

PIPAVAV



India's first

Pipavav Defence and Offshore

is no ordinary
company.

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SKIL Infrastructure Limited, the promoter of Pipavav Defence and Offshore Engineering Company Limited, has always kept India first. It has provided thought leadership through several firsts for India, putting the country on the global map.

SKIL Infrastructure Limited ('SKIL'), promoted by Nikhil Gandhi and Bhavesh Gandhi, has been at the forefront in developing state-of-the-art infrastructure in India. Over the last 20 years our promoters have successfully built and provided thought leadership in building India's first private sea port, first post-independent railway on PPP model and conceptualised the first ever Special Economic Zone.

Pipavav Railway

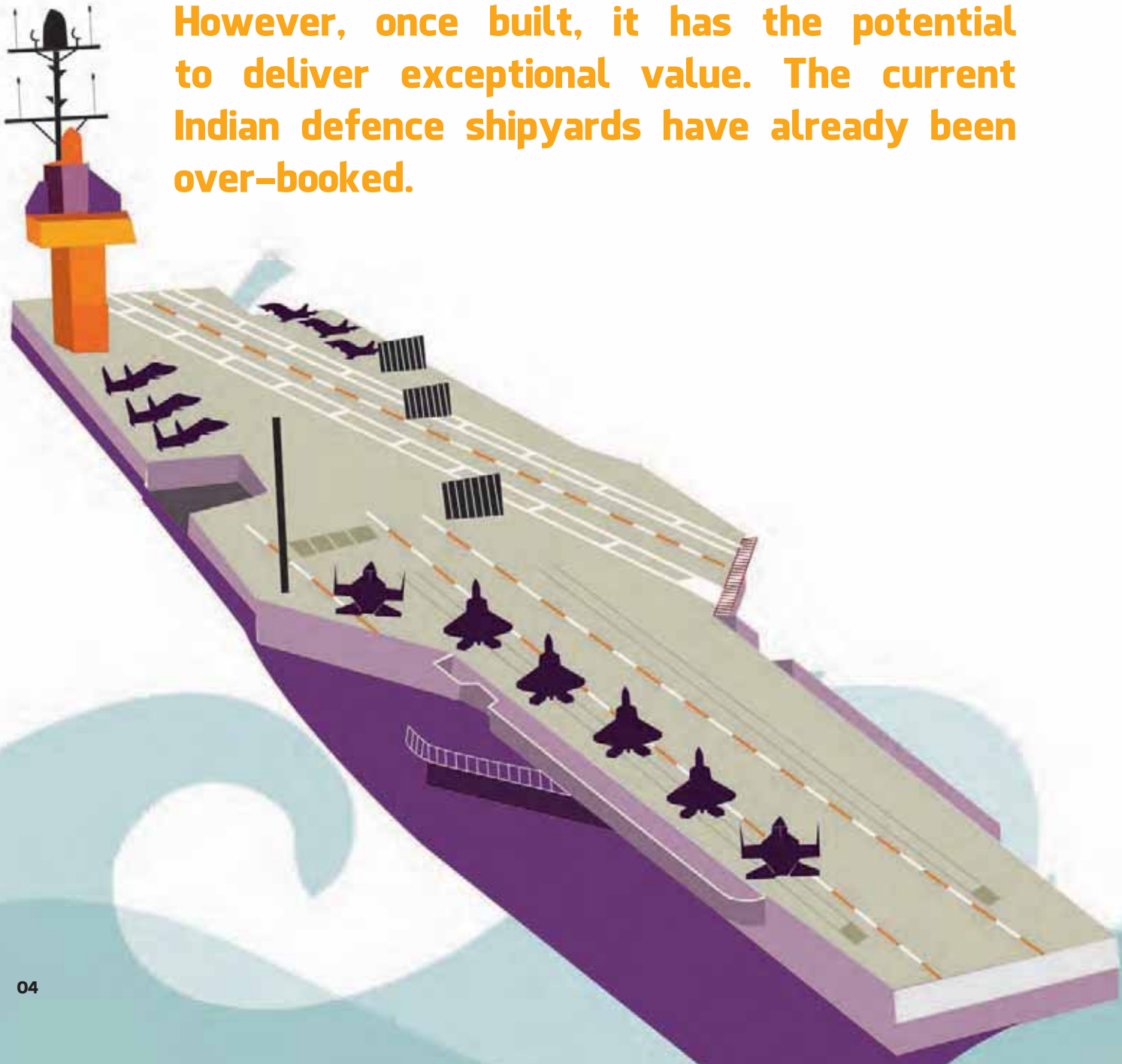
A partnership with the Indian railways, a first of its kind JV with the Ministry of Railways. It provided the first of its kind infrastructure in the country for gauge conversion and extension of the railway lines from Surendranagar to Pipavav. This is India's first post-independence 286 kms. long private railway line built under Public Private Partnership model. The first double stacker container trains were also introduced on the Pipavav-Jaipur route.

Special Economic Zone

Today SEZs are in vogue. SKIL conceived SEZ in the private sector at Khopta, about 15 kms. from JNPT known as Maha Mumbai SEZ (MMSEZ) and won the bid for the Navi Mumbai SEZ (NMSEZ), which will redefine urban infrastructure. SKIL provided, yet again, the thought leadership to India on developing the large special economic zones of tomorrow where the new India will work and live.

Since 2005, Reliance Group has joined both the SEZ projects and is controlling the development of both the projects. SKIL continues to own a minority stake in both the SEZ projects.

Defence is unlike any other business. Naval Defence manufacturing has a long business evolution cycle. The entry barriers are high. It takes considerable time just to plan the infrastructure that can empower the naval warship capability of a country. However, once built, it has the potential to deliver exceptional value. The current Indian defence shipyards have already been over-booked.





Understanding Defence

**State-of-the-art
Infrastructure**

**Strategic Key
Alliances**

**Efforts to secure
licence + Robust
Order Pipeline**

**Ahead of
the curve**

**The Business
Evolution
Cycle**

**High entry
barriers**



Infrastructure is the differentiator. India needed an infrastructure to manufacture the warships of tomorrow, conceptualised with the next hundred years in mind. Your Company took time. And built just that. The infrastructure that Your Company has built is not only massive in terms of the sheer size, but it is developed as a complete and holistic heavy engineering and integrated defence infrastructure base that ensures that it is not just the biggest, but one of the most integrated and best in technology as well.

Take a look at sheer size of the dry dock(s).

- ▶ It is one of the largest dry dock in the world measuring 662 x 65 sq. mtrs.
- ▶ After proposed conversion, the 2nd dry dock will also be amongst the largest in the world.

Your Company constructs vessels based on modular technology. This method of ship building reduces production time and enables simultaneous production of multiple ships. The state-of-the-art engineering complex builds the blocks which are then assembled at the land berths in mega blocks, which are then



Pipavav Defence and Offshore has built the largest defence focused infrastructure in India and one of the largest in the world. With modular construction capabilities that is unmatched today, it is the defence focused infrastructure for tomorrow, created yesterday and operational today.

lowered in the dry dock with the help of two Goliath Cranes capable of lifting mega blocks weighing upto 1200 tonnes in tandem to assemble the vessels.

The location at Pipavav on the western coast of India in the Gulf of Cambay is also strategic. It is just 150 nautical miles from Mumbai. It offers tremendous advantages of ability to expand further, if required. It is adjacent to Pipavav Port, railway and road infrastructure. It has the potential to attract and service the ship repair business from Dubai to Singapore sea route. Its other strategic locational advantages include natural breakwater, short navigation channel and deep draught that results in logistics cost savings.

Everyone at your Company felt proud on June 1, 2010. The Prime Minister of India, Dr. Manmohan Singh dedicated Pipavav Defence and Offshore's infrastructure to the nation. It was truly an 'India first' moment for everyone at Pipavav Defence and Offshore.



“

I am truly impressed by the commitment to innovation, far-sighted vision, commitment to things in the best possible way, commitment to get away from the chalta-hai tradition which has often I think held our country back.

”

**Dr. Manmohan Singh,
Prime Minister of India.**

We experienced another 'India first' moment on October 6, 2010. We became the first private sector Indian company to receive a licence from the Ministry of Defence to build warships in India.





Pipavav Defence and Offshore at a glance

Awards and Recognition

The Company was awarded the CNBC TV18 - Infrastructure Excellence Award in June 2010.

Certifications

The quality manual of the Company and associated procedures fully comply with the requirements of ISO 9001:2000.

The manufacturing facilities are also fully certified and operate an Occupational Health and Safety Management System in compliance with OHSAS 18001:2007 as well as an Environment Management System in compliance with ISO 14001:2004 standard.

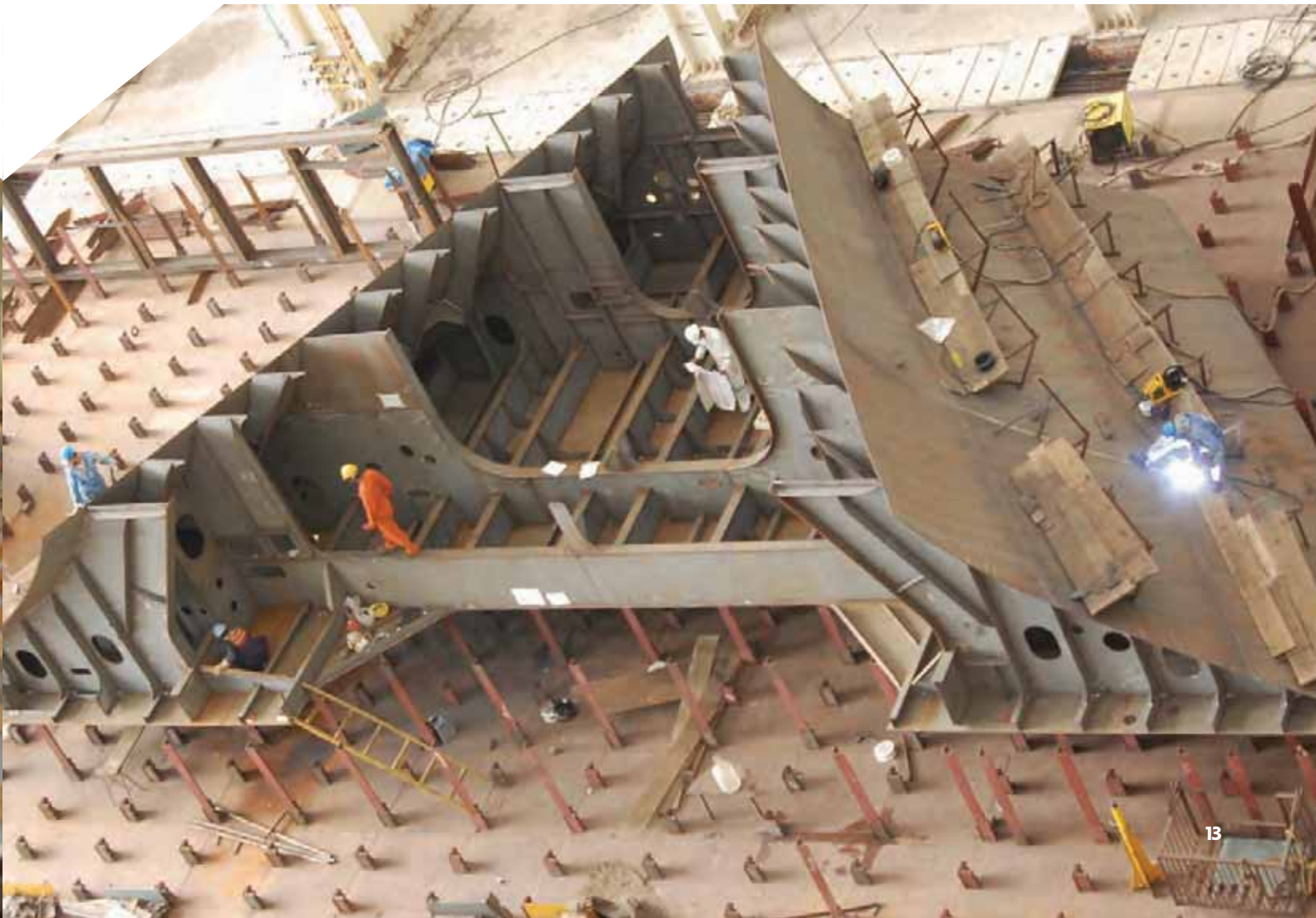


Modular Construction Capabilities

We construct vessels at our state-of-the-art engineering complex based on modular technology.

Vessels are built and assembled at land berths into mega blocks, which are then lowered in the dry dock using two Goliath Cranes.

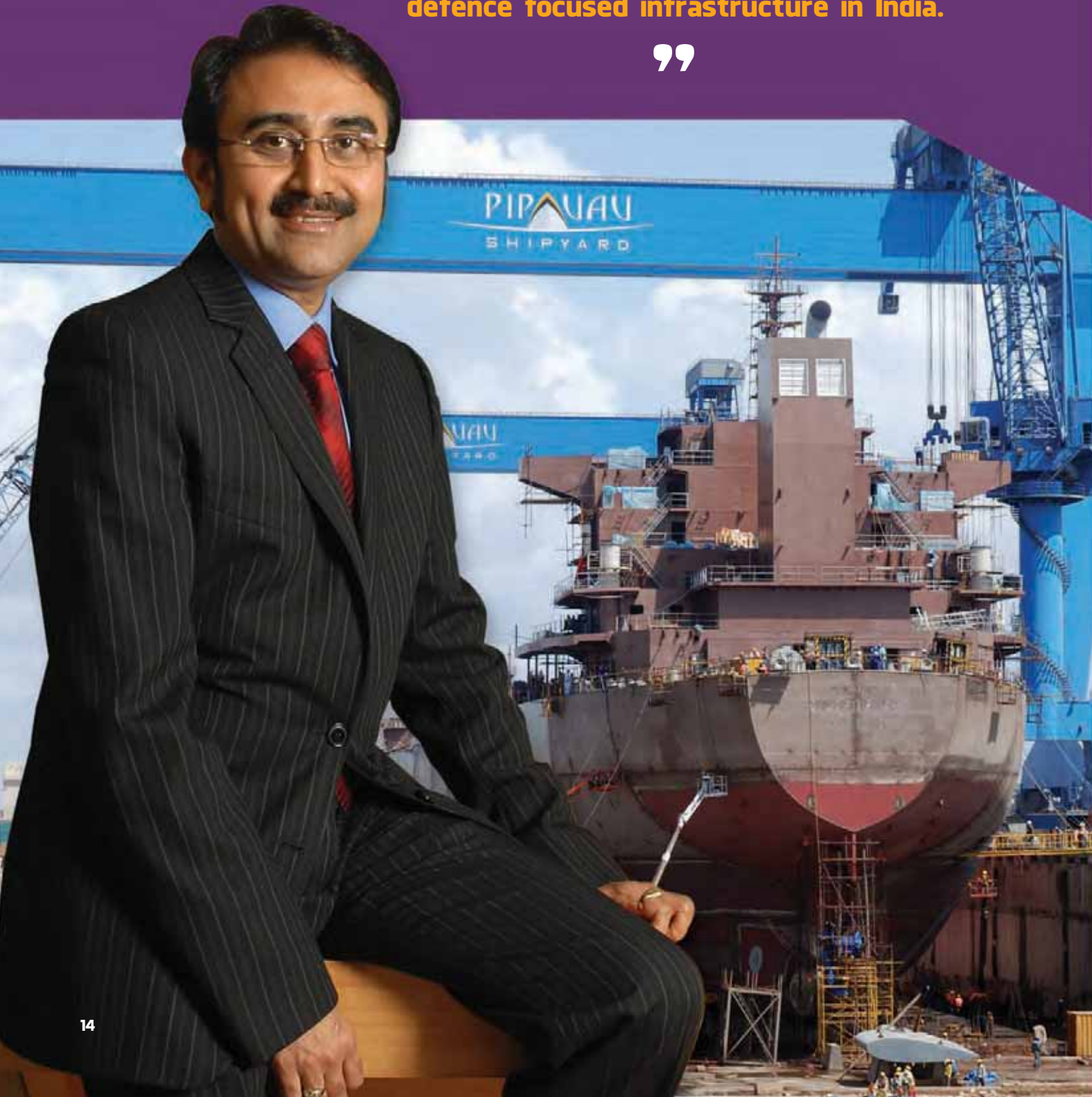
This reduces production time and enables simultaneous production of multiple ships.



“

We believe that we are now a step closer to achieving our long cherished vision to humbly contribute towards India becoming a net exporter of warships. We are in dialogue with the governments of six friendly nations to build their warships at our world class defence focused infrastructure in India.

”



Dear Shareholders,

It is with great pleasure, I extend, on behalf of the Board of Directors of the Company and myself, our heartfelt appreciation for your consistent support and the confidence you have maintained in your Company.

As you are aware, Pipavav Shipyard Limited has been renamed as Pipavav Defence and Offshore Engineering Company Limited. The new identity captures important capabilities of the Company to emerge as an integrated defence, heavy engineering and offshore oil and gas assets construction Company.

While the developed economies in the West continue to battle with recessionary pressures, higher unemployment levels etc., geopolitical tensions in the Middle

East have posed new challenges before the world economy. Nevertheless, the Indian economy has grown at 8.6% until now, and in the coming years it is expected to continue to grow at more than 8% on the back of increasing investments and effective Government policies.

As far as the defence sector is concerned, India is shifting gears and welcoming private sector participation. Currently, the country imports around 70%-75% of its defence hardware requirements from foreign nations. However, the Indian Government aims to decrease its dependency on such imports. Policymakers have hiked the defence allocation for the fiscal year 2011-12 to approximately Rs. 164,415 crore. Certain key drivers such as global aspiration of India, a need for a strong

defence set up to maintain national security and stability in the region, emerging threats in the region as well as economic growth and prosperity are expected to support growth momentum in defence space.

During the fiscal year 2010-11, operating margins and net profits have seen significant growth. During the year, your Company was awarded the Warship Production License giving it the first mover advantage in the defence space. Your Company now has the capability to bid for the construction of diverse naval vessels including Aircraft Carriers, LPDs, Submarines, Destroyers, Frigates, and Corvettes etc. Your Company has completed construction of two Panamax vessels, the largest to have ever been constructed in India.



During the year, your Company achieved another distinction of becoming the first private sector company post independence to secure an order to build five warships i.e., Naval Offshore Patrol Vessels for Indian Navy. The contract value is Rs. 2,975 crore. We have already commenced work on this project.

We believe that we are now a step closer to achieving our long cherished vision to contribute humbly towards India becoming a net exporter of warships. We are extremely pleased to inform you that we are in dialogue with the governments of six friendly nations to build their warships at our world class defence focused infrastructure in India. We are also in dialogue with one such friendly nation to develop

strategic maritime assets in accordance with the guidelines/policies of the Government of India.

As you may be aware, the existing government defence shipyards are over booked. Three defence shipyards have invited expression of interest from private shipyards for co-production of their existing orders. We would endeavour to complement capacities of the defence shipyards.

Your Company is aiming to enhance its capacity by converting the existing wet basin into the 2nd dry dock, which will be amongst the largest in the world. To complete the expansion, it will raise long term debt of Rs. 1,300 crore. Your Company is also

committed to invest in developing / acquiring design capabilities for warships and offshore oil & gas assets.

Your Company has made a bold entry in the sector with a huge investment of nearly USD 1 bn (including planned) in creating the most modern infrastructure, which can build and refurbish warships and specific equipment and systems for our armed forces. Your Company's faith in making sizable investments in this vital sector of national importance was predicated on an open and transparent policy framework put in place by our Government.

Your Company is consolidating its position as a defence player

We are committed to create visibility and value for all stakeholders on a sustainable basis by leveraging on our advanced capabilities and strategic advantages to capture domestic and global opportunities.

by strategically partnering with reputed international players. Strategic tie-ups with these global partners would enable the Company to utilise their technical expertise to produce military hardware indigenously for not only naval defence space but also for the army and the air force. We would continue to pursue strategies and partnerships that will create value for all the stakeholders.

We are encouraged about the opportunities in the space we operate in. India is surrounded by water on three sides. The Government has recognised the

need to build more warships and other military hardware indigenously. Your Company will be at the forefront to benefit from these acquisition programmes. Considering the strong fundamentals, the sponsors of your Company i.e., SKIL Group has increased its holding from 20.13% to 45.00% in your Company.

We are committed to create visibility and value for all stakeholders on a sustainable basis by leveraging our advanced capabilities and strategic advantages to capture domestic and global opportunities. I

congratulate Government of India for the continuous improvements in the Defence Procurement Policy which are positive for the domestic industry. On behalf of your Company, I thank every government agency that believed in us, every employee who put in efforts to build the Company and every shareholder and lender who believes in us and stands by us.

Thank you once again.

Yours Sincerely,

Nikhil Gandhi
Chairman

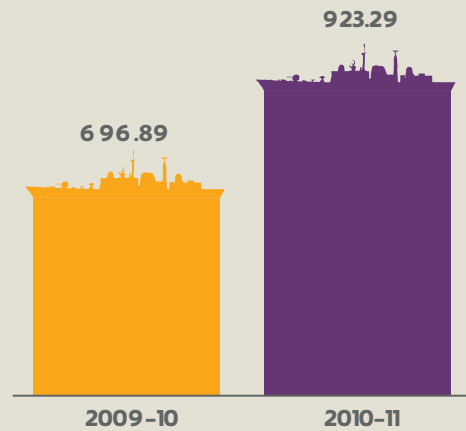


Financial snapshot

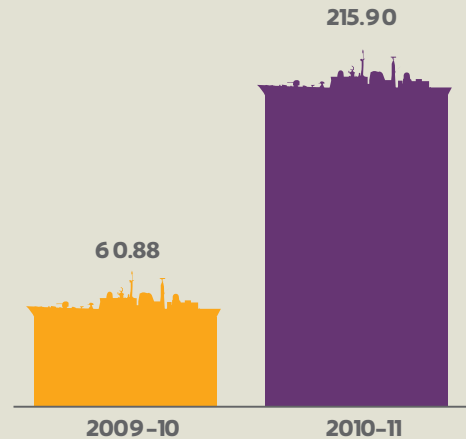
Profit before Tax (Rs. in CR)



Total Income (Rs. in CR)



EBITDA (Rs. in CR)





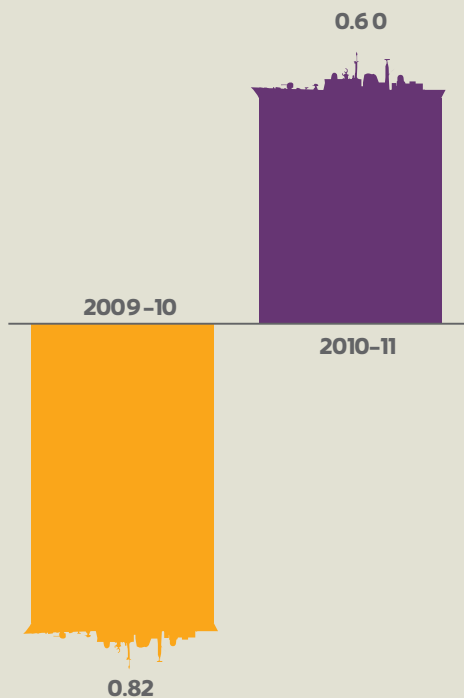
VISION

TO MAKE THE COMPANY ONE OF THE BEST IN THE WORLD IN EVERY ASPECT WITH FOCUS ON DEFENCE, OFFSHORE AND HEAVY ENGINEERING IN THE COMING DECADE AND TO CONTRIBUTE HUMBLY TOWARDS INDIA BECOMING NET EXPORTER OF WARSHIPS, OIL AND GAS ASSETS.

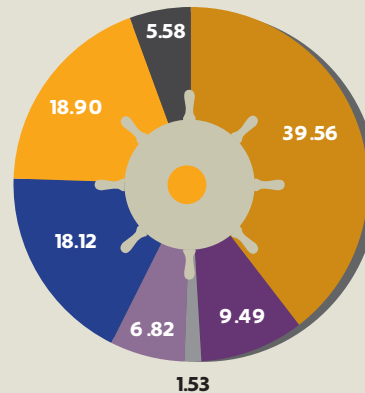
MISSION

TO CREATE VISIBILITY AND VALUE FOR ALL STAKEHOLDERS ON A SUSTAINABLE BASIS BY LEVERAGING ON MOST ADVANCED CAPABILITIES TO EXPLOIT GLOBAL OPPORTUNITIES.

Earnings per Share (Rs.)

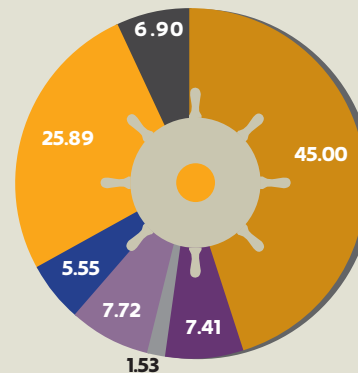


Shareholding (%) as on 31.03.2010



- Promoters
- Financial Institutions, Banks & Mutual Funds
- Insurance Company
- Foreign Institutional Investors
- Foreign Venture Capital/ Foreign Companies/ Foreign Nationals/ NRIs
- Bodies Corporate/ Trusts
- Indian Public and others

Shareholding (%) as on 31.03.2011



Board of Directors

Mr. Nikhil P. Gandhi, aged 52, is the Non-Executive Chairman of the Company. He is a first generation entrepreneur with business interest in marine equipments, marine engineering and infrastructure. He has been with the Company since its inception in 1997 and was one of the first directors appointed pursuant to the Articles of Association upon incorporation of the Company. Mr. Gandhi has approximately 28 years of experience as an entrepreneur of various infrastructure development projects. Under his leadership, the first private port in India was set up through Gujarat Pipavav Port Limited. He was nominated as a trustee of the Mumbai Port Trust on two occasions. In 1990, he received the “Best Young Entrepreneur” award from the Ministry of Chemicals and Petrochemicals, Government of India and in 2001, he was conferred the “Great Son of Soil” award by the All India Conference of Intellectuals.

Mr. Bhavesh P. Gandhi, aged 45, is the Executive Vice Chairman of the Company. He has been a Director since December 30, 2005. He commenced his career by joining SKIL Infrastructure Ltd. as a promoter and director responsible for business development. Mr. Gandhi has approximately 25 years of experience as an entrepreneur. Mr. Gandhi has particular expertise in infrastructure development projects.

Mr. Ajai Vikram Singh, aged 66, is a Non-executive Independent Director of the Company. He was appointed as a Director on May 30, 2008. He joined the Indian Administrative Service in 1967 and has held various appointments in the Central and the State Governments. He has been a District Magistrate, Commissioner, Secretary, Small Scale Industries; Secretary, Heavy Industries; Industrial Development Commissioner and Principal Secretary in the Government of Uttar Pradesh. He was the first Chief Secretary of Uttaranchal (now Uttarakhand). In the Government of India, he has held various posts, including that of Additional Secretary and Financial Advisor to the Ministry of Industry, Secretary Revenue, Secretary, Ministry of Non Conventional Energy Resources, Secretary; Ministry of Road Transport and Highways and Defence Secretary. He has also been the Chairman of, inter alia, Indo-Gulf Fertilisers, India Polyfibres and Pashupati Acrylone. He also has been a director on the boards of a number of companies including IFCI, Maruti Udyog Limited, BHEL, HMT, Hindustan Aeronautics, Mazagon Docks, Goa Shipyard and Andrew Yule Limited.

Mr. David Rasquinha, aged 50, has been appointed as a Nominee Director by EXIM Bank w.e.f. April 25, 2011. Mr. David Rasquinha is the Chief General Manager and heads the Overseas Lines of Credit and Structured Trade Finance Groups of the EXIM Bank. Mr. Rasquinha joined EXIM Bank in 1985 and since then had worked in the areas of Export Credit, Treasury, Multilateral Agency Funded Projects, Planning & Research, Risk Management, Trade Finance, Project Finance and Project Exports. He was a member of an EXIM Bank team that conducted a feasibility study for setting up an export credit agency for the Gulf Co-operation Council countries. Mr. Rasquinha secured a first class graduate degree in Economics from Bombay University and post graduation in Business Management. Mr. Rasquinha is a Member of the National Jury for the CII – EXIM Award for Business Excellence, a Total Quality Management Award based on the TQM model of the European Foundation for Quality Management.

Mr. R. M. Premkumar, aged 66, is a Non-executive Independent Director of the Company. He was appointed as a Director on October 15, 2007. Mr. Premkumar has a Master's degree in Arts (History) and a Bachelor's degree in Law from the Madras University. He joined the Indian Administrative Service in 1968 and has approximately 39 years of experience in the Indian Administrative Service. Mr. Premkumar has handled many important assignments with Government of India and Government of Maharashtra. His experience includes serving as the Additional Secretary to the Government of India for the Department of Atomic Energy, Chief Secretary to the Government of Maharashtra, Chairman of the Food Corporation of India, Managing Director of the Maharashtra State Financial Corporation, Development Commissioner of SEEPZ, Managing Director of Maharashtra State Cooperative Bank Limited and as Chief Executive Officer of Maharashtra Industrial Development Corporation. Mr. Premkumar is currently the Chairman and Director of the State Industrial & Investment Corporation of Maharashtra Limited ("SICOM").

Mr. Samar Ballav Mohapatra, aged 67, is a Non-executive Independent Director of the Company. He was appointed as a Director on May 30, 2008. He has a Bachelor of Arts degree and a Master of Arts degree from the Delhi University. In 1967, Mr. Mohapatra joined the Indian Administrative Service and retired in 2004. Mr. Mohapatra held several key positions in the Government of India including Secretary, Ministry of Textiles; Special Secretary, Ministry of Home Affairs; Additional Secretary and Financial Advisor, Ministry of Commerce and Director General of Foreign Trade and Managing Director of Industrial Development Corporation, Orissa.

Mr. S. Venkiteswaran, aged 70, Senior Advocate, is a Non-executive Independent Director of the Company. He was appointed as a Director on September 18, 2007. He has approximately 47 years of experience as a lawyer. He completed his LL.B. degree from the Bombay University. He enrolled to practise in the Bombay High Court in 1962. After practising before the trial courts for a few years, Mr. Venkiteswaran specialized in maritime and aviation related commercial disputes. He was designated as Senior Advocate. He has also been involved in arbitration in relation to shipping and has appeared as an expert witness on Indian law in foreign arbitration and litigation proceedings. In addition, Mr. Venkiteswaran has been a member of the "Perspective Planning Ports at the Turn of the Century" constituted by the Planning Commission of India and a member of the group constituted for updating admiralty laws.

Corporate Information

Board of Directors

Mr. Nikhil Gandhi	Chairman
Mr. Bhavesh Gandhi	Executive Vice-Chairman
Mr. David Rasquinha	Nominee Director, EXIM Bank, Independent Director (w.e.f. April 25, 2011)
Mr. S. Venkiteswaran	Independent Director
Mr. R. M. Premkumar	Independent Director
Mr. Ajai Vikram Singh	Independent Director
Mr. Samar Ballav Mohapatra	Independent Director
Mr. R. M. V. Raman	Nominee Director, EXIM Bank, Independent Director (up to April 25, 2011)

Board Committees

Audit Committee

Mr. R. M. Premkumar	Chairman
Mr. Ajai Vikram Singh	Member
Mr. Bhavesh Gandhi	Member
Mr. David Rasquinha	Member (w.e.f. May 28, 2011)
Mr. S. Venkiteswaran	Member
Mr. Samar Ballav Mohapatra	Member
Mr. R. M. V. Raman	Member (up to April 25, 2011)

Shareholders'/Investors' Grievances Committee

Mr. Nikhil Gandhi	Chairman
Mr. Bhavesh Gandhi	Member
Mr. S. Venkiteswaran	Member

Remuneration Committee

Mr. S. Venkiteswaran	Chairman
Mr. Nikhil Gandhi	Member
Mr. R. M. Premkumar	Member
Mr. Samar Ballav Mohapatra	Member

Company Secretary & Compliance Officer

Mr. Ajit Dabholkar

Registered Office & EOU Unit

Pipavav Port, Post Ucchaiya, Via-Rajula,
District Amreli – 365 560, Gujarat.
Tel No. (02794) 661 000
Fax No. (02794) 661 100
Website: www.pipavavdoc.com
Investor Grievance e-mail:
company.secretary@pipavavshipyard.com

Corporate Office

SKIL House,
209, Bank Street Cross Lane,
Fort, Mumbai – 400 023.
Tel No. (022) 6619 9000
Fax No. (022) 2269 6022

SEZ Unit

Village Rampara – II, Taluka Rajula &
Village Lunsapur, Taluka Jafrabad,
District Amreli – 365 560, Gujarat.

Registrar and Transfer Agent

Karvy Computershare Private Limited
17-24, Vittalrao Nagar,
Madhapur, Hyderabad, 500 081
Tel No. (040) 4465 5000
Fax No. (040) 2342 0814
E-mail: einward.ris@karvy.com
Contact Person: Mr. S. Krishnan

Statutory Auditor

M/s. Chaturvedi & Shah, Chartered Accountants

Internal Auditor

M/s. M. A. Shah & Co., Chartered Accountants

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 14th Annual Report on business and operations of the Company together with audited accounts for the financial year ended March 31, 2011.

1. Financial Performance

(Rs. in crore)

Particulars		2010-11	2009-10
(a)	Income from Operations	859.93	629.38
(b)	Other Income	63.36	67.51
(c)	Total Income	923.29	696.89
(d)	Profit/ (Loss) before Interest, Depreciation and Tax	215.90	60.88
(e)	Depreciation	48.73	36.55
(f)	Interest	119.01	72.99
(g)	Profit before Tax	48.16	(48.66)
(h)	Less: Provision for Taxation	8.39	0.16
(i)	Profit/ (Loss) after Tax	39.77	(48.82)

2. Dividend

Considering the future growth and investment plans of the Company, no dividend has been recommended by the Board of Directors.

3. Operations

During the year under review, your Company has recorded total income of Rs. 923.29 crore, showing an increase of 32.49% as compared to the income of Rs. 696.89 crore during the previous financial year. Your Company earned profit before tax of Rs. 48.16 crore, as against loss of Rs. 48.66 crore for previous year.

During the year the Company completed construction of its two new built 74,500 DWT Panamax Vessels.

The detailed information on all business activities of the Company is provided in the Management Discussion and Analysis Report.

4. Convertible Warrants

Pursuant to the special resolution passed by the Members of the Company at the Extraordinary General Meeting held on September 7, 2010, your Company has issued 2,52,21,612 convertible Warrants on preferential basis to SKIL Infrastructure Limited, promoters of the Company, at a price of Rs. 99.10, for raising funds to meet the capex requirement of the Company and for general corporate purposes. Each warrant is convertible into one fully paid-up equity share of face value of Rs.10/- each, at any time prior to 18 months from the date of allotment of warrants.

5. Subsidiaries

Your Company has one wholly owned subsidiary namely E Complex Private Limited ("ECPL"). This subsidiary is in the business of development of Special Economic Zones ("SEZ"). ECPL has developed a sector specific SEZ for engineering goods/ sector at Village Rampara II, District Amreli, in the State of Gujarat.

During the financial year 2010-11, ECPL has earned revenue of Rs. 11.97 crore and posted net profit (after tax) of Rs. 3.96 crore.

General Exemption: The Ministry of Corporate Affairs has granted general exemption vide its General Circular No. 2/ 2011 dated February 8, 2011 under Section 212(8) of the Companies Act, 1956 ("the Act") to companies from not attaching the accounts and related documents of subsidiaries in their Annual Report, subject to fulfillment of certain conditions prescribed therein. The Company has complied with all the conditions mentioned in the said circular. Accordingly, the Balance Sheet, Profit & Loss Account, Directors' Report and Auditor's Report of its subsidiary company have not been attached to this Report.

Pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of its subsidiary company. A statement of key financials of the subsidiary company is also included in this Annual Report.

Further, the Annual Accounts of its subsidiary company will be made available upon written request by any Member of the Company. The Annual Accounts of the subsidiary company will be made available at the Company's website and will also be available for inspection at the Registered Office of the Company and its subsidiary.

6. Environmental Protection, Health and Safety

(a) Environment Management

Your Company believes in sustainable development of the society in which it operates. Accordingly, it has taken various initiatives and implemented eco-friendly programmes such as Distribution of Solar Panel Lights in nearby villages for conservation of energy and for solid waste management etc. Your Company has signed a Memorandum of Understanding with Gujarat State Rural Development Department to support its solid waste management project called "Nirmal Gram Programme" for village Rampara-II. Your Company has organized Cleanliness Drive at Siyalbet Island (in the vicinity of the Company's Project site) with the association of nearby schools' students.

(b) Safety Management

Your Company has established and maintained an Integrated Management System based on OHSAS-18001:2007, ISO-14001:2004 and ISO-9001:2008 for Environmental, Occupational Health & Safety and Quality.

At your Company's project sites, Occupational Health and Safety of employees are of utmost importance. A well-defined occupational health and safety management system is in place to ensure the safety of employees as well as contractors' workforce.

To maintain and improve upon the safety system, extensive training is conducted for the employees and contractors' workforce by internal and external faculties. Training facility has been provided at the site and a safety booklet has been published for use by employees.

(c) Health & Hygiene

Your Company gives prime importance to hygiene monitoring at work place. Health check-up of employees is done through periodical medical examinations. Necessary trainings are conducted for workers to make them aware of first-aid and other health related matters.

Dedicated registered medical practitioners and para-medical staff at the Company's project sites provides round the clock Health Services to employees, their families and contractor workforce. Your Company has also tied up with a Hospital for running medical centre at the site.

(d) HSEQ Audits

Team of trained internal auditors regularly conducts Health, Safety, Environment & Quality (HSEQ) audits with special emphasis on health & hygiene, safety, environment and quality. External audits are carried out by reputed agencies like Det Norske Veritas (DNV).

7. Corporate Social Responsibility (CSR)

Being a socially responsible corporate citizen, your Company is actively involved in development of areas in the vicinity of the project site of the Company at Pipavav. A snapshot of the Company's CSR activities with the mission of sustainable community development is given below:

Health Care

- Your Company organized free General Health Check-up Camp at Village Rampara, to create awareness regarding health and sanitation in local community. More than 125 patients were examined and treated by doctors and paramedics.
- More than 300 students from nearby villages were attended by doctors for general check-up.
- Your Company sponsored free Health Check-up & Treatment Camp at Village Rajula in association with a charitable trust. More than 2100 patients were treated by the doctors. 550 patients were operated in nearby hospitals.
- Your Company provided financial assistance for construction of charitable Medical Centre.
- Your Company contributed to "Dr. M. L. Dhawale Memorial Trust" to support a charitable Homeopathic Rural-Adivasi Hospital.

Empowerment of Local female community

- Your Company has adopted three Industrial Training Institutes (I.T.I.s) respectively situate at Rajula, Mahuva and Sawarkundla, Dist. Amreli, Gujarat, in the vicinity of the Company's facilities. Your Company has provided training opportunity to ex-students of these institutes including female students. As on date, we have provided employment

opportunities to in all 33 female employees including 20 ex-ITI female students. This initiative of the Company has been well received by the local authorities and communities.

- Your Company encourages the education of the girl child. The Company has contributed to “Kanya Kelavani Nidhi”, of Government of Gujarat for providing quality education to girl children.

Infrastructure Development

- Your Company participates in several infrastructure development projects, including construction of Girls’ hostel, solar panel lights for households in nearby villages, etc.

Safe Drinking Water

- Your Company has undertaken ‘Safe Drinking Water Project’ with the help of Gram Panchayat of Siyalbet Island, for solving water problems of neighbouring villages, development of infrastructure for supply of safe drinking water and has installed Water Purifiers.

8. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo

Your Company strives to make the project sites as energy efficient as possible and continually reviews various schemes to conserve energy. The information required to be disclosed under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo is set out in Annexure “A” and forms part hereof.

Information required to be furnished in Form A is not applicable to the Company as your Company belongs to ship building industry.

9. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is prepared in accordance with the requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, is given in Annexure – “B” and forms part of this Annual Report.

10. Corporate Governance Report

Corporate Governance Report along with the Auditors’ Certificate confirming compliance with the conditions of Corporate Governance is enclosed as Annexure –“C”, forming part of this Report.

11. Investor Relations

Your Company continues to provide prompt investor service through quick resolution of investor grievances. Your Company has designated an exclusive e-mail ID viz. **company.secretary@pipavavshipyard.com**, to enable the investors to post their grievance and the Company to monitor its redressal.

The securities of your Company are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company has paid annual listing fees to these Stock Exchanges for the financial year 2011-12.

The members are requested to refer to general shareholders’ information given in Corporate Governance Report appended to this report.

12. Fixed Deposits

Your Company has not accepted any public deposits within the meaning of the provisions of Section 58A of the Act read with the Companies (Acceptance of Deposits) Rules, 1975. Therefore, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

13. Personnel

A statement containing prescribed details of employees, required to be provided under Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, in terms of provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all the shareholders excluding the aforesaid statement. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary for the same at the Corporate Office of the Company.

14. Directors

The Board has six non-executive directors and one Executive Vice-Chairman. In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Nikhil Gandhi and Mr. R. M. Premkumar retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board commends re-appointment of Mr. Nikhil Gandhi and Mr. R. M. Premkumar.

The details of the directors being recommended for re-appointment are provided in the Notice of ensuing Annual General Meeting.

15. Auditors

The Notes on Accounts read with the Auditors' Report are self-explanatory and therefore, do not call for any further explanations under Section 217(3) of the Act.

M/s. Chaturvedi & Shah, Chartered Accountants, Statutory Auditors of the Company, are retiring at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Act. Your Board recommends their re-appointment.

The Auditors has submitted the Peer Review certificate dated January 6, 2010 issued to them by the Institute of Chartered Accountants of India (ICAI).

16. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Act, your Directors hereby confirm that:

- in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relative to material departures;
- the Directors have 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 as at March 31, 2011 and of profit of the Company for that year;
- the Directors have taken proper and sufficient care for the 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 fraud and other irregularities; and
- the Directors have prepared the annual accounts on a 'going concern basis'.

17. Consolidated Financial Statements

Consolidated Financial Statements pursuant to Clause 41 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with 'Accounting Standard 21 – Consolidated Financial Statements' form part of the Accounts and are attached for your reference.

18. Demat Suspense Account

Pursuant to Clause 5A of the Listing Agreement entered into with the Stock Exchanges, the details of shares in the demat suspense account are as follows:

Particulars	No. of Shareholders	No. of Shares
Opening Balance as at April 1, 2010	44	9,076
Request received for transfer of shares from Suspense Account	27	4,828
Shares transferred to Claimants' Demat Accounts during the year	27	4,828
Closing Balance as at March 31, 2011	17	4,248

The voting rights in respect of the shares lying in Demat Suspense Account shall remain frozen till the rightful owners claim the shares.

Further, there are no shares issued in physical mode which remain unclaimed.

19. Acknowledgements

Your Directors take this opportunity to place on record their sincere appreciation for the assistance and co-operation received from the various Departments of Government of India, Government of Gujarat, Financial Institutions, Commercial Banks, employees, vendors and other stakeholders and all others whose continued support has enabled the Company to achieve its goals. Your Directors appreciate and value the contributions made by each & every employee of the Company. Your Directors are also thankful to its investors for reposing faith in the Company.

On behalf of the Board of Directors

Nikhil Gandhi
Chairman

Place : Mumbai

Date : May 28, 2011

Annexure "A" to the Directors' Report

Information as per Section 217(1)(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2011.

A. CONSERVATION OF ENERGY

(a) & (b) Energy Conservation/ reduction of consumption of energy measures taken:

- Installation of portable compressors for conservation of energy for processes which do not require continuous compressed air.
- Optimization of energy consumption of cranes by scheduling their long travel operations.
- Optimal use of main air compressors.
- Continuous monitoring of power factor at the Site.
- Provision for utilization of maximum daylight in ships/ vessels being built at Site.
- Provisioning of Energy Savers in welding sets/ machines.

c) Impact of the measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost of production of goods:

The energy conservation measures taken have resulted in savings in cost of production and power consumption.

d) Total energy consumption and energy consumption per unit of production as per Form 'A':

Form 'A' of the Annexure to the above said rules is not applicable to the Company as the industry to which it belongs viz. shipbuilding, is not included in the Schedule thereto.

B. TECHNOLOGY ABSORPTION

Information with respect to technology absorption is furnished below in prescribed Form B.

Research and Development (R&D)

The main business of the Company during the year under review is shipbuilding and it is not engaged in any major Research and Development activity. The Company has made continuous efforts to implement and adopt modern shipbuilding techniques which has resulted in higher productivity. The Company also carried out comprehensive analysis of bulk carrier hull structure to reduce consumption of steel.

Technology Absorption, Adaptation and Innovation

a) Efforts in brief, made towards technology absorption, adaptation and innovation.

- Development of MAG Pipe welding process using 0.8 mm & 1.2mm filler wire with conventional Thyristor base power source.
- Development of advanced Orbital TIG welding system for Carbon Steel, Stainless Steel, Cu-Ni & Copper pipes.
- Development of brazing process for non-ferrous alloys. Research in welding of different types of materials like Casting, Alloys etc.
- Development of highly productive Welding Automation System by usage of 1.2/ 1.6 mm filler wire.
- Development of Single & Tandem (2-electrode) SAW process and modification in TTS Panel Line One Side Welding Station (OSWS) 3-Electrode SAW process for wide thickness range of steel plates.

b) Benefits derived as a result of the above efforts

- Improvement in quality of ships/ vessels.
- Increase in productivity.
- Reduction in cost of production.

c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) : Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in lacs)

Particulars	2010-11	2009-10
Foreign Exchange earned	12,749.94	---
Foreign Exchange used	3,374.10	2,806.18

During the year under review, the Company imported Raw Materials & Components and Stores & Spares on CIF basis of Rs. 39,529.66 lacs (Previous Year Rs. 6,857.08 lacs). Similarly, the Company imported Capital Goods worth Rs. 941.56 lacs (Previous Year Rs. 860.67 lacs).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Annexure “B” to Directors’ Report

The Management of your Company is pleased to present below its analysis on the performance of the Company for the financial year 2010-11 and its outlook for the future.

I. INDUSTRY STRUCTURE AND DEVELOPMENTS

The industry in which your Company operates can be broadly sub-classified into the following segments viz. (a) Defence Shipbuilding, (b) Offshore Oil and Gas Exploration & Production Assets Construction, (c) Commercial Shipbuilding & Repairs, (d) Defence hardware & services required by Indian Armed Forces, and (e) Heavy Engineering.

a. Defence Shipbuilding

Global aspirations of economically strong India, with ever increasing geopolitical challenges have made the Indian Government realize the imperative need to strengthen its defence capabilities. The Government through its Defence Procurement Policy (‘the DPP’) is encouraging private players to participate in various defence acquisition programs and to create an indigenous network of suppliers. The opportunities that the DPP presents to the domestic players are vast and domestic companies that meet the necessary demands of the Indian Navy will benefit the most.

India sits in a prime position in the Indian Ocean, with over 7,517 kms. of coastline. Indian sea trade accounts for approximately 90% of volume and 77% of value of India’s aggregate trade. Maritime interests are crucial for establishing a secure tomorrow, as the economy is dependent on the sea for sectors such as Oil and Gas exploration & production, Commercial trade, etc. Protecting maritime assets is an imperative for the Indian Navy and Coast Guard. The Government is continuously making efforts to ensure naval security in the Indian Ocean, which ultimately will lead to demand for better quality defence vessels.

The present fleet of Indian Navy has approximately 171 ships on active duty with an additional 36 ships in the process of being built. The Indian Navy needs over 100 ships of diverse variety, including submarines, destroyers, patrol vessels, etc. over the next two decades, according to reports available in public domain. There is a need for domestic players to demonstrate technologically advanced capabilities and utilize effective cost rationalization methods which will open up a huge opportunity for them. The DPP encourages private domestic players to bid for acquisition programmes of defence vessels. In line with the DPP you would be glad to know that your company became the first private sector company post independence to enter this sector when it was awarded with the contract for construction of 5 warships viz. Naval Offshore Patrol Vessels worth Rs. 2,975 Crore by the Indian Navy. The theme of the DPP is “Buy Indian, Make Indian”. The DPP will continue to provide a tremendous boost to domestic players in this segment and will ensure that the Country becomes self sufficient in all its defence requirements. It will also ensure, over a period of time, the acquisition and transfer of advanced technology to Indian companies further reducing our dependence on imports.

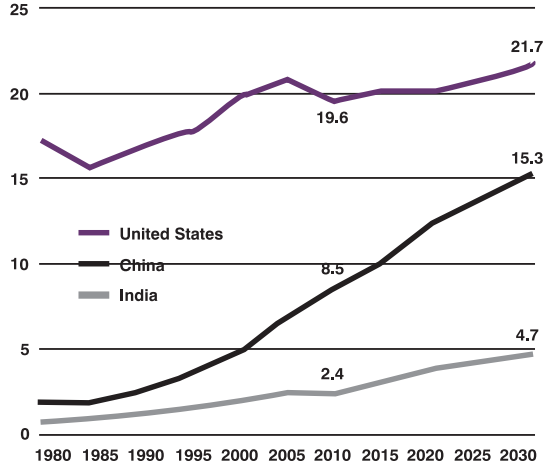
The Union Budget presented in Parliament by the Finance Minister, Pranab Mukherjee, highlights the importance of defence and increased allocation to the sector to Rs. 1,64,415 crore. The allocation represents a growth of 11.9% year-on-year basis. In terms of capital expenditure, the Navy will utilize approximately Rs. 14,657 crore. The growth of 11.9% year-on-year in the defence budget has shown the Government’s desire to strengthen the nation’s armed forces, particularly with regard to the modernization of facilities and equipment.

b. Offshore Oil & Gas Exploration & Production Assets Construction

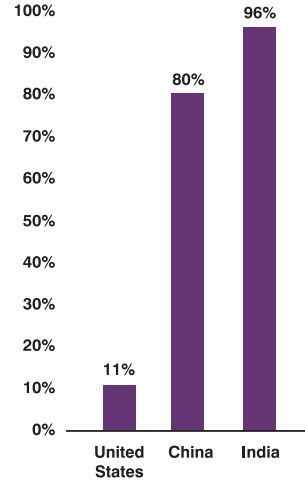
Demand for petroleum and liquid fuels will reach 95 million barrels per day by 2015 and 118 million barrels a day by 2030 from the current level of 84 million barrels per day. Emerging markets demonstrating strong economic growth will contribute significantly to oil demand. Investment in the development of the offshore oil and gas exploration & production assets is expected to reach USD 45 billion in 2011. National oil companies have leaned towards developing offshore assets to meet oil and gas demands. Rising crude oil prices, exacerbated by the crisis in the Middle East, will subsequently lead to greater exploration activity and establishment of more offshore assets in the coming decade.



Projected oil consumption, 1980-2030
Million barrels oil equivalent per day



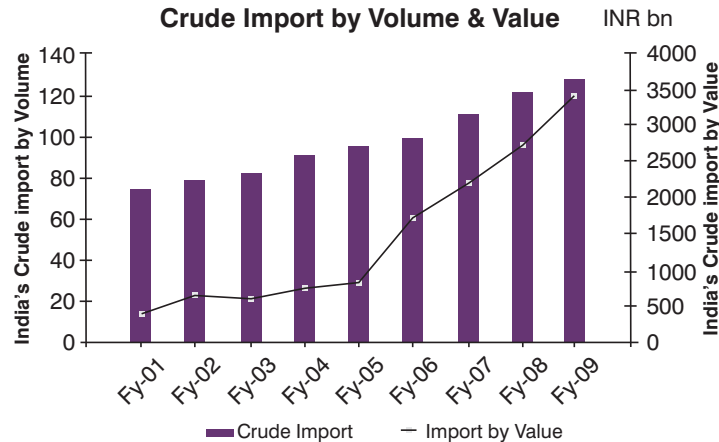
Projected oil consumption in percent growth, 2010-2030



U.S. Energy Information Administration, <http://www.eia.gov/>

To prevent the country from becoming dependent on foreign oil subject to volatile fluctuations in the global market, the development of offshore oil and gas facilities has been made a priority by the Indian Government.

Crude Import by Volume & Value



The Government is exploring opportunities to meet the domestic demand of oil through domestic supply by encouraging the development of modern offshore assets.

The energy demand is expected to grow fourfold in the next two decades. The Government is stepping up its offshore oil and gas programme. The inability of aging offshore structures i.e. rigs and platforms to operate in deeper water posts an advantage for businesses that can create new generation efficient offshore structures. Heavy Engineering companies with access to waterfront will be better suited to develop modern offshore structures. Globally, more than 75% of rigs were constructed before 1985, which indicates that most rigs will need to be replaced in the next decade. As it becomes more expensive to purchase such offshore structures in Middle East & East Asian countries, economies have been considering low cost destinations like India and many orders may be diverted to Indian



builders. Lastly, the demand for supply vessels to offshore structures is increasing significantly. Close to 50% of the Indian offshore support fleet is over 20 years old and is not capable of servicing requirement of deep water rigs and platforms. With the advent of deep water offshore structures, the safety and technological capacity of existing offshore supply vehicles will need to be improved.

All in all, greater demand for oil and gas from emerging markets like India has resulted in the need to develop domestic sources of supply of energy and curtail the dependency on foreign markets for imports, thus preserving the country's security.

c. Commercial Shipbuilding and Ship Repair

Global Scenario

While the global shipbuilding outlook until 2011 looked subdued, it is expected that the commercial shipbuilding industry will turnaround by FY 2012-13.

Global trends show a demand for larger vessels as the pursuit of economies of scale drives businesses to demand both bigger and fuel efficient ships. Since ships that can carry larger cargoes translate into lower cost of transport, companies that are able to deliver large vessels will benefit. There is also a demand in niche sectors. For example, increased requirements for dredging have translated into demand for dredgers. Similarly the emergence of LNG as a substitute for coal is resulting in a demand for LNG Carriers. Increased spending on infrastructure and subsea pipelines is resulting in greater demand for Heavy Lift Vessels. Companies like yours capable of manufacturing these specialised vessels would gain from this demand.

Indian Scenario

According to the Maritime Agenda 2011, there are currently 27 prominent shipyards in the country, of which 8 are in the public sector. India advanced from 0.1% of the world share of shipbuilding in 2002 to approximately 1.5% in 2010. With respect to the shipbuilding and ship repair industry, the Government of India's vision is:

“To have a well developed shipbuilding and ship repair industry of international standard in India which will be self-sufficient in building and repairing commercial vessels required by the country by 2020 and generate huge investment and employment opportunities.”

The Ministry of Shipping has set several targets that they wish to meet by 2020, which include gaining 5% of the global market share of commercial shipbuilding, developing a strong ancillary industry, strong research and development facilities, to be self-sufficient in any domestic repair requirements and become a prominent ship repair center in the Indian Ocean.

The goals to which the Government is aspiring provide a myriad of opportunities for the Indian maritime companies that will inevitably translate into greater profitability.

Labour cost accounts for relatively 10% of shipbuilding cost. India boasts availability of trained manpower in heavy engineering and shipbuilding sector with a strong base of intellectual capital. India commands a natural advantage in terms of skilled labour and technological capacity for shipbuilding business and oil and gas assets, a benefit it has over other countries that may have lower labour costs but lack in quality technology and infrastructure.

Globalization has led to the wide dispersal of technology to emerging markets from developed countries. Your Company's infrastructure is in line with Korean and Japanese counterparts in terms of quality. Secondly, as foreign companies are eager to enjoy the benefits of operating in a low cost country like India, the potential for strategic partnerships has never been greater leading to further improvement and construction of quality vessels.

India enjoys a strategic location in the Indian Ocean. India's long coastline provides suitable locations for setting up ship-repair facilities. India's prominence in the region as an emerging power strengthens India's position in commercial shipbuilding and ship repair.

d. Defence Hardware and Services for the Indian Armed Forces

As mentioned earlier, the opportunities in the defence segment are vast and your Company looks forward to capture all the opportunities offered in this space. The Company is in the process of augmenting its reach through entire defence segment and establishing itself as a significant player.

e. Heavy Engineering

The heavy engineering sector offers huge potential for growth. The Government of India is going to great lengths to develop and strengthen the industry as well as build up and maintain a robust infrastructure network.

The prospects for the aerospace segment, robotics, wartime machinery such as tanks, and demands to modernize and contextualize the armed forces for the 21st century create great opportunities for heavy engineering segment.

II. OPPORTUNITIES & THREATS

Opportunities

Defence Procurement Policy:

The Indian Government has encouraged indigenization of defence hardware with introduction of the ‘Make Indian and Buy Indian’ category in its Defence Procurement Policy. It is aimed at promoting production of defence equipment by capable Indian companies. Shortlisted Indian companies can arrange co-production and/ or technology transfers with foreign companies. Your company is ideally positioned to gain from the Government’s emphasis on self reliance in the defence production sector.

Rising demand for naval defence:

In view of global aspirations of economically strong India, ever increasing geo-political challenges and the need for anti-piracy operations in the Indian Ocean, the Indian Navy and Coast Guard are being modernized for safeguarding our maritime interests. Moreover, the scope of naval defence is further widened by providing support to maritime neighbors during natural disasters. This will require a massive as well as rapid expansion of our Naval and Coast Guard fleet. There is a huge replacement/ refurbishment demand for defence vessels. There can be no substitute for meeting these requirements locally. It is towards this end your Company has commissioned India’s most technologically advanced infrastructure geared for construction/ repair of the most sophisticated warships including aircraft carriers, submarines, landing platform docks, patrol vessels and other naval products.

Large replacement demand:

About 40% of the commercial fleet is more than 20 years old and Indian ship owners are expected to spend approx. USD 4 billion to replace these during FY 2010-2015. The ageing fleet of shipping companies in India is another factor energizing prospects for the commercial shipbuilding and repair market in the country.

Huge demand in the offshore oil and gas sector:

In India, the demand for high-end offshore facilities such as drill ships and floating production storage platforms amounts to approximately USD 20-40 billion. With the oil prices on a rise, the importance of this sector is building up. The increase in the demand for offshore assets would lead to consequential increase in demand of Offshore Supply Vessels (“OSVs”) required to service them. Furthermore, higher production cost of OSVs in other countries such as Japan may result in diversion of orders to India, consequently creating huge prospects for your Company. Your Company has established itself in this area through its current construction programme of OSVs.

Inorganic opportunities:

Your Company is looking for acquisitions, strategic partnerships, tie-ups with overseas companies catering to the Oil & Gas and Defence sectors. The huge opportunities in these sectors increase the scope of tie-ups between Indian and overseas players, as foreign players look to combine their technology with cost effective Indian partners.

Threats

Fluctuations in the raw materials costs:

The volatility in the prices of raw materials may weigh on profitability of the Company.

Subsidy:

In the past the Indian Government had encouraged participation of Indian companies in the commercial shipbuilding sector by providing subsidies of 30% of the price of the vessel to the shipbuilders. The Government is considering extension of the shipbuilding subsidy scheme. However, in the event the Government of India decides not to notify a new subsidy scheme, it could affect the profitability of this segment.

No Steady Order Flow and probable Order Cancellations:

Your Company has an outstanding order book of around USD 1.5 billion. In view of the difficult economic conditions worldwide the momentum of orders being sustained is a concern. The possibility of orders cancellation can not be denied.

Shortage of specialized labour in the Maritime Sector:

Increasing sophistication of vessels and associated equipment as well as stringent pollution prevention norms in the maritime sector have led to greater importance on a well-designed education system for the maritime sector. Lack of such maritime institutes imparting the necessary knowledge creates a shortage of skilled technical force in India.

III. OUTLOOK

The financial year 2010-11 was a year of milestones for the Company. In November 2010, the Company was awarded the Warship Production License by the Department of Policy & Promotion, Ministry of Commerce & Industry, Government of India. Your Company is the first Indian Company to have been awarded the license. Your Company entered into strategic partnerships with SAAB Dynamics, Northrop Grumman and Babcock group. These tie-ups will allow the Company to use their technical expertise to indigenously produce defence equipment, hardware and develop aeronautical technology.

Going forward, the FY 2011-12 will mark the progress of the Company after all the key pillars have been established. As the Company has received the Warship Production License, the Company is ready for a new and exciting year of growth. Two Panamax vessels built by your Company are ready for delivery.

Your Company will continue to develop global standards in capabilities, technology and size. The order book is expected to grow multi-fold on the back of increasing defence demand, greater demand for offshore assets, and the significant need for repair for vessels visiting/ passing through Indian waters. Your Company is also well-poised with modern heavy engineering facilities to undertake both civil and non-civil heavy engineering projects, whether be the construction of civil nuclear reactors or land based heavy defence machinery such as tanks. With offshore activities shifting to deeper waters and increasing demand from the naval sector, Indian industry will undergo a dynamic change in the coming years.

Having invested in state of the art facilities and having developed a world-class heavy engineering infrastructure with attached dry dock, your Company stands at the forefront of private sector companies ready to capitalize on increased opportunities provided in the defence and offshore oil and gas assets space and is set to experience robust growth and profitability going forward.

IV. RISKS AND CONCERNS

Your Company is exposed to risks that are inherent to its businesses and the environment within which it operates. The Company is exposed to normal industry risk factors such as competition, economic cycle, uncertainties in the international and domestic markets, Foreign Exchange Risk, Liquidity and credit risks. Your Company manages these risks by maintaining conservative financial profile and by following prudent business and risk management practices.

The Company's risk management framework establishes risk management processes, helps in identifying, assessing and mitigating risks that could materially impact the Company's performance in achieving its business objectives. The risk management framework ensures compliance with the requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

V. FINANCIAL PERFORMANCE

During the financial year 2010-11, your Company registered the operating income of Rs. 859.93 crore i.e. increase of 36.63% over the financial year 2009-10. Your Company earned profit before tax of Rs. 48.16 crore as compared to previous year loss of Rs. 48.66 crore. Operationally, the interest cost was at Rs. 119.01 crore compared to the previous year interest cost of Rs. 72.99 crore.

VI. INDUSTRIAL RELATIONS & HUMAN RESOURCES

The relationship between the management and employees is very cordial and there are no outstanding industrial disputes. The management also has well laid down HR Policies for its employees. Welfare, health and safety of employees are high priority areas. The Company has been implementing various HR initiatives in the form of training and seminars to enhance the effectiveness of its employees.

VII. INTERNAL CONTROL SYSTEMS

The Company has adequate systems of internal controls to safeguard and protect from loss, unauthorized use or disposition of its assets. All transactions are properly authorized, recorded, and presented to the management. The Company observes all the Accounting Standards prescribed for proper maintenance of books of accounts and reporting of financial statements. The Company has appointed independent internal auditors to review various areas of operations. The Audit Committee of the Board of Directors periodically reviews the Internal Audit reports as well as action taken on the matters reported therein.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Corporate Governance

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a Company is directed, administered or controlled. Corporate Governance also includes the relationships among stakeholders and the goals for which the Company is governed. The principal stakeholders are the shareholders, the Board of Directors and the management. Other stakeholders include employees, customers, creditors, suppliers, regulators and the community at large.

The governance framework of your Company is to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporation and society. With the adoption of Whistle Blower Policy, the Company has moved forward in its pursuit of excellence in corporate governance.

2. Board of Directors

- i) The Company has always maintained a transparent Board policy. The Board consists of esteemed personalities from various fields. The Executive Vice-Chairman and the Chief Executive Officer look after the day-to-day activities of the Company, while the Non-Executive Independent Directors, with their rich and varied experience provide a wider perspective for the scheme of things and ensure independence in decision making.
- ii) As on March 31, 2011, the Board of Directors of the Company consists of seven Directors including one Non-Executive Chairman, one Executive Vice-Chairman, one Nominee Director appointed by Export-Import Bank of India, who is also qualified as Independent Director and other four Independent Directors. The number of Non-Executive Directors and Independent Directors on the Board is more than 50% of the total number of Directors. The Company is in compliance with Clause 49 of the Listing Agreement pertaining to composition of the Board of Directors.
- iii) None of the Directors on the Board is a Member of more than ten Committees or Chairman of more than five Committees across all the companies in which they are Directors. The necessary disclosures regarding Committee positions in other public companies as on March 31, 2011, have been made by the Directors.
- iv) During the year, the Company has paid Rs. 51.40 lacs to Mr. S. Venkiteswaran towards fees for rendering professional services to the Company as a Senior Advocate. Apart from this, none of the Non-Executive Directors has any material pecuniary relationship or transactions with the Company.
- v) No Director is related to any other Director on the Board except Mr. Nikhil Gandhi and Mr. Bhavesh Gandhi who are related to each other as brother.
- vi) During the year under review, six Board Meetings were held on April 7, 2010; May 28, 2010; August 13, 2010; November 12, 2010; February 11, 2011 and February 26, 2011.
- vii) A detailed chart showing the names and categories of the Directors on the Board, their attendance at the Board Meetings and last Annual General Meeting (AGM) as also number of other directorships in Indian public limited companies and membership of the Committees of the Boards of such companies is given below. Other Directorships excludes alternate directorships, Indian Private Limited Companies, Section 25 Companies and Foreign Companies. Memberships of Board Committees include only Audit Committee and Shareholders'/ Investors' Grievance Committee.

Name of the Director	Category	Other Directorships		Membership of Committee of other Boards		No. of Board Meetings attended	Attendance at last AGM
		Chairman	Member	Chairman	Member		
Mr. Nikhil Gandhi	Non-Executive Chairman Non-Independent Director	3	7	---	5	2	NO
Mr. Bhavesh Gandhi	Executive Vice-Chairman Non-Independent Director	1	5	---	1	6	YES

Name of the Director	Category	Other Directorships		Membership of Committee of other Boards		No. of Board Meetings attended	Attendance at last AGM
		Chairman	Member	Chairman	Member		
Mr. Ajai Vikram Singh	Non-Executive Independent Director	---	1	---	---	1	NO
Mr. Ramaswamy Muthu Venkataraman	Nominee Director, Non-Executive Independent Director	---	---	---	---	5	NO
Mr. Ramunni Menon Premkumar	Non-Executive Independent Director	1	4	---	---	5	NO*
Mr. Samar Ballav Mohapatra	Non-Executive Independent Director	---	2	1	---	3	NO
Mr. Venkiteswaran Subramaniam	Non-Executive Independent Director	1	4	---	5	2	NO

*Mr. R. M. Premkumar, Chairman of the Audit Committee, could not attend the AGM due to unforeseen exigencies.

3. Procedure adopted by the Board

As per the Listing Agreement, the Board meets at least four times during the year. The gap between the two Board Meetings did not exceed four months as prescribed under the Listing Agreement. The Board members are provided with well structured and comprehensive agenda papers. Agenda papers are generally circulated a week prior to the meeting of the Board of Directors. The information as required under Annexure I A to Clause 49 of the Listing Agreement is placed before the Board from time to time to the extent applicable.

Important decisions taken at the Board/ Committee Meetings are promptly communicated to the concerned departments. Action Taken Report on the decisions taken at the previous meetings of Board/ Committees is placed at the next Board Meeting for noting, wherever required.

4. Audit Committee

The Company has constituted an Audit Committee in terms of clause 49(II)(A) of the Listing Agreement and Section 292A of the Companies Act, 1956.

(a) Terms of Reference: Terms of reference of the Audit Committee are as under:

- Oversight of the Company's financial reporting process and to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with the management, performances of statutory and internal auditors.
- Recommending to the Board the appointment and removal of Statutory Auditors and remuneration payable to the Statutory Auditors and also approval of payment for any other services rendered by Statutory Auditors.
- Reviewing with the management the financial statements before submission to the Board, with reference to:
 - Matters required to be included in Director's Responsibility Statement in terms of Section 217(2AA) of the Companies Act, 1956;
 - Changes, if any, in accounting policies and practices;
 - Compliance with Accounting Standards;
 - Major accounting entries involving estimates based on exercise of judgment by the management;
 - Compliance with legal requirements relating to financial statements;
 - Significant adjustments made in the financial statements arising out of audit findings; and

- Disclosure of any related party transactions that may have potential conflict of interest with the Company.
- Reviewing the adequacy of internal audit function including the structure, staffing, reporting structure, coverage and frequency of Internal Audit.
- Discussion with Internal Auditors for any significant finding and follow-up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or failure of Internal Control Systems of a material nature which require reporting the matter to the Board.
- Reviewing with Statutory Auditors scope of audit and any area of concern.
- Looking into any other matter, as may be required, as per the provisions of the Companies Act, 1956 or The Securities and Exchange Board of India Act, 1992 and rules framed under the said Acts.

The role, terms of reference, authority and powers of Audit Committee are governed by applicable provisions of the Companies Act, 1956, Clause 49 of the Listing Agreement and other applicable statutory provisions.

(b) Composition:

The Audit Committee is comprised of six Directors. The details of composition of the Audit Committee and the attendance of the Members of the Committee are as follows:

Name of the member	Category	Designation	No. of Meetings attended
Mr. R. M. Premkumar	Independent	Chairman	4
Mr. Ajai Vikram Singh#	Independent	Member	1
Mr. Bhavesh Gandhi	Non-Independent	Member	5
Mr. R. M. V. Raman	Independent	Member	4
Mr. S. Venkiteswaran	Independent	Member	0
Mr. Samar Ballav Mohapatra	Independent	Member	2

#appointed as member w.e.f. February 3, 2011.

During the year under review, the Audit Committee met five times on May 28, 2010; August 13, 2010; November 12, 2010; February 11, 2011 and February 26, 2011.

The permanent invitees include Chief Financial Officer, Statutory Auditors and Internal Auditors. The Company Secretary acts as a Secretary to this Committee. The Minutes of the Audit Committee are noted by the Board of Directors at its subsequent meeting.

5. Remuneration Committee

(a) Terms of Reference:

The broad terms of reference of this Committee are as follows:

- To review the remuneration payable to the Executive Directors.
- To determine Employees Stock Option Policy of the Company.
- To determine eligibility of employees for participation in the Employees Stock Option Plans, number of options/shares to be granted to each eligible employee, etc.

(b) Composition:

Remuneration Committee of the Company is comprised of four Directors of the Company. The Committee met once on April 7, 2010 and details of composition of Committee and attendance at Meetings of the Remuneration Committee are as follows:

Name of the member	Category	Designation	No. of Meetings attended
Mr. S. Venkiteswaran	Independent	Chairman	0
Mr. Nikhil Gandhi	Non-Independent	Member	1
Mr. R. M. Premkumar	Independent	Member	1
Mr. Samar Ballav Mohapatra	Independent	Member	1

(c) Remuneration Policy:

The Company's remuneration policy aims at attracting and retaining high quality talent by taking into account its financial position, industrial trends, compensation paid by the peer companies etc.

The Executive Director of the Company is paid remuneration as per the terms approved by the Board of Directors of the Company and the shareholders of the Company and such other approvals as may be necessary. The remuneration structure comprises of basic salary, perquisites & allowances, retirement benefits and performance incentive.

The Company doesn't pay any remuneration to its Non-Executive Directors except sitting fee for attending the meetings of the Board and the Committees thereof. The Company pays sitting fee to its Non-Executive Directors @ Rs. 10,000/- for attending each meeting of the Board of Directors and Committees thereof.

(d) Details of Remuneration of the Directors for the financial year 2010-11:

i) Executive Directors

(Rs. in lacs)

Executive Vice-Chairman	Salary	Performance Incentive*	Perquisites & Allowances	Retirement Benefits**
Mr. Bhavesh Gandhi	240.00	150.00	0.40	7.20

*Provision of Performance Incentive is subject to the approval of Central Government.

** Liability for Gratuity and Leave Encashment is provided on actuarial basis for the Company as a whole, the amounts pertaining to the Executive Vice-Chairman is not ascertainable and therefore not included above.

- All the above remuneration components except Performance Incentive are fixed in nature. The amount of Performance Incentive is determined after the end of relevant financial year considering performance/ achievements of the Company and that of the Executive Director. The payment of performance incentive is considered and approved by the Remuneration Committee and the Board of Directors, based on the Company's business plans, current market trends and contribution of the Executive Director in achieving the objectives of the Company.
- The Company does not have any Stock Option Scheme.
- The term of appointment of Mr. Bhavesh Gandhi is upto March 31, 2013.

ii) Non-Executive Directors

Details of the sitting fees paid to the Non-Executive Directors of the Company for attending the meetings of the Board and Committees thereof held during the year 2010-11 and the number of equity shares held by them are as follows:

Name of the Director	Sitting Fees (Rs.)	No. of Shares held
Mr. Ajai Vikram Singh	20,000	NIL
Mr. Nikhil Gandhi	90,000	NIL
Mr. R. M. Premkumar	1,00,000	NIL
Mr. R. M. V. Raman*	90,000	NIL
Mr. Samar Ballav Mohapatra	60,000	NIL
Mr. S. Venkiteswaran	30,000	NIL

*The sitting fees were paid to EXIM Bank, which nominated Mr. R. M. V. Raman.

6. Shareholders'/ Investors' Grievance Committee

(a) Terms of Reference:

The Shareholders'/ Investors' Grievance Committee was formed to monitor the expeditious redressal of shareholders' grievances such as non-receipt of refund orders and dividend warrants, non-receipt of Annual Report and other matters related to shares.

(b) Composition:

The Committee is comprised of three Directors. No meeting of the Committee was held during the year and details of composition of Committee are as follows:

Name of the member	Category	Designation
Mr. Nikhil Gandhi	Non-Independent	Chairman
Mr. Bhavesh Gandhi	Non-Independent	Member
Mr. S. Venkiteswaran	Independent	Member

Mr. Ajit Dabholkar, Company Secretary is the Compliance Officer of the Company.

(c) Investors' Grievances received and resolved during the year:

The Company has 72,799 investors as on March 31, 2011. During the year under review, the status of requests and complaints was as follows:

Particulars	Opening Balance	Received	Resolved	Closing Balance
Requests	0	26	26	0
Complaints	0	30	30	0

7. General Body Meetings

(i) The last three Annual General Meetings (AGMs) of the Company were held as under:

Financial Year	Day and Date	Time	Venue
2009-10	Wednesday, August 25, 2010	12.00 P.M.	Pipavav, Post Ucchhaiya, Via-Rajula, Dist. Amreli, Gujarat – 365 560
2008-09	Tuesday, August 11, 2009	12.30 P.M.	
2007-08	Tuesday, July 15, 2008	11.30 A.M.	

(ii) Details of Special Resolutions passed in the last 3 AGMs:

AGM held on August 25, 2010

- To approve allotment of 2,54,00,000 Compulsory Convertible Unsecured Debentures of the face value of Rs. 70/- each.
- To approve alteration of Article of Association of the Company.
- To approve payment of Performance Incentive of Rs. 1.50 Crore to Mr. Bhavesh Gandhi, Executive Vice-Chairman for financial year 2009-10, in addition to remuneration.

AGM held on August 11, 2009

- To approve payment of Performance Incentive of Rs. 1.50 Crore to Mr. Bhavesh Gandhi, Executive Vice-Chairman for financial year 2008-09 in addition to remuneration.

AGM held on July 15, 2008

- To approve re-appointment and increase in remuneration payable to Mr. Bhavesh Gandhi, Executive Vice-Chairman.
- To approve increase in number of Directors.
- To approve alteration of Article of Association of the Company.
- To approve issue of upto 8,68,50,000 equity shares on preferential basis.

(iii) Postal Ballot:

No resolution was passed through Postal Ballot in previous financial year 2010-2011.

The Board of Directors has approved to conduct the Postal Ballot process for seeking the consent of Members in respect of change of name of the Company to “**Pipavav Defence and Offshore Engineering Company Limited**” and alteration in the Objects Clause of the Memorandum of Association of the Company. The results of Postal Ballot will be announced on Saturday, June 25, 2011 at the Registered Office of the Company.

8. Disclosures

- There are no material significant transactions with the related parties viz. promoters, directors, relatives, the management, subsidiaries, etc. that may have a potential conflict with the interest of the Company at large.
- No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities in any matter related to capital markets, during last three years.
- Your Company is fully compliant with the mandatory requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchanges and has adopted following non-mandatory requirements:
 - a) Maintenance of the office of Non-Executive Chairman.
 - b) The Company has constituted the Remuneration Committee.
 - c) The statutory financial statements of the Company are unqualified.
 - d) The Company has adopted Whistle Blower Policy and has established necessary mechanism for reporting concerns about unethical behaviour.

9. Means of Communication

The quarterly and annual financial results of the Company are published in leading English and Gujarati daily newspapers viz. The Economic Times and Gujarat Samachar. The results are also displayed on the Company's website at www.pipavavshipyard.com. Management Discussion and Analysis Report forms part of the Company's Annual Report.

10. Code of Conduct & Ethics

Your Company adheres to the high standards of ethics and governance. The Company has laid down "Code of Conduct and Ethics" for the Directors and Senior Management of the Company. The same is posted on the website of the Company at www.pipavavshipyard.com.

The declaration given by the Executive Vice Chairman of the Company with respect to affirmation of compliance of the Code by the Board Members and Senior Executives of the Company is given at the end of this Corporate Governance Report.

11. General Shareholders' Information:

(i) 14th Annual General Meeting

Venue: Pipavav Port, Post Uchhaiya, Via Rajula, District Amreli – 365 560, Gujarat

Time: 10.00 A.M.

Day & Date: Wednesday, October 5, 2011

(ii) Tentative Financial Calendar

Event	Date
Mailing of Annual Report	Second week of September, 2011
First Quarter Results	by Mid August 2011
Second Quarter Results	by Mid November 2011
Third Quarter Results	by Mid February 2012
Audited Annual Results (2011-2012)	May 2012

(iii) Book Closure

The register of members and share transfer books of the Company shall remain closed from Tuesday, September 27, 2011 to Thursday, September 29, 2011 (both days inclusive).

(iv) Dividend Payment Date: Not Applicable

(v) Listing on Stock Exchanges and Stock codes

The names and addresses of the Stock Exchanges at which the equity shares of the Company are listed and the respective Stock Codes are as under:

Sr. No.	Name of the Stock Exchange	Stock Code
1.	Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	533107
2.	The National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	PIPAVAVYD

The Company has paid annual listing fees for the year 2011-12 to BSE and NSE.

(vi) Distribution of shareholding as on March 31, 2011

No. of Equity Shares held	No. of Shareholders	% of total Shareholders	No. of Shares held	% of total Shares
1 to 500	62,675	86.09	94,34,034	1.42
501 to 1000	6,406	8.80	47,57,766	0.71
1001 to 5000	2,751	3.78	64,07,261	0.96
5001 to 10000	404	0.56	31,28,531	0.48
10001 to 100000	440	0.60	1,30,12,619	1.95
100001 to 500000	59	0.08	1,37,04,733	2.06
500001 & above	64	0.09	61,53,53,444	92.42
Total	72,799	100.00	66,57,98,388	100.00

Details of Shareholding as on March 31, 2011

Sr. No.	Category	No. of shares held	Shareholding (%)
1.	Promoters	29,95,76,180	45.00
2.	Financial Institutions, Banks & Mutual Funds	4,92,92,979	7.41
3.	Insurance Company	1,01,72,300	1.53
4.	Foreign Institutional Investors	5,14,15,118	7.72
5.	Foreign Venture Capital/ Foreign Companies/ Foreign Nationals/ NRIs	3,69,51,785	5.55
6.	Bodies Corporate/ Trusts	17,23,86,971	25.89
7.	Indian Public and others	4,60,03,055	6.90
	Total	66,57,98,388	100.00

(vii) Share Transfer System

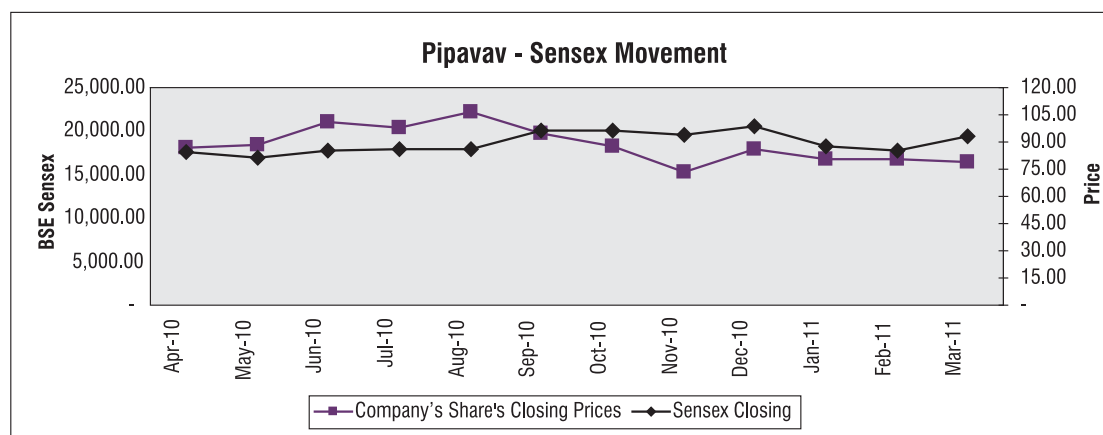
The Board of Directors of the Company has delegated its powers to effect the transfer of shares to the Securities Allotment and Transfer Committee of the Board.

(viii) Market price data

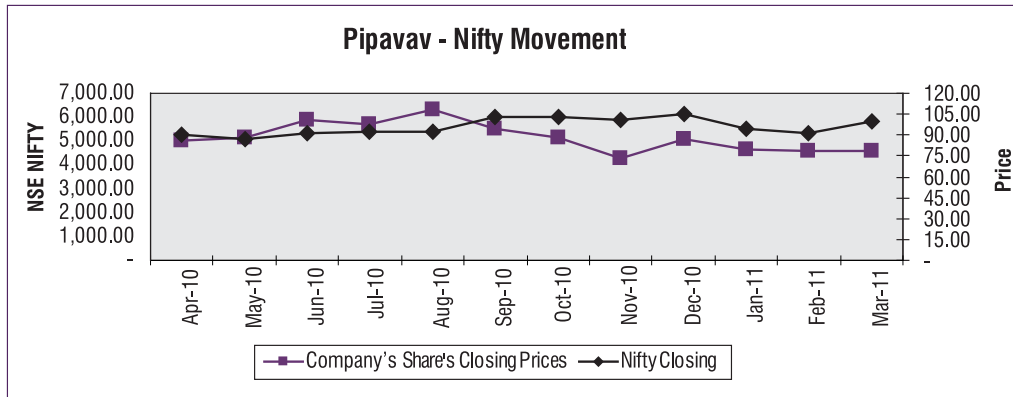
High and low of market prices of the Company's equity shares traded on BSE and NSE during the last financial year were as follows:

(Amount in Rs.)

Month	BSE		NSE	
	High	Low	High	Low
April 2010	89.50	70.50	89.45	70.20
May 2010	92.65	73.30	92.50	72.30
June 2010	104.95	83.50	104.95	82.10
July 2010	104.00	95.30	102.80	95.50
August 2010	119.95	96.80	119.70	79.40
September 2010	110.50	93.25	110.50	93.55
October 2010	96.00	75.50	95.60	75.25
November 2010	95.50	63.55	95.50	63.65
December 2010	87.50	62.05	87.50	62.00
January 2011	88.55	77.00	88.35	77.25
February 2011	83.95	74.25	84.00	74.40
March 2011	84.20	76.35	85.30	75.10

Share Performance of the Company in comparison to BSE Sensex

Share Performance of the Company in comparison to NSE Nifty



(ix) Registrar and Transfer Agents

Karvy Computershare Private Limited
17-24, Vithalrao Nagar,
Madhapur, Hyderabad – 500 081
Tel : 040 44655000
Fax : 040 23420814
E-mail : einward.ris@karvy.com
Contact Person: Mr. S. Krishnan

(x) Dematerialization of Shares and Liquidity

The Company's equity shares are compulsorily traded in electronic form. As on March 31, 2011, 64,82,90,612 equity shares or 97.37% of the equity shares of the Company are in electronic form with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

The equity shares of the Company are regularly traded on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The shares of the Company are part of BSE-200 and S&P CNX 500 Index.

Under the Depository System, the ISIN allotted to the Company's equity shares is INE542F01012.

(xi) Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, conversion date and likely impact on equity

As on March 31, 2011, there are 2,54,00,000 outstanding 10% Fully, Compulsorily and Mandatorily Convertible Unsecured Debentures of the face value of Rs. 70/- each ("CCDs"). Each CCD is convertible into one fully paid-up equity share of face value of Rs. 10/- each on completion of one year from the date of allotment. On conversion of CCDs, paid-up equity share capital will increase by Rs. 25.40 crore.

The Company has also issued 2,52,21,612 warrants on preferential basis to the Promoters viz. SKIL Infrastructure Limited. These warrants entitle the holder thereof to apply for and obtain allotment of one equity share of Rs. 10/- each at a premium of Rs. 89.10/- per share within a period of 18 months from the date of allotment of warrants. Upon conversion of warrants, paid-up equity share capital of the Company will increase by Rs. 25.22 crore.

(xii) Plant Location**(a) Export Oriented Unit (EOU):**

Pipavav Port, Post Ucchaiya, Via-Rajula,
District Amreli – 365 560, Gujarat.

(b) Special Economic Zone (SEZ) Unit :

Village Rampara – II, Taluka Rajula &
Village Lunsapur, Taluka Jafrabad,
District Amreli – 365 560, Gujarat.

(xiii) Address for Correspondence

Investors can send their correspondence either to Share Transfer Agent at their address or at the Company's Registered Office at the following address:

Pipavav Port, Post Ucchaiya, Via-Rajula,
District Amreli – 365 560, Gujarat.

E-mail: company.secretary@pipavavshipyard.com

Website: www.pipavavshipyard.com

(xiv) Secretarial Audit Report

As stipulated by the SEBI, Reconciliation of Share Capital Audit is carried out, by a qualified Practicing Company Secretary to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital of the Company. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors. The audit, inter alia, confirms that the total listed and paid-up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialized and total number of shares in physical form.

(xv) Code of Conduct for Prevention of Insider Trading in Securities of the Company

The Company has a Code of Conduct for Prevention of Insider Trading in Securities of the Company. The Code, inter-alia, prohibits purchase/ sale of shares of the Company by Directors, Officers and designated employees while in possession of unpublished price sensitive information in relation to the Company. Under this Code, Directors, Officers and designated employees are also prevented from dealing in the shares during the closure of Trading Window. Directors and designated employees who buy and sell shares of the Company are prohibited from entering into an opposite transaction i.e. sell or buy any shares of the Company during the next six months following the prior transactions.

DECLARATION OF EXECUTIVE VICE-CHAIRMAN

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, I, Bhavesh Gandhi, Executive Vice-Chairman of Pipavav Shipyard Limited, declare that all Board Members and Senior Executives of the Company have affirmed their compliance with the Code of Conduct and Ethics during the year 2010-11.

Place: Mumbai

Date: May 28, 2011

Bhavesh Gandhi
Executive Vice-Chairman

CERTIFICATE BY EXECUTIVE VICE-CHAIRMAN & CHIEF FINANCIAL OFFICER OF THE COMPANY PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT

We, Bhavesh Gandhi, Executive Vice-Chairman, and Jigar Shah, Chief Financial Officer of Pipavav Shipyard Limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed financial statements and the cash flow statement for the financial year ended on March 31, 2011 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations;
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct;
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;
- d.
 - i. There have not been any significant changes in internal control over financial reporting during the year;
 - ii. There have not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - iii. We are not aware of any instances of significant fraud with the involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Bhavesh Gandhi
Executive Vice-Chairman

Jigar Shah
Chief Financial Officer

Place: Mumbai

Date: May 28, 2011



CERTIFICATE OF CORPORATE GOVERNANCE

**To,
The Members,
Pipavav Shipyard Limited.**

We have examined the compliance of conditions of Corporate Governance by Pipavav Shipyard Limited, for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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 Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement except the Chairman of the Audit Committee could not attend the Annual General Meeting for the reasons explained in the Corporate Governance Report.

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 Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. – 101720W

Place: Mumbai
Date: May 28, 2011

R. Koria
Partner
Membership No. – 35629

Auditor's Report

To
The Members of
Pipavav Shipyard Limited

1. We have audited the attached Balance Sheet of PIPAVAV SHIPYARD LIMITED, as at March 31, 2011, and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our Comments in the Annexure referred to in Para 3 above, we report that:
 - a) We have 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 appears from our examination of such books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors as on March 31, 2011, and taken on records by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies & notes there on, in particular Note no. 11 of Schedule 22 regarding payment of managerial remuneration which is subject to the approval of Central Government, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. – 101720W

Place: Mumbai
Date: May 28, 2011

R. Koria
Partner
Membership No. – 35629

ANNEXURE TO AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, we further report that:-

- i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the Company has physically verified certain assets, in accordance with a phased program of verification, which in our opinion is reasonable, having regard to the size of the Company.
 - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on the physical verification of inventory as compared to the book records.
- iii. In respect of Loans, secured or unsecured, granted or taken by the Company to/ from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - a. The Company has granted unsecured loan to a wholly-owned subsidiary company. The maximum amount outstanding at any time during the year was Rs. 4011.24 Lacs and the year end balance was Rs. 3790.23 Lacs.
 - b. In our opinion and according to the information and explanations given to us, the aforesaid loan is interest free and other terms and conditions, are not prima facie prejudicial to the interest of the Company.
 - c. The said loan is repayable on demand and there is no repayment schedule.
 - d. As the said loan is repayable on demand, the question of overdue amount does not arise.
 - e. The Company has not taken any loans during the year from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, the provisions of sub clauses (f) and (g) of paragraph 4 of the order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b. The transactions, made in pursuance of the contracts or arrangements, entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. Five lacs or more in respect of each party, have been made at prices, which are reasonable. The Company has not made any similar transactions with any other party.

- vi. According to information and explanations given to us, the Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable for the year under audit.
- vii. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- viii. The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of Ship Building activities carried out by the Company.
- ix. According to the information and explanations given to us in respect of statutory dues:
- a. The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year except in few cases.


Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- b. According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- c. The disputed statutory dues aggregating to Rs. 108.65 Lacs that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Name of the Statute	Nature of the Dues	Period to which the amount relates	Amount* (Rs. In Lacs)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	2007-08	15.82	C.I.T. (A)
Income Tax Act, 1961	Income Tax	2008-09	92.83	ITO-TDS
Total			108.65	

* Net of amount deposited under protest as mentioned in Note no. 1 of Schedule 22 to the financial statement.

- x. The Company has accumulated loss as on March 31, 2011, which is not more than fifty percent of its net worth as on that date. The Company has not incurred cash losses during the financial year covered by the audit but incurred cash losses in the immediately preceding financial year.
- xi. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to banks, financial Institutions and debenture holders.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- xiv. The Company has maintained proper records of transactions and contracts in respect of shares and other securities and timely entries have been made therein. The investments are held by the Company in its own name.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company has raised new term loans during the year. To the best of our knowledge and according to information and explanation given to us, the term loans outstanding at the beginning of the year and those raised during the year were prima facie been either used for the purposes for which they were raised or pending utilization been temporarily kept with the banks.

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- xvii. On the basis of review of utilization of funds, which is based on overall examination of the Balance Sheet of the Company as at March 31, 2011, related information as made available to us and as represented to us, by the management, we are of the opinion, that funds raised on short term basis have not been utilized for long term purposes.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has issued unsecured debentures and hence the question of creation of security against the same does not arise.
- xx. During the year covered by our report, the Company has not raised any money by public issue.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. – 101720W
R. Koria
Partner
Membership No. – 35629

Place: Mumbai

Date: May 28, 2011

Balance Sheet as at March 31, 2011

Rs in Lacs

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Share Holders' Funds			
Share Capital	1	66,579.84	66,579.84
Reserves and Surplus	2	102,501.56	103,650.01
		169,081.40	170,229.85
Convertible Share Warrants (Refer note no. 4 of Schedule 22)		6,254.96	-
Loan Funds			
Secured Loans	3	150,969.00	113,107.59
Unsecured Loans	4	51,106.18	19,883.95
		202,075.18	132,991.54
Deferred Tax Liability (Net) (Refer Note No. 18 of Schedule 22)		794.20	-
TOTAL		378,205.74	303,221.39
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	131,780.40	109,238.82
Less :- Depreciation		9,280.92	4,410.68
Net Block		122,499.48	104,828.14
Capital Work in Progress		147,517.99	138,838.21
		270,017.47	243,666.35
Investments	6	4,196.52	2,675.69
Current Assets, Loans and Advances			
Inventories	7	24,534.79	13,302.32
Sundry Debtors	8	20,499.33	701.80
Cash and Bank Balances	9	42,562.56	64,009.08
Other Current Assets	10	43,447.18	34,843.50
Loans and Advances	11	48,312.70	29,716.83
		179,356.56	142,573.53
Less :-			
Current Liabilities and Provisions			
Liabilities	12	66,322.39	75,898.37
Provisions		10,117.39	14,860.38
		76,439.78	90,758.75
Net Current Assets		102,916.78	51,814.78
Profit and Loss Account		1,074.97	5,064.57
TOTAL		378,205.74	303,221.39
Significant Accounting Policies	21		
Notes to Accounts	22		

As per our report of even date
For Chaturvedi and Shah
Chartered Accountants

For and on behalf of the Board of Directors

R Koria
Partner

Nikhil P. Gandhi
Chairman

Bhavesh P. Gandhi
Executive Vice Chairman

Place :- Mumbai
Date :- May 28, 2011

Jigar Shah
Chief Financial Officer

Ajit Dabholkar
Company Secretary

Profit and Loss Account for the year ended March 31, 2011

Particulars	Schedule	Rs in Lacs	
		For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME			
Income from Operations	13	85,993.08	62,938.26
Other Income	14	6,336.51	6,750.66
Increase / (Decrease) in Inventories	15	(2,235.06)	(11,294.30)
Total		90,094.53	58,394.62
EXPENDITURE			
Purchase of Traded Goods		25,758.80	9,477.15
Raw Materials Consumed	16	28,283.20	16,931.91
Manufacturing Expenses	17	9,115.37	16,346.19
Payments to and Provisions for Employees	18	2,739.93	2,162.85
Administrative, Selling and Other Expenses	19	2,606.85	7,388.09
Interest and Financial Charges	20	11,900.63	7,299.92
Depreciation		4,873.26	3,654.73
Total		85,278.04	63,260.84
Profit / (Loss) Before Taxes		4,816.49	(4,866.22)
Provision For Tax - Current Tax		1,161.40	-
- MAT credit entitlement		(1,127.65)	-
- Deferred Tax		794.20	-
- Income Tax for Earlier Years		11.39	15.83
Profit / (Loss) after Tax		3,977.15	(4,882.05)
Prior Period Items (Net)		12.45	(207.35)
Balance brought forward		(5,064.57)	24.83
Amount Available for Appropriation		(1,074.97)	(5,064.57)
Appropriations		-	-
Balance carried to Balance sheet		(1,074.97)	(5,064.57)
Earnings per Equity share of Rs. 10/- each			
- Basic (In Rupees)		0.60	(0.82)
- Diluted (In Rupees)		0.60	(0.82)
(Refer note no. 17 of Schedule 22)			
Significant Accounting Policies	21		
Notes to Accounts	22		

As per our report of even date
For Chaturvedi and Shah
 Chartered Accountants

For and on behalf of the Board of Directors

R Koria
 Partner

Nikhil P. Gandhi
 Chairman

Bhavesh P. Gandhi
 Executive Vice Chairman

Place :- Mumbai
 Date :- May 28, 2011

Jigar Shah
 Chief Financial Officer

Ajit Dabholkar
 Company Secretary

Schedules forming part of the Balance Sheet

Particulars	Rs in Lacs	
	As at March 31, 2011	As at March 31, 2010
Schedule - 1		
SHARE CAPITAL		
Authorised		
800,000,000 (Previous Year: 800,000,000) Equity shares of Rs. 10/- each	80,000.00	80,000.00
	80,000.00	80,000.00
Issued, Subscribed and Paid Up		
665,798,388 (Previous Year: 665,798,388) Equity Shares of Rs. 10/- each fully paid up	66,579.84	66,579.84
Total	66,579.84	66,579.84
Note:		
25,400,000 Equity shares of Rs. 10/- each fully paid up will be allotted to the holders of 10% Compulsorily and Mandatorily Convertible Debentures on the conversion of these debentures and 25,221,612 Equity shares of Rs. 10/- each fully paid up will be allotted on the exercise of the option by the equity share warrant holders.		
Schedule - 2		
RESERVES AND SURPLUS		
Securities Premium Account		
Balance as per Last Balance Sheet	103,650.01	67,448.02
Add :- On Issue of Shares	-	41,321.57
Less :- Securities Issue Expenses	1,148.45	5,119.58
	102,501.56	103,650.01
Total	102,501.56	103,650.01
Schedule - 3		
SECURED LOANS		
Term Loans		
- from Banks	69,017.01	57,035.09
- from Financial Institutions	39,220.82	40,782.25
	108,237.83	97,817.34
Short Term Loans		
- from Banks	42,650.00	9,500.00
- from Financial Institutions	-	5,500.00
	42,650.00	15,000.00
Vehicle Loans	81.17	47.85
Interest Accrued and Due	-	242.40
Total	150,969.00	113,107.59
1) The term loan from Banks and Financial Institutions referred to above are secured by way of first charge and mortgage on all the immovable properties of the Company, both present and future and hypothecation of all movable properties of the Company, both present and future, except book debts and stocks which are subject to the prior charge to secure working capital requirements.		
2) Short Term Loans from Banks referred to above includes:		
a) Rs. 10,000 lacs secured by way of subservient charge on current assets of the company, b) Rs. 20,000 lacs secured by way of subservient charges on Fixed assets of the Company, c) Rs. 5,000 lacs secured by way of first charge on the current assets of the company and second charge on Fixed Assets of the company. d) Rs. 7,650 lacs secured against FDR's pledged by the Company.		
3) All term loans and short term loans of Rs. 25,000 lacs are guaranteed by a promoter group company.		
4) Term Loans of Rs. 79,773.49 lacs and short term loans of Rs. 35,000 lacs are guaranteed by some of the directors in their personal capacity.		
5) Vehicle Loans are secured by Hypothecation of the specific vehicles financed.		

Schedules forming part of the Balance Sheet

Particulars	Rs in Lacs	
	As at March 31, 2011	As at March 31, 2010
Schedule - 4		
UNSECURED LOANS		
Debentures		
25,400,000 (Previous Year: NIL) 10% Compulsorily and Mandatorily Convertible Debentures of Rs. 70/- each	17,780.00	-
Short Term :-		
From Banks	33,326.18*	19,883.95*
Total	51,106.18	19,883.95

* Includes Rs. 31,911.00 lacs (Previous Year: Rs. 8,851.80 lacs) for operations and Rs. 1,415.18 lacs (Previous Year: Rs. 1,032.15 lacs) relating to discounting of letter of credits / buyers credit for the project.

Note:

Each Compulsorily and Mandatorily Convertible Debenture will be converted into one fully paid up Equity share of the company of Rs. 10/- each on completion of one year from the date of allotment i.e. May 19, 2010.

Schedules forming part of the Balance Sheet

Schedule - 5 FIXED ASSETS

Rs in Lacs

Particulars	Gross Block			Depreciation			Net Block			
	As on 01.04.2010	Additions during the year	Deductions/ Adjustments	As on 31.03.2011	Upto 31.03.2010	For the year	Deductions / Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
A) Tangible Assets										
Leasehold Land	22,271.45	60.63	-	22,332.08	1,139.86	1,141.03	-	2,280.89	20,051.19	21,131.59
Buildings	43,082.74	2,245.59	280.74	45,047.59	840.51	1,435.55	2.90	2,273.16	42,774.43	42,242.23
Plant and Machinery	42,839.53	19,958.34	(223.72)**	63,021.59	2,080.96	2,170.91	(5.57)	4,257.44	58,764.15	40,758.57
Furniture and Fixtures	394.20	159.55	(48.59)**	602.34	200.87	30.62	5.69	225.80	376.54	193.33
Vehicles	418.07	81.07	-	499.14	96.97	46.20	-	143.17	355.97	321.10
B) Intangible Assets										
Softwares*	232.83	44.83	-	277.66	51.51	48.95	-	100.46	177.20	181.32
Total	109,238.82	22,550.01	8.43	131,780.40	4,410.68	4,873.26	3.02	9,280.92	122,499.48	104,828.14
Previous Year	4,957.09	104,289.88	(8.15)	109,238.82	758.23	3,654.73	(2.28)	4,410.68	104,828.14	
Capital Work In Progress									147,517.99	138,838.21

* Other than Internally Generated

Notes:

- 1) The Leasehold Land represents the lease premium if any paid and the cost incurred for reclaiming and development of the Land.
- 2) Capital Work in Progress includes

- Advances on Capital Account	153.20	581.69
- Material at site	582.27	1,246.26
- Buildings under construction	750.81	1,113.79
- Plant and Machinery under installation	102,718.18	97,579.98
- Pre-operative Expenses	43,313.53	38,316.49
	147,517.99	138,838.21
- 3) Buildings and Plant & machineries are constructed /installed on leasehold land.
- 4) ** Represents re-classification of certain Fixed Assets.

Schedules forming part of the Balance Sheet

Particulars	Numbers		Face Value (Rs.)	Rs in Lacs	
	March 31, 2011	March 31, 2010		As at March 31, 2011	As at March 31, 2010
Schedule - 6					
INVESTMENTS					
Long Term Investments, (Unquoted)					
Government and Other Securities (Other than Trade)					
6 years National Savings Certificate (Deposited with Sales Tax Department)	-	-	-	0.05	0.05
				0.05	0.05
In Equity shares of Subsidiary Company					
- Fully Paid up					
E Complex Pvt.Ltd.	21,709,327	21,709,327	10.00	1,896.73	1,896.73
				1,896.73	1,896.73
Current Investments (Other than Trade, Unquoted)					
In Units of Mutual Funds					
Kotak Floater Long Term Growth	5,469,316.83	5,469,316.83	10.00	792.90	778.91
SBI - Magnum Insta Cash Fund -Daily Dividend Option	2,985,637.76	-	10.00	500.10	-
Religare Ultra Short Term Fund-Institutional Daily Dividend	100,501.41	-	10.00	1,006.74	-
				2,299.74	778.91
Total				4,196.52	2,675.69

Note:

1) Investments Purchased and Sold During the year

Mutual Funds	Face Value (Rs.)	Units (Nos)	Cost (Rs in Lacs)
Birla Sun Life Cash Plus - Inst. Prem. - Growth	10.00	42,319,541.00	6,280.25
Birla Sun Life Ultra Short Term Fund Institutional Growth	10.00	45,377,150.57	5,000.61
Birla Sun Life Cash Plus - Inst. Prem. - Daily Div. Reinvestment	10.00	67,867,658.07	6,800.00
Birla Sun Life Ultra STF Institutional Daily Div Reiv.	10.00	19,990,434.47	2,000.14
DSP Black Rock Money Manager Fund Institutional Plan- D.D	1,000.00	99,920.06	1,000.00
DWS Ultra Short Term Fund Inst. Daily Dividend Reinvest	10.00	34,088,980.73	3,415.00
Edelweiss Liquid Fund - Super Inst - Growth Plan	10.00	50,000,000.00	5,000.00
Edelweiss Short Term Bond Fund - Institutional - Growth Plan	10.00	44,823,893.17	5,001.45
Edelweiss Qtrly Interval Fund Series 1 Retail Div- Reinvestment	10.00	1,997,443.27	200.00
HDFC Cash Mngt Fund - Treasury Adv. Plan - Wholesale - Growth	10.00	14,791,003.13	3,000.00
HDFC Liquid Fund Premium Plan- Dividend - Daily Reinvest	10.00	9,992,006.40	1,225.00
Templeton India TMA Super Insti. Plan - Daily Div Reinv	1,000.00	94,936.11	950.00
Templeton India Ultra Short Bond Fund Super Insti. Plan - Daily Div Reinv	10.00	9,490,264.55	950.13
ICICI Prudential Institutional Liquid Super Institutional Plan - Growth	100.00	3,397,886.95	4,651.50
ICICI Prudential Flexible Income Plan Premium - Growth	100.00	583,400.88	1,000.15
ICICI Prudential UltraShort Term Plan Super Premium Growth	10.00	24,091,842.83	2,500.35
ICICI Prudential Floating Rate Plan D - Daily Dividend	100.00	1,999,690.23	2,000.14
ICICI Prudential Liquid Super Insti. Plan - Daily Dividend	100.00	999,774.05	1,000.00
IDBI Liquid Fund - Growth	10.00	42,384,589.29	4,250.00
IDBI Liquid Fund - Daily Dividend Reinvestment	1,000.00	168,809,163.02	17,466.63
IDBI Ultra Short Term Fund - Daily Dividend Reinvestment	10.00	43,019,727.01	4,301.97
JM Money Manager Fund Super Plus Plan Daily Dividend (171)	10.00	9,994,702.81	1,000.00
Kotak Floater Long Term Growth	10.00	6,802,259.25	1,000.12
Kotak Liquid (Institutional Premium) - Growth	10.00	38,617,512.99	7,257.90

Schedules forming part of the Balance Sheet

Mutual Funds	Face Value (Rs.)	Units (Nos)	Cost (Rs in Lacs)
Kotak Flexi Debt Scheme Institutional - Growth	10.00	21,980,838.41	2,500.32
Kotak Liquid Institutional Premium - Daily Dividend	10.00	17,991,347.80	2,200.00
Kotak Flexi Debt Scheme Institutional - Daily Dividend	10.00	11,944,865.41	1,200.16
Kotak Floater Long Term Daily Dividend	10.00	9,922,202.88	1,000.14
LICMF Liquid Fund - Growth	10.00	125,497,851.90	21,310.26
LICMF Floating Rate Fund - Short Term Plan - Growth Plan	10.00	56,553,347.58	8,621.05
LICMF Savings Plus Fund - Growth Plan	10.00	96,008,107.75	14,132.40
LICMF Income Plus Fund - Growth Plan	10.00	32,319,947.46	4,019.44
LICMF Savings Plus Fund - Daily Dividend Plan	10.00	48,500,000.00	4,850.00
Principal Floating Rate Fund FMP - Insti. - Growth	10.00	48,886,048.07	7,200.93
Principal Cash Management Fund-Liquid Option Instl. Prem. Plan - Growth	10.00	51,461,798.49	7,450.00
Principal Cash Management Fund - Div Reinv Daily	10.00	1,999,860.01	200.00
Principal Near Term Fund Conservative Plan Dividend Reinvestment Daily	10.00	9,987,715.11	1,000.00
Reliance Medim Term Fund - Retail Plan - Growth	10.00	27,272,155.62	5,261.03
Reliance Money Manager Fund - Institutional Option - Growth Plan	1,000.00	119,447.98	1,500.17
Reliance Liquidity Fund - Growth Option	10.00	68,001,012.20	9,515.71
Reliance Monthly Interval Fund - Series I - Institutional Growth Plan	10.00	15,916,343.70	2,000.00
Reliance Liquidity Fund -Daily Dividend Reinvestment Option	10.01	10,368,523.31	1,037.38
Reliance Liquid Fund Cash Plan Daily Dividend Option	10.00	44,877,260.69	5,000.00
Reliance Medim Term Fund Daily Dividend Plan	10.00	877,403.35	150.00
Religare Liquid Fund - Super Institutional Daily Dividend	10.00	108,365,474.93	10,845.00
Religare Ultra Short Term Fund - Institutional Daily Dividend	1,000.00	54,997,457.47	6,350.65
Religare Overnight Fund Dividend	10.00	5,000,000.00	500.00
SBI - Magnum Insta Cash Fund - Cash Option	10.00	7,334,676.39	1,500.00
SBI Premier Liquid Fund - Institutional Growth	10.00	1,013,438.19	150.00
SBI - Magnum Insta Cash Fund - Daily Dividend Option	10.00	37,462,015.61	6,275.00
SBI - SHF - Ultra Short Term Fund - Institutional Plan - Daily Dividend Option	10.00	6,000,548.80	600.41
SBI PSU Fund - Growth	10.00	1,000,000.00	100.00
SBNPP Money Fund Super Inst. Growth	10.00	5,153,550.02	1,000.00
SBNPP Ultra Short Term Fund Super Institutional Growth	10.00	8,044,087.69	1,000.11
SBNPP Ultra Short Term Fund Super Institutional Daily Dividend Reinvestment Plan	10.00	14,944,704.59	1,500.00
S230 Sundaram Money Fund Super Inst. Daily Dividend Reinvestment	10.00	49,527,998.18	5,000.00
TATA Fixed Income Portfolio Fund Scheme A3 Institutional - Growth	10.00	10,001,407.23	1,000.14
TATA Liquid Super High Inv. Fund - Appreciation	1,000.00	58,339.95	1,000.00
Taurus Liquid Fund - Super Institutional Daily Dividend Reinvestment	1,000.00	869,960.16	8,700.00
Taurus Ultra Short Term Bond Fund - Super Insti Daily Dividend Plan	1,000.00	369,411.10	3,700.53
UTI Liquid Cash Plan Institutional - Growth Option	1,000.00	99,159.45	1,500.00
UTI Treasury Advantage Fund - Institutional Plan (Growth Option)	1,000.00	432,117.63	5,383.84
UTI-Floating Rate Fund - Short Term Plan - Institutional Growth Option	1,000.00	479,967.81	5,000.60
UTI- Money Market Fund - Institutional Growth Option	1,000.00	940,952.58	9,776.05
UTI - Fixed Income Interval Fund - Series II - Qtrly Interval Plan VI - Instl Growth Plan	10.00	10,504,100.01	1,066.72
UTI Treasury Advantage Fund - Insti. Daily Dividend Reinvestment	1,000.00	59,987.16	600.00
UTI Money Market Mutual Fund - Insti. Daily Dividend Reinvestment	1,000.00	583,191.14	5,851.65
UTI-Floating Rate Fund - Short Term Plan - Institutional Daily Dividend	1,000.00	79,949.94	800.12
UTI - Liquid Cash Plan Institutional- Daily Income Option- Reinvestment	1,000.00	490,462.61	5,000.00

2) Investment in Mutual Funds of Kotak Floater Long Term Growth have been pledged with a Financial Institution for Guarantee facilities availed from them.

Schedules forming part of the Balance Sheet

Particulars	Rs in Lacs	
	As at March 31, 2011	As at March 31, 2010
Schedule - 7		
INVENTORIES (as taken, valued and certified by the Management)		
Raw Materials and Components	23,487.57	10,123.40
Work in Progress	-	2,559.16
Stores, Spares and Consumables	501.14	397.78
Scrap	546.08	221.98
Total	24,534.79	13,302.32
Schedule - 8		
SUNDRY DEBTORS (Unsecured and considered good)		
- Due for a period exceeding 6 months	0.90	-
- Others	20,498.43	701.80
Total	20,499.33	701.80
Schedule - 9		
CASH AND BANK BALANCES		
Cash on Hand	9.54	9.53
Balances with Scheduled Banks		
- In Current Accounts	5,446.15	13,052.59
- In Fixed Deposit Accounts	37,106.87	50,946.96
(Out of the above Rs. 21,274.48 Lacs (P.Y. Rs. 50,946.96 Lacs) are pledged with banks as Margin for Bank Guarantees & Letter of Credits and Rs. 8,500 lacs (P.Y.: NIL) for Credit Facilities)		
Total	42,562.56	64,009.08
Schedule - 10		
OTHER CURRENT ASSETS (Unsecured & considered good)		
Shipbuilding Contracts Receivables	27,138.14	26,028.59
Subsidy Receivable	16,309.04	8,814.91
Total	43,447.18	34,843.50

Schedules forming part of the Balance Sheet

Particulars	Rs in Lacs	
	As at March 31, 2011	As at March 31, 2010
Schedule - 11		
LOANS AND ADVANCES		
(Unsecured & considered good)		
To Subsidiary company *	3,790.23	3,869.40
Advance recoverable in cash or in kind or for the value to be received **	31,975.98	15,243.36
Deposits #	9,448.83	8,453.26
Advance Taxes (including Fringe Benefit Tax) (Net)	1,970.01	2,150.81
MAT credit entitlement (Refer Note No. 22 of Schedule 22)	1,127.65	-
Total	48,312.70	29,716.83
* Maximum Balance at any time during the year Rs.4,011.24 lacs (Previous Year: Rs. 10,669.93 lacs).		
** Subject to Confirmation.		
# includes Rs.7,030 lacs (Previous Year: Rs. 7,030 lacs) with Subsidiary company.		
Schedule - 12		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Acceptances	736.10	193.08
Sundry Creditors		
- Dues to Micro Small and Medium Enterprises *	458.66	61.54
- Dues to Others	18,971.20	15,576.13
Advance from Customers	41,797.96	58,012.31
Unclaimed Share Application Money **	6.01	18.36
Other Liabilities	1,735.74	1,345.91
Interest Accrued but not due on Loans	2,616.72	691.04
Total	66,322.39	75,898.37
PROVISIONS		
For Income Tax	1,161.40	-
For Wealth Tax	2.45	2.50
For Gratuity / Leave Encashment	219.63	163.72
Other Provisions #	8,733.91	14,694.16
Total	10,117.39	14,860.38
Total	76,439.78	90,758.75

* Refer Note No 13 of Schedule 22

** Does not include any amount due and outstanding to be credited to Investor Education & Protection Fund.

The company has recognised liabilities based on substantial degree of estimation for provision for estimated cost over contract revenue on shipbuilding contracts and costs estimated for revenue recognised. The provision for estimated cost over contract revenue on Shipbuilding contracts and costs estimated for revenue recognised as at March 31, 2010 was of Rs 3,293.38 Lacs and Rs.11,400.78 Lacs respectively, against which Rs. 3,293.38 lacs and Rs. 11,400.78 lacs respectively have been incurred during the year. Additional provision recognised under this clause is Rs. 361.59 lacs and Rs. 8,372.32 lacs respectively during the year. Liability outstanding under this clause as at March 31, 2011 is Rs. 361.59 lacs and Rs. 8,372.32 lacs respectively. Actual outflow is expected in the subsequent financial years.

Schedules forming part of the Profit and Loss Account

Particulars	Rs in Lacs	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule - 13		
INCOME FROM OPERATIONS		
Shipbuilding and Ship Repairs	51,942.69	44,529.58
Subsidy on Shipbuilding *	7,494.13	8,814.91
Trade Sales	26,556.26	9,593.77
*(Refer note no. 8 of Schedule 22)		
Total	85,993.08	62,938.26
Schedule - 14		
OTHER INCOME		
Interest Income	3,676.33	3,779.78
{Tax Deducted at Source Rs. 397.95 lacs (Previous Year: Rs. 455.27 lacs)}		
Project consultancy	300.00	-
Profit on Sale of Current Investments (Net)	326.71	392.80
Dividend on Current Investments	337.88	8.31
Foreign Exchange difference (Net)	1,227.30	2,531.62
Liability No Longer Required (Written Back)	413.72	-
Miscellaneous Income	54.57	38.15
Total	6,336.51	6,750.66
Schedule - 15		
INCREASE AND (DECREASE) IN INVENTORIES		
Closing Balance		
Scrap	546.08	221.98
Work in progress	-	2,559.16
	546.08	2,781.14
Less :- Opening Balance		
Scrap	221.98	18.61
Work in progress	2,559.16	14,056.83
	2,781.14	14,075.44
Increase / (Decrease) in Inventories	(2,235.06)	(11,294.30)
Schedule - 16		
RAW MATERIALS CONSUMED		
Opening Stock of Raw Materials	10,123.40	17,753.86
Add :- Purchases	41,647.37	9,301.45
Less :- Closing Stock of Raw Materials	23,487.57	10,123.40
Total	28,283.20	16,931.91
Schedule - 17		
MANUFACTURING EXPENSES		
Stores, Spares and Consumables	2,073.93	1,166.29
Site Rent	272.72	212.22
Power Fuel and Water	1,496.37	894.64
Labour Charges	4,401.63	1,545.96
Design and Drawing Fees	539.48	76.99
Insurance	184.53	19.05
Repairs and Maintenance - Plant and Machinery	739.95	180.00
Equipment Hire Charges	587.02	285.28
Infrastructure Facility Charges	940.00	470.00
Other Manufacturing Expenses	908.21	94.98
Cost Estimated for Revenue Recognised (Refer note no. 19 of Schedule 22)	(3,028.47)	11,400.78
Total	9,115.37	16,346.19

Schedules forming part of the Profit and Loss Account

Particulars	Rs in Lacs	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule - 18		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
(Including Managerial Remuneration)		
Salaries, Wages and Allowances	2,322.70	1,950.93
Contribution to PF and Other Fund	241.31	92.39
Welfare and Other Amenities	175.92	119.53
Total	2,739.93	2,162.85
Schedule - 19		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
ADMINISTRATIVE EXPENSES		
Rent	432.09	287.81
Rates and Taxes	0.85	1.16
Electricity Expenses	53.33	49.02
Insurance Premium	20.98	27.65
Printing and Stationery	58.92	33.43
Communication Expenses	91.71	62.78
Travelling, Conveyance and Vehicle Hire Charges	1,006.61	690.69
Repairs and Maintenance - Building	156.86	33.88
Repairs and Maintenance - Others	140.10	77.50
Legal and Professional Charges	2,144.02	1,944.24
Directors Sitting Fees	3.90	4.30
Payment to Auditors	56.60	40.95
Miscellaneous Expenses	601.52	236.44
SELLING EXPENSES		
Advertising / Publicity Expenses	524.39	341.00
Brokerage and Commission	5.37	4.21
Business Promotion Expenses	234.00	218.89
OTHER EXPENSES		
Provision for estimated cost over contract revenue	(2,931.79)	3,293.38
Loss on Sale of Fixed Assets (Net)	4.13	4.78
Donations	0.81	33.48
Wealth Tax	2.45	2.50
Total	2,606.85	7,388.09
Schedule - 20		
INTEREST AND FINANCIAL CHARGES		
Interest		
- On Debentures	1,079.64	-
- On Fixed Loans	8,199.27	4,003.67
- On Others	27.74	674.07
Loan Processing and Other Financial charges	2,593.98	2,622.18
Total	11,900.63	7,299.92

Schedules forming part of the Balance Sheet & the Profit and Loss Account

SCHEDULE 21

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

2. USE OF ESTIMATES:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS:

- i. Fixed Assets are stated at cost net of cenvat / value added tax less accumulated depreciation and impairment loss, if any. All costs, including financing costs till commencement of commercial production attributable to the fixed assets are capitalised.
- ii. Expenses incurred relating to project, net of income earned during project development stage prior to commencement of commercial operation, are considered as project development expenditure and disclosed under Capital Work-in-Progress.

4. INTANGIBLE ASSETS:

Intangible Assets are stated at cost of acquisition less accumulated amortization. Software, which is not an integral part of the related hardware, is classified as an intangible asset and is amortized over the useful life of five years. Amortization is done on straight line basis.

5. DEPRECIATION:

Depreciation on Fixed Assets is provided on the Straight Line Method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. In respect of additions/extensions forming an integral part of existing assets depreciation has been provided over residual life of the respective fixed assets. The assets constructed on the leasehold land is depreciated during the lease period of the land or at the rates prescribed in Schedule XIV, whichever is higher.

6. INVESTMENTS:

Current investments are carried at the lower of cost or quoted / fair value, computed category wise. Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

7. BORROWING COSTS:

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset (net of income earned on temporary deployment of funds) are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

8. INVENTORY:

The inventories i.e. Raw Materials, Stores and Spares, Finished Goods etc. have been valued at lower of cost or net realisable value. Cost of Inventories comprise of all costs of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. The cost of steel plates, profiles and equipments is determined on Specific Identification Method and other raw materials and stores & spares at Weighted Average Method. The cost of Work-in-progress and Finished Stock is determined on absorption costing method. Scrap is valued at net realisable value.

9. REVENUE RECOGNITION:

- i. Revenue for shipbuilding contracts are recognized using the percentage of completion method as under:
 - a. In respect of commercial vessels, including bulk carriers, tankers, container vessels, etc. and floating platforms revenue is recognized on the basis of percentage of actual cost incurred thereon as against the total estimated cost of the shipbuilding contract under execution.
 - b. In respect of other vessels, including offshore support vessels, revenue is recognized in proportion to the stage of completion. The stage of completion is measured by reference to the percentage of proportion of the contract work completed as determined by technical experts. As soon as the outcome of the construction contract can be estimated reliably, contract revenue and expenses are recognized in the profit and loss account in proportion to the degree of completion of the contract.

The estimates of cost are revised periodically by the management. The effect of such changes to estimates is recognized in the period in which such changes are determined. The estimated cost of each contract is determined based on the management's estimate of the cost to be incurred till the final completion of the vessel and includes cost of materials, services, finance cost and other related overheads. Any projected losses on contracts under execution are recognized in full when identified. Recognition of revenue relating to agreements entered in to with the buyers, which are subject to fulfillment of obligations/conditions imposed by statutory authorities is postponed till such obligations are discharged.

- ii. Revenue from ship repairs is recognized on the basis of job completion.
- iii. Interest income is recognised on a time proportion basis. Dividend is considered when the right to receive is established.

10. GOVERNMENT SUBSIDY:

Government subsidy related to shipbuilding contracts are recognized, on the basis of percentage completion of the respective ships, on compliance with the relevant conditions and such grants are recognized in the Profit and Loss Account and presented under Income from Operations.

11. FOREIGN CURRENCY TRANSACTIONS:

- i. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.
- ii. Monetary items denominated in foreign currencies at the year end are restated at the year end rates. In case of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts has been recognised over the life of the contract.
- iii. Non monetary foreign currency items are carried at cost.
- iv. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Account.

12. FINANCIAL DERIVATES:

In respect of Derivative Contracts, premium paid and losses / gains on settlement are recognised in the Profit and Loss Account.

13. EMPLOYEE BENEFITS:

- i. Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account/project development expenditure of the year in which the related service is rendered.
- ii. Post employment and other long term employee benefits are recognized as an expense in the Profit and Loss account/project development expenditure for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Profit and Loss account/project development expenditure.

14. PROVISION FOR CURRENT AND DEFERRED TAX:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from “timing differences” between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

15. IMPAIRMENT OF ASSETS:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

16. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

17. PRELIMINARY AND ISSUE EXPENSES:

Preliminary and Expenses related to issue of equity, equity related instruments and debentures are adjusted against the securities premium account.

Schedule 22: Notes to Accounts

		(Rs. in Lacs)	
1.	Contingent Liabilities:	31.03.2011	31.03.2010
	a) Guarantees given by Company's Bankers		
	i) Refund Bank Guarantees given to customers (Net of liabilities accounted for)	17,539.84	48,400.26
	ii) Other Bank Guarantees (Bank Guarantees are provided under Contractual/ Legal obligations. No cash outflow is expected)	9,065.85	7,597.99
	b) Demands not acknowledged as Debts		
	i) Income Tax (Out of total demand the Company has already deposited Rs.288.67 Lacs (P.Y. Rs. 21.17 Lacs) and no further cash outflow is expected in the near future)	397.32	40.49
	ii) Service Tax and excise duty (Relates to disallowance of Cenvat Credit taken by the Company.)	58.45	-
	iii) Other Claims (Relates to claims of suppliers and demand raised by vendor for service tax etc. No Cash Outflow is expected.)	192.10	94.01
	c) Letters of Credit opened in favour of suppliers (Cash Flow is expected on receipt of materials from Suppliers)	23,388.51	1,891.67
2.	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net of Advances). (Cash flow is expected on execution of such Capital Contracts on Progressive basis)	3,377.20	11,630.89

3. The Company is constructing its integrated shipyard projects comprising two units, viz., Special Economic Zone (SEZ) and Export Oriented Unit (EOU), situated at Amreli in Gujarat. Certain facilities at the above mentioned units have already been commissioned and others are still under construction / commencement. The Project Development Expenditure (included under Capital Work-in-Progress) is as under:

	(Rs. in Lacs)	
Particulars of Expenses	2010 - 2011	2009 - 2010
Opening Balance	38,316.49	55,256.87
Add:		
Rent	96.61	150.55
Salaries Wages and Allowances	817.82	983.46
Contribution to PF and Other Fund	14.91	34.29
Welfare and Other Amenities	36.02	54.54
Legal, Professional and Consultancy Charges	172.27	1,107.80
Conveyance, Travelling and Vehicle Expenses	158.11	237.42
Rates and Taxes	56.77	876.34
Insurance	77.85	60.31
Communication Expenses	16.50	30.31
Repairs & Maintenance – Building	29.37	-
Repairs & Maintenance – Others	82.35	79.96
Miscellaneous Expenditure	156.59	184.13
Interest on Fixed Loans	7,319.88	7,416.52
Interest on Debentures	464.54	-
Interest Others	-	1,168.76
Bank and Financial Charges	125.50	697.46
Sub Total -	47,941.58	68,338.72
Less :		
Miscellaneous Income	-	1.81
Balances Written Back	145.59	52.68
CST Recoverable	-	56.77
Sub Total -	145.59	111.26
Less:		
Allocated to Fixed Assets	4,482.46	29,910.97
Closing Balance	43,313.53	38,316.49

4. As approved by the Shareholders in Extra-Ordinary General Meeting held on September 07, 2010, the Company has issued 2,52,21,612 Convertible Share Warrants to SKIL Infrastructure Limited, the Promoters of the Company, having a currency period of eighteen months from the date of issue of Share Warrant i.e. September 22, 2010. Each Share Warrant provides the holder an option to convert it into one fully paid up Equity Share of Rs. 10/- each at an exercise price of Rs. 99.10 per equity share. The company has received Rs. 6,254.96 Lacs upto March 31, 2011 against the above Convertible Share Warrants. No Share Warrants have been converted during the year.
5. During the year the company has decided to value the inventories of its major raw materials viz. steel plates, profiles & equipments on Specific Identification Method as against Weighted Average Method. This change in method of valuation has resulted into inventory of raw materials higher by Rs.179.11 Lacs and consumption of raw materials lower by the equal amount & the profit for the year lower by Rs 75.40 Lacs.

6. The Company has issued, a Bond-cum-Legal Undertaking for Rs. 24,400 Lacs (Previous Year Rs. 24,400 Lacs) in favour of President of India acting through Development Commissioner of Kandla Special Economic Zone for setting up a SEZ unit for availing exemption from payment of duties, taxes or cess or drawback and concession etc, and a General Bond in favour of the President of India for a sum of Rs. 15,300 Lacs (Previous Year. Rs. 15,300 Lacs) a security for compliance of applicable provisions of the Customs Act, 1962 and the Excise Act, 1944 for EOU unit.
7. In the opinion of the management, Current Assets, Loans and Advances are of the value stated, if realized in the ordinary course of business.
8. As per the Revised Guidelines for the Shipbuilding Subsidy issued by the Government of India on March 25, 2009, the Company is eligible for subsidy at the rate of 30% of the contract price, in respect of the export order received for vessels for which the contracts with the customers were signed on or before August 14, 2007. Accordingly Government Subsidy of Rs. 7,494.13 Lacs for the year (Previous Year Rs. 8,814.91 Lacs) has been recognised as revenue in respect of Ships under construction on proportionate completion basis.
9. Advances recoverable in cash or in kind or for the value to be received in Schedule 11 includes Rs. 5,906.85 Lacs (Previous Year Rs. 4,309.18 Lacs), being the Cenvat/VAT/Central Sales Tax paid on the purchase of goods and services for the project. The company has been legally advised that such amounts are recoverable. Any unrealized amounts will be added back to the cost of the project or charged off to the profit & loss account, as the case may be in the year of settlement.
10. The company has received two show cause notices in its 100% EOU unit from the Office of the Commissioner of Central Excise, Bhavnagar and Directorate of Revenue Intelligence which mainly relates to availment of Cenvat/Customs Duty/Service Tax Credit availed on inputs/services used for Construction of Dry Dock and Goliath Cranes and Non-submission of original evidences/documents. The company has also received five show cause notices in its SEZ Unit from the Office of the Assistant Commissioner of Service Tax, Bhavnagar, mainly relates to non submission of original evidence / documents. The company does not foresee any losses on this account.

11. Managerial Remuneration:

a) Remuneration to the Director

Particulars	(Rs. in Lacs)	
	2010 - 2011	2009 - 2010
Salaries	390.00*	264.60
Contribution to Provident Fund	7.20	7.20
Perquisites and other allowances	0.40	0.40
Total	397.60	272.20

* include Rs. 150 Lacs provided subject to prior approval of Central Government.

Liability for Gratuity and Leave Encashment is provided on actuarial basis for the Company as a whole, the amounts pertaining to the Director is not ascertainable and therefore not included above.

- b) The computation of net profit for the purpose of directors remuneration under section 349 of the Companies Act 1956 have not been enumerated since no commission has been paid to any of the directors. Fixed Managerial Remuneration has been paid to the whole time director.

12. Auditors Remuneration:

Particulars	(Rs. in Lacs)	
	2010 - 2011	2009 - 2010
Audit Fees	35.00	30.00
Tax Audit Fee	5.00	5.00
Certification Charges and Other Matters	16.60	50.95*
Total	56.60	85.95

*Includes Rs. 45 Lacs adjusted against Securities Premium.

13. Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

(Rs. in Lacs)

Sr. No.	Particulars	As at March 31, 2011	As at March 31, 2010
a.	Principal amount remaining unpaid	458.66	61.54
b.	Interest due thereon	-	-
c.	Interest paid by the Company in term of Section 16	-	-
d.	Interest due and payable for the year of delay in payment	-	-
e.	Interest accrued and remaining unpaid.	-	-
f.	Interest remaining due and payable even in succeeding years.	-	-

14. Employee Benefits:

As per Accounting Standard 15 "Employee Benefits" the disclosure of employee benefits as defined in the accounting standards are given below:

Defined Contribution Plan

(Rs. in Lacs)

Particulars	2010 - 2011	2009 - 2010
Employers Contribution to Provident Fund	75.10	54.25
Employers Contribution to Pension Fund	18.98	18.62
Total	94.08	72.87

Defined Benefit Plan

The Employees Gratuity Fund Scheme, which is a defined benefit plan, is managed by the trust maintained with Life Insurance Corporation of India (LIC). The company has made contribution to the above mentioned trust upto the financial year ended March 31, 2009 and thereafter no contribution have been made.

The present value of the obligation is determined based on actuarial valuation using Projected Units Credit Method, which recognizes each period of service as giving rise to additional units of employees benefit entitlement and measures each unit separately to buildup the final obligation.

- a) Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010 - 2011	2009 - 2010
Defined Benefit Obligation at beginning of the year	84.46	46.85
Current & Past Service Cost	14.58	96.79
Current Interest Cost	6.06	3.00
Actuarial (Gain) / Loss	14.48	(43.63)
Benefits paid	24.49	18.55
Defined Benefit Obligation at end of the year	95.09	84.46

- b) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets.

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010 - 2011	2009 - 2010
Fair Value of Plan Assets at the beginning of the year	45.11	63.66
Expected Return on Plan Assets	3.85	4.35
Actuarial Gain / (Loss)	2.06	(4.35)
Contributions	-	-
Benefits Paid	-	18.55
Fair Value of the Assets at the end of the year	51.02	45.11

- c) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010 - 2011	2009 - 2010
Fair Value of Plan Assets at the end of the year	51.02	45.11
Present Value of Defined Benefit Obligation at end of the year	95.09	84.46
Liabilities / (Assets) recognised in the Balance Sheet	44.07	39.35

- d) Expenses recognised during the year

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010 - 2011	2009 - 2010
Current & Past Service Cost	14.58	96.79
Interest Cost	6.06	3.00
Expected Return on Plan Assets	(3.85)	(4.35)
Actuarial (Gain) / Loss	12.42	39.28
Net Cost Recognised in Profit and Loss Account	29.21	56.16

- e) Assumptions used to determine the defined benefit obligations

Particulars	Gratuity Funded	
	2010 - 2011	2009 - 2010
Mortality Table (LIC)	(1994 – 96 ultimate)	
Discount Rate (p.a.)	8.39%	8.00%
Estimated Rate of Return on Plan Asset	8.00%	8.00%
Expected Rate of increase in Salary (p.a.)	8.00%	7.00%

The estimates of rate of increase in salary considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

f) Amounts for the Current and previous years for Gratuity Funded are as follows:

Particulars	(Rs. in Lacs)			
	2010 -11	2009 -10	2008 - 09	2007 - 08
Defined Benefit Obligation	95.09	84.46	46.85	18.81
Plan Assets	51.02	45.11	63.66	40.37
Surplus/(Deficit)	(44.07)	(39.35)	16.81	21.56
Experience adjustment on plan assets (Gain)/Loss	*	*	*	*
Experience adjustment on plan Liabilities Gain/ (Loss)	*	*	*	*

* - Details are not readily available in the valuation report taken by the Company and hence are not furnished.

Note: In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage and amount for each category of the fair value of plan assets has not been disclosed.

15. Segment Reporting

The Company's activities predominantly revolve around the shipbuilding, ship repair and other related activities. Considering the nature of Company's business and operations, there is only one reportable segment (business and / or geographical).

16. Related Party Disclosures

a) List of Related parties

1. Subsidiary Company

E Complex Private Limited

2. Associates

SKIL Infrastructure Limited

3. Key Managerial Personnel

Mr. Nikhil P. Gandhi

Mr. Bhavesh P. Gandhi

Mr. J P Rai (upto 30-06-2010)

Mr. M. Jitendran (w.e.f 01-07-2010)

4. Enterprises in which key managerial personnel or their relatives are able to exercise significant influence (Other Related Parties)

Awaita Properties Private Limited

b) Transactions with related parties for the year ended March 31, 2011

(Rs. in Lacs)

Nature of Transactions	Subsidiary	Associates	Key Managerial Personnel				Other Related Parties	Total
	E-Complex Pvt. Ltd.	SKIL Infra-structure Ltd	Mr. Nikhil P. Gandhi (Chairman)	Mr. Bhavesh P. Gandhi (Whole time Director)	Mr. M Jitendran (CEO)	Mr. J P Rai (CEO)	Awaita Properties Pvt. Ltd.	
Expenditure								
Lease Rent	251.50 (251.50)	- (-)	- (-)	- (-)	- (-)	- (-)	394.93 (281.71)	646.43 (533.21)
Infrastructure Facility Charges	940.00 (470.00)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	940.00 (470.00)
Project Development Fees	- (-)	- (473.00)	- (-)	- (-)	- (-)	- (-)	- (-)	- (473.00)
Directors Sitting fees	- (-)	- (-)	0.90 (0.90)	- (-)	- (-)	- (-)	- (-)	0.90 (0.90)
Remuneration	- (-)	- (-)	- (-)	397.60 (272.20)	109.46 (-)	129.38 (123.48)	- (-)	636.44 (395.68)
Expenses reimbursed to	107.82 (208.69)	192.44 (56.67)	- (-)	- (-)	- (-)	- (0.15)	43.81 (45.58)	344.07 (311.09)
Expenses reimbursed from	128.28 (359.98)	8.80 (0.79)	- (-)	- (-)	- (-)	- (-)	- (-)	137.08 (360.77)
Lease Deposits as on 31.03.2011	7,030.00 (7,030.00)	- (-)	- (-)	- (-)	- (-)	- (-)	325.00 (200.00)	7,355.00 (7,230.00)
Loans and Advances Balance as at 01.04.2010	3,869.40 (9,087.01)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	3,869.40 (9,087.01)
Given during the year	1,269.00 (2,341.10)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1,269.00 (2,341.10)
Returned during the year	1,348.17 (7,558.71)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1,348.17 (7,558.71)
Balance as at 31.03.2011	3,790.23 (3,869.40)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	3,790.23 (3,869.40)
Sundry Creditors	- (-)	154.52 (193.38)	- (-)	- (-)	- (-)	- (-)	3.06 (50.73)	157.58 (244.11)
Investment								
Balance as at 31.03.2011	1,896.73 (1,896.73)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1,896.73 (1,896.73)

Note: Figures in brackets pertain to previous years

17. Earnings per share (Basic and Diluted)
(Rs. in Lacs)

Particulars		2010-2011	2009-2010
Net Profit / (Loss) after Tax		3,977.15	(4,882.05)
Add / Less: Prior period Items		12.45	207.35
Amount available for calculation of Basic and Diluted EPS	(A)	3,989.60	(5,089.40)
Weighted Average No. of Equity Shares outstanding for Basic and Diluted EPS	(B)	665,798,388	622,956,220
Basic and Diluted Earnings per share of Rs. 10/- each (in Rs.)	(A)/(B)	0.60	(0.82)

Note: The effect of 10% Compulsorily and Mandatorily Convertible Debentures and Convertible Share Warrants on Earnings Per Share are anti dilutive and hence, they are not considered for the purpose of calculation of dilutive earnings per share.

18. Deferred Tax Liability / (Asset)

As required by Accounting Standard 22 on "Accounting for Taxes on Income" Deferred Tax comprises of the following items:

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Deferred Tax Liabilities		
Related to Fixed Assets	7,321.39	3,771.02
Total	7,321.39	3,771.02
Deferred Tax Assets		
Unabsorbed Depreciation	6,454.24	6,001.56
Disallowance under Income Tax	72.95	55.66
Total	6,527.19	6,057.22
Net Deferred Tax Liability / (Assets)	794.20	(2,286.20)

The company has Net Deferred Tax Assets of Rs 2,286.20 Lacs as at March 31, 2010, which was not accounted in books of accounts in the absence of virtual certainty that sufficient future taxable income will be available against which deferred tax assets can be realized, in the line with Accounting Standard -22 dealing with Accounting for Taxes on Income.

19. In respect of Offshore Vessels (OSVs), the Company has accounted for contract revenue and expenses based on the proportion of completion of contracts as certified by technical experts. With an aim to allocate the profit on the said contracts to whole of the contract during the year a provision of Rs. 8,372.32 Lacs (Previous Year Rs. 11,400.78 Lacs) being the proportionate cost to be incurred has been made. The total provision on this account as on March 31, 2011 is Rs. 8,372.32 Lacs (Previous Year Rs. 11,400.78 Lacs).
20. Disclosure pursuant to Accounting Standard – 7 (AS – 7 "Accounting for Construction Contracts") as notified by Companies Accounting Standards Rules, 2006:

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
a. The contract revenue recognized in the year	39,172.66	44,529.58
b. The aggregate amount of cost incurred and recognized profits (less recognized losses) upto the end of Financial Year for all contracts in progress	77,082.62	50,037.08
c. Amount of advance received from the customers for contracts in progress	74,527.96	20,183.30
d. The retention amount due from customers for contracts in progress as at the end of Financial Year	-	-

21. Lenders in respect of secured / unsecured loans aggregating to Rs. 1,08,237.83 Lacs (Previous Year Rs. 97,179.75 Lacs) have right to convert them at their option into fully paid up equity shares of the company if the company is in default for a period more than what is specified in respective loan agreements.
22. Presently the company is liable to pay Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act, 1961 (“the Act”) and the amount paid as MAT is allowed to be carried forward for being set off against the future tax liabilities computed in accordance with the provisions of the Act, other than section 115JB, in next ten years. Based on the future projection of the performances the company will be liable to pay the Income Tax as per provisions, other than under section 115JB, of the Act. Accordingly as advised in Guidance Note on “Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961” issued by The Institute of Chartered Accountants of India, Rs. 1,127.65 Lacs being the excess of tax payable under section 115JB of the Act over tax payable as per the provisions other than section 115JB of the Act has been considered as MAT credit entitlement and credited to Profit and Loss Account. The aggregate MAT credit entitlement available to the company as on March 31, 2011 is Rs. 1,127.65 Lacs.
23. In accordance with the Accounting Standard (AS – 28) on “Impairment of Assets” the Management during the year carried out an exercise of identifying the asset that may have been impaired in respect of each cash generating unit. On the basis of this review carried out by the Management, there was no impairment loss on Fixed Assets during the year ended March 31, 2011.
- 24. Financial and Other Derivative Instruments:**
- a. Derivative contracts entered into by the Company and outstanding as on March 31, 2011.
For Hedging Currency related risks

Particulars	(Rs. in Lacs)	
	As at March 31, 2011	As at March 31, 2010
Forward Contract	3,572	-

- b. All derivative and financial instruments acquired by the company are for hedging purpose only.
- c. Foreign currency exposures that are not hedged by derivative instruments or forward contracts as at March 31, 2011 are:

Particulars	(Rs. in Lacs)	
	2010 – 2011	2009-2010
Receivables	46,975.90	8,108.64
Payables	79,694.65	84,802.76

25. Expenditure in Foreign Currency

Particulars	(Rs. in Lacs)	
	2010 – 2011	2009-2010
Legal and Professional Charges	1,719.67	1,260.53
Travelling Expenses	74.64	201.00
Fabrication and Manpower Charges	852.19	401.90
Interest and Bank Charges	217.66	630.01
Design and Drawing Fees	483.45	18.71
Technical Fees	-	117.24
Brokerage and Commission	-	173.84
Others	26.49	2.95
Total	3,374.10	2,806.18

26. Income in Foreign Currency

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Revenue from Ship Repair Activity	12,749.94	-

27. Value of Imports calculated on CIF Basis:

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Raw Material and Components	39,228.10	6,601.92
Stores and Spares	301.56	255.16
Capital Goods	941.56	860.67

28. Particulars in respect of Licensed Capacity, Installed Capacity and Actual Production:

Particulars	2010-2011	2009-2010
A) Licensed Capacity		
- Commercial Ships	Not Applicable	Not Applicable
B) Installed Capacity		
- Commercial Ships (As Certified by the Management and relied upon by the auditors, this being a technical matter)	Not Ascertainable	Not Ascertainable
C) Actual production		
- Commercial Ships	-	-
Total	-	-

29. Quantitative Information in respect of Sales, Purchase of Traded Goods and Consumption of Raw Materials (as certified by the Management):

Particulars	2010-2011		2009-2010	
	MT	Value (Rs. in Lacs)	MT	Value (Rs. in Lacs)
A) Sales				
- Shipbuilding & Ship Repairs	-	51,942.69	-	44,529.58
- Subsidy	-	7,494.13	-	8,814.91
- Steel Material	41,700.83	26,556.26	14,876.45	9,593.77
Total		85,993.08		62,938.26
B) Purchases of traded goods				
- Steel Materials	41,700.83	25,758.80	14,876.45	9,477.15
C) Raw Material Consumption				
- Steel Plates	19,382.07	6,859.26	21,525.87	11,489.08
- Steel Profiles	1,799.99	668.80	3,176.95	1,657.30
- Equipment and Components	-	20,755.14	-	3,785.53
Total		28,283.20		16,931.91

30. Value of Raw Materials and Stores Consumed including Spares and Components

Particulars	2010-2011		2009-2010	
	Percentage	Value (Rs. in Lacs)	Percentage	Value (Rs. in Lacs)
i) Raw Materials				
Indigenous	15.14%	4,282.36	6.36%	1,077.51
Imported	84.86%	24,000.84	93.64%	15,854.40
	100.00%	28,283.20	100.00%	16,931.91
ii) Stores & Components				
Indigenous	76.59%	1,588.42	74.27%	866.18
Imported	23.41%	485.51	25.73%	300.11
	100.00%	2,073.93	100.00%	1,166.29

31. Previous year figures have been reworked, regrouped, rearranged and reclassified, wherever necessary to make them comparable with those of the current year.

As per our report of even date
For Chaturvedi and Shah
Chartered Accountants

For and on behalf of the Board of Directors

R Koria
Partner

Nikhil P. Gandhi
Chairman

Bhavesh P. Gandhi
Executive Vice Chairman

Place :- Mumbai
Date :- May 28, 2011

Jigar Shah
Chief Financial Officer

Ajit Dabholkar
Company Secretary

Cash Flow Statement for the Year ended March 31, 2011

Particulars	Rs in Lacs	
	2010-2011	2009 - 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before Tax and Extraordinary items	4,816.49	(4,866.22)
Adjustments for :-		
Depreciation and amortization	4,873.26	3,654.73
Interest Income	(3,676.33)	(3,779.78)
Dividend Income	(337.88)	(8.31)
Profit on Sale of Current Investment	(326.71)	(392.80)
Loss on Sale of Asset	4.13	4.78
Interest Expense	11,900.64	7,299.92
Provision for Wealth Tax	2.45	2.50
Provision for estimated cost over contract revenue	(2,931.79)	3,293.38
Cost Estimated for Revenue Recognised	(3,028.47)	11,400.78
Liability No Longer Required (Written Back)	(413.72)	-
Foreign Exchange Difference	(572.68)	(504.80)
Operating profit before working capital changes	10,309.39	16,104.18
Adjusted for		
Inventories	(11,232.47)	18,526.97
Trade and other receivables	(46,864.44)	(41,409.09)
Trade Payables	(2,400.19)	(44,955.17)
Cash Generated from Operations	(50,187.71)	(51,733.11)
Net Prior Period Adjustments	12.45	(20.70)
Direct Taxes Paid / Refund	166.90	(579.75)
Net Cash Flow from Operating Activities	(50,008.36)	(52,333.56)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Capital Work in Progress	(33,082.91)	(6,050.47)
Sale of Fixed Assets	1.27	1.09
Advance to Subsidiary	79.17	1,857.05
Purchase of Investment	(273,115.35)	(176,239.53)
Sale of Investment	271,927.87	180,611.71
Dividend Income Received	331.23	8.31
Interest Received	4,411.37	3,673.26
Fixed Deposits held for more than three month Placed	(25,473.77)	(50,938.22)
Fixed Deposits held for more than three month Matured	44,805.31	61,643.72
Net Cash Flow from Investing Activities	(10,115.81)	14,566.92

		Rs in Lacs
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	-	49,866.59
Proceeds from issue of Share Warrants	6,254.96	-
Movement in Unclaimed Share Application Money	(12.35)	-
Proceeds from issue of Convertible Debentures	17,780.00	-
Issue Expenses	(1,148.45)	(5,119.58)
Proceeds from Long Term Borrowings	20,604.91	22,099.09
Repayment of Long Term Borrowings	(10,184.42)	(1,692.89)
Short Term Loans (Net)	42,599.41	(2,676.08)
Interest Paid	(17,884.88)	(16,175.91)
Net Cash Flow from Financing Activities	58,009.18	46,301.22
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(2,114.99)	8,534.58
Cash & Cash Equivalents - Opening balance	13,070.86	4,536.28
Cash & Cash Equivalents - Closing balance	10,955.87	13,070.86
Add: Fixed Deposits held for more than three months	31,606.69	50,938.22
Closing Cash and Bank Balance as per Schedule 09*	42,562.56	64,009.08

* Include deposit with banks aggregating to Rs. 21,274.48 Lacs (Previous Year Rs. 50,946.96 Lacs) which are pledged with Banks as margin for bank guarantee & letter of credits & Rs. 8,500 lacs (P.Y.: NIL) for Credit facilities.

Notes:

- (1) The above cash flow statement has been prepared under the "indirect method" as set out in Accounting Standard 3 - Cash Flow Statement.
- (2) Figures in () indicate outflow.
- (3) Previous Years figures have been regrouped / rearranged / recasted wherever necessary to make them comparable with those of current year.

As per our report of even date
For Chaturvedi and Shah
 Chartered Accountants

For and on behalf of the Board of Directors

R Koria
 Partner

Nikhil P. Gandhi
 Chairman

Bhavesh P. Gandhi
 Executive Vice Chairman

Place :- Mumbai
 Date :- May 28, 2011

Jigar Shah
 Chief Financial Officer

Ajit Dabholkar
 Company Secretary

**Statement pursuant to Section 212
of the Companies Act, 1956 relating to subsidiary company:**

Name of the subsidiary company	E Complex Pvt.Ltd.
Financial year of the subsidiary company ended on	31.03.2011
Number of Equity Shares in the subsidiary company held by Pipavav Shipyard Limited at the above date	2,17,09,327
Extent of Shareholding in the Subsidiary Company	100%
	(Rs in Lacs)
The net aggregate of profit, less losses, of the subsidiary company so far as it concerns the members of Pipavav Shipyard Limited.	
(i) Dealt within the accounts of Pipavav Shipyard Limited amounted to :	
(a) for the subsidiary's financial year ended March 31, 2011	NIL
(b) for previous financial years of the subsidiary since it became subsidiary of Pipavav Shipyard Limited	NIL
(ii) not dealt within the accounts of Pipavav Shipyard Limited amounted to :	
(a) for the subsidiary's financial year ended March 31, 2011	395.66
(b) for previous financial years of the subsidiary since it became subsidiary of Pipavav Shipyard Limited	(986.85)
Note: The financial year of the subsidiary coincides with that of the Company.	

For and on behalf of the Board of Directors

Nikhil P. Gandhi
Chairman

Bhavesh P. Gandhi
Executive Vice Chairman

Place : Mumbai
Date : May 28, 2011

Jigar Shah
Chief Financial Officer

Ajit Dabholkar
Company Secretary

Statement pursuant to Section 212 (8) of the Companies Act, 1956 relating to subsidiary company for the year ended March 31, 2011:

(Rs in Lacs)

Sr. No.	Particulars	Name of Subsidiary Company
		E Complex Pvt. Ltd.
(a)	Share Capital	2,170.93
(b)	Reserves	(591.19)
(c)	Total Assets	6,325.13
(d)	Total Liabilities	6,325.13
(e)	Details of Investments	-
(f)	Turnover	1,191.50
(g)	Profit before Taxation	615.57
(h)	Provision for Taxation	219.90
(i)	Profit after Taxation	395.66
(j)	Proposed Dividend	-

Auditor's Report on Consolidated Financial Statements

To
The Board of Directors
Pipavav Shipyard Limited

1. We have audited the attached Consolidated Balance Sheet of Pipavav Shipyard Limited (the Company) and its Subsidiary (collectively referred to as "the Group") as at March 31, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit financial statement of the subsidiary, whose Financial Statement reflects total assets of Rs. 14505.11 lacs as at March 31, 2011, total revenue of Rs. 1196.59 lacs and cash flows amounting to Rs. 0.97 lacs for the year ended on that date. These Financial Statements and other financial information have been audited by other auditor whose report has been furnished to us, and our opinion is based solely on their report.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit as aforesaid, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the State of Affairs of the Group as at March 31, 2011;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No. – 101720W

R Koria
Partner
Membership No.35629

Place: Mumbai
Date: May 28, 2011

Consolidated Balance Sheet as at March 31, 2011

Rs in Lacs

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Share Holders' Funds			
Share Capital	1	66,579.84	66,579.84
Reserves and Surplus	2	102,501.56	103,650.01
		169,081.40	170,229.85
Convertible Share Warrants (Refer note no. 6 of Schedule 21)		6,254.96	-
Loan Funds			
Secured Loans	3	150,969.00	113,107.59
Unsecured Loans	4	51,106.18	19,883.95
		202,075.18	132,991.54
Deferred Tax Liability (Net) (Refer Note No. 20 of Schedule 21)		1,158.16	146.70
TOTAL		378,569.70	303,368.09
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	146,653.40	118,730.48
Less :- Depreciation		9,784.15	4,589.08
Net Block		136,869.25	114,141.39
Capital Work in Progress		148,155.08	144,161.72
		285,024.33	258,303.11
Investments (Other than associates)		2,299.79	778.96
Current Assets, Loans and Advances			
Inventories	6	24,534.79	13,302.32
Sundry Debtors	7	20,499.33	701.80
Cash and Bank Balances	8	42,772.90	64,018.45
Other Current Assets	9	43,447.18	34,843.50
Loans and Advances	10	37,726.15	19,023.45
		168,980.35	131,889.52
Less :-			
Current Liabilities and Provisions			
Liabilities	11	68,063.56	77,570.90
Provisions		10,117.39	14,860.38
		78,180.95	92,431.28
Net Current Assets		90,799.40	39,458.24
Profit and Loss Account		446.18	4,827.77
TOTAL		378,569.70	303,368.09
Significant Accounting Policies	20		
Notes to Accounts	21		

As per our report of even date
For Chaturvedi and Shah
Chartered Accountants

For and on behalf of the Board of Directors

R Koria
Partner

Nikhil P. Gandhi
Chairman

Bhavesh P. Gandhi
Executive Vice Chairman

Place :- Mumbai
Date :- May 28, 2011

Jigar Shah
Chief Financial Officer

Ajit Dabholkar
Company Secretary

Consolidated Profit and Loss Account for the year ended March 31, 2011

Particulars	Schedule	Rs in Lacs	
		for the year ended March 31, 2011	for the year ended March 31, 2010
INCOME			
Income from Operations	12	85,993.08	62,938.26
Other Income	13	6,341.61	6,754.80
Increase / (Decrease) in Inventories	14	(2,235.06)	(11,294.30)
Total		90,099.63	58,398.76
EXPENDITURE			
Purchase of Traded Goods		25,758.80	9,477.15
Raw Materials Consumed	15	28,283.20	16,931.91
Manufacturing Expenses	16	7,927.57	15,692.19
Payments to and Provisions for Employees	17	2,773.33	2,197.76
Administrative, Selling and Other Expenses	18	2,829.57	7,470.20
Interest and Financial Charges	19	11,900.69	7,300.02
Depreciation		5,198.09	3,773.62
Total		84,671.25	62,842.85
Profit / (Loss) Before Taxes		5,428.38	(4,444.09)
Provision For Tax - Current Tax		1,161.40	-
- MAT credit entitlement		(1,127.65)	-
- Deferred Tax		1,011.46	146.70
- Income Tax for Earlier Years		14.03	15.83
Profit / (Loss) after Tax		4,369.14	(4,606.62)
Prior Period Items (Net)		12.45	(210.00)
Balance brought forward		(4,827.77)	(11.15)
Amount Available for Appropriation		(446.18)	(4,827.77)
Appropriations		-	-
Balance carried to Balance sheet		(446.18)	(4,827.77)
Earnings per Equity share of Rs. 10/- each			
- Basic (In Rupees)		0.66	(0.77)
- Diluted (In Rupees)		0.66	(0.77)
(Refer note no. 19 of Schedule 21)			
Significant Accounting Policies	20		
Notes to Accounts	21		

As per our report of even date
For Chaturvedi and Shah
 Chartered Accountants

For and on behalf of the Board of Directors

R Koria
 Partner

Nikhil P. Gandhi
 Chairman

Bhavesh P. Gandhi
 Executive Vice Chairman

Place :- Mumbai
 Date :- May 28, 2011

Jigar Shah
 Chief Financial Officer

Ajit Dabholkar
 Company Secretary

Schedules forming part of the Consolidated Balance Sheet

Particulars	Rs in Lacs	
	As at March 31, 2011	As at March 31, 2010
Schedule - 1		
SHARE CAPITAL		
Authorised		
800,000,000 (Previous Year: 800,000,000) Equity shares of Rs. 10/- each	80,000.00	80,000.00
	80,000.00	80,000.00
Issued, Subscribed and Paid Up		
665,798,388 (Previous Year: 665,798,388) Equity Shares of Rs. 10/- each fully paid up	66,579.84	66,579.84
Total	66,579.84	66,579.84
Note:		
25,400,000 Equity shares of Rs. 10/- each fully paid up will be allotted to the holders of 10% Compulsorily and Mandatorily Convertible Debentures on the conversion of these debentures and 25,221,612 Equity shares of Rs. 10/- each fully paid up will be allotted on the exercise of the option by the equity share warrant holders.		
Schedule - 2		
RESERVES AND SURPLUS		
Securities Premium Account		
Balance as per Last Balance Sheet	103,650.01	67,448.02
Add :- On Issue of Shares	-	41,321.57
Less :- Securities Issue Expenses	1,148.45	5,119.58
	102,501.56	103,650.01
Total	102,501.56	103,650.01
Schedule - 3		
SECURED LOANS		
Term Loans		
- from Banks	69,017.01	57,035.09
- from Financial Institutions	39,220.82	40,782.25
	108,237.83	97,817.34
Short Term Loans		
- from Banks	42,650.00	9,500.00
- from Financial Institutions	-	5,500.00
	42,650.00	15,000.00
Vehicle Loans	81.17	47.85
Interest Accrued and Due	-	242.40
Total	150,969.00	113,107.59
1) The term loan from Banks and Financial Institutions referred to above are secured by way of first charge and mortgage on all the immovable properties of the Company, both present and future and hypothecation of all movable properties of the Company, both present and future, except book debts and stocks which are subject to the prior charge to secure working capital requirements.		
2) Short Term Loans from Banks referred to above includes:		
a) Rs. 10,000 lacs secured by way of subservient charge on current assets of the company, b) Rs. 20,000 lacs secured by way of subservient charges on Fixed assets of the Company, c) Rs. 5,000 lacs secured by way of first charge on the current assets of the company and second charge on Fixed Assets of the company. d) Rs. 7,650 lacs secured against FDR's pledged by the Company.		
3) All term loans and short term loans of Rs. 25,000 lacs are guaranteed by a promoter group company.		
4) Term Loans of Rs. 79,773.49 lacs and short term loans of Rs. 35,000 lacs are guaranteed by some of the directors in their personal capacity.		
5) Vehicle Loans are secured by Hypothecation of the specific vehicles financed.		

Schedules forming part of the Consolidated Balance Sheet

Particulars	Rs in Lacs	
	As at March 31, 2011	As at March 31, 2010
Schedule - 4		
UNSECURED LOANS		
Debentures		
25,400,000 (Previous Year: NIL) 10% Compulsorily and Mandatorily Convertible Debentures of Rs. 70/- each	17,780.00	-
Short Term :-		
From Banks	33,326.18*	19,883.95*
Total	51,106.18	19,883.95

* Includes Rs. 31,911.00 lacs (Previous Year: Rs. 8,851.80 lacs) for operations and Rs. 1,415.18 lacs (Previous Year: Rs. 1,032.15 lacs) relating to discounting of letter of credits / buyers credit for the project.

Note:

Each Compulsorily and Mandatorily Convertible Debenture will be converted into one fully paid up Equity share of the company of Rs. 10/- each on completion of one year from the date of allotment i.e. May 19, 2010.

Schedules forming part of the Consolidated Balance Sheet

Schedule - 5 FIXED ASSETS

Rs in Lacs

Particulars	Gross Block			Depreciation			Net Block			
	As on 01.04.2010	Additions during the year	Deductions/ Adjustments	As on 31.03.2011	Upto 31.03.2010	For the year	Deductions/ Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
A) Tangible Assets										
Freehold Land	3,052.68	21.47	-	3,074.15	-	-	-	-	3,074.15	3,052.68
Leasehold Land	22,271.45	60.63	-	22,332.08	1,139.86	1,141.03	-	2,280.89	20,051.19	21,131.59
Buildings	44,776.74	3,163.09	280.74	47,659.09	884.79	1,469.20	2.90	2,351.09	45,308.00	43,891.95
Plant and Machinery	46,493.51	24,400.71	(223.72)**	71,117.94	2,189.44	2,458.02	(5.57)	4,653.03	66,464.91	44,304.07
Furniture and Fixtures	467.24	159.55	(48.59)**	675.38	226.51	34.69	5.69	255.51	419.87	240.73
Vehicles	418.07	81.07	-	499.14	96.97	46.20	-	143.17	355.97	321.10
B) Intangible Assets										
Softwares*	232.83	44.83	-	277.66	51.51	48.95	-	100.46	177.20	181.32
Goodwill on Acquisition	1,017.96	-	-	1,017.96	-	-	-	-	1,017.96	1,017.96
Total	118,730.48	27,931.35	8.43	146,653.40	4,589.08	5,198.09	3.02	9,784.15	136,869.25	114,141.39
Previous Year	7,177.24	111,631.18	(77.99)	118,730.48	818.77	3,773.61	3.30	4,589.08	114,141.39	
Capital Work In Progress									148,155.08	144,161.72

* Other than Internally Generated

Notes:

- 1) The Leasehold Land represents the lease premium if any paid and the cost incurred for reclaiming and development of the Land.
As at 31.03.2011 **As at 31.03.2010**
- 2) Capital Work in Progress includes

- Advances on Capital Account	172.55	656.87
- Material at site	582.27	1,246.26
- Buildings under construction	1,003.36	1,903.34
- Plant and Machinery under installation	103,155.57	102,045.58
- Pre-operative Expenses	43,241.33	38,309.67
	148,155.08	144,161.72
- 3) Buildings and Plant & machineries at EOU Unit are constructed / installed on leasehold land.
- 4) ** Represents re-classification of certain Fixed Assets.

Schedules forming part of the Consolidated Balance Sheet

Particulars	Rs in Lacs	
	As at March 31, 2011	As at March 31, 2010
Schedule - 6		
INVENTORIES		
(as taken, valued and certified by the Management)		
Raw Materials and Components	23,487.57	10,123.40
Work in Progress	-	2,559.16
Stores, Spares and Consumables	501.14	397.78
Scrap	546.08	221.98
Total	24,534.79	13,302.32
Schedule - 7		
SUNDRY DEBTORS		
(Unsecured and considered good)		
- Due for a period exceeding 6 months	0.90	-
- Others	20,498.43	701.80
Total	20,499.33	701.80
Schedule - 8		
CASH AND BANK BALANCES		
Cash on Hand	10.24	10.13
Balances with Scheduled Banks		
- In Current Accounts	5,455.79	13,061.36
- In Fixed Deposit Accounts	37,306.87	50,946.96
(Out of the above Rs. 21,274.48 Lacs (P.Y. Rs. 50,946.96 Lacs) are pledged with banks as Margin for Bank Guarantees & Letter of Credits and Rs. 8,500 lacs (P.Y.: NIL) for Credit Facilities)		
Total	42,772.90	64,018.45
Schedule - 9		
OTHER CURRENT ASSETS		
(Unsecured & considered good)		
Shipbuilding Contracts Receivables	27,138.14	26,028.59
Subsidy Receivable	16,309.04	8,814.91
Total	43,447.18	34,843.50
Schedule - 10		
LOANS AND ADVANCES		
(Unsecured & considered good)		
Advance recoverable in cash or in kind or for the value to be received *	32,208.03	15,447.75
Deposits	2,420.46	1,424.89
Advance Taxes (including Fringe Benefit Tax) (Net)	1,970.01	2,150.81
MAT credit entitlement (Refer Note No. 22 of Schedule 21)	1,127.65	
Total	37,726.15	19,023.45
* Subject to Confirmation.		

Schedules forming part of the Consolidated Balance Sheet

Particulars	Rs in Lacs	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule - 11		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Acceptances	736.10	193.08
Sundry Creditors		
- Dues to Micro Small and Medium Enterprises *	458.66	61.54
- Dues to Others	20,186.57	16,723.68
Advance from Customers	41,797.96	58,012.31
Unclaimed Share Application Money **	6.01	18.36
Other Liabilities	2,261.54	1,870.89
Interest Accrued but not due on Loans	2,616.72	691.04
Total	68,063.56	77,570.90
Provisions		
For Income Tax	1,161.40	-
For Wealth Tax	2.45	2.50
For Gratuity / Leave Encashment	219.63	163.72
Other Provisions #	8,733.91	14,694.16
Total	10,117.39	14,860.38
Total	78,180.95	92,431.28

* Refer Note No 15 of Schedule 21

** Does not include any amount due and outstanding to be credited to Investor Education & Protection Fund.

The company has recognised liabilities based on substantial degree of estimation for provision for estimated cost over contract revenue on shipbuilding contracts and costs estimated for revenue recognised. The provision for estimated cost over contract revenue on Shipbuilding contracts and costs estimated for revenue recognised as at March 31, 2010 was of Rs 3,293.38 Lacs and Rs.11,400.78 Lacs respectively, against which Rs. 3,293.38 lacs and Rs. 11,400.78 lacs respectively have been incurred during the year. Additional provision recognised under this clause is Rs. 361.59 lacs and Rs. 8,372.32 lacs respectively during the year. Liability outstanding under these clause as at March 31, 2011 is Rs. 361.59 lacs and Rs. 8,372.32 lacs respectively. Actual outflow is expected in the subsequent financial years.

Schedules forming part of the Consolidated Profit and Loss Account

Particulars	Rs in Lacs	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule - 12		
INCOME FROM OPERATIONS		
Shipbuilding and Ship Repairs	51,942.69	44,529.58
Subsidy on Shipbuilding*	7,494.13	8,814.91
Trade Sales	26,556.26	9,593.77
*(Refer note no. 10 of Schedule 21)		
Total	85,993.08	62,938.26
Schedule - 13		
OTHER INCOME		
Interest Income	3,676.33	3,779.78
{Tax Deducted at Source Rs. 398.15 lacs (Previous Year: Rs. 455.27 lacs)}		
Project consultancy	300.00	-
Profit on Sale of Current Investments (Net)	326.71	392.80
Dividend on Current Investments	341.20	11.23
Foreign Exchange difference (Net)	1,227.30	2,531.62
Liability No Longer Required (Written Back)	413.72	-
Miscellaneous Income	56.35	39.37
Total	6,341.61	6,754.80
Schedule - 14		
INCREASE AND (DECREASE) IN INVENTORIES		
Closing Balance		
Scrap	546.08	221.98
Work in progress	-	2,559.16
	546.08	2,781.14
Less :- Opening Balance		
Scrap	221.98	18.61
Work in progress	2,559.16	14,056.83
	2,781.14	14,075.44
Increase / (Decrease) in Inventories	(2,235.06)	(11,294.30)
Schedule - 15		
RAW MATERIALS CONSUMED		
Opening Stock of Raw Materials	10,123.40	17,753.86
Add :- Purchases	41,647.37	9,301.45
Less :- Closing Stock of Raw Materials	23,487.57	10,123.40
Total	28,283.20	16,931.91
Schedule - 16		
MANUFACTURING EXPENSES		
Stores, Spares and Consumables	2,073.93	1,166.29
Site Rent	24.92	28.22
Power Fuel and Water	1,496.37	894.64
Labour Charges	4,401.63	1,545.96
Design and Drawing Fees	539.48	76.99
Insurance	184.53	19.05
Repairs and Maintenance - Plant and Machinery	739.95	180.00
Equipment Hire Charges	587.02	285.28
Other Manufacturing Expenses	908.21	94.98
Cost Estimated for Revenue Recognised (Refer note no. 21 of Schedule 21)	(3,028.47)	11,400.78
Total	7,927.57	15,692.19

Schedules forming part of the Consolidated Profit and Loss Account

Rs in Lacs

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule - 17		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
(Including Managerial Remuneration)		
Salaries, Wages and Allowances	2,353.28	1,830.85
Contribution to PF and Other Fund	242.40	243.38
Welfare and Other Amenities	177.65	123.53
Total	2,773.33	2,197.76
Schedule - 18		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
ADMINISTRATIVE EXPENSES		
Rent	435.75	289.81
Rates and Taxes	118.90	21.06
Electricity Expenses	58.17	60.47
Insurance Premium	20.98	27.65
Printing and Stationery	58.92	33.43
Communication Expenses	91.71	62.78
Travelling, Conveyance and Vehicle Hire Charges	1,006.69	694.20
Repairs and Maintenance - Building	156.86	33.88
Repairs and Maintenance - Others	150.58	93.53
Legal and Professional Charges	2,172.45	1,964.12
Directors Sitting Fees	3.90	4.30
Payment to Auditors	56.60	40.95
Miscellaneous Expenses	604.99	239.25
Security Expenses	49.91	0.67
SELLING EXPENSES		
Advertising / Publicity Expenses	524.39	341.00
Brokerage and Commission	5.37	4.21
Business Promotion Expenses	237.80	228.04
OTHER EXPENSES		
Provision for estimated cost over contract revenue	(2,931.79)	3,293.38
Loss on Sale of Fixed Assets (Net)	4.13	1.49
Donations	0.81	33.48
Wealth Tax	2.45	2.50
Total	2,829.57	7,470.20
Schedule - 19		
INTEREST AND FINANCIAL CHARGES		
Interest		
- On Debentures	1,079.64	-
- On Fixed Loans	8,199.27	4,003.67
- On Others	27.80	674.17
Loan Processing and Other Financial charges	2,593.98	2,622.18
Total	11,900.69	7,300.02

Schedules forming part of the Consolidated Balance Sheet and the Profit and Loss account

SCHEDULE 20: SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation :

The consolidated financial statements relate to the Pipavav Shipyard Limited ('the Company') and its subsidiary company. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements”.
- As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, in the same manner as the Company's separate financial statements.
- The difference between the cost of investment in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary is recognized in the financial statements as Goodwill, which is not being amortised.

2. Other significant accounting policies :

These are set out under “Significant Accounting Policies” as given in the Standalone Financial Statements of Pipavav Shipyard Limited.

SCHEDULE 21: NOTES TO ACCOUNTS

1.	Following subsidiary company is considered in the consolidated financial statements :		
	Name of the Subsidiary	Country of Incorporation	Proportion of ownership interest
	E Complex Private Limited	India	100%

		(Rs. in Lacs)	
2.	Contingent Liabilities:	31.03.2011	31.03.2010
a)	Guarantees given by Company's Bankers		
	i) Refund Bank Guarantees given to customers (Net of liabilities accounted for)	17,539.84	48,400.26
	ii) Other Bank Guarantees (Bank Guarantees are provided under Contractual/Legal obligations. No cash outflow is expected).	9,065.85	7,597.99
b)	Demands not acknowledged as Debts		
	i) Income Tax (Out of total demand the Company has already deposited Rs.288.67 Lacs (P.Y. Rs. 21.17 Lacs) and no further cash outflow is expected in the near future).	397.32	40.49
	ii) Service Tax and excise duty (Relates to disallowance of Cenvat Credit taken by the Company.)	58.45	-
	iii) Other Claims (Relates to claims of suppliers and demand raised by vendor for service tax etc. No Cash Outflow is expected.)	192.10	94.01
c)	Letters of Credit opened in favour of suppliers (Cash Flow is expected on receipt of materials from Suppliers).	23,388.51	1,891.67
3.	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net of Advances) (Cash flow is expected on execution of such Capital Contracts on Progressive basis)	3,693.81	11,791.55

4. The Company is constructing its integrated shipyard projects comprising two units, viz., Special Economic Zone (SEZ) and Export Oriented Unit (EOU), situated at Amreli in Gujarat. Certain facilities at the above mentioned units have already been commissioned and others are still under construction / commencement. The Project Development Expenditure (included under Capital Work-in-Progress) is as under:

Particulars of Expenses	(Rs. in Lacs)	
	2010-2011	2009-2010
Opening Balance	38,309.67	55,513.24
Add:		
Rent	92.92	83.05
Salaries Wages and Allowances	817.82	983.46
Contribution to PF and Other Fund	14.91	34.29
Welfare and Other Amenities	36.02	54.54
Legal, Professional and Consultancy Charges	172.27	1,107.80
Conveyance, Travelling and Vehicle Expenses	158.11	237.42
Rates and Taxes	56.77	876.34
Insurance	77.85	60.31
Communication Expenses	16.50	30.31
Repairs & Maintenance – Building	29.37	-
Repairs & Maintenance – Others	82.35	79.96
Miscellaneous Expenditure	156.59	184.12
Interest on Fixed Loans	7,319.88	7,416.52
Interest on Debentures	464.54	-
Interest Others	-	1,168.76
Bank and Financial Charges	125.50	697.46
Sub Total -	47,931.07	68,527.58
Less :		
Miscellaneous Income	-	1.81
Balances Written Back	145.59	61.65
CST Recoverable	-	153.62
Sub Total -	145.59	217.08
Less:		
Allocated to Fixed Assets	4,544.15	30,000.83
Closing Balance	43,241.33	38,309.67

5. Investments (Other than Associates) are as under:

Particulars	Numbers		Face Value (Rs.)	(Rs. in Lacs)	
	31.03.11	31.03.10		As at 31.03.11	As at 31.03.10
Long Term Investments, (Unquoted)					
Government and Other Securities (Other than Trade)					
6 years National Savings Certificate (Deposited with Sales Tax Department)	-	-	-	0.05	0.05
				0.05	0.05
Current Investments (Other than Trade, Unquoted)					
Kotak Floater Long Term Growth*	5,469,316.83	5,469,316.83	10.00	792.90	778.91
SBI - Magnum Insta Cash Fund -Daily Dividend Option	2,985,637.76	-	10.00	500.10	-
Religare Ultra Short Term Fund-Institutional Daily Dividend	100,501.41	-	10.00	1,006.74	-
				2,299.74	778.91
Total				2,299.79	778.96

* Pledged with a financial institution for guarantee facilities availed from them.

6. As approved by the Shareholders in Extra-Ordinary General Meeting held on September 7, 2010, the Company has issued 2,52,21,612 Convertible Share Warrants to SKIL Infrastructure Limited, the Promoters of the Company, having a currency period of eighteen months from the date of issue of Share Warrant i.e. September 22, 2010. Each Share Warrant provides the holder an option to convert it into one fully paid up Equity Share of Rs. 10/- each at an exercise price of Rs. 99.10 per equity share. The company has received Rs. 6,254.96 Lacs upto March 31, 2011 against the above Convertible Share Warrants. No Share Warrants have been converted during the year.
7. During the year, the company has decided to value the inventories of its major raw materials viz. steel plates, profiles & equipments on Specific Identification Method as against Weighted Average Method. This change in method of valuation has resulted into inventory of raw materials higher by Rs.179.11 Lacs and consumption of raw materials lower by the equal amount & the profit for the year lower by Rs. 75.40 Lacs.
8. The Company has issued a Bond-cum-Legal Undertaking for Rs. 33,400 Lacs (Previous Year Rs. 33,400 Lacs) in favour of President of India acting through Development Commissioner of Kandla Special Economic Zone for setting up a SEZ unit for availing exemption from payment of duties, taxes or cess or drawback and concession etc. and a General Bond in favour of the President of India for a sum of Rs. 15,300 Lacs (Previous Year Rs. 15,300 Lacs) a security for compliance of applicable provisions of the Customs Act, 1962 and the Excise Act, 1944 for EOU unit.
9. In the Opinion of the Management, the Current Assets, loans and Advances are approximately of the value stated, if realized in the ordinary course of business.
10. As per the Revised Guidelines for the Shipbuilding Subsidy issued by the Government of India on March 25, 2009, the Company is eligible for subsidy at the rate of 30% of the contract price, in respect of the export order received for vessels for which the contracts with the customers were signed on or before August 14, 2007. Accordingly, Government Subsidy of Rs. 7,494.13 Lacs for the year (Previous Year Rs. 8,814.91 Lacs) has been recognised as revenue in respect of Ships under construction on proportionate completion basis.
11. Advances recoverable in cash or in kind or for the value to be received in Schedule 10 includes Rs. 5,943.43 Lacs (Previous Year Rs. 3,871.47 Lacs), being the Cenvat/VAT/Central Sales Tax paid on the purchase of goods and services for the project. The company has been legally advised that such amounts are recoverable. Any unrealized amounts will be added back to the cost of the project or charged off to the profit & loss account, as the case may be, in the year of settlement.
12. The company has received two show cause notices in its 100% EOU unit from the Office of the Commissioner of Central Excise, Bhavnagar and Directorate of Revenue Intelligence which mainly relates to availment of Cenvat/Customs Duty/Service Tax Credit availed on inputs/services used for Construction of Dry Dock and Goliath Cranes and Non-submission of original evidences/documents. The company has also received five show cause notices in its SEZ Unit from the Office of the Assistant Commissioner of Service Tax, Bhavnagar, mainly relates to non submission of original evidence / documents. The company does not foresee any losses on this account.
- 13. Managerial Remuneration:**

a) Remuneration to the Director

Particulars	(Rs. in Lacs)	
	2010 – 2011	2009 – 2010
Salaries	390.00*	264.60
Contribution to Provident Fund	7.20	7.20
Perquisites and other allowances	0.40	0.40
Total	397.60	272.20

* include Rs. 150 Lacs provided subject to prior approval of Central Government.

Liability for Gratuity and Leave Encashment is provided on actuarial basis for the Company as a whole, the amounts pertaining to the Director is not ascertainable and therefore not included above.

- b) The computation of net profit for the purpose of directors remuneration under section 349 of the Companies Act, 1956, have not been enumerated since no commission has been paid to any of the directors. Fixed Managerial Remuneration has been paid to the whole time director.

14. Auditors Remuneration

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Audit Fees	35.00	30.00
Tax Audit Fee	5.00	5.00
Certification Charges and Other Matters	16.60	50.95*
Total	56.60	85.95

*Includes Rs. 45 Lacs adjusted against Securities Premium.

15. Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

(Rs. in Lacs)

Sr. No.	Particulars	As at March 31, 2011	As at March 31, 2010
a.	Principal amount remaining unpaid	458.66	61.54
b.	Interest due thereon	-	-
c.	Interest paid by the Company in term of Section 16	-	-
d.	Interest due and payable for the year of delay in payment	-	-
e.	Interest accrued and remaining unpaid	-	-
f.	Interest remaining due and payable even in succeeding years	-	-

16. Employee Benefits:

As per Accounting Standard 15 "Employee Benefits" the disclosure of employee benefits as defined in the accounting standards are given below:

Defined Contribution Plan

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Employers Contribution to Provident Fund	75.64	54.71
Employers Contribution to Pension Fund	19.30	18.96
Total	94.94	73.67

Defined Benefit Plan

The Employees Gratuity Fund Scheme, which is a defined benefit plan is managed by the trust maintained with Life Insurance Corporation of India (LIC). The company has made contribution to the above mentioned trust upto the financial year ended March 31, 2009 and thereafter no contribution have been made.

The present value of the obligation is determined based on actuarial valuation using Projected Units Credit Method, which recognizes each period of service as giving rise to additional units of employees benefit entitlement and measures each unit separately to buildup the final obligation.

- a) Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010-2011	2009 - 2010
Defined Benefit Obligation at beginning of the year	86.21	46.85
Current & Past Service Cost	15.10	98.25
Current Interest Cost	6.20	3.08
Actuarial (Gain) / Loss	14.38	(43.42)
Benefits paid	24.49	18.55
Defined Benefit Obligation at end of the year	97.40	86.21

b) Reconciliation of opening and closing balances of the Fair Value of the Plan Assets.

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010-2011	2009 – 2010
Fair Value of Plan Assets at the beginning of the year	45.11	63.66
Expected Return on Plan Assets	3.85	4.35
Actuarial Gain / (Loss)	2.06	(4.35)
Contributions	-	-
Benefits Paid	-	18.55
Fair Value of the Assets at the end of the year	51.02	45.11

c) Reconciliation of Present Value of Obligation and Fair Value of Plan Assets

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010-2011	2009-2010
Fair Value of Plan Assets at the end of the year	51.02	45.11
Present Value of Defined Benefit Obligation at end of the year	97.40	86.21
Liabilities / (Assets) recognised in the Balance Sheet	46.38	41.10

d) Expenses recognised during the year

(Rs. in Lacs)

Particulars	Gratuity Funded	
	2010-2011	2009-2010
Current and Past Service Cost	15.10	98.25
Interest Cost	6.20	3.08
Expected Return on Plan Assets	(3.85)	(4.35)
Actuarial (Gain) / Loss	12.32	39.07
Net Cost Recognised in Profit and Loss Account	29.77	57.91

e) Assumptions used to determine the defined benefit obligations

Particulars	Gratuity Funded	
	2010-2011	2009-2010
Mortality Table (LIC)	(1994 – 96 ultimate)	
Discount Rate (p.a.)	8.39%	8.00%
Estimated Rate of Return on Plan Asset	8.00%	8.00%
Expected Rate of increase in Salary (p.a.)	7.00%	7.00%

The estimates of rate of increase in salary considered in actuarial valuation, taking into account, inflation, seniority, promotion, attrition and other relevant factors including supply and demand in the employment market. The above information is certified by Actuary.

f) Amounts for the Current and previous years for Gratuity Funded are as follows:

(Rs. in Lacs)

Particulars	2010-2011	2009-10	2008-09	2007-08
Defined Benefit Obligation	97.40	86.21	46.85	18.81
Plan Assets	51.02	45.11	63.66	40.37
Surplus/(Deficit)	(46.38)	(41.10)	16.81	21.56
Experience adjustment on plan assets (Gain)/Loss	*	*	*	*
Experience adjustment on plan Liabilities Gain/ (Loss)	*	*	*	*

* - Details are not readily available in the valuation report taken by the Company and hence are not furnished.

Note: In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage and amount for each category of the fair value of plan assets has not been disclosed.

17. Segment Reporting

The Company's activities predominantly revolve around the shipbuilding, ship repairs and other related activities. Considering the nature of Company's business and operations, there is only one reportable segment (business and / or geographical).

18. Related Party Disclosures

a. List of Related parties

1. Associates

SKIL Infrastructure Limited

2. Key Managerial Personnel

Mr. Nikhil P. Gandhi

Mr. Bhavesh P. Gandhi

Mr. J P Rai (upto 30-06-2010)

Mr. M. Jitendran (w.e.f: 01-07-2010)

3. Enterprises in which key managerial persons and their relative are able to exercise significant influence (Other Related Parties)

Awaita Properties Private Limited

b. Transactions with related parties for the year ended March 31, 2011**(Rs. in Lacs)**

Nature of Transactions	Associates	Key Managerial Personnel				Other Related Parties	Total
	SKIL Infrastructure Ltd	Mr. Nikhil P. Gandhi (Chairman)	Mr. Bhavesh P. Gandhi (Whole time Director)	Mr. M Jitendran (CEO)	Mr. J P Rai (CEO)	Awaita Properties Pvt. Ltd.	
Expenditure							
Lease Rent	- (-)	- (-)	- (-)	- (-)	- (-)	394.93 (281.71)	394.93 (281.71)
Project Development Fees	- (473.00)	- (-)	- (-)	- (-)	- (-)	- (-)	- (473.00)
Directors Sitting fees	- (-)	0.90 (0.90)	- (-)	- (-)	- (-)	- (-)	0.90 (0.90)
Remuneration	- (-)	- (-)	397.60 (272.20)	109.46 (-)	129.38 (123.48)	- (-)	636.44 (395.68)
Expenses reimbursed to	192.44 (56.67)	- (-)	- (-)	- (-)	- (0.15)	43.81 (45.58)	236.25 (102.25)
Expenses reimbursed from	8.80 (0.79)	- (-)	- (-)	- (-)	- (-)	- (-)	8.80 (0.79)
Lease Deposits as on 31.03.2011	- (-)	- (-)	- (-)	- (-)	- (-)	325.00 (200.00)	325.00 (200.00)
Sundry Creditors	154.52 (193.38)	- (-)	- (-)	- (-)	- (-)	3.06 (50.73)	157.58 (244.11)

Note: Figures in brackets pertain to previous years.

19. Earnings per share (Basic and Diluted)**(Rs. in Lacs)**

Particulars		2010 – 2011	2009 – 2010
Net Profit / (Loss) after Tax		4,369.14	(4,606.62)
Less: Prior period Items		12.45	210.00
Amount available for calculation of Basic and Diluted EPS	(A)	4,381.60	(4,816.62)
Weighted Average No. of Equity Shares outstanding for Basic and Diluted EPS	(B)	665,798,388	622,956,220
Basic and Diluted Earnings per share of Rs. 10/- each (in Rs.)	(A)/(B)	0.66	(0.77)

Note: The effect of 10% Compulsorily and Mandatorily Convertible Debentures and Convertible Share Warrants on Earnings Per Share are anti dilutive and hence, they are not considered for the purpose of calculation of dilutive earnings per share.

20. Deferred Tax Liability / (Asset)

As required by Accounting Standard 22 on "Accounting for Taxes on Income", Deferred Tax is comprising of the following items:

	(Rs. in Lacs)	
Particulars	2010 – 2011	2009 – 2010
Deferred Tax Liabilities		
Related to Fixed Assets	8,237.56	4,075.48
Total	8,237.56	4,075.48
Deferred Tax Assets		
Unabsorbed Depreciation	7,005.02	6,158.28
Disallowance under Income Tax	74.38	56.70
Total	7,079.40	6,214.98
Net Deferred Tax Liability / (Assets)	1,158.16	(2,139.50)

Deferred tax assets as at March 31, 2010 includes Deferred tax liability of Rs. 146.70 Lacs pertaining to E Complex Private Limited, which was accounted for and Deferred tax assets of Rs. 2,286.20 Lacs pertaining to Pipavav Shipyard Limited which in the absence of virtual certainty that sufficient future taxable income will be available against which deferred tax assets can be realized, was not recognized in books of accounts in line with Accounting Standard- 22 dealing with Accounting for Taxes on Income.

21. In respect of Offshore Vessels (OSVs), the Company has accounted for contract revenue and expenses based on the proportion of completion of contracts as certified by technical experts. With an aim to allocate the profit on the said contracts to whole of the contract during the year a provision of Rs. 8,372.32 Lacs (Previous Year Rs. 11,400.78 Lacs) being the proportionate cost to be incurred has been made. The total provision on this account as on March 31, 2011 is Rs. 8,372.32 Lacs (Previous Year Rs. 11,400.78 Lacs).
22. Presently the company is liable to pay Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act, 1961 ("the Act") and the amount paid as MAT is allowed to be carried forward for being set off against the future tax liabilities computed in accordance with the provisions of the Act, other than section 115JB, in next ten years. Based on the future projection of the performances the company will be liable to pay the Income Tax as per provisions, other than under section 115JB, of the Act. Accordingly as advised in Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India, Rs. 1,127.65 Lacs being the excess of tax payable under section 115JB of the Act over tax payable as per the provisions other than section 115JB of the Act has been considered as MAT credit entitlement and credited to Profit and Loss Account. The aggregate MAT credit entitlement available to the company as on March 31, 2011 is Rs. 1,127.65 Lacs.
23. Disclosure pursuant to Accounting Standard – 7 (AS – 7 "Accounting for Construction Contracts") as notified by Companies Accounting Standards Rules, 2006:

	(Rs. in Lacs)	
Particulars	2010 – 2011	2009 – 2010
a. The contract revenue recognized in the year	39,172.66	44,529.58
b. The aggregate amount of cost incurred and recognized profits (less recognized losses) upto the end of Financial Year for all contracts in progress	77,082.62	50,037.08
c. Amount of advance received from the customers for contracts in progress	74,527.96	20,183.30
d. The retention amount due from customers for contracts in progress as at the end of Financial Year	-	-

24. In accordance with the Accounting Standard (AS – 28) on “Impairment of Assets” the Management during the year carried out an exercise of identifying the asset that may have been impaired in respect of each cash generating unit. On the basis of this review carried out by the Management, there was no impairment loss on Fixed Assets during the year ended March 31, 2011.

25. Financial and Other Derivative Instruments:

a) Derivative contracts entered into by the Company and outstanding as on March 31, 2011.

For Hedging currency and interest rate related risks

Particulars	(Rs. in Lacs)	
	As at 31.03.2011	As At 31.03.2010
Forward Contract	3,572	-

b) All derivative and financial instruments acquired by the company are for hedging purpose only.

c) Foreign currency exposures that are not hedged by derivative instruments or forward contracts as at March 31, 2011 are:

Particulars	(Rs. in Lacs)	
	2010 – 2011	2009 – 2010
Receivables	46,975.90	8,108.64
Payables	79,694.65	84,802.76

26. Previous year figures have been reworked, regrouped, rearranged and reclassified, wherever necessary to make them comparable with those of the current year.

As per our report of even date
For Chaturvedi and Shah
Chartered Accountants

For and on behalf of the Board of Directors

R Koria
Partner

Nikhil P. Gandhi
Chairman

Bhavesh P. Gandhi
Executive Vice Chairman

Place :- Mumbai
Date :- May 28, 2011

Jigar Shah
Chief Financial Officer

Ajit Dabholkar
Company Secretary

Consolidated Cash Flow Statement for the Year ended March 31, 2011

	(Rs in Lacs)	
Particulars	2010-2011	2009 - 2010
A Cash Flow from Operating Activities		
Net Profit / (Loss) before Tax and Extraordinary items	5,428.38	(4,444.10)
Adjustments for :-		
Depreciation and amortization	5,198.09	3,773.61
Interest Income	(3,676.33)	(3,779.78)
Dividend Income	(341.20)	(11.23)
Profit on Sale of Current Investment	(326.71)	(392.80)
Loss on Sale of Asset	4.13	1.49
Interest Expense	11,900.69	7,300.02
Provision for Wealth Tax	2.45	2.50
Provision for estimated cost over contract revenue	(2,931.79)	3,293.38
Cost Estimated for Revenue Recognised	(3,028.47)	11,400.78
Liability No Longer Required (Written Back)	(413.72)	-
Foreign Exchange Difference	(572.69)	(504.80)
Operating profit before working capital changes	11,242.83	16,639.07
Adjusted for		
Inventories	(11,232.47)	18,526.97
Trade and other receivables	(46,892.09)	(38,319.55)
Trade Payables	(2,393.28)	(47,122.29)
Cash Generated from Operations	(49,275.01)	(50,275.80)
Net Prior Period Adjustments	12.45	(23.35)
Direct Taxes Paid / Refund	164.27	(580.15)
Net Cash Flow from Operating Activities	(49,098.29)	(50,879.30)
B Cash Flow from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress	(33,716.12)	(5,803.32)
Sale of Fixed Assets	1.28	73.14
Purchase of Investment	(273,115.35)	(176,239.53)
Sale of Investment	271,927.87	180,698.48
Dividend Income Received	334.55	11.23
Interest Received	4,411.38	3,673.26
Fixed Deposits held for more than three month Placed	(25,473.78)	(50,938.22)
Fixed Deposits held for more than three month Matured	44,805.31	61,643.72
Net Cash Flow from Investing Activities	(10,824.86)	13,118.76
C Cash Flow from Financing Activities		
Proceeds from issue of Share Capital	-	49,866.58
Proceeds from issue of Share Warrants	6,254.96	-
Movement in Unclaimed Share Application Money	(12.35)	-
Proceeds from issue of Convertible Debentures	17,780.00	-
Issue Expenses	(1,148.45)	(5,119.58)
Proceeds from Long Term Borrowings	20,604.91	22,099.10
Repayment of Long Term Borrowings	(10,184.42)	(1,692.89)
Short Term Loans (Net)	42,599.41	(2,676.07)
Interest Paid	(17,884.92)	(16,176.01)
Net Cash Flow from Financing Activities	58,009.14	46,301.13
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(1,914.01)	8,540.60
Cash & Cash Equivalents - Opening balance	13,080.23	4,539.63
Cash & Cash Equivalents - Closing balance	11,166.22	13,080.23
Add: Fixed Deposits held for more than three months	31,606.68	50,938.22
Closing Cash and Bank Balance as per Schedule 08 *	42,772.90	64,018.45

* Include deposit with banks aggregating to Rs. 21,274.48 Lacs (Previous Year Rs. 50,946.96 Lacs) which are pledged with Banks as margin for bank guarantee & letter of credits & Rs. 8,500 lacs (P.Y.: NIL) for Credit facilities.

Notes:

- (1) The above cash flow statement has been prepared under the "indirect method" as set out in Accounting Standard 3 - Cash Flow Statement.
- (2) Figures in () indicate outflow.
- (3) Previous Years figures have been regrouped / rearranged / recasted wherever necessary to make them comparable with those of current year.

As per our report of even date
For Chaturvedi and Shah
Chartered Accountants

For and on behalf of the Board of Directors

R Koria
Partner

Nikhil P. Gandhi
Chairman

Bhavesh P. Gandhi
Executive Vice Chairman

Place :- Mumbai
Date :- May 28, 2011

Jigar Shah
Chief Financial Officer

Ajit Dabholkar
Company Secretary



Pipavav Defence and Offshore Engineering Company Limited

(formerly known as Pipavav Shipyard Limited)

Registered Office: Pipavav Port, Post Ucchaiya, Via Rajula, District Amreli – 365 560, Gujarat, India

ATTENDANCE SLIP

I hereby record my presence at the **14th Annual General Meeting** of the Company at the Registered Office of the Company at Pipavav Port, Post Ucchaiya, Via Rajula, District Amreli – 365 560, Gujarat, on Wednesday, October 5, 2011 at 10.00 a.m.

Client ID No.		Folio No.	
DP ID No.		No. of Shares	

Name of the Member in BLOCK letters: _____

Member's Signature: _____

Name of the Proxy in BLOCK letters: _____

Proxy's Signature: _____

Note: Please fill this attendance slip and hand it over at the entrance of the Meeting Hall.

----- Tear Here -----

FORM OF PROXY

Client ID No.		Folio No.	
DP ID No.		No. of Shares	

I/We _____ of _____

_____ in the district of _____

being a Member/ Members of Pipavav Defence and Offshore Engineering Company Limited (formerly known as Pipavav Shipyard Limited) hereby appoint _____ of _____

_____ in the district of _____ or

failing him _____ of _____

in the district of _____ as my/our proxy to vote for me/us on my/our behalf

at the 14th Annual General Meeting of the Company to be held on the 5th day of October, 2011 at 10.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____, 2011.

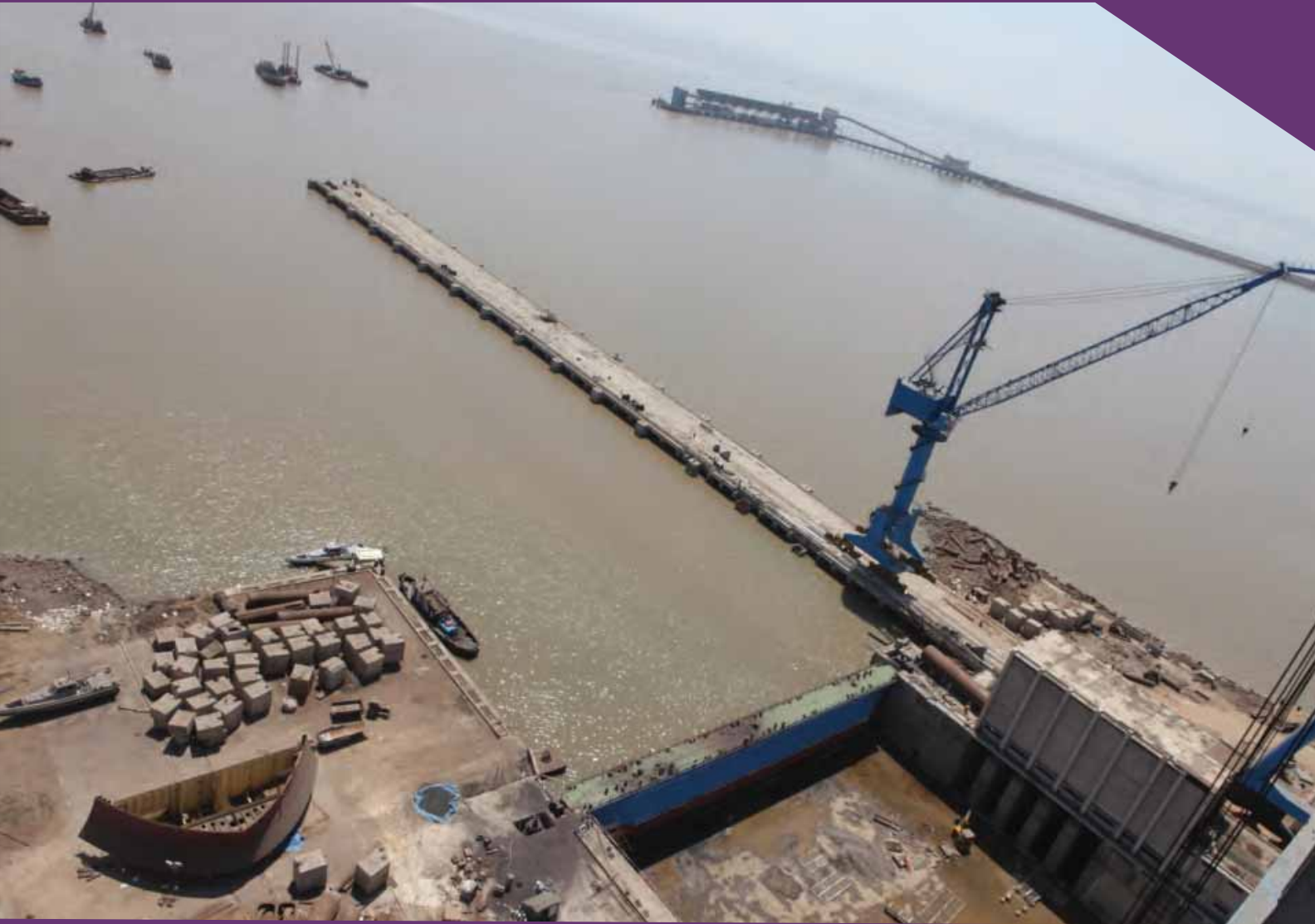
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Signature



SAFE HARBOUR

In this Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements written and oral that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties including but not limited to economic conditions, climatic conditions, governmental regulations and natural calamities over which the Company has no control, materialize, or should underlining assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected.





PIPAVAV DEFENCE AND OFFSHORE ENGINEERING COMPANY LIMITED

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