | | | | |
| | **Contract revenue** | | | | |
| | Ship construction | | 352,367 | | 410,622 |
| | | | **352,367** | | **410,622** |
| **2.26** | **Sale of services** | | | | |
| | Ship Repair | | (19) | | 66 |
| | **Other operating revenue** | | | | |
| | Commission on procurement of spares | | 208 | | 1,504 |
| | Sale of scrap and stores | | 390 | | 514 |
| | Changes in inventory of scrap | | 28 | | - |
| | | | **607** | | **2,084** |
| **2.27** | **Other income** | | | | |
| | Interest | | | | |
| | On deposits with banks | 64,035 | | 68,452 | |
| | Less: Interest liability to customer on advances | 1,051 | | 895 | |
| | | 62,984 | | 67,557 | |
| | On income tax refund | 118 | | 1 | |
| | Other interest | 186 | 63,288 | 248 | 67,806 |
| | Other non operating income | | | | |
| | Rent refund on right to occupancy | | - | | 495 |
| | Liabilities / provisions no longer required written back | | 2,297 | | 4,601 |
| | Provision for trade receivables reversed | | 8,602 | | 291 |
| | Provision for obsolete stock reversed | | 35 | | - |
| | Insurance claims | | 16 | | - |
| | Sale / scrapping of fixed assets (net) | | | | |
| | Profit | 53 | | 12 | |
| | Less: Loss | 22 | 31 | 5 | 7 |
| | Liquidated damages recovered | | | | |
| | Capital | | 52 | | - |
| | Others | | 198 | | 165 |
| | Miscellaneous income / recoveries | | 400 | | 246 |
| | Amortisation gain on deferred deposits of Vendors | | 2 | | 0 |
| | Amortisation of deferred revenue (Customer funded assets) | | 254 | | 1,212 |
| | Interest Income on deferred payment liability to foreign supplier | | 388 | | 383 |
| | Interest Income on deferred deposit with MbPT | | 15 | | 15 |
| | | | **75,579** | | **75,221** |

| | | | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | |
|---|---|---|---|---|---|---|
| **2.28** | **COST OF MATERIALS CONSUMED** | | | | | |
| | **Opening stock** | | | | | |
| | Raw materials, stores and spares | 12,307 | | 12,613 | |
| | Equipment for specific projects | 390,366 | | 412,951 | |
| | Stock-in-transit and materials pending inspection | 21,855 | 424,527 | 18,116 | 443,680 |
| | **Add: Purchases** | | 194,938 | | 248,856 |
| | | | 619,465 | | 692,536 |
| | **Less: Closing stock** | | | | |
| | Raw materials, stores and spares | 19,042 | | 12,306 | |
| | Equipment for specific projects | 363,802 | | 391,673 | |
| | Stock-in-transit and materials pending inspection | 20,256 | 403,100 | 21,855 | 425,834 |
| | | | **216,365** | | **266,702** |
| | Less: Provision for obsolete stock | | 61 | | 45 |
| | Less: Stores and spares consumption included in repairs and maintenance | | 13 | | 13 |
| | Less: Stores and spares consumption included in other expenses | | 2,283 | | 2,147 |
| | | | **214,007** | | **264,497** |
| **2.29** | **Employee benefits expense** | | | | |
| | Salaries, wages, allowances and bonus | | 54,442 | | 57,607 |
| | Pension | | 1,170 | | 4,039 |
| | Contribution to provident fund | | 4,066 | | 4,015 |
| | Contribution to employees state insurance scheme | | 186 | | 71 |
| | Workmen and staff welfare expenses | | 6,518 | | 5,682 |
| | Gratuity | | 1,510 | | 1,613 |
| | Encashment of privilege leave | | 3,845 | | 2,445 |
| | | | **71,738** | | **75,472** |
| **2.30** | **Finance costs** | | | | |
| | Interest cost on deferred deposit of vendors | | 2 | | 0 |
| | Interest cost on deferred payment liability to foreign supplier | | 388 | | 383 |
| | Others | | - | | 7 |
| | | | **390** | | **390** |

| | | | | | |
|---|---|---|---|---|---|
| | | | **31st March, 2017 (₹ in Lakhs)** | | **31st March, 2016 (₹ in Lakhs)** |
| **2.31** | **Other expenses - Projects related** | | | | |
| | Technicians' fees and other expenses | | 3,439 | | 4,806 |
| | Service tax expenses | | 2,494 | | 3,266 |
| | Technical know-how expenses | | 98 | | 993 |
| | Advising team fees and other expenses | | 2,100 | | 5,033 |
| | Facility hire | | 690 | | 913 |
| | Rent | | 67 | | 65 |
| | Insurance | | 10 | | 37 |
| | Bank charges and guarantee commission | | 278 | | 264 |
| | Travelling expenses | | 320 | | 83 |
| | Sea Trial, launching and commissioning expenses | | 734 | | 364 |
| | Legal, professional and consultant fees | | 1,068 | | 29 |
| | Training expenses | | 2,584 | | 4,389 |
| | Miscellaneous expenses | | 288 | | 110 |
| | | | **14,171** | | **20,352** |
| **2.32** | **Other expenses** | | | | |
| | Repairs and maintenance: | | | | |
| | Buildings | 713 | | 785 | |
| | Plant and machinery | 1,687 | | 2,135 | |
| | Steam launches and boats, motor cars, lorries, etc. | 1,329 | 3,729 | 1,154 | 4074 |
| | Less: Work done internally and other expenditure which has been included in other heads of expenses | | 2,418 | | 2821 |
| | | | 1311 | | 1253 |
| | Facility hire | | 729 | | 446 |
| | Water expenses | | 264 | | 239 |
| | Rent | | 825 | | 764 |
| | Insurance | | 398 | | 288 |
| | Rates and taxes | | 633 | | 641 |
| | Bank charges and guarantee commission | | 24 | | 54 |
| | Printing and stationery | | 64 | | 73 |
| | Travelling expenses | | 766 | | 459 |
| | Business promotion expenses | | 769 | | 966 |
| | Sea trial, launching and commissioning expenses | | 176 | | 46 |
| | Corporate membership expenses | | 19 | | 159 |
| | Changes in inventory of scrap | | | | |
| | Opening scrap | - | | 132 | |
| | Less: Closing scrap | - | - | 80 | 52 |

| | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | |
|---|---|---|---|---|
| Foreign exchange variation (net) | | | | |
| Loss | 209 | | 444 | |
| Less: Income | 198 | 10 | 441 | 3 |
| Miscellaneous expenses | | 784 | | 297 |
| Lease charges | | 33 | | 20 |
| Research and development expenses | | 1358 | | 1047 |
| Legal, professional and consultant fees | | 442 | | 177 |
| Books and periodicals | | 12 | | 9 |
| Postage, telegrams and phones | | 161 | | 124 |
| Training expenses | | 206 | | 155 |
| CISF and security board expenses | | 2576 | | 2226 |
| Directors fees and expenses | | 9 | | 1 |
| Provision for obsolete stock | | 136 | | 185 |
| Consumption of stores and spares etc. | | 2283 | | 2147 |
| Other interest | | 552 | | 25 |
| Amortisation of prepaid rentals | | 15 | | 15 |
| Bad debts | | - | | 290 |
| Advance write off | | 25 | | |
| Corporate social responsibility expenses | - | 1,365 | 1,169 | - |
| Less: Utilised from CSR fund | - | - | 1,169 | - |
| | | **15,945** | | **12,161** |

## 2.33 PROVISIONS MADE

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| Doubtful debts / receivable | 10,745 | 1,467 |
| Guarantee repairs | 100 | 700 |
| Others | - | 3 |
| | **10,845** | **2,170** |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|

**2.34 Business Segment Reporting**

a) The Company is engaged in the production of defence equipment and was exempted from AS 17 'Segment Reporting' vide notification 464(E) dt. 05.06.2015. In order to extend the exemption under Indian AS 108, an amendment to the aforesaid notification is required which, the Company understands is initiated by Ministry of Coporate Affairs. In view of the above, no disclosure is made separately by the Company on operating segments under Ind AS 108.

b) For management purposes, the Company is organized into two major segments – Shipbuilding (New Construction and Ship Repairs) and Submarine.

c) There are no geographical segments within the business segments.

**2.35 Contingent Liabilities and Commitments:**

**2.35.1** Amounts for which Company may be contingently liable:

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| a) Estimated amount of contracts remaining to be executed on capital account. | 5754 | 17461 |
| b) Estimated amount of liquidated damages on contracts under execution. | - | 33046 |
| c) Position of non-fund based limits utilized for: | | |
| (i) Letters of credit | 87664 | 115128 |
| (ii) Guarantees and counter guarantees | 726 | 3269 |
| d) Indemnity Bonds issued by the Company to customers for various contracts. | 4833875 | 4733080 |
| e) Bonus to eligible employees as per Payment of Bonus Act for the year 2014-15. | 467 | 467 |

**2.35.2** Claims against the Company pending under litigation not acknowledged as debts in respect of claims made by:

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| (i) Suppliers and sub-contractors | 1390 | 2183 |
| (ii) Others | 3487 | 3820 |
| (iii) Interest on (i) and (ii) above | 12957 | 13265 |
| | 17834 | 19268 |

**2.35.3** Amounts paid / payable by Company and reimbursable by Customers in the matters under dispute pending at various Assessment / Appellate Authorities relating to:

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| i) Sales Tax * | 112287 | 111625 |
| ii) Excise Duty | | |
| a) On Vendors | 177 | 171 |
| b) On MDL | 27 | 26 |
| | 204 | 197 |
| | 112491 | 111822 |

* Against the above claim, part payments of ₹ 583.92 lakhs (Previous year ₹ 583.92 lakhs) have been made under protest.

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|

The Excise authorities have passed an order dated 31.05.2013 resulting in demand for ₹ 183.28 lakhs inclusive of interest and penalty (Previous year ₹ 177.95 lakhs) in respect of BBLRP Project Job Work carried out at Nhava Yard, for the removals during the period March 2007-March 2008. The Company has filed an appeal at CESTAT against the order of the Commisioner. The final hearing is in progress.

**2.35.4** Appeals against disputed tax demands pending before Adjudicating / Appellate Authorities not provided for in matters relating to:

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| (i) Excise Duty | 15 | 15 |
| (ii) Service Tax* (including interest and penalties) | 6877 | 6770 |
| (iii) Income Tax | 4418 | 178 |
| | 11310 | 6963 |

* Includes ₹ 2928 lakh (Previous years ₹ 2927 lakh) towards Show Cause Notices issued by the Service Tax Department for the years from 2005-06 to 2012-13.

**2.35.5** Appeals pending against disputed demands pending before Adjudicating / Appellate authorities

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| Custom Duty | 28 | 20 |

**2.36.1** Letters seeking confirmation of balances in the accounts of sundry creditors were sent to vendors. On the basis of replies received from certain vendors, adjustments wherever necessary have been made in the accounts.

**2.36.2** Balances due to / from Indian Navy included in current assets / current liabilities are subject to reconciliation and confirmation. Consequent adjustments thereof,if any, will be given effect to in the books of account in the year of completion of the reconciliation process.

**2.37 Normal Operating Cycle**

1. The classification of current and non-current balances of assets and liabilities are made in accordance with the normal operating cycle defined as follows -

   The Normal Operating Cycle in respect of different business activities is defined as under-

   a) In case of ship / submarine building and ship/submarine repair and refit activities, normal operating cycle is considered as the time period from the effective date of the Contract/LOI to the date of expiry of guarantee period.

   b) In case of other business activities, normal operating cycle will be the time period from the effective date of the contract/order to the date of expiry of guarantee period.

**2.38 Employee Benefits**

**2.38.1 Various benefits provided to employees are classified as under:-**

**(I) Defined Contribution Plans**

(a) Provident Fund

(b) State Defined Contribution Plans

(i) Employers' Contribution to Employees' State Insurance

(ii) Employers' Contribution to Employees' Pension Scheme, 1995.

(iii) Employers' Contribution to Employees' Deposit Linked Insurance Scheme.

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| During the year, the Company has recognized the following amounts in the Profit and Loss Account:- | | |
| 1. Employers' Contribution to Provident Fund | 3921 | 3926 |
| 2. Employers' Contribution to Employees' State Insurance | 186 | 71 |
| 3. Employers' Contribution to EPS (Employees' Pension Scheme) | 1170 | 4039 |
| 4. Employers' Contribution to Employees' Deposit Linked Insurance Scheme | 145 | 89 |

Retirement benefits in the form of Provident Fund and Pension are defined contribution schemes and the contribution is charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

**(II) Defined Benefit Plans**

**Contribution to Gratuity Fund (Funded Scheme)**

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| Actuarial valuation was performed by an insurer in respect of the aforesaid Defined Benefit Plans based | | |
| 1 Discount Rate (per annum) | 7.25% | 7.50% |
| 2 Rate of increase in compensation levels | 7.50% | 7.50% |

Gratuity liability is a defined benefit obligation and is provided for, on the basis of an actuarial valuation on projected net credit method made at the end of each financial year. The Gratuity Fund is invested in a Group Gratuity-cum-Life Assurance cash accumulation policy by an insurer. The investment return earned on the policy comprises interest declared by an insurer having regard to its investment earnings. It is known that insurer's overall portfolio of assets is well diversified and as such, the long term return on the policy is expected to be higher than the rate of return on Central Government Bonds. Historically too, the returns declared by an insurer on such policies have been higher than Government Bond yields.

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| Opening Balance | 22469 | 23866 |
| Add : Credit from Company | 214 | 242 |
| Less : Amount paid towards claims | (3339) | (3636) |
| Add : Interest credited | 1714 | 1997 |
| Closing Balance | 21058 | 22469 |
| Present value of past service benefit | 22366 | 22750 |

The actuarial liability excludes the fixed term employees, for which separate provision exists.

**2.38.2 Actuarial valuation of liability towards Gratuity**

**Defined Benefit Plans Gratuity - as per actuarial valuation on 31st March, 2017**

The Ind AS-19 stipulates that the rate used to discount post-employment benefit obligation (both funded & non-funded) shall be determined by reference to market yields at the end of reporting period on government bonds. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligation.

In the computation of gratuity liability, Projected Unit Credit Method is used.

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| **i) Assumptions** | | |
| a) Discount Rate | 7.25% | 7.50% |
| b) Salary Escalation | 7.50% | 7.50% |
| c) Actual Rate of Return = Estimated Rate of Return as ARD falls on 31st March | 8.19% | 8.37% |
| d) Expected average remaining working lives of employees (years) | 14 | 13 |
| **ii) Table showing changes in present value of obligations** | | |
| Present value of obligations as at beginning of year | 22750 | 24092 |
| Interest cost | 1706 | 1915 |
| Current service cost | 1114 | 1044 |
| Benefits paid | (3339) | (3636) |
| Actuarial (gain) / loss on obligations | 135 | (665) |
| Present value of obligations as at end of year | 22366 | 22750 |
| **iii) Table showing changes in the fair value of plan assets** | | |
| Fair value of plan assets at beginning of year | 22469 | 23866 |
| Expected return on plan assets | 1714 | 1997 |
| Contributions | 214 | 242 |
| Benefits paid | (3339) | (3636) |
| Actuarial (gain) / loss on plan assets | - | - |
| Fair value of plan assets at the end of year | 21058 | 22469 |
| **iv) Table showing fair value of plan assets** | | |
| Fair value of plan assets at beginning of year | 22469 | 23866 |
| Actual return on plan assets | 1714 | 1997 |
| Contributions | 214 | 242 |
| Benefits paid | (3339) | (3636) |
| Fair value of plan assets at the end of year | 21058 | 22469 |
| Funded status | (1308) | (281) |
| Excess of Actual over estimated return on plan assets | - | - |
| **v) Actuarial gain / loss recognized** | | |
| Actuarial (gain) / loss for the year - obligation | 135 | (665) |
| Actuarial (gain) / loss for the year - plan assets | - | - |
| Total (gain) / loss for the year | 135 | (665) |
| Actuarial (gain) / loss recognised in the year | 135 | (665) |
| Un-recognised actuarial (gains) / losses at the end of year | - | - |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| **vi) The amounts to be recognized in the balance sheet** | | |
| Present value of obligations as at the end of year | 22366 | 22750 |
| Fair value of plan assets as at the end of the year | 21058 | 22469 |
| Funded status | (1308) | (281) |
| Net Asset / (Liability) recognized in balance sheet | (1308) | (281) |
| **vii) Expenses recognized in statement of Profit and Loss** | | |
| Current service cost | 1114 | 1044 |
| Interest cost | 1706 | 1915 |
| Expected return on plan assets | (1714) | (1997) |
| Expenses recognized in statement of profit and loss | 1106 | 962 |
| **viii) Expenses recognized in Other Comprehensive Income** | | |
| Actuarial (gain) / loss recognised in the year | 135 | (665) |
| **ix) Current/Non-current Liability** | | |
| Current Liability | 5746 | 5582 |
| Non-current Liability | 16620 | 17168 |
| Present Value of the Defined Gratuity Benefit Obligation | 22366 | 22750 |

**Sensitivity of Gratuity Benefit Liability to key Assumptions**

Key assumptions for determination of the Defined Benefit Obligation are Discount Rate (i.e Interest Rate) and Salary Growth rate

| **Particulars** | **Impact on Defined Benefit Obligation** | | | |
|---|---|---|---|---|
| | **31st March, 2017** | | **31st March, 2016** | |
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| **Discount Rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| if Discount rate is decreased to 6.75% | 467 | | 308 | |
| (Previous Year 7%) | 2.09% | | 1.35% | |
| if Discount rate is increased to 7.75% | | 443 | | 174 |
| (Previous Year 8%) | | 1.98% | | 0.77% |
| **Salary Growth Rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| if Discount rate is increased to 8% | 174 | | 201 | |
| (Previous Year 8%) | 0.78% | | 0.88% | |
| if Discount rate is decreased to 7% | | 165 | | 71 |
| (Previous Year 7%) | | 0.74% | | 0.31% |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|

**2.38.3 Actuarial valuation of liability towards Leave Encashment**

**Defined Benefit Plan Leave Encashment as per Actuarial Valuation on 31st March, 2017**

The Ind AS-19 stipulates that the rate used to discount post-employment benefit obligation (both funded & non-funded) shall be determined by reference to market yields at the end of reporting period on government bonds. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligation.

In the computation of leave encashment benefit liability, Projected Unit Credit Method is used.

| | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| **i) Assumptions** | | |
| Discount rate | 7.25% | 7.50% |
| Rate of increase in compensation levels | 7.50% | 7.50% |
| Expected average remaining working lives of employees (years) | 14 | 13 |
| **ii) Table showing changes in present value of obligations** | | |
| Present value of obligation as at the beginning of the year | 12389 | 12792 |
| Acquisition adjustment | - | - |
| Interest cost | 929 | 991 |
| Current service cost | 1572 | 390 |
| Curtailment cost / (credit) | - | - |
| Settlement cost / (credit) | - | - |
| Benefits paid | (1333) | (1416) |
| Actuarial (gain) / loss on obligations | 1142 | (368) |
| Present value of obligation as at the end of the year | 14699 | 12389 |
| **iii) Table showing changes in the fair value of plan assets** | | |
| Fair value of plan assets at the beginning of the year | - | - |
| Acquisition adjustments | - | - |
| Expected return on plan assets | - | - |
| Contributions | - | - |
| Benefits paid | - | - |
| Actuarial gain / (loss) on plan assets | - | - |
| Fair value of plan assets at the end of the year | - | - |
| **iv) Tables showing fair value of plan assets** | | |
| Fair value of plan asset at the beginning of the year | - | - |
| Acquisition adjustments | - | - |
| Actual return on plan assets | - | - |
| Contributions / (withdrawals) | - | - |
| Benefits paid | - | - |
| Fair value of plan asset at the end of the year | - | - |
| Funded status | (14699) | (12389) |
| Excess of actual over estimated return on plan assets | - | - |

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|
| **v) Actuarial gain / loss recognized** | | |
| Actuarial (gain) / loss for the year - obligation | 1142 | (368) |
| Actuarial (gain) / loss for the year - plan assets | - | - |
| Total (gain) / loss for the year | 1142 | (368) |
| Actuarial (gain) / loss recognised in the year | 1142 | (368) |
| Un-recognised actuarial (gains) / losses at the end of year | - | - |
| **vi) The amounts to be recognized in the balance sheet** | | |
| Present value of obligation as at the end of the year | 14699 | 12389 |
| Fair value of plan assets as at end of the year | - | - |
| Funded status | (14699) | (12389) |
| Unrecognized actuarial (gains) / losses | - | - |
| Net asset / (liability) recognized in balance sheet | (14699) | (12389) |
| **vii) Expenses recognized in statement of profit and loss** | | |
| Current service cost | 1572 | 390 |
| Interest cost | 929 | 991 |
| Expected return on plan assets | - | - |
| Curtailment cost / (credit) | - | - |
| Settlement cost / (credit) | - | - |
| Expenses recognized in the statement of profit and loss | 2501 | 1381 |
| **viii) Expenses recognized in Other Comprehensive Income** | | |
| Actuarial (gain) / loss recognised in the year | 1142 | (368) |
| **ix) Current/Non-current Liability** | | |
| Current Liability | 2992 | 2513 |
| Non-current Liability | 11707 | 9876 |
| Present Value of the Defined Leave Encashment Benefit Obligation | 14699 | 12389 |

**Sensitivity of Leave Encashment Benefit Liability to key Assumptions**

Key assumptions for determination of the Defined Benefit Obligation are Discount Rate (i.e Interest Rate) and Salary Growth rate

| Particulars | 31st March, 2017 (₹ in Lakhs) | | 31st March, 2016 (₹ in Lakhs) | |
|---|---|---|---|---|
| | Impact on Defined Benefit Obligation | | | |
| | 31st March, 2017 | | 31st March, 2016 | |
| | Increase | Decrease | Increase | Decrease |
| **Discount Rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| if Discount rate is decreased to 6.75% | 435 | | 339 | |
| (Previous Year 7%) | 2.96% | | 2.74% | |
| if Discount rate is increased to 7.75% | | 406 | | 319 |
| (Previous Year 8%) | | 2.76% | | 2.57% |
| **Salary Growth Rate varied by 0.5% (other assumptions remaining unchanged)** | | | | |
| if Discount rate is increased to 8% | 432 | | 337 | |
| (Previous Year 8%) | 2.94% | | 2.72% | |
| if Discount rate is decreased to 7% | | 407 | | 320 |
| (Previous Year 7%) | | 2.77% | | 2.58% |

**2.39 PROVISIONS MADE, UTILISED, WRITTEN BACK :**

| | As at 01.04.2016 | Additions | Utilised/ Adjust-ment | As at 31.03.2017 |
|---|---|---|---|---|
| Provision for Custom Duty Demand | 426 | - | - | 426 |
| Provision for Liquidated Damages* | 102415 | | | 102415 |
| Provision for Guarantee Repairs | 3488 | 1200 | 3462 | 1226 |
| Other Provisions | 21 | - | 15 | 6 |

* Includes amount of ₹ 102049 Lakhs adjusted in retained earnings

**2.40** Details of dues to Micro, Small and Medium Enterprises (MSME), as defined in the Micro, Small and Medium Enterprises Development Act, 2006, as on 31st March, 2017 based on available information with the Company are as under:

| **Particulars** | **31st March, 2017 (₹ in Lakhs)** | **31st March, 2016 (₹ in Lakhs)** |
|---|---|---|
| Principal amount due and remaining unpaid | 89 | - |
| Interest due on above and the unpaid interest | 8 | - |
| Interest paid | - | - |
| Payment made beyond the appointed day during the year | 877 | 495 |
| Interest accrued and remaining unpaid on above | 34 | 22 |
| Amount of further interest remaining due and payable in succeeding years | - | - |

| | | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|---|
| **2.41** | **Miscellaneous Expenses include:** | | |
| | Remuneration to the Statutory Auditors | | |
| | i) Audit fees | 10 | 10 |
| | ii) Out of pocket expenses | - | - |
| | iii) Tax audit fees | 1 | 1 |
| | | 11 | 11 |

**2.42** The Company has entered into a Joint Venture with Reliance Defence and Engineering Ltd and formed a Joint Venture Company - "Mazagon Dock Pipavav Defence Pvt Ltd." incorporated in Mumbai, India, during FY 2012-13. The Company's equity share in the Joint Venture is 50%. The Company has subscribed to 100000 equity shares of ₹ 10 each at par in the Joint Venture Company but the same has not been paid. As on 31st March, 2017, the Joint Venture Company has not commenced its operations and reported loss of ₹ 11,615 (₹ 11,773 for FY 2015-16) as per latest audited results of FY 2016-17.

**2.43 Russian (USSR) deferred State Credit**

An intergovernmental agreement between Russian Federation and Government of India was reached for reconstructing of Russian Deferred State Credit in Rouble in connection with procurement of equipment for certain ships built and delivered by the company to India Navy in earlier years. The deferred payment liability (non-interest bearing) of ₹ 9628 lakhs, payable over 45 years from 1992-93, in equal annual installments of ₹ 214 lakhs was converted from Rouble to units of Special Drawings Rights (SDR) and stated in Rupees. The amount payable within a year of ₹ 405 lakhs (Previous year ₹ 378 lakhs) includes yearly instalment payable of ₹ 214 lakhs (Previous year ₹ 214 lakhs) and ₹ 191 lakhs (Previous year ₹ 164 lakhs) towards exchange variation fluctuation. The balance loan amount has been reinstated at the present rate of SDR announced by RBI as on 31st March, 2017 which is ₹ 91.0858 for 1 SDR. These payments are reimbursable by Indian Navy. Accordingly, ₹ 7826 lakhs (amortised costs of ₹ 1996 lakhs) held at foreign supplier deferred credit as on 31st March 2017.

**2.44** DPE had issued a guideline for creation and contribution to a corpus fund to the extent of not more than 1.5% of profit before tax to cater to the medical and other emergency needs of employees retired prior to 01st January, 2007. No provision has, however, been made in the Accounts as the related DPE guideline is subject to directive / guideline from the concerned Administrative Ministry, i.e. MoD and no guideline / directive for mechanism and operation of the scheme has been received from MoD.

**2.45** "Liquidated damages of ₹ 102049 lakhs for delays in future deliveries relating to a Project was not accounted in earlier years anticipating a reversal of liquidated damages upon negotiation with customer. This expectation was erroneous based on communication received from customer conforming the liquidated damages. The amount is provided and adjusted in the retained earning as on 01st April, 2015, since the delays were anticipated in FY 2014-15 and earlier years".

| | 31st March, 2017 (₹ in Lakhs) | 31st March, 2016 (₹ in Lakhs) |
|---|---|---|

**2.46** Pursuant to notification S.O. 2437(E) dated 04th September, 2015, the Board has approved the non disclosure following information on the exemption granted under section 129 of the Compnaies Act, 2013 and hence the same has not been disclosed in the financial statements.

i) Goods purchased under broad heads

ii) Value of import on CIF basis

iii) Expenditure on foreign currency

iv) Total value of imported raw material

v) Earning in foreign currency

**2.47 Related Party Disclosure:**

**a) Name of related party and description of relationships**

i) The Company is controlled by President of India having ownership interest of 100%

| | | |
|---|---|---|
| ii) Goa Shipyard Limited | | Associate Company |
| iii) Key Managerial Personnel | | |
| RAdm R K Shrawat AVSM (Retd) | (Upto 31.12.2016) | Chairman and Managing Director |
| Cmde Rakesh Anand (Retd) | (From 01.01.2017) | Chairman and Managing Director |
| | | Director (Corporate Planning & Personnel) |
| | (From 28.02.2017) | Director (Shipbuilding) |
| Cdr P R Raghunath (Retd) | (Upto 27.02.2017) | Director (Shipbuilding) |
| Capt Rajiv Lath (Retd) | | Director (Submarine and Heavy Engineering) |
| Shri Sanjiv Sharma | | Director (Finance) |

**b) Transactions with Related Parties**

The total amount of transactions that have been entered with related parties for the relevant financial year is as given below:

| **Particulars** | **Year ended** | **Sales to related parties** | **Rent from related parties** | **Amounts receivable/ (payable) by related parties** |
|---|---|---|---|---|
| | | ₹ Lakhs | ₹ Lakhs | ₹ Lakhs |
| **Associate:** | | | | |
| Goa Shipyard Ltd. | 31 March,2017 | - | 7 | 3 |
| | 31 March,2016 | - | 7 | 3 |
| Indian Navy | 31 March,2017 | 352367 | - | 76227 |
| | 31 March,2016 | 410622 | - | 81932 |

| **Remuneration to Key Managerial Personnel*** | **31st March, 2017 (₹ in Lakhs)** | **31st March, 2016 (₹ in Lakhs)** |
|---|---|---|
| RAdm R K Shrawat AVSM (Retd) (Upto 31.12.16) | 114 | 29 |
| Cdr P R Raghunath (Retd) (Upto 27.02.2017) | 63 | 28 |
| Shri M Selvaraj (Upto 31.05.2015) | - | 7 |
| Cmde Rakesh Anand (Retd) | 52 | 27 |
| Capt Rajiv Lath (Retd) | 51 | 28 |
| Shri Sanjiv Sharma | 41 | 21 |
| Balance Outstanding | - | - |

* As per Statement of Profit and Loss Account.

Besides the remuneration indicated above, the Chairman and Managing Director and four Functional Directors are allowed to use Company's Car for private purposes upto 1000 kms per month, for which charges were collected at the rates prescribed by Government of India.

**2.48 Construction Contracts**

Disclosure in respect of ships under construction contracts (undelivered) as on :

| | **Particulars** | **31st March, 2017 (₹ in Lakhs)** | **31st March, 2016 (₹ in Lakhs)** |
|---|---|---|---|
| i) | Aggregate amount of costs incurred and recognized profit (less recognized losses) | 1659401 | 1559914 |
| ii) | Amount of customer advances received | 2916226 | 2801030 |

**2.49 Specified Bank Notes (Parent Company)**

In accordance with the MCA Notifiication No. G.S.R. 308 (E) dt. 30th March, 2017, every company shall disclose the details of Specified Bank Notes (SBN) held and transacted during the period 08/11/2016 to 30/12/2016. The denomination wise SBNs and other notes as per the notification is given below:-

| **Sl. No.** | **SBNs denominations** | **Specified** | **Other** | **Total** |
|---|---|---|---|---|
| 1 | Closing Cash in hand as on 08.11.2016 | 0.74 | - | 0.74 |
| 2 | Permitted receipts | 4.28 | 26.58 | 30.86 |
| 3 | Permitted payments | - | - | - |
| 4 | Amount deposited in Banks | 5.02 | 25.84 | 30.86 |
| 6 | Closing Cash in hand as on 30.12.2016 | - | 0.74 | 0.74 |

**2.50 Earnings per share (EPS)**

| Computation of Profit/Loss for Earnings Per Share | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| Profit attributable to equity shareholders of the company used in calculating basic and diluted earnings per share (₹ Lakhs) | 58510 | 59555 |
| Weighted average number of equity shares used as the denominator in calculating basic & diluted earnings per share | 24900000 | 24900000 |
| Earnings per share Basic & Diluted (in ₹) | 234.98 | 239.17 |
| (Share having nominal value of ₹ 100 each) | | |

During FY 2016-17 the Company issued bonus shares in the ratio of 1:4. As per Ind AS 33, weighted average number of total equity shares for FY 2015-16 has been adjusted for bonus issue.

**2.51 Income Tax Reconciliation 2016-17**

This note provides an analysis of the Company's income tax expense, show amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items.

**(a) Income Tax Expenses** (₹ in Lakhs)

| Particulars | Year ended 31st March 2017 | Year ended 31st March 2016 |
|---|---|---|
| Current tax | | |
| Current tax on profits for the year | 29341 | 35220 |
| Tax adjustments relating to prior years | - | 457 |
| **Total current tax expense** | **29341** | **35677** |
| Deferred tax | | |
| Deferred tax benefit | (2082) | (407) |
| **Total deferred tax benefit** | **(2082)** | **(407)** |
| **Income tax expense** | **27259** | **35270** |

**(b) Reconciliation of tax expense and the accounting profit multiplied by tax rate:**

(₹ in Lakhs)

| | | |
|---|---|---|
| **Enacted income tax rate in India applicable to the Company** | **34.608%** | **34.608%** |
| Profit before tax | 84772 | 92932 |
| Current tax expenses on Profit before tax expenses at the enacted Income Tax rate in India | 29338 | 32162 |
| Tax effect of the amounts which are not deductible/ (taxable) in calculating taxable income | | |
| Permanent disallowances | 161 | 163 |
| Other | (2240) | (3271) |
| **Total Tax Expenses** | **27259** | **35270** |

**2.52 Fair Value Measurement**

**Financial Instruments by Category**

(₹ Lakhs)

| Particulars | 31st March 2017 | | | 31st March 2016 | | |
|---|---|---|---|---|---|---|
| | FVPL | FVOCI | Amortised Cost | FVPL | FVOCI | Amortised Cost |
| **Financial Assets** | | | | | | |
| Security Deposits | - | - | 301 | - | - | 286 |
| **Financial Liabilities** | | | | | | |
| Russian Deferred Credit | - | - | 1996 | - | - | 2079 |
| Security Deposits | - | - | 14 | - | - | 8 |

**Valuation technique used to determine fair value**

Specific valuation technique used to value financial instruments include:

the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

**Fair Value Hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are

(a) recognised and measured at fair value

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of input used in determining fair value, the company has classified the financial instruments in three levels prescribed under the Ind AS.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

**Financial assets and liabilities measured at amortised cost**

(₹ in Lakhs)

| Particulars | Fair value Hierarchy | As at 31st March 2017 | | As at 31st March 2016 | |
|---|---|---|---|---|---|
| | | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets** | | | | | |
| Security deposits | Level 3 | 376 | 301 | 376 | 286 |
| **Financial liabilities** | | | | | |
| Russian Deferred Credit | Level 3 | 7826 | 1996 | 8514 | 2079 |
| Security Deposits | Level 3 | 16 | 14 | 10 | 8 |

**2.53 Financial risk management**

**a) Credit Risk**

Credit Risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

i) Trade Recivables and unbilled revenue

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally carrying no credit terms. Outstanding customer receivables are regularly monitored. Trade receivables are primarily from Navy (being department of Govt. of India), hence the credit risk is considered low. Further the Company receives advance against orders which also mitigates the credit risk.

ii) Financial Instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Management in accordance with the company's investment policy. Investment of surplus funds are made only in accordance with the Department of Public Enterprises (DPE) guidelines on invetment of surplus funds, with the approved banks and within credit limits assigned to each bank. The limits applicable to single bank and public / private sectors as per the DPE guidelines minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to repay the principal and interest.

**b) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the underlying business, the Company maintains sufficient cash and liquid investments available to meet its obligation. The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, if any.

**c) Market Risk**

i) Foreign currency risk and sensitivity

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk since it imports components from foriegn vendors. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (₹) In most of the Contracts, the gains / losses from forex exchange fluctuations are passed on / borne by the customer of the Company. Therefore, the foreign exchange risk and sensitivity of the Company is Nil.

ii) Foreign Currency Risk Exposure

The company's exposure to foreign currency risk at the end of the reporting period expressed in INR (foreign currency amount multiplied by closing rate), are as follows:

(₹ in Lakhs)

| Particulars | CAD | EUR | GBP | NOK | SEK | SGD | USD |
|---|---|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | | | |
| 31st March 2017 | 1 | 9094 | 26 | 8 | 4166 | - | 97 |
| 31st March 2016 | 1 | 18633 | 7 | 3 | 8 | 9 | 4305 |

**Sensitivity**

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ in Lakhs)

| Particulars | | Impact on Profit Before Tax | |
|---|---|---|---|
| | | 31st March 2017 | 31st March 2016 |
| ***CAD Sensitivity**** | | | |
| | INR/CAD increases by 5% | 0.07 | 0.07 |
| | INR/CAD decreases by 5% | (0.07) | (0.07) |
| ***EUR Sensitivity**** | | | |
| | INR/EUR increases by 5% | 454.69 | 931.64 |
| | INR/EUR decreases by 5% | (454.69) | (931.64) |
| ***GBP Sensitivity**** | | | |
| | INR/GBP increases by 5% | 1.29 | 0.36 |
| | INR/GBP decreases by 5% | (1.29) | (0.36) |
| ***NOK Sensitivity**** | | | |
| | INR/NOK increases by 5% | 0.42 | 0.16 |
| | INR/NOK decreases by 5% | (0.42) | (0.16) |
| ***SEK Sensitivity**** | | | |
| | INR/SEK increases by 5% | 208.28 | 0.42 |
| | INR/SEK decreases by 5% | (208.28) | (0.42) |
| ***SGD Sensitivity**** | | | |
| | INR/SGD increases by 5% | - | 0.45 |
| | INR/SGD decreases by 5% | - | (0.45) |
| ***USD Sensitivity**** | | | |
| | INR/USD increases by 5% | 4.85 | 215.26 |
| | INR/USD decreases by 5% | (4.85) | (215.26) |
| | * Holding all other variables constant | | |

**2.54 Capital management**

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objectives of the Company's capital management are to

- maximise the shareholder value while providing stable capital structure that facilitate considered risk taking and pursued of business growth
- safeguard the company's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders
- maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and business opportunities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

**2.55 Expenditure on Corporate Social Responsibilities (CSR) Activities**

The various heads under which the CSR expenditure was incurred during the year is detailed as follows:

| Relevant clause of Schedule VII to the Companies Act, 2013 | Description of CSR activities | Amount Spent (₹ in Lakhs) | |
|---|---|---|---|
| | | 2016-17 | 2015-16 |
| Clause (i) | Eradicating hunger, poverty and malnutrition,promoting health care, sanitation and making available safe drinking water. | 606 | 603 |
| Clause (ii) | Promoting education, including special education and employment enhancing vocational skills among the children, women, elderly and the differently abled. | 565 | 282 |
| Clause (v) | Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public liabraries, promotion and development of traditional arts and handicrafts | 2 | 15 |
| Clause (vii) | Training to promote rural sports, nationally recognised sports,paralympic sports and Olympic sports; | 50 | |
| Clause (x) | Rural development projects; | 101 | 232 |
| | **Total** | **1324** | **1132** |

| Particulars | 2016-17 | 2015-16 |
|---|---|---|
| Amount required to be spent by the Company during the year | 1520 | 1316 |
| Amount spent during the year (incl. Administration Expenses) | 1365 | 1169 |

### 2.56.1 First-time adoption of Ind AS

**Transition to Ind AS**

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 1, have been applied in preparing the financial statements for the year ended 31 March, 2017, the comparative information presented in these financial statements for the year ended 31 March, 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

**A. Exemptions and exceptions availed**

Set below are the applicable Ind AS optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

**A.1 Ind AS optional exemptions**

**A.1.1 Deemed cost**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

**A.1.2 Transfer of assets from Customers**

As per Ind AS 101 a first time adopter should apply Appendix C of Ind AS 18 prospectively to transfer of assets from customers received on or after the transition date. A first time adopter elects to apply appendix C retrospectively, it may do so only if the valuations and other information needed to apply the Appendix to past transfer were obtained at the time those transfer occurred.

The Company has applied Appendix C of Ind AS 18 prospectively to transfer of assets from customers received on or after the transition date from 1 April 2015.

**A.1.3 Investments in Associate**

Company has availed the option to continue recording of Investments (in each of these cases) at cost as per IGAAP as on transition date amongst available options of fair valuation or cost as per Ind AS 27 'separate financial statement'.

**A.2 Ind AS mandatory exceptions**

**A.2.1 Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exists at the date of transition to Ind AS. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing on the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets on the basis of the fact and circumstances that exists at the date of transition to Ind AS. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

**2.56.2 Effect of Ind AS adoption on the Balance Sheet** (₹ in Lakhs)

| Particulars | As at 31st March, 2016 | | | As at 1st April, 2015 | | |
|---|---|---|---|---|---|---|
| | Previous GAAP | Effect of transition to Ind AS | Ind AS | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| **ASSETS** | | | | | | |
| **(1) Non-current assets** | | | | | | |
| (a) Property, Plant and Equipment | 32354 | 2139 | 34493 | 25676 | 472 | 26148 |
| (b) Capital work-in-progress | 6461 | 10497 | 16958 | 4014 | 10575 | 14589 |
| (c) Other Intangible assets | 2105 | 178 | 2283 | 905 | - | 905 |
| (d) Financial Assets | | | | | | |
| (i) Investments | 32549 | (127) | 32422 | 600 | 29127 | 29727 |
| (ii) Trade Receivable | 8109 | (6435) | 1674 | 7943 | (6374) | 1569 |
| (iii) Loans | - | 293 | 293 | | 271 | 271 |
| (iv) Other Financial Assets | 340 | - | 340 | 340 | - | 340 |
| (e) Deferred tax assets (net) | 15745 | 34309 | 50054 | 12019 | 34259 | 46278 |
| (f) Non current tax assets (Net) | - | 12809 | 12809 | - | 22036 | 22036 |
| (g) Other non-current assets | 23629 | (12290) | 11339 | 24657 | (16919) | 7739 |
| **(2) Current assets** | | | | | | |
| (a) Inventories | 2032591 | (1608124) | 424467 | 1854192 | (1410619) | 443573 |
| (b) Financial Assets | | | | | | |
| (i) Trade receivables | 78264 | 13709 | 91973 | 76097 | 74870 | 150967 |
| (ii) Cash and cash equivalents | 880277 | (790500) | 89777 | 761488 | (740000) | 21488 |
| (iii) Bank balances other than (ii) above | - | 790500 | 790500 | - | 740000 | 740000 |
| (iv) Loans | 1155 | (459) | 696 | 1067 | (452) | 615 |
| (v) Other Financial assets | 16594 | (2) | 16592 | 18906 | (2) | 18904 |
| (d) Other current assets | 248644 | 77209 | 325853 | 306137 | 34756 | 340893 |
| **Total Assets** | **3378817** | **(1476295)** | **1902522** | **3094041** | **(1227999)** | **1866042** |
| **EQUITY AND LIABILITIES** | | | | | | |
| **EQUITY** | | | | | | |
| (a) Equity Share capital | 19920 | - | 19920 | 19920 | - | 19920 |
| (b) Other Equity | 296652 | (52410) | 244242 | 226065 | (28836) | 197229 |
| **LIABILITIES** | | | | | | |
| **(1) Non-current liabilities** | | | | | | |
| (a) Financial Liabilities | | | | | | |
| (i) Trade payables | 8109 | (6435) | 1674 | 7943 | (6374) | 1569 |
| (ii) Others | | 8 | 8 | | | |
| (b) Other long term liabilities | - | 13163 | 13163 | - | 10474 | 10474 |
| (c) Long term provisions | 16518 | 102050 | 118568 | 17329 | 102049 | 119378 |
| **(2) Current liabilities** | | | | | | |
| (a) Financial Liabilities | | | | | | |
| (i) Trade payables | 114034 | (4759) | 109275 | 94849 | (8351) | 86498 |
| (ii) Others | 20568 | - | 20568 | 17563 | - | 17563 |
| (b) Other current liabilities | 2882138 | (1513673) | 1368465 | 2704399 | (1296243) | 1408156 |
| (c) Short term provisions | 20878 | (14239) | 6639 | 5973 | (717) | 5256 |
| **Total Equity and Liabilities** | **3378817** | **(1476295)** | **1902522** | **3094041** | **(1227999)** | **1866043** |

| Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31.03.2016 | | | |
|---|---|---|---|
| | | | (₹ in Lakhs) |
| **Particulars** | **Previous GAAP** | **Effect of transition to Ind AS** | **Ind AS** |
| Contract revenue | 412099 | (1477) | 410622 |
| Other operating revenue | 2084 | - | 2084 |
| **Total revenue from operations** | **414183** | **(1477)** | **412706** |
| Other income | 73611 | 1610 | 75221 |
| **Total revenue** | **487794** | **133** | **487927** |
| **Expenses:** | | | |
| Cost of materials consumed | 265804 | (1307) | 264497 |
| Employee benefits expense | 74439 | 1033 | 75472 |
| Finance costs | 7 | 383 | 390 |
| Depreciation and amortization expense | 3100 | 1281 | 4381 |
| Sub-contract | 13492 | - | 13492 |
| Power and fuel | 2822 | - | 2822 |
| Other expenses - Project related | 20352 | - | 20352 |
| Other expenses - Others | 12208 | (47) | 12161 |
| Provisions | 3753 | (1583) | 2170 |
| **Total expenses** | **395977** | **(240)** | **395737** |
| **Profit before prior period adjustments** | **91817** | **373** | **92190** |
| Prior period adjustments | 3174 | (3174) | - |
| **Profit before tax** | **94991** | **(2801)** | **92190** |
| **Less: Tax expense** | | | |
| (1) Current tax | 35220 | - | 35220 |
| (2) Deferred tax | (3726) | 4133 | 407 |
| (3) Prior tax adjustment | 457 | - | 457 |
| **Profit/(Loss) for the period** | **63040** | **(6934)** | **56106** |
| Share of Net Profit/(Loss) of Associate | 3402 | 46 | 3448 |
| **Profit for the period** | **66442** | **(6887)** | **59555** |
| **Other Comprehensive Income** | | | |
| **A Items that will not be reclassified to profit or loss** | | | |
| (i) Remeasurements of post employment benefit obligations | - | 675 | 675 |
| (ii) Remeasurement of post employment benefit obligation of Associate | | (12) | (12) |
| (iii) Income tax relating to items that will be not be reclassified to profit or loss | | | |
| **B Items that will be reclassified to profit or loss** | | | |
| **Total Comprehensive Income for the period comprising Profit / (Loss) and Other Comprehensive Income for the period** | 66442 | (6224) | 60218 |
| **Earnings per equity share:** | 266.84 | | 239.17 |

**Material adjustments made while transition form previous GAAP**

**Proposed dividend**

Under the previous GAAP, dividends proposed by the Board of directors after the Balance sheet date but before the approval of the financial statements were considered as adjusting events, accordingly the provision for proposed dividend was recognised as a liabilitiy. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for Proposed Dividend and Dividend Distribution Tax of ₹ 11939 lakhs as at 31st March 2016 (₹ Nil as at 01st April 2015) included under provisions has been reversed with corresponding adjustment to retained earnings. Consequently the total equity has increased by an equivalent amount.

**Reclassification of Lease hold Land**

Under the IGAPP land obtained on lease from various authorities was disclosed under fixed assets schedule at initial premium paid. The premium paid was amortised over the period of lease. Since lease is cancellable and significant risk and reward has not been transferred to MDL, lease hold land is treated as operating lease. The initial premium paid is considered as advance lease rental. Accordingly, while transition from IGAAP to Ind AS, the Company has reclassified the unamortised portion of leasehold land of ₹ 471 lakhs (net of amortisation) from PPE to other non-current assets as prepaid lease rentals which will be amortised as operating lease over the remaining period of lease. During the year ended March 17, under Ind AS, Company has reversed depreciation expenses of ₹ 51 lakhs which was earlier charged off as per IGAAP & recognised as lease rental of ₹ 51 lakhs as per Ind AS.

**Amortisation of Security deposit**

Under Ind AS security deposits paid are measured at amortised cost, accordingly Company has adjusted ₹ 36 lakhs against retained earnings which resulted in decrease in retained earnings and net deferred lease expenses asset is recognised of ₹ 137 lakhs on transtiton date. During the year ended 31st March 16, Company has expensed out deferred lease expenses of ₹ 15 lakhs with a closing balance of ₹ 122 lakhs and ₹ 15 lakhs are recorded as interest income on security deposit paid.

**Employee Benefits**

Under Ind AS, ₹ 1033 lakhs has been regrouped from employee benefit expenses to other comprehensive income on account of remeasurement of actuarial gains and losses as on 31st March 2016.

**Contract Revenue as per Ind AS 11 Construction Contracts**

a. The Company was accounting, hitherto, the revenue from shipbuilding as a sale of ship in respect of completed ship upon delivery and in respect of ongoing contracts, based on accretion/decretion in work in progress. The Company has changed this practice and is accounting for such revenue as Contract Revenue as per Ind AS 11 Construction Contracts. This change has no impact on revenues and profits of FY 2015-16 and FY 2016-17.

b. The Company was providing hitherto the estimated cost of work yet to be completed in respect of the fixed price element of delivered ship, in the year of delivery. During the year in line with Ind AS 11, the Company has changed the practice and is accounting for cost based on actual incurred and revenue on percentage completion basis after taking into consideration the future cost to be incurred on unfinished work on the project as part of total estimated cost of the project. Due to this change, provision of ₹ 717 lakhs was reversed in retained earning along with revenue of ₹ 730 lakhs as at 1st April 2015. During FY 2015-16, provision of ₹ 2300 lakhs and revenue of ₹ 1578 lakhs was reversed.

c. The Company was hitherto reflecting cost incurred on ships under construction as Work in Progress (WIP) under inventory. During the year the Company has changed this practice and is recognising progressive billings on such contract work in progress as "Trade Receivables". The difference between such Trade Receivables and the Contract revenue earned calculated as per percentage completion method is reflected as unbilled revenue or unearned income under current assets or current liabilities as the case may be. Due to this change Current assets have gone up by ₹ 14087 lakhs in FY 2015-16 with corresponding reduction in inventory.

**2.57 Additional Notes to the Consolidated Financial Statements**

**2.57.1 Interest In Associate**

| Name of the Company | Country of Incorporation | % of Ownership as at 31st March 2017 | % of Ownership as at 31st March 2016 |
|---|---|---|---|
| Goa Shipyard Limited | India | 47.21% | 47.21% |

**2.57.2 Disclosure of Additional Information Pertaining to the Parent Company and Associate**

| Name of the Company | Share of Profit/(Loss) | | | |
|---|---|---|---|---|
| | 31st March 2017 | | 31st March 2016 | |
| | As % of Consolidated Profit/(Loss) | Amount ₹ in Lakh | As % of Consolidated Profit/(Loss) | Amount ₹ in Lakh |
| Mazagon Dock Shipbuilders Ltd | 89.47 | 51634 | 94.29 | 56782 |
| Goa Shipyard Limited | 10.53 | 6075 | 5.71 | 3436 |
| Total | 100.00 | 57708 | 100.00 | 60218 |

**2.57.3** In case of Joint Venture Company "Mazagon Dock Pipavav Defence Pvt Ltd", the financials are not consolidated due to:

a) The joint venture partners have not yet paid for share subscription.

b) The joint venture company has not commenced operation.

c) The amount of total assets and liabilites are not material.

d) The financial statements of the joint venture for the FY 2016-17 are yet to be audited.

**2.58** In the preparation of these Ind AS Financial Statements, figures for the previous year have been regrouped/reclassified, wherever considered necessary to conform to current year presentation.

---

As per our report of even date

**Ford Rhodes Parks & Co. LLP**
Chartered Accountants
Firm Registration No. 102860W/W100089

sd/-
**Shrikant Prabhu**
Partner
Membership No. 35296

Date: 23 Aug '17
Mumbai

For and on behalf of the Board of Directors

sd/-
**Cmde. Rakesh Anand, IN (Retd)**
Chairman and Managing Director

sd/-
**Sanjiv Sharma**
Director (Finance)

sd/-
**Madhavi Kulkarni**
Company Secretary

## NOTES

## NOTES

## NOTES

# Awards & Recognitions


*Gold Award in ICQCC - 2016*


*Par Excellence Award in NCQC - 2016*

*TOLIC award for Best House Magazine to Rajbhasha Patrika "Jaltarang"*


*BML Munjal Award for Business Excellence through Learning & Development*