Garden Reach Shipbuilders & Engineers Limited

Issue Snapshot:

Issue Open: Sept 24 – Sept 26, 2018

Price Band: Rs. 115 – 118 (A discount of Rs. 5 per share to the Retail Investors and Eligible Employees)

Issue Size: 29,210,760 Equity Shares (Entirely Offer for sale including Employee Reservation of 572,760 sh)

Offer Size: Rs.335.92 crs – 344.69 crs

QIB	Upto 14,319,000 eq sh
Retail	atleast 10,023,300 eq sh
Non Institutional	atleast 4,295,700 eq sh
Employee	Upto 572,760 eq sh

Face Value: Rs 10

Book value: Rs 88.69 (Mar 31, 2018)

Bid size: - 120 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 114.55 cr
Post issue Equity:	Rs. 114.55 cr

Listing: BSE & NSE

Book Running Lead Manager: IDBI Capital Markets & Securities Limited, YES Securities (India) Limited

Registrar to issue: Alankit Assignments Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	100.00	74.50
Public & Employee	0.00	25.50
Total	**100.0**	**100.0**

Source for this Note: RHP

Background & Operations:

Garden Reach Shipbuilders & Engineers Ltd(GRSEL) is a shipbuilding company in India under the administrative control of the MoD and primarily adhere to the shipbuilding requirements of the Indian Navy and the Indian Coast Guard. In addition to its ship and warship building capabilities, it is engaged in engineering and engine production activities. As a part of its engineering division, it manufactures deck machinery items, pre-fabricated portable steel bridges and marine pumps. Its shipbuilding division contributes a significant majority of its revenue from operations. GRSEL's shipbuilding product line spans from technologically sophisticated Frigates and Corvettes to Fast Patrol Vessels. In last five (5) decades, it has built and delivered ships ranging from small to large and advanced vessels including frigates, anti-submarine warfare corvettes, missile corvettes, landing ship tanks, landing craft utilities, survey vessels, fleet replenishment tankers, fast patrol vessels, offshore patrol vessels, inshore patrol vessels, WJ-FAC, hover crafts and fast interceptor boats to the Indian Navy, Indian Coast Guard, MHA and Governments of other countries. It has built and supplied more than seven hundred fifty (750) vessels to carry men and materials as well as for the surveillance of the coast line

Presently, GRSEL has three (3) separate facilities for shipbuilding, all of which are located in close vicinity of each other at Kolkata, India. It build its ships at the Main Works Unit and the Rajabagan Dockyard. Its third facility, the FOJ Unit is primarily used for fitting out and repair of ships. Company's Engineering segment is engaged in the manufacturing and fabrication of portable steel bridges, deck machineries of ships and marine pumps. Over the years, the Company has been credited with many firsts in the Indian shipbuilding industry. It has in the past and continue to associate with several technology firms in its industry like MTU and other international/ domestic entities for its different business segments such as diesel engines and deck machinery, which has added to its credibility in the international market. As of July 31, 2018, the company's order book for all its product categories was Rs203,136.10 million, of which its shipbuilding order book consisted orders of thirteen (13) vessels with an aggregate outstanding revenue value of Rs200,294.20 million. Its order book only represents business that is considered firm.

Objects of Issue:

The objects of this Offer are: (i) to carry out the disinvestment of 29,210,760 Equity Shares by the Selling Shareholder; and (ii) to achieve the benefits of listing the Equity Shares on the Stock Exchanges. GRSEL will not receive any proceeds from this Offer and all proceeds shall go to the Selling Shareholder.

Competitive Strengths

Modern Manufacturing Platform and Integrated Shipbuilding Facilities to deliver quality products: GRSEL's modern infrastructure facilities available at its shipyard coupled with vast expertise gives a significant edge over other domestic defence shipyard. The Company has been taking steps to ensure simplification in the process and procedures, adopt modern practice and technology, enhance capacity and modernize infrastructure and improve on governance. It has undertaken major modernization of its infrastructure. Its facilities allows to produce eight large ships and twelve medium/ small ships concurrently. In addition, it has constructed new hull shop, module shop for mega block integration, dry dock and building berth. Its advanced modular construction technique enables the company to simultaneously build a greater number of large warships in a more truncated time period at Main Works Unit. GRSEL has also recently inaugurated modern pump test bed facility at Taratala unit on June 11, 2018 for testing the pumps it manufacture. Further, it completed the moderisation of its DEP unit in Ranchi in 2016. The modernisation was intended to create a new, state-of-the-art diesel engine assembly shop that would enable carrying out overhaul and assembly. of engines in a dust-and-moisture-proof environment. With commissioning of 'Modernised Diesel Engine Assembly Shop", its DEP unit is poised to take up work on next generation of marine diesel engines and also move ahead on to produce marine diesel engines under 'Make in India' initiatives.

Provide End-to-End Solutions: GRSEL has a dedicated Central Design Office ("CDO") undertaking design and research and development, which comprises of highly skilled workforce of 100 members majority of whom are engineers qualified from IIT and other premier institutes. Its CDO team uses various software ranging from Aveva Marine, NAPA for Naval Architectural design, AutoCAD for drafting work and other softwares for structural analysis. With its dedicated CDO team, it has achieved innovative measures in carrying out complex warship designs work, some of which are landing craft utility mark IV, which is an in-house design product with 15 knots speed, which is unique for a vessel of this size and type. Its ability to provide end-to-end solutions to its customers, ranging from product conceptualization, design, system integration and project management increases its capability to meet customer demands. The company gains efficiencies relative to some of its competitors who participate in the construction of ships, but do not participate in other stages of the project. Further, it avoid a significant amount of reliance on third-parties to fulfill an order relative to its competitors.

Strong and Established Relationships with Indian Navy and Indian Coast Guard: The company has long-standing relationships with the Indian Navy and Indian Coast Guard. Its relationship, and experience with the Indian Navy is over five decades, beginning when the company delivered the *INS Ajay,* the first indigenous warship, to the Indian Navy in 1961. These relationships allows to secure shipbuilding projects. The company has also delivered 96 ships to the Indian Navy, and Indian Coast Guard on an aggregate basis. It was the first and only Indian shipyard to build and subsequently deliver a fleet tanker to the Indian Navy and to build and subsequently deliver a hover craft to the Indian Coast Guard. In the year 2009, it became the first, and only Indian Shipyard to build, and subsequently deliver to the Indian Navy a landing ship. During the year 2017, it built warships for the first time for the Indian Navy that have weapon and sensors trials completed which until then were undertaken at various Indian Navy facilities post-delivery of warships. In the Fiscals 2018, 2017 and 2016, they have built, and delivered a total of nine (9) ships to the Indian Navy.

Strong Order Book: The aggregate order book as on July 31, 2018 was Rs 203,136.10 million, comprising gross order value in the shipbuilding segment, engineering segment and the engine segment of Rs 200,294.20 million, Rs 851.70 million, and Rs 1,990.20 million, respectively. The aggregate value of order book represents the total nominal value of the contracts that have not been completed, excluding the portion of revenue in respect of those orders that the company has recognized as of such date. The company currently has contracts to deliver twenty ships to the Indian Navy and Indian Coast Guard, out of which seven ships have been delivered. A number of those ships 139 are large, advanced vessels that deliver the significant profit margins. The company has permission to subcontract any portion of the construction work of the vessel to subcontractors, other than few major sub-contract tasks such as the main hull structure, and superstructures for which they require the prior approval of the client.

Make in India Initiative: The company has an advantage over global shipyards in securing contracts to build vessels for the Indian Navy and Coast Guard because, it qualifies for the Make in India initiative under the DPP. The Make in India initiative grants indigenous manufacturers a competitive advantage when supplying to the domestic market. The MoD has given the highest priority to Indigenously Designed, Developed, and Manufactured ("IDDM") products for capital procurement. The Indian Navy and Indian Coast Guard are the repeat customers of the company, and these constitute part of the domestic market and therefore, the company receives preference over global shipyards in certain circumstances.

Business Diversification: Shipbuilding is the key product offering of the company. In addition to core manufacturing activities for shipbuilding, Gardenreach offers diversified products, and services to its customers including portable bridges, deck machinery items, pumps, and engines. It produces bridges at its 61 Park Unit, and Taratala Unit which enables it to counterbalance the cyclical nature of the shipbuilding income stream. The product diversification allows the company to rely on different product areas to generate revenue when the market conditions dictate a decrease in demand for shipbuilding. It is having some sort of monopoly in the shipbuilding business in the country, as there are no other shipyard in India that has a dedicated deck machinery equipment facility or an engine assembling, and testing facility, both of which, are essential for the shipbuilding, and testing process. In the absence of such facilities, the company's competitors, approach third-parties to complete such tasks related to deck machinery, and engine assembly and testing. This is vertical integration, which, would enable the company to produce ships in a more time efficient manner because of its non-reliance on third-parties.

Experienced Workforce: The company has a qualified, and experienced senior management team, which consists of technically qualified and experienced professionals. They have extensive experience in shipbuilding, design and engineering, order management, operations, human resources, finance, and after-sales services. The company boasts to have a large pool of experienced engineers. As of July 31, 2018, engineers constitute 21.30% of its total employees.

Business Strategy:

To maintain, retain, and strengthen Relationship with Indian Navy and Indian Coast Guard: The Indian Navy and Indian Coast Guard are the main clients of the company, thus, it intends to continue to further strengthen its relationships with them. The Indian Navy has acquisition plans where it plans to expand its fleet ship size. Available information on the indigenous construction component of acquisition plans for the next decade indicate that the Indian Navy and Indian Coast Guard will acquire indigenous aircraft carrier, fleet support ships, frigates, mine counter measure vessels, fast attack crafts, patrol vessels, new-generation corvettes, survey vessels, fuel barges. Thus, they might be in need of major weapon vessel platforms (frigates and corvettes), which would be provided by Gardenreach. Thus, the company intends to focus on securing orders for the construction of these vessels, which would boost to their top-line.

Repair and Refitting of Indian Navy and Indian Coast Guard Vessels: The company believes that there are substantial market opportunities in the coming decade and beyond, in the area of maintenance, repairs, refits and upgrades of Indian Navy and Indian Coast Guard warships. Considering which, the Coast Guard is intending to augment their existing fleet by around twenty to twenty-five vessels over the next ten to fifteen years. Thus, Gardenreach intends to ramp up its focus on repair, and refitting of Indian Navy, and Indian Coast Guard vessels. Further, the MoD in May 2017, released the "Strategic Partnership" framework for the Indian defence sector as a part of the DPP enabling multiple collaborations, and partnerships between the Indian shipyards, and foreign original equipment manufacturers, and naval technology firms. This establishes a platform for a healthy exchange of technology, and manufacturing know-how for the participants. This in turn would enable the domestic shipyards to eye global opportunities and lead to higher exports in the long run offering significant opportunities in the area of maintenance, repairs, refits and upgrades.

Upgrading Technological Capabilities and Facilities: In order to maintain relationships with the Indian Navy and Indian Coast Guard, the company continually focusses on meeting their shipbuilding requirements. From constructing ships on a shorter timeline, to the production of ships with greater technological capabilities, the Indian Navy and Indian Coast Guard require constant innovation and improvements in efficiency from shipbuilders. In 2013, Gardenreach laid the foundation with respect to meeting the future requirements of the Indian Navy and Indian Coast Guard by modernizing its Main Works Unit to allow for modular construction, which is Believed to reduces costs and the shipbuilding period. Further, in 2016, the company also modernised its engine plant at Ranchi. Over the next two years, it intends to augment the capabilities of the Rajabagan Dockyard and enhance its shipbuilding capabilities. The company also has plans to invest in its research and development capabilities to more completely meet the requirements of the Indian Navy and Indian Coast Guard. As a part of its strategy, the company continues to evolve and has developed (i) atmospheric-controlled dedicated facility at the Main Works Unit and at 61 Park Unit for construction of FRP boats; (ii) developed new designs for high-speed boats (25-30 meters length and speed of 25-30 knots) to meet the future requirements of MHA; (iii) built and delivered eighty-eight (88) (58 numbers of 12 tonnes; and 30 numbers of 5 tonnes) fast interceptor boats to the MHA for coastal security.

Enhancing Research and Development Capabilities: The company has plans to invest a greater amount of capital as a percentage of their revenue with respect to research, and development in order to augment efforts in the development and design of warships along with the development of engineering products. It is currently developing new hull forms of warships with sizes from 65-115 M that are capable of speeds up to 25-35 knots. Also it is designing a pontoon for the transportation of hull blocks and for inland cargo movement on national waterways. For this the company is collaborating with leading academic institutes to develop, and design such products. Additionally, it has also recently inaugurated Data Centre of CDO at 61 Park Unit on June 1, 2018 which has a capability multiplier essential for critical information technology operations, server availability, safety and security of design data and is mainly emphasized on promoting "Green 141 Concept" thereby contributing to energy saving and inaugurated a virtual reality lab of CDO at 61 Park Unit on July 7, 2018 for undertaking line out inspection on the CAD model, user reviews of critical departments at a much earlier stage and marketing of future ship designs.

Aligning Processes to Changing Market Environments*:* GRSEL plans on adjusting its processes in order to meet the requirements of shifting market environments. The competitive marketplace for shipbuilding is steadily moving from a nomination process to a competitive bidding process. An increasing percentage of projects are secured through a competitive bidding process. It must have the ability to properly scope and build bids that allows the company to maintain proper financial performance. Also, the procurement process is moving to a bidding process to reduce costs for purchased component parts. It intends to develop strategies that allow it to compete in the bidding process for projects and the procurement of components. GRSEL also intends to implement other strategies to meet the current market environment including enhancing its inventory control and build strategy process, outsourcing its non-core works and services, and enhancing its quality control processes.

Pursuing New Market Opportunities: The company is also into exploring global market, it already exported first ship in 2014, and seek to substantially grow its sales from ship exports. It also intends to market all vessel sizes for exportation in various geographic locations. However, the company anticipates exporting small and medium sized warship and patrol vessels to South East Asia, west Asia, African countries and Latin America which provides it with opportunities to develop their export business. It is poised to supply vessels of improved quality while incurring a lesser capital cost in building its ships in order to compete in the global arena. In order to achieve the aforesaid strategy, they are in the process of upgrading processes and products in line with latest technology to keep up with the demands of modern shipbuilding.

Gardenreach's export strategy includes participating in the following opportunities in the coming years:
• LST(L) for the United Arab Emirates;

• OPV and Survey Vessels for Nigeria; and
• Corevettes for Philippines.

Industry:

Global Defence Shipbuilding

The global naval shipbuilding market has witnessed a slowdown in the past few years due to the cutback on military spending by major western countries dealing with the aftereffects of the global economic crisis. However, the global shipbuilding market is expected to turn around given the need to replace older vessels in the naval fleet in major economies and the increase in the level of sophistication in combat technology. The global naval shipbuilding market would peak in 2021 driven by demand for both surface combatants and submarines. Globally, the average age of warships is as high as twenty-five (25) years and around 180 procurement programs are under execution in various countries.

Global Fleet Strength							
Country	**Aircraft Carriers**	**Destroyers**	**Frigates**	**Corvettes**	**Submarines**	**Others****	**Total Fleet**
US	19	63	8	0	70	255	415
Russia	1	15	6	81	63	186	352
China	1	35	51	35	68	524	714
India	2	11	14	23	15	230	295
Japan	4	42	0	6	17	62	131
South Korea	1	12	13	16	15	109	166
UK	2	6	13	0	11	44	76
France	4	4	11	0	10	89	118
Germany	0	0	10	5	6	60	81

*Others include Fleet Support Ships, Landing Platform Docks, Landing Craft Utilities, Offshore Support Vessels, etc.
**includes both Indian Navy and Indian Coast Guard

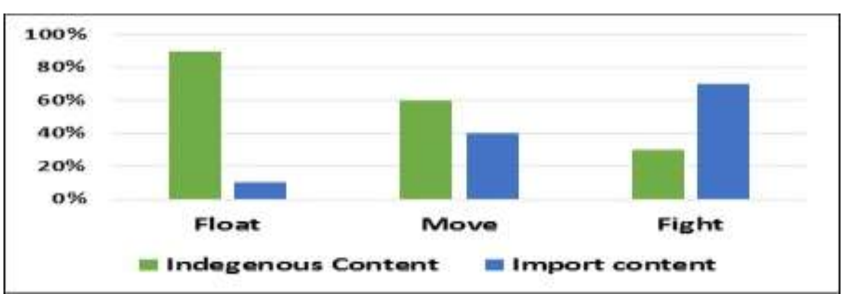
Indian Defence Shipbuilding-

Defence shipbuilding in India is emerging as an area of focus for public and private sector shipyards alike. While, the public sector shipyards such as Garden Reach Shipbuilders & Engineers Limited (GRSE), Mazagon Dock Shipbuilders Limited (MDL), Goa Shipyard Limited (GSL) and Cochin Shipyard Limited (CSL) are the frontrunners in the defence shipbuilding space, an increasing number of private shipyards are undertaking specific measures to enhance competence and modify their existing shipbuilding repair facilities to suit the needs of the Indian Navy and the Indian Coast Guard. Among the private shipyards, Reliance Naval and Engineering Limited (RNEL), L&T Shipbuilding, and ABG Shipyard Limited, which entered the shipbuilding market as commercial shipbuilders, have been repositioning themselves as companies with defence shipbuilding capabilities.

The Indian Navy fleet includes mainly three categories of vessels/combat platforms:
j. Surface ships
iv. Naval aviation
v. Sub-surface vessels/submarines

The Indian Navy fleet also includes landing platform docks such as the Austin Class (Jalashwa) and landing ship tanks such as the Shardul Class (built by GRSE) and Magar Class (built by Hindustan Shipyard Ltd.), fleet tankers, torpedo recovery vessels, ocean going tugs, offshore patrol vessels, etc. The Indian Navy categorises all warship equipment into three (3) key categories, float (all systems and equipment related to the hull structures and fittings); move (the propulsion systems such as engines, alternators, etc.) and fight (all kinds of ship-borne weapons and sensor systems).

Level of Indigenisation in Different Categories of Warship Equipment



Defence Orders Potential up to 2027-

Currently, the Indian Navy fleet includes 135-140 ships and submarines while the Indian Coast Guard fleet includes another 120 vessels. The Indian Navy and Indian Coastal Guard fleet are each expected to grow to about 200 vessels by 2027. The two defence units have jointly approved a shipbuilding programme spanning over fifteen (15) years, under which they would place orders for 165 warships and 400 aerial resources by 2022. The Indian Coast Guard (ICG), with an existing fleet of 130 ships and 62 aircraft, plans to take its fleet strength to 200 ships and 100 aircraft by 2022. Currently, 70 ships for the ICG are under construction in 6 shipyards, while the bidding process for 30 more ships is in process. For the ICG, the government has approved a Rs 320,000 million action plan.

The ICG recently acquired 34 interceptor boats out of the 36 being built by L&T Shipbuilding. These contracts for these boats are worth Rs 300 million each. According to industry sources, Indian Navy's estimated capital budget for up to 2027 amounts to Rs 4,500,000 million approximately. The planned expenditure includes a separate estimate for various vessel categories including submarines (Rs 2,200,000 million approx.), destroyers/frigates (Rs 900,000 million – Rs 1,000,000 million), aircraft carriers (Rs 450,000 million – Rs 500,000 million), corvettes, landing platform docks, etc.

Order inflows-

Recently, there has been a noticeable increase in defence orders for shipbuilding and ship repairs. The MoD is looking at modernisation of existing fleet and addition of new-age warships and submarines in the fleet. The Indian Coast Guard is working out a plan to expand their existing fleet of 127 ships to around 200 ships by 2027. The Indian Coast Guard has an approved plan of Rs 320,000 million for fleet expansion up to 2022. Moreover, with the government's measures to encourage private sector participation in executing these orders, defence orders are touted to be the key growth driver of the domestic shipbuilding and ship repair industry. Below is a list of a few notable defence orders.

• In May 2017, the MoD announced that it would invite fresh commercial bids for the four landing platform dock (LPD) vessels from the two-shortlisted private sector shipbuilding companies–RNEL and L&T Shipbuilding. These two private sector companies have cleared the financial and technical compliance required to bid for the required vessels. While RNEL has tied up with France-based DCNS, L&T Shipbuilding has entered into a partnership with Navantia of Spain to execute the contract if and when one of the companies wins it. The selected shipyard would be required to deliver the first LPD vessel in eight (8) years and subsequently other vessels within two years thereafter.

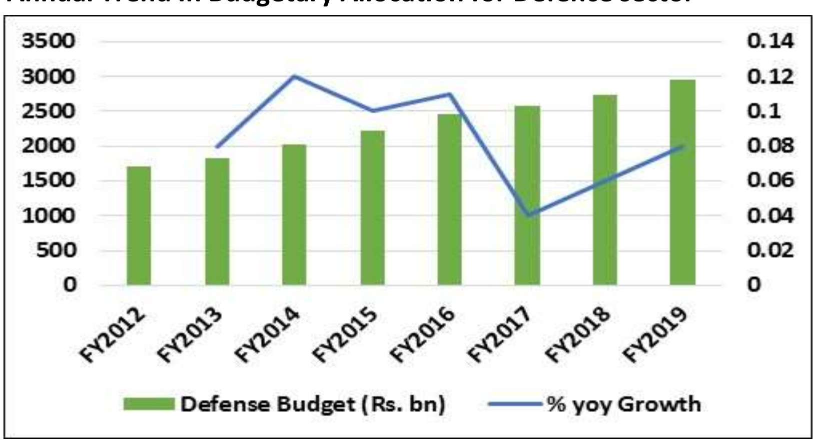
• In FY2017, the US Navy qualified RNEL as an approved contractor to undertake complex repair services for the US Navy's Seventh Fleet vessels operating in the region. RNEL also signed the Master Ship Repair Agreement (MSRA) with the US Navy becoming the first shipyard in India to receive such a certification.

• In 2017, RNEL also won a contract worth Rs 9,160 million for the design and construction of 14 fast patrol vessels from the Indian Coast Guard. RNEL became one of the first private sector companies to win a contract for such ships from the Indian Coast Guard

Review of Indian Defence Spending

The Government of India announces the annual Union Budget, which includes the Defence Budget, i.e. the planned government spending allocated to the defence sector. The defence budget has grown at a CAGR of ~8% between FY2012 and FY2019. The defence budget announced for FY2019 equalled Rs 2,950 billion, up 8% over FY2018.

Annual Trend In Budgetary Allocation for Defence sector



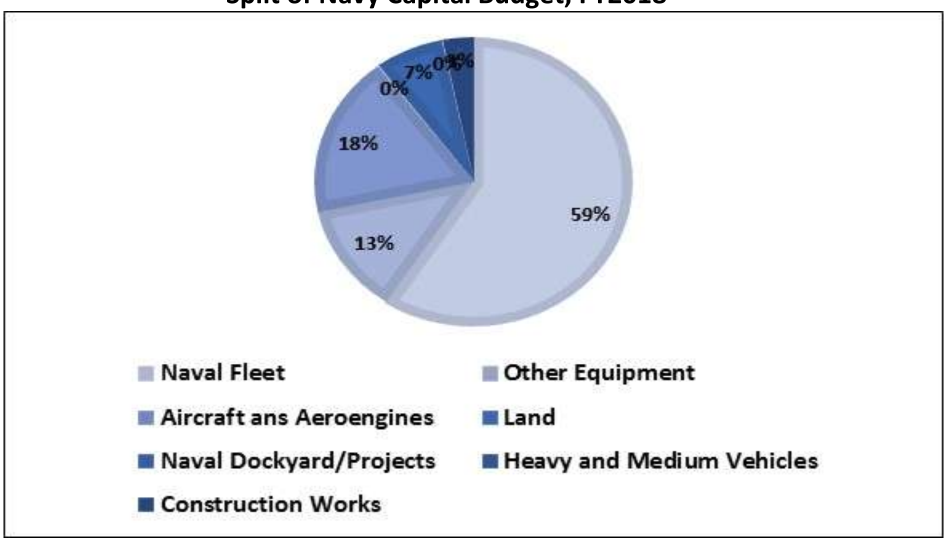
Defence Spending by Country in 2016, US$ billion-

Country	Military Spending	World Share (%)	% Share of GDP
US	611	36%	3.30%
China	215	13%	1.90%
Russia	69	4%	5.30%
UK	48	3%	1.90%
Japan	46	3%	1%
France	56	3%	2.30%
Germany	41	2%	1.20%
Saudi Arabia	64	4%	10.40%
India	60	4%	2.50%
Brazil	24	1%	1.30%
World	**1234**	**100.0%**	**2.5**

The defence budget for FY 2018 has been lowered to 1.56% of the GDP from 1.65% of the GDP in FY 2017. The MoD allocates the annual budget largely within the Indian Army, the Indian Navy, the Indian Air Force, and the DRDO. In FY2018, the MoD allocated 14% of the total defence budget to the Indian Navy, while the Indian Army and the Indian Air Force were allocated 57% and 22%, respectively. In FY 2019 too, the Indian Navy was allocated 14% of the total budget.

Within the total navy budget, budget allocation to the naval dockyard (primarily for repair projects) has been reduced from Rs 24.6 billon in FY2016-17 to Rs 12.9 billion in FY 2017-18. Allocation of Rs 110.2 billion to the naval fleet, accounting for 59% of the total allocation to Indian Navy's capital budget, primarily includes the modernization of the naval fleet.

Split of Navy Capital Budget, FY2018-



Key Factors Driving Demand in Shipbuilding Industry:
While the global shipbuilding industry is showing signs of early recovery with an increase in new orders and an overall improvement in the trading environment, the Indian shipbuilding industry is undergoing a phase of change and development. The current phase of growth would be triggered by certain Government policies that are meant to encourage collaboration between the private and the public sector to address the capacity utilisation imbalance within the sectors and to open up the industry to the global stage.

Below are a few factors that drive demand for the domestic shipbuilding industry:
• *Inflow of defence orders:* The Indian defence shipbuilding orders are expected to propel the Indian shipbuilding sector forward. The Government has undertaken new measures to encourage private sector participation in execution of defence orders. Further, the coming few years would witness the formation of key partnerships between leading Indian shipbuilders and foreign original equipment manufacturers allowing transfer of technical knowhow. India is laying emphasis on its warship building thereby leading to an expected escalation in defence orders.

• *Commercial shipping activity:* According to Ministry of Shipping, maritime transport accounts for around 95% of India's trading by volume and around 70% by value. The level of commercial shipping activity in India would determine the demand for new-builds, mainly dry cargo and bulk containers. According to Ministry of Shipping, the total gross registered tonnage for India's coastal and overseas commercial fleet increased 8.7% to reach 11.4 million GRT, a healthy growth following a decline of 0.7% in 2014 and a muted growth of 1.9% in 2015. Moreover, India's demand for oil and product tankers is also expected to increase going forward.

• *Long coastline ensures significant scope for the development of new and existing shipyards:* India's coastline that runs over 7,500 km is connected through a number of deep water ports with potential of opening up of many more ports. Currently, the domestic inland waterways are highly underutilised when it comes to trading and other transportation purposes. The Sagarmala programme, the Government's new initiative, plans to modernise the existing ports and develop the coastline with enhanced logistical infrastructure. Initiatives to develop the coastline further are likely to boost demand for shipping and consequently demand for new builds and ship repairs.

• *High average age of vessels:* Over 40% of India's coastal and overseas vessel fleet is above twenty (20) years of age while over 65% of the global fleet is above the age of fifteen (15) years. International maritime organisation, a specialised United Nations agency responsible for the safety and security of shipping and monitoring the pollution by ships, has proposed that vessels above twenty-five (25) years of age should be phased out and scrapped. In 2004, the Directorate General of Shipping (DGS) had imposed age restrictions banning all oil tankers (with either foreign or Indian flag) above twenty-five (25) years of age from entering Indian waters. Moreover, all crude and product tankers above twenty (20) years have been mandated to have a Condition Assessment Programme 2 (CAP 2) rating, failing which such vessels would not be allowed into the Indian waters. These steps have been taken to ensure prevention of possible environmental hazards arising from older vessels. The above factors would all drive replacement demand for the shipbuilding industry.

• *Affordable cost of labor:* Shipbuilding is a labor intensive sector and, therefore, the cost of labor becomes a key determinant of profitability and return metrics, especially during periods of slowdown. The cost of labor in India is considerably lower when compared to leading shipbuilding nations such as South Korea and China, even after considering the impact of efficiency. Moreover, the cost of labor in India is increasing at a much lower rate compared to China establishing a long-term competitive advantage for India as far as labor cost is concerned.

Key Concerns:

Loss of any of major customers or a reduction in orders may have a material adverse impact on the business, financial condition, results of operations and growth prospects: GRSEL primarily caters to requirement of the Indian Navy and Indian Coast Guard. Its revenue from operations made to Indian Navy and Indian Coast Guard has been Rs12,615.30 million, Rs 8,383.19 million and Rs15,321.33 million comprising of 93.69%, 90.10% and 92.18% of its total revenue from operations for the Fiscals 2018, 2017 and 2016 respectively. As on July 31, 2018, it had an order book position of Rs203,136.10 million of which 98.80% & 1.20% comprises of orders from Indian Navy and Indian Coast Guard respectively in the shipbuilding division, 14.92% comprises of orders from Indian Navy in the engineering division and 3.46% & 96.54% comprises of orders from the Indian Navy and Indian Coast Guard respectively in the engine division. The company expects to continue to derive most of its sales from work performed under the MoD contracts for Indian Navy and Indian Coast Guard. These contracts depend upon the continuing availability of budgets extended to the MoD, which in turn allocates the funding to the Indian Navy and the Indian Coast Guard, its largest customers. A decline or reprioritisation of funding in the Indian defence budget or any reduction or unavailability of funds to its customers, Indian Navy and Indian Coast Guard or delays in the budget process could have an adverse impact on the funding of these contracts and award of new contracts. While GRSEL would expect to continue to compete for procurement contracts of the Indian Navy and the Indian Coast Guard, there can be no assurances that the Indian Navy and Indian Coast Guard will continue to engage it or that it will continue to sustain the general level of revenues that it has secured from them in the past. If any of its major customers ceases to have business dealings with it or materially reduces the level or frequency of their orders for new vessels from it, its business, financial condition, results of operations and prospects may be adversely affected which may affect the ability to grow and/or maintain sales, earnings and cash flow.

The company's 250 tonne Goliath Crane at Main Works Unit recently collapsed due to near cyclonic storm in Kolkata: There was an accident involving the Goliath Crane on April 17, 2018 wherein due to a near cyclonic storm in Kolkata, the entire structure of 250 tonne Goliath Crane collapsed, and resultantly damaged a few other assets located in its vicinity. Due to the accident, the Goliath Crane has become unusable. The book value of Goliath crane as on April 1, 2018 was Rs 880.21 million and the estimate of financial effect of this incident cannot be ascertained presently. As an effect of the collapse, the construction methodology of P17A project had to be modified to minimize the requirement of high capacity crane and smaller cranes of 25 tonne capacity have been installed to carry out the day to day construction activities. Specific requirement of high capacity cranes are being met through hiring on a need basis. Anyhow, the company has also undertaken steps to use alternate sites for unhindered construction of the ships. Although, presently the company officials have not witnessed or envisaged any adverse impact to its ongoing projects or its ability to signing up for new orders, however, there can be no assurance that similar incidents will not occur in future.

The company could incur losses under its fixed price contracts as a result of cost overruns, delays in delivery or failures to meet contract specifications which may have an adverse effect on its business, financial condition, and results of operations: The majority of Gardenreach's shipbuilding contracts are fixed-price contracts. The timely and satisfactory execution of its contractual commitments depends upon numerous factors, including its ability to develop the technologies necessary to provide, directly or through third parties, the products, and services required by its customers. Any failure to deliver, in a timely manner or at all, the products, and services that they are obliged to deliver, or any fault in contract execution (including as a result of delays or breaches by its suppliers), may lead to higher costs or penalties or the calling of performance bonds. This may negatively affect their operating, and financial performance.

The company might have to participate in tenders for obtaining new orders in the future, which have been awarded to them on a nomination basis by its customers: Being a CPSE, under the administrative control of the MoD, they have a large number of projects and programs for which they have are the incumbent nominated production agency. A substantial portion of their business is awarded through nomination or assignment of contracts by the MoD. However, going forward and with the liberalization of defence sector to allow private, and foreign companies to participate in defence contracts, they will be required to participate in competitive bidding among DPSU, PSU and other private shipyards. The company's experience in bidding for new orders is comparatively lesser to its experience in the nomination process, where projects are awarded on fixed margin basis. If it is not successful in adapting to the tender process, then they might not receive as many new orders as they have in the past.

Inability to keep pace with the technological changes or devote resources for new product development, could affect the market share, revenues and profits: Continuing technological changes in the market for GRSEL's products could make its products less competitive or obsolete, either generally or for particular applications. Its future success will depend upon the ability to develop and introduce a variety of new capabilities and enhancements to its existing product offerings, as well as introduce a variety of new product offerings, to address the changing needs of the defence sector in which it offers its products. Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to purchase its competitors' products. It is expected to incur substantial research, design and development costs and devote significant resources to identifying and commercialising new products in accordance with the requirement of the Indian Navy and the Indian Coast Guard, which could significantly reduce its profitability and may never result in generation of revenue. If it is not able to successfully incorporate new design software and design tools, including virtual reality labs, advanced technology, and specification, into its products, or if the company is unable to adopt construction processes that will enable it to construct its products on more aggressive timelines, its primary customers may instead purchase products from its competitors, in which case, its business, financial condition, and results of operations may be adversely affected.

Future growth and expansion is limited by production capacities and the location at which it operates: GRSEL has adequate capacity and capability to build ships to meet the current and future needs of its customers. Its production capacity is limited to a range of ships and geographical location of the shipyard including the number, size and capacities of its berths, docks and its plant and equipment. In the event it wish to produce its products in excess of its current capacity, it will need to expand its facilities. There can be no assurance that the company will be able to manage the future expansion of its facilities effectively if it attempt to expand its facilities. Any failure on its part to do so may have a material adverse effect on the business, financial condition, results of operations and prospects.

The GoI has significant influence over the actions which may restrict the ability to manage business. Any change in GoI policy could have a material adverse effect on the financial condition and results of operations of the company: In accordance with AoA, the President of India may issue directives with respect to the conduct of the business of the company or its affairs for as long as the company remains a Government owned entity, as defined under the Companies Act. The priorities of the GoI may be different from that of the company's or that of its other shareholders. As a result of which the decisions taken by the government might go hay wards with the interests of the company, and people related with it. In particular, given the importance of the defence industry to the Indian economy, the GoI could require Gardenreach to take actions designed to serve the public interest and not necessarily to maximise its own profits. This could adversely affect the business and results of operations of the company.

The company does not have access to records and data pertaining to certain historical legal and secretarial information in relation to certain disclosures: Company is unable to trace copies of prescribed forms filed by it with the RoC, including inter-alia in respect 29 of the allotment of Equity Shares, certain changes in the authorised share capital of the company and certain other forms required to be filed with the RoC from incorporation until the year 1994. The company has not been able to obtain copies of these documents, including from the RoC, and the company does assure that the same would be available in the future or that it will not be subject to any penalty imposed by the competent regulatory authority in this respect. There may be inconsistencies between the date of filing of the relevant forms filed with the RoC for allotment of equity shares to the President of India and the register maintained noting the allotment made to the President of India.

All of the existing orders are long term orders imposing limits on the value of production that could be achieved in the next three financial years: The long-term sustainability of economic and financial performance of the company depends on its ability to perform its existing contracts and to enter into new long-term contracts. Given the nature of the company's customers, (e.g. the Indian Navy and Indian Coast Guard) which operate in highly regulated environment as well as the complexity and the cutting-edge technological content of the contracts, the company's existing long-term contracts may be affected by disputes with customers, which may put in danger the regular performance of the obligations arising thereunder. No assurances can be given that the company will enter into new contracts to permit itself to carry on its business or that any new contract entered into or renewed will be on terms and conditions similar to those of its current contracts. The award of new contracts is subject to competition and is affected by factors outside of its control such as governmental spending decisions, new policies and administrative procedures. Any failure to secure or any delay in securing a consistent number of long-term contracts or any interruption, suspension or termination of existing contracts may cause an insufficient workload that would adversely affect its operating and financial position.

The company is entirely dependent on a single supplier for engines division: The company has entered into several arrangements including licence agreement with MTU for the assembly and overhauling of high speed and high power to weight ratio diesel engines for the naval vessels. In collaboration with MTU, the company has supplied one hundred fifty-five engines of various configurations for marine applications and has also carried out overhaul and repair of over eighty-one engines of various series. The company has recently entered into a memorandum of understanding with an engine manufacturer to produce smaller capacity (50-500 KW) marine diesel engines, however for engines of other categories MTUis the only supplier for the company. Any significant change in the business plans of MTU or any change in the relationship with MTU may affect business prospects of Gradenreach. Furthermore, the success of Gardenreach's engine division is dependent on MTU's financial condition, as any adverse change in their financial condition may affect the financing and consequently, the implementation of Gardenreach's engine projects.

Gardenreach's business is cyclical in nature:

The business, in terms of both revenue, and expenses, is cyclical in nature. Its shipbuilding projects have a typical order-to-delivery period of anywhere from twenty-three to sixty-six months. The longer projects are typically the more expensive projects, and expenses occurs in large parts during the middle period of the project, when expensive equipment and sophisticated systems are installed in the vessels. The beginning period of a project and the end period of a project give rise to significantly lower revenue and expense recognition as compared to the middle period of the project. As a result, the revenue and expense recognition of the Company is heavily weighted toward a five year cycles of one to two year periods of lower revenue and expense recognition, followed by one to two year periods of significantly higher revenue and expense recognition, followed again by one to two year periods of lower expense recognition. The company is under constant efforts to mitigate this cyclic nature through diversification of its product portfolio, but there is no assurance that it would be successful in diversifying its business or significantly increase the revenues from its noncyclical products and its inability to successfully diversify would result in a continuation of this revenue and expense cycle playing a significant part in the financial results of the business, thereby, making it vulnerable towards the vicious circle of cyclicality.

Imposition of liquidated damages by the customers could impact results of operations and may face potential liabilities from lawsuits and claims by customers in the future: GRSEL's contracts with its customers contain provisions that subject it to liquidated damages for delays in completion of project milestones attributable to it, which are often specified as a fixed percentage of the contract value, subject to certain customary exceptions such as (i) occurrence and continuance of force majeure events, or (ii) delays that are caused due to reasons not attributable to it. Further, GRSEL's clients are entitled to deduct the amount of damages from the payments due to it. All of its fixed price contracts provide for liquidated damages for late delivery. Though the fixed price contracts being executed by it presently do not have the scope to re-negotiate the price, however, possibility always exists for it to re-negotiate some of the terms, such as price, date of delivery and scope of work of its shipbuilding contracts due to delay in delivery of the vessel owing to a combination of internal as well as external factors beyond its control. There can be no assurance that its customers in future will not rescind their shipbuilding contracts with the company if there is a delay in delivery beyond the time stipulated in the contract or it may need to renegotiate some of its shipbuilding contracts. This may have an impact on the reputation, which could have a material adverse effect on GRSEL's financial condition, results of operations and prospects.

Growth rate, the number of orders GRSEL has received in the past and its current order book may not be indicative of future growth rate or the number of orders it will receive in the future: GRSEL's order book on hand, as of a certain date, represents the total nominal value of the contracts that has not been completed, excluding the portion of revenue in respect of those orders that it has recognized as of such date. There can be no assurance that its order book will not be affected by delays, cancellations and the renegotiations of the contracts, and therefore there can be no assurance that it will be able to deliver all of its existing orders on schedule and successfully. Furthermore, there can be no assurance that its order book is an accurate indicator of its future performance or future revenue. The growth of the order book is a cumulative indication of the revenues that is expected to recognise in future periods in relation to signed contracts. Its order book only represents business that is considered firm, although this is subject to, among other things, cancellation or early termination because of a breach by the company of its contractual obligations, non-payment by its customers, a delay in the initiation of its customers' projects, unanticipated variations or adjustments in the scope and schedule of its obligations for reasons outside its and its customers' control or change in budget appropriations which affect GRSEL's customers. Any adverse effects on its conversion of order book contracts into revenue may have an adverse effect on its business, results of operations, cash flows and financial condition.

Operations expose GRSEL to potential liabilities that may not be covered by insurance or that are greater than its existing insurance cover: The Company, in the ordinary course of its business, maintains a number of insurance policies to cover its assets, liabilities and risks that it faces being inherent to its business activities and operations. Business operations are subject to inherent risks and hazards which may affect the profitability, including breakdowns, failure or substandard performance of the equipment, malfunctions and failures, equipment misuse, third party liability claims, labour disturbances, employee fraud, infrastructure failure and natural disasters that can result in fires and explosions. GRSEL maintain a standard fire and special perils policy, but it do not have insurance for business interruption. Although it has obtained insurance for its employees as required by Indian laws and regulations, as well as its important properties and assets, its insurance may not be adequate to cover all potential liabilities. It also maintain various other insurance policies including public liability insurance, a marine hull policy and a builder's risk insurance policy as per the contractual requirements. There can be no assurance that the operation of the Company's business will not be affected by any of the incidents and hazards listed above. In addition, GRSEL's insurance may not provide adequate coverage in such circumstances including those involving claims by third parties and is subject to certain deductibles, exclusions and limits on coverage. Further, there can be no assurance that insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable If its arrangements for insurance or indemnification are not adequate to cover claims, including those exceeding policy aggregate limitations or exceeding the resources of the indemnifying party, it may be required to make substantial payments and its results of operations and financial condition may be adversely affected.

GRSEL face the risk of unsatisfactory quality of work performed by its subcontractors which could result in a negative impact on the business, reputation, financial condition and results of operations. The company rely substantially on outsourcing its jobs through subcontracting. Instead of undertaking a number of jobs through in-house man-power, it engage contractors which may increase or decrease to suit its requirements. There can be no assurance that these subcontractors will not use poor quality or defective sub-components or underqualified or less skilled workers, and as a result, should a sub-standard quality of vessel be delivered, this could adversely impact its reputation. An adverse impact on GRSEL's reputation could adversely affect its operations, financial conditions and cash flows. The Company also assumes liability for the work undertaken by the subcontractors in connection with any design or engineering work and hence, any failure on the part of its sub-contractors to perform their obligations in a timely manner or at all could adversely affect its operations, financial conditions and cash flows.

Businesses are dependent on its information technology infrastructure and rely on thirdparty licenses for the business: GRSEL depends on its information technology infrastructure to conduct its business activities, manage risks, implement its internal control systems and manage and monitor its business operations. The key systems in place include an enterprise resource planning system, which enables its management to more accurately assess the inventory, production capacity, procurement requirements and performance of each of its departments and assists them in allocating resources throughout its business and improves operational efficiency by enhancing supply chain and distribution management. It also use third party software for creating detailed designs in relation to the vessels it build. A failure or breakdown of any part of its information technology infrastructure can interrupt its normal business operations, result in a slowdown in operational and management efficiency. There can be no assurance that (i) its information technology infrastructure will not fail or breakdown, (ii) it will not have a dispute with its information technology service providers, or (iii) its service agreements or licensing agreements will not be terminated. If any of these events occur, GRSEL's business, financial condition and result of operations may be adversely affected.

It cannot be assured that it will be able to compete successfully against its competitors and new entrants to the industry: GRSEL's business is highly competitive. It face competition from existing competitors located both in India, with respect to the domestic market, and elsewhere, as well as new entrants to this industry. Some of its competitors have more resources than it has and some of its competitors may have lower costs of operations, including lower costs of raw materials and manpower, than it has . In addition, some of its competitors may have competitive advantages in building certain types of vessels compared to it given its current dock size and other facility constraints, including the location of its facilities in Kolkata, which are all in thickly populated area. In addition, larger diversified competitors serving as prime contractors may be able to supply underlying products and services from affiliated entities or new joint ventures with private Indian companies, which would prevent it from competing for subcontracting or licencing opportunities on these contracts. Its failure to compete effectively with respect to any of these or other factors could have a material adverse effect on its business, prospects, financial condition or operating results.

GRSEL is subject to extensive government regulation and if it fails to obtain, maintain or renew statutory and regulatory licenses, permits and approvals required for the business, it may lead to the Company incurring significant costs or liabilities and/or causing interruption or

closure of the operations of the Company, any of which events adversely affecting results of operations and cash flows: GRSEL require a number of approvals, licences, registrations and permits for developing and operating its business complexes, including those related to environmental clearances, including clearances from the WBPCB and clearance for storage and removal of hazardous wastes and the supply of critical raw materials. While it has obtained a number of required approvals for all its divisions, certain approvals are currently pending. If it fails to obtain or retain any applicable approvals, licences, registrations or permits, or renewals thereof, in a timely manner, it may be unable to operate or expand its business complexes, or at all, which could affect its business and results of operations. A majority of these approvals, licenses, registrations and permissions are granted for a limited duration and require renewal. The approvals required by the Company are subject to numerous conditions and it cannot be assured that these would not be suspended or revoked in the event of non-compliance or alleged noncompliance with any terms or conditions thereof, or pursuant to any regulatory action. If there is any failure by it to comply with the applicable regulations or if the regulations governing its business are amended, it may incur increased costs, be subject to penalties, have its approvals and permits revoked or suffer a disruption in its operations, any of which could adversely affect its business.

Factors beyond its control or the control of customers may cause customers to terminate their projects, postpone purchases from GRSEL or default on payments owed to it, which may adversely affect its business, financial condition and results of operations: GRSEL's customers retain the right to change the scope of contractual work with financial implications or terminate the contract under the specific provisions of the termination clause. There can be no assurance that its customers will not take such actions with respect to their contracts with it. Any termination of a significant contract could have a material adverse effect on its business, financial condition, results of operations and prospects. Furthermore, factors beyond its control or the control of its customers may cause its customers to postpone purchases from it. Due to the possibility of changes in project scope and schedule as a result of exercises of GRSEL's customers discretion or reasons outside the control of its customers, there can be no assurance that a project will be performed. A project not being performed could materially harm its financial condition, results of operations and cash flows.

GRSEL may not be able to adequately develop its infrastructure and unit facilities to meet the project demands: GRSEL has undertaken growth initiatives, including entering into strategic alliances with other shipyards and widening its vendor base and engaging reputed sub-contractors and revamping the process in shipyard, to improve quality and reduce build period thereby meeting the stiff timelines as being achieved by leading global players in the shipbuilding industry. However, there can be no assurance that it will be able to undertake such initiatives on a regular basis and/or that it will be able to maintain its build period and meet the timelines. Any delay due to its inability to maintain such build period and ensuring timely completion of project deliverables shall adversely affect the financial condition, results of operations, profitability and future business prospects of the Company.

Operating results may experience significant variability and as a result it may be difficult for it to make accurate financial forecasts: GRSEL's operating results may fluctuate significantly from period to period due to various factors, such as customer losses, delays or failure by it or its partners to generate the projected level of business, variations in its operating efficiency and manpower, delays or difficulties in expanding its operations (including constructing new facilities), changes to its pricing structure or that of its competitors and other fluctuations in the operations of its customers. In addition, the timing and speed of commencement of revenue-generating operations from GRSEL's projects and capital expenditures may vary considerably from its expectations based upon the size and complexity of the project being implemented. These factors may make it difficult to make accurate financial forecasts or replace anticipated income that it do not receive as a result of delays in implementing its services or due to losses of customers. If its actual results do not meet estimates or expectations, or if it under-perform market expectations as a result of such factors, trading prices for its Equity Shares could be adversely affected.

GRSEL's are susceptible to both (i) espionage activities from enemies of India because it supply vessels to the Indian Navy and Coast Guard and (ii) industrial espionage: In the past GRSEL has faced espionage attempts from enemies of India. These attempts include individuals attempting to steal blueprints and layouts of its facilities. Enemies of India, if they obtain information with respect to its facilities, may attempt to attack its facilities because of its connection with the Indian Navy and Coast Guard. There can be no assurance that future espionage attempts will not be successful and lead to its facilities being compromised. There can be no assurance that such future espionage attempts will not be successful and that enemies of India will not take advantage of such espionage and attack its facilities. If enemies of India attack its facilities, its business, financial condition and results of operations may be adversely affected.

GRSEL may have to outsource work to private vendors to meet out delivery timelines: GRSEL is developing its outsourcing base with adequate quality assurance coverage for hull fabrication, plumbing, cabling, hull outfit, machinery for further strengthening its capability to meet delivery schedules/ timelines and achieving higher customer satisfaction levels. Towards this effort, it is also developing a new subcontractor base to meet the demand of future projects. Although, it outsource works to sub-contractors with adequate quality control mechanisms, there is no assurance that the outsourced work shall not have quality concerns including but not limited to manual defects, imperfections and faults and as per the shipbuilding and ship repair industry standards and expectations of the customer and GREL and its officers may be subject to and liable for any claims arising from such defects or nonconformities, which could be nominal or substantial in value which may adversely affect the financial condition, results of operations, profitability and future business prospects of the Company.

GREL may not be able to expand its overses business adequately and may also suffer losses due to currency fluctuations: GRSEL's intends to explore the overseas market for its products by way of participation in global defence tenders for construction of war vessels. There is no assurance that export orders for the products of the Company would be received or global defence tenders would be awarded to its Company which may adversely affect the expansion plans of the overseas business of the Company. Also, its overseas business would be influenced by the movements in exchange rates of other currencies against the Indian Rupee and any appreciation of the Indian Rupee against the foreign currency may adversely affect its results of operations and financial condition, in particular its export sales.

GRSEL is subject to compulsory acquisition by the GoI of any critical technology developed by it which may have an adverse effect on its business, financial condition and results of operations: The GoI as a controlling shareholder may issue directives with respect to the conduct of GRSEL's business or its affairs for as long as it remain a government owned company, as defined under the Companies Act. Further, under its Articles of Association, the President of India may from time to time issue such directions as he may consider necessary in regard to the exercise and performance of the functions of the Company in matters involving national security or substantial public interest, and in like manner may vary and annul any such directions and its Board of Directors shall duly comply with and give immediate effect to the directions so issued. In light of the above, the GoI may issue directives for compulsory acquisition of any critical technology developed by the Company which may deemed necessary due to reasons of national security or substantial public interest. Any such action in respect of any of the technology in which it is investing or may invest in the future may adversely affect its business, financial condition or results of operations.

GRSEL operate in industries demanding high working capital and may be adversely affected by changes in terms of credit and payment: GRSEL is required to maintain a high level of working capital because its business activities are characterised by long product development periods and production cycles. It usually finance its working capital requirements mainly through milestone payments released upon completion of various stages of construction as per the terms of the contracts. In addition, it has fund based and non-fund based working capital arrangements with various banks as based on its existing requirements, which are being used on actual requirement. In future, these arrangements may be enhanced on project advancements based on its requirements. Delays in payment under on-going contracts or in disbursements under its financing arrangements and/ or in particular, reduction of advance payments due to lower order intake could adversely affect its working capital, lower its cash flows and materially increase the amount of working capital to be funded through external debt financings.

Restrictions on the export of products and other regulations could adversely affect the business, results of operations and financial condition: GRSEL design and manufacture many defence products considered to be of national strategic interest. The export of such products outside the Indian domestic market is subject to licensing, export controls, various regulations which are all subject to the clearance of the GoI. Failure to comply with these regulations and requirements could result in contract modifications or termination and the imposition of penalties, fines and withdrawal of authorisations, which could negatively affect its business, results of operations and financial condition.

Negative publicity against the company, suppliers,r customers or any of its or their affiliates could cause reputational harm and could have a material adverse effect on the business, financial condition, results of operations and prospects: From time to time, GRSEL, its suppliers, customers or any of its or their affiliates may be subject to negative publicity in relation to its or their business or staff, including publicity covering issues such as anti-corruption, safety and environmental protection. Such negative publicity, however, even if later proven to be false or misleading, and even where the entities or individuals implicated are members or employees of its joint venture partners, suppliers, customers or its or their affiliates and not of it, could lead to a temporary or prolonged negative perception against the company by virtue of its affiliation with such joint venture partners, suppliers, customers or affiliates. Its reputation in the marketplace is important to its ability to generate and retain business. In particular, damage to its reputation could be difficult and time-consuming to repair, and its business, financial condition, results of operations and prospects may be materially and adversely affected.

The entire business operations are based out of a shipyard at Kolkata. The loss of, or shutdown of, operations at its shipyard in Kolkata will have a material adverse effect on its business, financial condition and results of operations: The company's shipbuilding and other facilities are based out of premises in its shipyards in Kolkata. Accordingly, the company relies exclusively on its facilities at its shipyards in Kolkata to earn revenues, pay the operating expenses and service debt. Any significant interruption to, or loss or shutdown of, operations at its shipyards in Kolkata would adversely affect their business.

The business is substantially affected by prevailing economic, political and other conditions in India:
The Company is incorporated in India, and almost all its assets and employees are located in India. As a result of which it is highly dependent on prevailing economic conditions in India and the results of operations are significantly affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and hence the results of operations, may include:

• any increase in Indian interest rates or inflation;
• any exchange rate fluctuations;
• any scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India and scarcity of financing of its developments and expansions;
• prevailing income conditions among Indian consumers and Indian corporations;
• volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
• changes in India's tax, trade, fiscal or monetary policies;
• political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighbouring countries;
• occurrence of natural or man-made disasters;
• prevailing regional or global economic conditions, including in India's principal export markets;
• any downgrading of India's debt rating by a domestic or international rating agency;
• financial instability in financial markets;
• other significant regulatory or economic developments in or affecting India or its natural gas sector; and
• any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact its business, results of operations and financial condition and the price of the Equity Shares.

The company's ability to raise foreign capital may be constrained by Indian law:
The company being an Indian one, is subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit its financing sources for its projects and hence could constrain its to obtain financing on competitive terms and refinance existing indebtedness. In addition, it cannot assure that any required regulatory approvals for borrowing in foreign currencies will be granted. Limitations on foreign debt may have an adverse effect on the business growth, financial condition, cash flows and results of operations.

Profit & Loss **Rs in million**

Particulars	FY18	FY17	FY16	FY15
Revenue From Operations	13465.2	9293.2	16645.9	15684.9
Other Income	1792.3	2169.9	1914.7	609.6
Total Income	15257.5	11463.1	18560.6	16294.4
Total Expenditure	**13613.5**	**10904.2**	**15723.2**	**15064.0**
Cost of materials consumed	5815.1	3398.5	8269.8	7650.0
Purchase of products for resale (B & D spares)	1415.7	1146.1	1864.4	1518.2
Changes in inventories of work-inprogress and scrap	-13.4	80.3	-5.6	16.9
Sub-contracting charges	1370.5	1072.5	1241.9	1215.7
Excise duty	19.0	75.5	65.0	57.4
Employee Benefits Expense	2986.0	2857.8	2917.4	2913.5
Other expenses - project related	726.6	505.8	508.3	441.0
Other Expenses	1294.0	1767.8	861.9	1251.4
PBIDT	1644.0	558.9	2837.4	1230.4
Interest	76.9	91.2	44.0	57.7
PBDT	1567.1	467.7	2793.4	1172.7
Depreciation	289.6	266.5	278.0	271.1
PBT	1277.5	201.2	2515.4	901.6
Tax (incl. DT & FBT)	409.5	86.5	871.0	384.4
Current tax	453.4	87.8	908.8	318.3
Deferred Tax	-43.9	-1.3	-37.9	66.1
Reported PAT before Minority Interest and Exceptional Item	868.1	114.6	1644.5	517.3
Exceptional item	0.0	736.9	0.0	0.0
Adj. Profit	868.1	851.6	1644.5	517.3
EPS (Rs.)	7.58	6.88	13.28	4.18
Equity	1145.5	1238.4	1238.4	1238.4

Face Value	10.0	10.0	10.0	10.0
OPM (%)	-1.1	-17.3	5.5	4.0
PATM (%)	6.4	9.2	9.9	3.3

Balance Sheet: **Rs in million**

Particulars	FY18	FY17	FY16	FY15
ASSETS				
NON CURRENT ASSETS				
Property, Plant And Equipment	3829.6	3529.5	3406.9	3600.6
Capital Work In Progress	160.3	231.8	222.8	112.1
Intangible assets	62.1	53.9	30.1	56.8
Trade and other receivables	3.8	12.0	20.3	66.9
Other financial assets	12584.9	7812.3	6734.1	2579.3
Non-current tax assets	855.7	949.7	238.6	512.2
Other non current assets	84.0	193.7	149.8	237.8
Total Non Current Assets	**17580.4**	**12783.0**	**10802.6**	**7165.6**
CURRENT ASSETS				
Inventories	5086.6	4858.9	6545.6	8412.6
Trade and other receivables	2033.7	1988.6	1538.3	1585.1
Cash and Cash Equivalents	118.9	118.5	262.5	140.5
Bank balances other than (ii) above	10102.6	16084.1	18262.5	17200.0
Assets classified as held for sale	3.7	3.8	3.8	3.6
Other financial assets	4722.4	7024.9	5722.5	3666.8
Other current assets	2954.1	2804.6	1401.2	1835.6
Total Current Assets	**25022.0**	**32883.3**	**33736.3**	**32844.1**
TOTAL ASSETS	**42602.3**	**45666.4**	**44538.9**	**40009.8**
EQUITY AND LIABILITIES				
EQUITY	**10159.4**	**10831.4**	**11366.6**	**10068.2**
Equity Share Capital	1145.5	1238.4	1238.4	1238.4
Other equity	9013.9	9593.0	10128.2	8829.8
LIABILITIES				
NON CURRENT LIABILITIES				
Trade Payables	78.0	79.6	84.0	79.6
Provisions	94.0	117.1	81.2	80.7
Deferred tax liabilities (Net)	171.3	174.7	164.7	230.9
Total NON CURRENT LIABILITIES	**343.3**	**371.3**	**329.9**	**391.2**
CURRENT LIABILITIES				
Borrowings	0.0	250.0	0.0	0.0
Trade payables	6888.3	3679.6	5285.4	5079.1
Other financial liabilities	215.5	355.7	449.4	1490.6
Provisions	1359.5	1490.1	740.4	663.3
Other current liabilities	23636.5	28688.3	26367.3	22317.3
Total CURRENT LIABILITIES	**32099.6**	**34463.6**	**32842.5**	**29550.3**
Total Equity & Liabilities	**42602.3**	**45666.4**	**44538.9**	**40009.8**

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