



## TEBMA SHIPYARDS LTD.

<p><b>TEBMA PHILOSOPHY</b></p> <p><b>“To create an industry of challenge set to the highest International Standards”</b></p> <p><b>“To tread new path and break new ground with Technological Excellence”</b></p> <p><b>“To build a team to meet the needs of all Expanding Markets”</b></p>	
<b>BOARD OF DIRECTORS</b>	SHRI P K BALASUBRAMANIAN - CHAIRMAN SHRI M M KAMATH - DIRECTOR SHRI SANJEEV SEHRAWAT - DIRECTOR
<b>AUDITOR</b>	M/S. D. RANGASWAMY & CO
<b>CHIEF EXECUTIVE OFFICER</b>	SHRI N. RAMANATHAN
<b>COMPANY SECRETARY</b>	SHRI P.R. KANNAN
<b>BANKERS</b>	STATE BANK OF INDIA STATE BANK OF HYDERABAD STATE BANK OF TRAVANCORE STATE BANK OF BIKANER AND JAIPUR ANDHRA BANK SYNDICATE BANK IDBI BANK LIMITED PUNJAB NATIONAL BANK AXIS BANK LIMITED ICICI BANK LTD
<b>REGISTERED OFFICE</b>	5/360, RAJIV GANDHI SALAI, (OMR) OKKIAM THORAIPAKKAM, CHENNAI - 600 097. INDIA. Email : <a href="mailto:info@tebma.com">info@tebma.com</a>
<b>YARDS</b>	No.7, PAZHAMATHUR VILLAGE, MADURANTAKAM TALUK, CHENGALPATTU-603 116, TAMILNADU MALPE HARBOUR COMPLEX, MALPE, UDUPI 576 108, KARNATAKA
<b>REGISTRAR AND SHARE TRANSFER AGENTS</b>	Cameo Corporate Services Limited “Subramanian Buildings”, No.1, Club House Road, Chennai 600 002. Email: <a href="mailto:cameo@cameoindia.com">cameo@cameoindia.com</a>
<b>WEBSITE</b>	<a href="http://www.tebma.com">http://www.tebma.com</a>

**NOTICE**

**NOTICE** is hereby given that the Twenty Seventh Annual General Meeting of the shareholders of the Company will be held on Wednesday, the 28<sup>th</sup> day of September, 2011 at 11.00 A.M. at the Registered Office of the Company at 5/360, Rajiv Gandhi Salai (OMR) Okkiam Thoraipakkam, Chennai 600 097 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider, approve and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March 2011 and the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri P.K.Balasubramanian, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s. D.Rangaswamy & Co., Chartered Accountants as Statutory Auditors to hold office from the conclusion of this Annual General meeting till the conclusion of next Annual General meeting of the Company and to fix their remuneration.

**SPECIAL BUSINESS**

4. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

“**RESOLVED THAT** Mr. Sanjeev Sehrawat, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr Sanjeev Sehrawat for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.

By Order of the Board  
For Tebma Shipyards Limited

Chennai  
01/07/2011

P.R.KANNAN  
Company Secretary

**NOTES**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member. Proxy to be valid must be deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the Meeting. A Proxy Form is appended with the admission slip.
2. Explanatory Statement relating to the item 4 of the Notice is annexed hereto, as required under Section 173(2) of the Companies Act, 1956.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 26/09/2011 to 28/09/2011.
4. Members are hereby requested to send all correspondence concerning transfers, transmissions, subdivision, consolidation, dematerialisation of shares or any other share related matters and/or change in address to the Company's Registrar and Transfer Agent "Cameo Corporate Services Limited" at Subramanian Building, No.1, Club House Road, Chennai 600 002.
5. Members/ proxies should bring the attendance slip duly filled in for attending the meeting and corporate members are requested to send a duly certified copy of the Board resolution/ Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
6. Those Shareholders who have not surrendered their Counter Receipts in exchange for Share Certificates are once again reminded to surrender them to the Secretarial Department of the Company to enable despatch of the share certificates.
7. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under section 109A of the Companies Act, 1956, are requested to write to the Company's Registrar for the prescribed form.

8. As per latest SEBI directive, it shall be mandatory for the transferees to furnish self attested copy of the PAN (Permanent Account Number) card to the Company / RTA for registration of transfer of shares in physical form.
9. All material documents relating to aforesaid agenda items of the Notice are available for inspection at the Registered Office of the Company on any working day prior to the date of the Meeting.
10. Information pursuant to clause 49 of the listing agreement in respect of proposed appointment/ re-appointment of directors

01	Name Age Qualifications Expertise  Shareholding Other Directorships <u>Name of the Company</u> Committee Memberships, if any, with position	Mr. Sanjeev Sehrawat 42 Years BSC., (Hons.) MBA (IIM) A nominee of ICICI Venture Funds Management Co. Ltd., has a little over 14 years experience in Retail Banking and Corporate Banking. NIL  NIL NIL
02	Name Age Qualifications Expertise Other Directorships <u>Name of the Company</u> Committee Memberships, if any, with position	Shri P.K.Balasubramanian 59 years Ship Wright . 34 Years experience in Ship building NIL  NIL

#### Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956

#### Item No.4

Mr. Sanjeev Sehrawat was appointed as an additional Director of the Company with effect from 17/06/2011. Being an Additional Director he shall hold the office up to the date of this Annual General Meeting. Further the Company has received a Notice in writing from a Member under Section 257 of the Companies Act, 1956 along with the required deposit of Rs.500/- proposing the name of Mr. Sanjeev Sehrawat as a director of the Company. The Board recommends the passing of the Ordinary Resolution as set out in item No.4 of the accompanying Notice. The resolution is placed before the Members of the Company for their approval.

None of the Directors of the Company is interested/ concerned in this resolution except Mr Sanjeev Sehrawat as it relates to his appointment.

By Order of the Board  
For Tebma Shipyards Limited

P.R.KANNAN  
Company Secretary

Chennai  
01/07/2011.

**TEBMA SHIPYARDS LIMITED****DIRECTORS' REPORT**

The Directors of your Company present to you the Twenty Seventh Annual Report and the Audited Accounts of the Company for the year ended 31st March 2011.

**FINANCIAL RESULTS****(Rs. in lakhs)**

	<b>2010-2011</b>	<b>2009-2010</b>
Income	15420.01	20891.55
Profit / (Loss) before Interest and Depreciation	(2048.25)	(11658.59)
Less: Interest	3232.69	4865.10
Profit / (Loss) Before Depreciation	(5280.94)	(16523.69)
Less: Provision for Depreciation	2274.85	2105.63
Profit / (Loss) Before Tax	(7555.80)	(18629.32)
Taxation	(56.13)	-
Deferred Tax Liability	-	-
Profit / (Loss) after Tax	(7499.67)	(18629.32)
Prior period items, net of taxes	19.10	(13.94)
Add: Profits/Loss(-) from earlier years	(19085.93)	(442.67)
Total funds available for appropriation	(26566.50)	(19085.93)
Less: Transfer to General Reserve	-	-
Dividend (including tax on dividend)	-	-
Balance carried forward	(26566.50)	(19085.93)

**FINANCIAL PERFORMANCE**

During the year under review, your company has incurred a loss of Rs.7480.57 lakhs for the operational period from 1.4.2010 to 31.3.2011 as against Rs.18643.26 lakhs for the earlier period. The total income has decreased from Rs.20891.55 lakhs to Rs.15420.01 lakhs resulting in loss before tax of Rs.7555.80 lakhs as against the loss of Rs.18629.32 lakhs recorded in the previous financial year.

The Company's debts were restructured under the Corporate Debt Restructuring(CDR) scheme during the year under review. Till the CDR package was finally approved by CDR EG and the company could meet certain other conditions, the lenders had reservations in supporting the company by way of opening letters of credit for import of equipments required for the construction of vessels. Hence, the company could not procure material which impacted the ship building for the current year and resulted in lower yard utilization. This resulted in operational losses for the Company. However, after implementation of the package, the lenders have supported the company as per the approved package to enable the Company to ramp up production.

Due to the company's inability to import equipments as mentioned above, execution of some of the contracts were delayed and the necessary provisions have been made for the liquidated damages expected on those contracts to the tune of Rs.105 lakhs.

The Company entered into settlement agreements with certain customers during the year. The Company gained Rs.8545 lakhs as a result of the settlement. However, the Company had to reverse the revenue recognized, inventorised costs, make adequate provision on inventory and advances to suppliers pertaining to these contracts amounting to Rs. 7221 lakhs.

The Company had to retain the work force to execute the orders on hand and hence had to incur the manpower expenses even though the yard was under utilised during the current year. Hence, there was no reduction in manpower cost for the current year.

All the above said factors contributed to the company incurring cash losses during the current financial year.

**NEW ORDERS**

The Company has recently received an order for supply of 1 No. Grab hopper Dredger for Indian Navy.

## OPERATIONAL PERFORMANCE

All our facilities were under utilized during the financial year 2010-11. After the implementation of the CDR package, the company has been able to import material and the construction is in progress as per schedule for supply of Geotechnical Research vessels and Bollard Pull Tugs.

The Company had delivered one MPSV from its Malpe facility in April, 2011.

In terms of the MOU entered into with Cochin Shipyard Limited (CSL) the company has so far delivered 8 Nos., of Platform Supply vessels and also did the out fitting work for 2 vessels belonging to CSL. Work in respect of 4 Nos., of AHTS, on behalf of CSL is under progress.

For the purpose of executing the orders received for cutter suction Dredgers the company is currently operating from a temporary rented facility at Howrah. Out of the orders received for 6 Nos., of cutter suction dredgers, the company has so far delivered 4 Nos., of Cutter suction Dredgers and the work is under progress in respect of the other two Vessels.

## YARD INFRASTRUCTURE

### Chengalpet Facility

The operations carried out at this facility have already been shifted to Malpe Yard to have better control on execution. This facility is currently not being utilized by the Company. In consultation with the lenders, the Company intends redeploying these facilities for new activities planned by the company.

### Malpe Facilities

Malpe yard is fully operational now. Certain minimum capital expenditure approved in the CDR package will be carried out in the current year to carry out the operations of the facility more effectively.

## FUTURE OUTLOOK

Due to heightened Exploration and Production (E&P) activities as a result of increase in oil prices, the demand for OSV/PSVs is likely to remain robust in the near future. In view of this the company will continue to remain focused on securing orders for OSV/PSV/MPSVs.

## AUDITORS

The Auditors M/s D.Rangaswamy & Co., Chartered Accountants retire at the conclusion of the 27<sup>th</sup> Annual General Meeting and are eligible for re-appointment. The Directors recommend their re-appointment.

As regards observations of the Auditors in their report, your Directors wish to state as under:

The Company has taken note of Audit observations on the need to strengthen the internal control procedures with regard to purchase of inventory and physical verification of inventories and will initiate necessary steps to improve upon the same.

Due to the financial crunch faced by the Company, the company could not engage an external agency to carry out the internal audit functions.

With respect to one vessel, even though the company had reversed the revenue recognized on Percentage of Completion method, (POC) it had not provided for the subsidy recognized on POC method for the reason that the vessel in question is at an advanced stage of completion.

The Company is liable to pay Service tax only upon collection of the same from the customer. As the company could not collect the said Service Tax from the customer, the same could not be paid during the financial year. Further, the financial crunch faced by the company did not allow the company to pay the service tax in advance and subsequently collect it from the customer.

Though the company had provided for R & D cess in the books, the company is in the process of obtaining a legal opinion since the scope of the service in question was between the Customer and the design house and the company did not make any payment to the design house directly.

The Company defaulted on repayment of loans till the implementation of the CDR package. However, the facilities were restructured taking into account the borrowings outstanding on the cut off date i.e. 1.4.2010 and hence all the defaults have been regularized under the CDR scheme.

## KEY DEVELOPMENTS

### a) Sanction of CDR Package for the Company:

With the support of the lenders the Companies facilities were restructured under CDR Scheme. The scheme was approved by CDR Empowered Group vide their Letter of Approval dated 22/11/2010. The package has already been implemented as envisaged in the Letter of Approval. The Board takes this opportunity to thank the lenders and the CDR- EG for their support. The company is confident that with the help of this package it will be able to tide over its current financial crunch, revamp and turn around the operations as envisaged in the CDR package.

As is normally the case, CDR package inter alia provides for certain concessions in the form of reduction in rate of interest on working capital and term Loan facilities, reduction in LC/ BG Commission charges, reduction in margin money deposit, conversion of outstanding secured debts into Term Loans and Compulsorily Redeemable Preference Shares etc.,

### b) Further issue of Shares

In terms of the CDR Package sanctioned for the Company, the Company was required to infuse additional capital. Accordingly during the year under review the Company issued 6,95,83,825 Equity shares of Rs.10/- each, at a price of Rs.19.20 per share to M/s. Nirupam Energy Projects Private Limited (NEPL) a wholly owned subsidiary of Bharati Shipyard Limited and M/s. IDBI Trusteeship Services Ltd., in their capacity as Trustees of India Advantage Fund VI (IAF-VI) acting through its investment Manager, ICICI Venture Funds Management Company Ltd.,

NEPL, the acquirer, has filed a Draft Letter of Offer with SEBI and will come out with an Open Offer in terms of SEBI (SAST) Regulations.

### c) Tebma has become subsidiary of M/s. Nirupam Energy Projects Private Limited and Bharati Shipyard Limited

Pursuant to allotment of shares to Nirupam Energy Projects Private Limited (NEPL) Tebma has not only become subsidiary of NEPL but also that of Bharati Shipyard Limited which is the holding company of Nirupam Energy Projects Private Limited.

### d) Issuance of Compulsorily Redeemable Preference Shares

In terms of the CDR package sanctioned for the Company, the company was required to issue Compulsorily Redeemable Preference Shares (CRPS) to an extent of Rs.125.00 Crores to various banks as and by way of conversion of Company's outstanding secured debt. Accordingly during the year under review the company issued CRPS aggregating to Rs.125.00 Crores to the lenders.

### e) Increase in Authorized Capital

To accommodate issuance of Equity shares and Compulsorily Redeemable Preference Shares on a preferential basis to NEPL and IAF-VI and to various banks respectively, the company increased its Authorized Share Capital to Rs.215 Crores comprising of Rs. 90.00 Crores of equity share capital and Rs.125 Crores of Preference share Capital.

### f) Registration of Company's name and Logo as a Trade mark.

The Company has obtained Registration certificate from the Registrar of Trade Marks in respect of its name and Logo.

## Health safety and Environment

Health Safety and Environment activities continues to be priority areas for the Company.

## Corporate Social Responsibility (CSR) Initiatives

The Company continued its emphasis on CSR initiatives through environment protection and development of local communities . As part of CSR initiatives the Company had arranged Blood donation camps, Medical Check ups, distribution of Books and note books, training of locals to enhance their technical skills.

**DEPOSITS**

The Company has not accepted any deposits from the Public or its employees during the year under report.

**DIRECTORS**

Mr. P.K.Balasubramanian, retire by rotation, at the Twenty Seventh Annual General Meeting and being eligible, offer himself for reappointment as a Director.

Mr. Sanjeev Sehrawat was co-opted as Director of the Company with effect from 17.06.2011. Having been appointed as an Additional Director he holds office upto the date of ensuing Annual General Meeting. The Board recommends his appointment in the forthcoming Annual General Meeting.

Mr T.Raghunandana and Mr Sumit Chandwani, have resigned as Directors with effect from 18/10/2010 and 17/06/2011 respectively. Your Directors wish to place on record their sincere appreciation of the services rendered by Mr T.Raghunandana and Mr Sumit Chandwani during their tenure as Directors of the Company.

**CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO**

The particulars as prescribed under Section 217 (1) (e) read with Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure - I

**MANAGEMENT DISCUSSION AND ANALYSIS**

A detailed review of industry structure, opportunities and threats and future outlook of the Company and its business is given in the Management Discussion and Analysis attached as Annexure - II.

**CORPORATE GOVERNANCE REPORT AND GENERAL SHAREHOLDER INFORMATION.**

As required by the existing Clause 49 of the Listing Agreement entered into with the OTC Exchange of India, a detailed report on Corporate Governance is attached as Annexure - III. The Company is in the process of co-opting an additional Independent Director so as to comply with the Corporate Governance requirements on "composition of the Board" and on the "Composition of the Audit Committee". Except for this non compliance, the company has otherwise complied with the requirements and disclosures that have to be made in this regard. A Certificate on compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

Pursuant to the requirement of the Listing Agreement with the Stock Exchange and the Accounting Standards in terms of Section 211 (3A) of the Companies Act, 1956, details of Related Party transaction (AS-18) have been incorporated in these accounts.

**EMPLOYEES**

The Board of Directors takes this opportunity to sincerely acknowledge the dedicated services and contribution of all the employees. Our industrial relations continue to be cordial.

None of the employees receive remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956.

**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- a) in the preparation of the annual accounts, applicable Accounting Standards were followed and that no material departures have been made from the same;
- b) appropriate accounting policies were selected and applied consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the company for the year under review;

- c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 were made to safeguard the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the annual accounts have been prepared on a going concern basis.

#### ACKNOWLEDGEMENTS

Your directors like to express their sincere appreciation for the excellent support and cooperation received from bankers. We also express our thanks to Cochin Shipyard Limited, where we operate with high degree of mutual trust and also with high degree of commitment from our side.

For and on behalf of the Board of Directors

Place: Chennai  
Date: 01.07.2011

P K BALASUBRAMANIAN  
Chairman

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#### ANNEXURE I

Statement Regarding Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo as required under Clause (e) of Sub-Sec (1) of Section 217 of the Companies Act, 1956 forming part of the Directors' Report for the year ended March 31, 2011.

##### CONSERVATION OF ENERGY:

The operation of your Company are not energy-intensive. Your Company is conscious about its responsibility towards a safe and clean environment and continues to adhere to all regulatory requirements and guidelines.

##### ABSORPTION OF TECHNOLOGY

Your Company has fully absorbed the technology for building of Tugs and MPSVs.

##### RESEARCH AND DEVELOPMENT

During the year under review the company has not contributed any sum towards research and development.

##### FOREIGN EXCHANGE EARNING & OUTGO

The foreign exchange outgo and earnings for the period under review were Rs.4220.28 lakhs and Rs. 10174.65 lakhs respectively.

**ANNEXURE II TO THE DIRECTORS' REPORT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**OPPORTUNITIES AND THREATS**

The demand for OSVs has been linked to Exploration and Production activities. Rising oil prices have encouraged oil and gas Companies to increase E&P activities.

Oil exploration activities are also shifting from shallow water to deep water. Exploration in deep waters requires OSVs with latest technology and increased functionality. Hence there is going to be demand for new OSVs that can cater to the increasing demands of deep water oil exploration.

**OUTLOOK**

Approximately 60% of the existing OSV fleet is more than 20 years old and hence are due for replacement. Going forward, there is expected to be a significant replacement demand as well.

The Company has so far delivered 11 vessels in the OSV/PSV segment from its Malpe yard and from Cochin Shipyard Limited facility. Tebma having created a niche for itself in PSV/OSV segment, it is gearing up itself to meet any surge in demand for OSV/PSVs.

There is a huge potential for this industry to grow in this country but needs support of the government to develop necessary infrastructure and for creating and nurturing the ancillary industries .

**RISKS AND CONCERNS**

As the Company's operations are export oriented, Company has exposure to foreign exchange fluctuation risk. It is possible to mitigate the risk by appropriately hedging the exposures.

The industry may face shortage of technically skillful persons in times of surges in demand for ships. The Company has proactively started training people to take care of such developments. Further, despite the financial crunch faced by the Company, the Company was able to retain most of its talent. Consequently, in the current financial year there was no reduction in manpower cost despite the reduced level of operation. However, this will help the company to complete the vessels under construction as per schedule. .

The Shipbuilders Association of India has been representing to Government of India to continue the shipbuilding subsidy scheme so as to have level playing field with international competitors. Government of India is yet to announce the revised subsidy scheme subsequent to expiry of the old subsidy scheme during August, 2007.

**FINANCIAL PERFORMANCE REVIEW**

Due to a host of factors resulting in under utilization of yard facilities, the Company's revenue for the Financial year 2010-11 was Rs.154.20 Crores as compared to Rs.208.91 Crores for the Financial year 2009-10. The net loss for the Financial Year stood at Rs. 74.80 Crores as compared to Rs. 186.43 Crores for the Financial Year 2009-10.

**INTERNAL CONTROL SYSTEM**

The Company maintains an adequate internal control system which provides reasonable assurance on recording transactions in all material respects and for providing protection against misuse and loss of assets. However, due to the financial crunch faced by the Company, the company could not engage an external agency to carry out the internal audit functions. The company intends strengthening this area in the current financial year.

**CAUTIONARY STATEMENT**

The statements made in the Report describing the Company's projections, expectations and estimations may be forward looking within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of future events. The actual results may differ from those expressed or implied in this report due to the influence of external and internal factors beyond the control of the Company.

For and on behalf of the Board of Directors

Place: Chennai  
Date : 01.07.2011

P.K. BALASUBRAMANIAN  
CHAIRMAN

**ANNEXURE III TO THE DIRECTOR'S REPORT  
REPORT ON CORPORATE GOVERNANCE**

**1. Introduction**

The Company is complying with the mandatory requirements of the code of Corporate Governance introduced by the SEBI and incorporated in Clause 49 of the Listing Agreement in all material respects.

**2. Company's Philosophy on Code of Corporate Governance**

The Company strives to achieve good standards of Corporate Governance on a continuous basis which would ultimately benefit all the stakeholders.

**3. Board of Directors**

Composition of Independent Directors on the Board is less than the stipulated 50% in terms of Clause 49 (I) (A) (i) of the Listing Agreement and the company is in the process of filling up the vacancy.

The Board meets at regular intervals. During the year ended 31<sup>st</sup> March, 2011 (01-04-2010 to 31-03-2011) four Board Meetings were held, i.e., on 22.06.2010, 28.08.2010, 08.12.2010, and 30.03.2011.

The last Annual General meeting was held on 30<sup>th</sup> September, 2010.

The Composition of Board, attendance of each Director at the Board Meetings held during the year under review as well as in the last Annual General Meeting and number of other Directorship / Committee memberships held by them are as follows :

Name(s) of Director(s)	Designation and Category	Attendance		Number of outside Directorships (excludes Private and Foreign companies)	Number of Board Committee memberships held in other companies
		Board Meeting	In the Last AGM		
P.K.BALASUBRAMANIAN	Chairman Executive Non Independent	4	Yes	Nil	Nil
B. JAYAKUMAR (Upto 02.08.2010)	Wholetime Director Executive Non Independent	1	No	Nil	Nil
M.M. KAMATH	Director Non Executive - (Independent)	4	Yes	Nil	Nil
SUMIT CHANDWANI (Upto 17.06.2011)	Director Non Executive - (Non Independent)	4	No	6	Nil
T. RAGHUNANDANA (Upto 18.10.2010)	Director Non Executive - (Independent)	2	No	Nil	Nil

Further the Board of Directors would like to inform the members that none of the directors are disqualified to act as directors of this company or any other public company in terms of Section 274(1)(g) and other applicable provisions of the Companies Act, 1956.

Information about the Directors proposed to be appointed and Directors retiring by rotation and seeking re-appointment, required to be furnished pursuant to Clause 49 of the listing agreement with the Stock Exchange forms part of the notice of the 27<sup>th</sup> Annual General Meeting to the shareholders of the Company.

## Committees of the Board

### 1. Audit Committee

#### Composition and Attendance

Composition of Independent Directors in the Audit Committee is less than the stipulated minimum in terms of Clause 49 (II) (A) (i) of the Listing Agreement with effect from 18/10/2010 and consequently no Audit Committee Meetings were held subsequent to the said date and quarterly / Annual Financial Statements for the Financial Year 2010-11 and other related matters could not be placed before the Audit Committee.

The Audit Committee of the Board met two times during the period 01.04.2010 to 31.03.2011 on 22.06.2010 and 28.08.2010 as per details furnished below :

Name of Directors	Status	No.of Meetings held	No. of Meetings attended
Shri. M.M.Kamath	Member	2	2
Shri T.Raghunandana (Upto 18/10/2010)	Chairman	2	2
Shri B.Jayakaumar (Upto 02/08/2010)	Member	2	1

The quorum shall be either 2 members or one third of the members of the Audit Committee, whichever is higher and there shall be a minimum of two independent directors present at the meeting.

#### Terms of reference

The powers and terms of reference of the Audit Committee inter alia include the following

- ? Overseeing the Company's financial reporting process and the disclosure of its financial information.
- ? Reviewing periodically transaction with related parties
- ? Reviewing, with the management, the quarterly / annual financial statements before submission to the board for approval.
- ? Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control system.
- ? Discussion with internal auditors any significant findings and follow up there on.
- ? Reviewing the findings of any internal investigations by the internal auditors.
- ? Carrying out any other function as is mentioned in the terms of reference of the Audit Committee

### 2. Remuneration to Directors

While deciding on the remuneration to Directors the Board / Remuneration Committee considers performance of the company, qualification/experience of the appointee and other relevant factors.

No Remuneration Committee Meeting was convened during the financial year.

### Directors' Remuneration

The details of remuneration paid to the Wholetime Directors for the period ending 31<sup>st</sup> March, 2011 are as under:

Name	Period	Salary & Perquisites
Shri.P.K.Balasubramanian (Chairman)	01-04-2010 to 31-03-2011	Rs. 72,80,900
Shri.B.Jayakumar (Wholetime Director)	01-04-2010 to 02-08-2010	Rs.14,91,000

### Non-Executive Directors' Remuneration

Name	Period	Monthly Retainer fee	Sitting fee
Shri M.M.Kamath	01-04-2010 to 31-03-2011	Nil	Rs.40,000/-
Shri T.Raghunandana (Upto 18.10.2010)	01-04-2010 to 18-10-2010	Nil	Rs.40,000/-

Non-Executive Directors of the Company are remunerated by way of sitting fees for the meetings of the Board/Committees of the board attended by them.

None of the Non-Executive Directors of the Company have pecuniary relationship with the company, its promoters, management or its subsidiaries and none of the non executive Directors hold shares in the Company.

### 1. Share holders / Investor's Grievance Committee

#### Composition and Attendance

The Company also has a Share holders /Investors Grievance Committee consisting of the following Directors as members thereof and during the year the Committee met 4 times viz., 16/04/2010, 30/04/2010, 07/10/2010 and 30/03/2011:

Name of Directors	Status	No. of Meetings held	No. of meetings attended
Shri M.M.Kamath	Chairman	4	4
Shri.P.K. Balasubramanian (Co-opted from 28/08/2010)	Member	4	2
Shri. B.Jayakumar (Upto 02/08/2010)	Member	4	2

### Terms of Reference

The Committee inter alia looks into matters relating to share transfers, transmission, issue of duplicate share certificate, splitting and consolidation of share certificates and monitor shareholders and investors grievances such as complaints on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc., and redress thereof.

No complaints were received during the year and no complaint is pending as of 31/03/2011.

### 1. Code of Conduct

There is a Board approved code of conduct applicable for all the Board Members and senior management personnel of the company. The said code of conduct has also been posted on the website of the company [www.tebma.com](http://www.tebma.com).

A report on the compliance aspect of the code of conduct given by the Chairman has been given at the end of this report.

## 6. General Body Meetings:

The last three Annual General Meetings held are as follows: -

Financial Year	AGM	Location	Date	Time
2007-2008	AGM	Registered Office at 5/360, Rajiv Gandhi Salai, (OMR) Okkiam Thoraipakkam, Chennai - 600 097.	Sep. 24, 2008	11.00 A.M
2008-2009	AGM	Registered Office at 5/360, Rajiv Gandhi Salai, (OMR) Okkiam Thoraipakkam, Chennai - 600 097.	Sep. 30, 2009	11.00 A.M
2009-2010	AGM	Registered Office at 5/360, Rajiv Gandhi Salai, (OMR) Okkiam Thoraipakkam, Chennai - 600 097.	Sep. 30, 2010	11.00 A.M.

Except the following Special resolutions passed at the Annual General Meeting and Extra-Ordinary General Meetings for the last three years, no resolutions were put through postal ballot.

Date of the General Meeting	Special Resolutions Passed
16/04/2008 (EGM)	<ol style="list-style-type: none"> <li>Further issuance of shares</li> <li>Enhancement of Remuneration payable to Wholetime Director</li> <li>Issue of Shares under Employee Stock Option Scheme.</li> </ol>
10/09/2008 (EGM)	<ol style="list-style-type: none"> <li>Further issuance of equity shares.</li> </ol>
24/09/2008 (AGM)	<ol style="list-style-type: none"> <li>Appointment and payment of Remuneration to MD &amp; CEO</li> <li>Amendment of Articles of Association</li> </ol>
30/09/2009 (AGM)	<ol style="list-style-type: none"> <li>Amendment of Articles of Association</li> </ol>
26/04/2010 (EGM)	<ol style="list-style-type: none"> <li>Re-appointment and payment of Remuneration to Mr B. B. Jayakumar, Wholetime Director.</li> <li>Amendment of Articles of Association</li> </ol>
11/08/2010 (EGM)	<ol style="list-style-type: none"> <li>Further issuance of Compulsorily Convertible Preference Shares</li> <li>Withdrawal of Rights Issue</li> </ol>
30/09/2010 (AGM)	<ol style="list-style-type: none"> <li>Re-appointment and payment of Remuneration to Mr. P.K.Balasubramanian, Chairman.</li> <li>Ratification of Excess Remuneration paid to Mr.Ajay Dhagat, former MD &amp; CEO.</li> </ol>
18/12/2010 (EGM)	<ol style="list-style-type: none"> <li>Further issuance of equity shares</li> <li>Withdrawal of the proposal to issue Compulsorily Convertible Preference Shares (CCPS)</li> <li>Amendment of Articles of Association</li> <li>Amendment of Articles of Association (Insertion of new clauses)</li> </ol>
28/02/2011 (EGM)	<ol style="list-style-type: none"> <li>Withdrawal of Resolution passed for issuance of equity shares on preferential basis.</li> <li>Withdrawal of Resolution passed for Amendment of Articles of Association.</li> <li>Further Issuance of equity shares on preferential basis.</li> <li>Amendment of Articles of Association (Insertion of new clauses)</li> </ol>
30/03/2011 (EGM)	<ol style="list-style-type: none"> <li>Issuance of Compulsorily Redeemable Preference Shares (CRPS)</li> </ol>

## 7. Disclosures

### -Related Party Disclosure

During the year under review there were no materially significant related party transaction with its promoter, director and management that had a potential conflict with the interest of the Company at large except to the extent duly disclosed in the notes on accounts as enclosed along with this report.

### -Accounting treatment

In the preparation of financial statements, generally accepted accounting principles and policies were followed. Mandatory Accounting Standards announced by Institute of Chartered Accountants of India were followed in the preparation of financial statements.

### - Board Disclosure – Risk Management

The main object of Risk Management is risk reduction and avoidance. It also helps a Company to identify the risks faced by the business and optimise the Risk Management strategies. The Company has a defined Risk Management framework.

### - Management Disclosures

Management Discussion and Analysis Report is Annexed to the Director' Report.

## 8. Means of Communication

The Quarterly / Annual results are usually published by the Company in English and Tamil Newspapers. Quarterly results are simultaneously submitted to the OTC Exchange of India to enable them to display the same on their website. During the period under review presentation has not been made to analysts or press.

## 9. General Shareholder's Information

1	AGM Date Time & Venue	28 <sup>th</sup> day of September, 2011 at the Registered Office of the Company 5/360, Rajiv Gandhi Salai,(OMR) Okkiam Thoraipakkam, Chennai - 600 097.
2	Financial Calendar (Tentative)  <u>Financial reporting for the -</u> Quarter ending June 30, 2011 Quarter ending September 30, 2011 Quarter ending December 31, 2011 Quarter/year ending March 31, 2012	By Second week of August, 2011 By Second week of November, 2011 By Second week of February 2012 By Fourth week of May, 2012
3	Dates of book closure	26 <sup>th</sup> September 2011 to 28 <sup>th</sup> September, 2011 (Both days inclusive)
4.	The Equity Shares of Rs.10/- each are listed at -	OTC Exchange of India (Annual Listing fees for the year 2010-2011 was duly paid to the above Stock Exchange) Stock Code: <b>TEBMA</b> ISIN No. <b>INE279H01017</b>
5	Registered Office	5/360, Rajiv Gandhi Salai, (OMR) Okkiam Thoraipakkam, Chennai 600 097.

**Stock Market Data :**

During the year under review, there was no trading of the Company's shares in the OTC Stock Exchange, hence the same can not be provided and compared.

**Share Transfer System**

A committee of Board approves share transfer in the physical form. The Company has appointed M/s CAMEO CORPORATE SERVICES LIMITED, Chennai as its Registrar & Share Transfer Agent with regard to the work related to the share registry for shares held in both physical and electronic mode. The Company ISIN Number is INE 279H01017.

**Distribution of Share holding as on 31<sup>st</sup> March 2011**

SHARE RANGE		TOTAL NO. OF	TOTAL SHARE	TOTAL SHARE	% OF TOTAL
FROM	TO	SHARE HOLDERS	HOLDINGS	VALUE	VALUE
1	500	1636	272131	2721310	0.35
501	1000	111	83620	836200	0.11
1001	2000	59	84745	847450	0.11
2001	3000	19	49214	492140	0.06
3001	4000	8	28565	285650	0.04
4001	5000	9	40267	402670	0.05
5001	10000	22	147452	1474520	0.19
10001 & ABOVE		54	76655511	766555110	99.09
	<b>TOTAL</b>	<b>1918</b>	<b>77361505</b>	<b>773615050</b>	<b>100.00</b>

**DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2011**

S.NO.		Category	No.of shares held	Percentage of shareholding
A.	1	<b>Promoter's holding</b> Promoters - Indian Promoters - Foreign Promoters	39453125	51.00
	2	Persons acting in Concert <b>Sub-Total</b>	39453125	51.00
B.	3	<b>Non-Promoters Holding</b> <b>Institutional Investors</b>		
	a	Mutual Funds	23100	0.03
	b	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions /Non-government Institutions)	....	.....
	c	FIs	35333	0.04
		<b>Sub-Total</b>	58433	0.07
	4	<b>Others</b>		
	a	Private Corporate Bodies	340960	0.44
	b	Indian Public	2713160	3.51
	c	NRI/OCBs	512474	0.67
	d	Other	34283353	44.31
		<b>Sub - Total</b>	37849947	48.93
		<b>GRAND TOTAL</b>	77361505	100.00

**Dematerialisation of Shares**

The Company has appointed M/s CAMEO CORPORATE SERVICES LIMITED, Chennai as Registrar and Share Transfer Agent for establishing connectivity with NSDL and CDSL to facilitate dematerialisation of shares held by the members.

As at 31<sup>st</sup> March, 2011, 5260669 (6.80%) equity shares have been dematerialised. Members are requested to take steps to dematerialise the shares held in physical form.

## Instruments

The Company has not issued GDRs'/ ADRs'/ Warrants / Convertible Instruments.

## Registrar and Share Transfer Agents

M/s. Cameo Corporate Services Ltd.,  
Subramanian Building, 1, Club House Road, Chennai – 600 002.  
Phone No.044-28460390 / 28460425 Fax No. 044 28460129  
Email : [cameo@cameoindia.com](mailto:cameo@cameoindia.com)  
Website : [www.cameoindia.com](http://www.cameoindia.com)

## 10. Plant Location

The Company has its manufacturing yards located at Chengalpet, Tamil Nadu and in Malpe, Udupi, Karnataka.

## 11. Certificate on Corporate Governance

Appended with this report

## 12. Address for Communication

TEBMA SHIPYARDS LIMITED  
5/360, Rajvi Gandhi Salai, (OMR)  
Okikiam Thoraipakkam,  
Chennai - 600 097.  
Tel No. (44) 2496 8200; Fax No: (44) 24580717

For and on behalf of the Board of Directors  
TEBMA SHIPYARDS LIMITED

Place: Chennai  
Date: 01/07/2011

P K BALASUBRAMANIAN  
Chairman

**Declaration on Code of Conduct**

As required by Clause 49 (I)(D) of the Listing Agreement, this is to certify that all the Board members and Senior Management personnel have affirmed compliance with the code of conduct of the Company. It is also confirmed that the Code of Conduct has already been posted on the website of the Company.

Place: Chennai  
Date : 01/07/2011

P.K.BALASUBRAMANIAN  
Chairman

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The Board of Directors  
Tebma Shipyards Ltd  
Chennai – 600 097

**GEO/CFO CERTIFICATION**

We, P.K.Balasubramanian, Chairman and N.Ramanathan, Chief Executive Officer of the Company hereby certify the following.

- (a) We have reviewed financial statements and the cash flow statement for the year 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 statement 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 and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors, deficiencies in the design or operation of internal controls, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors
  - (i) significant changes in internal control during the year
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements: and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

P.K.BALASUBRAMANIAN  
Chairman

N. RAMANATHAN  
Chief Executive Officer

Place : Chennai  
Date : 01/07/2011

**REPORT ON CORPORATE GOVERNANCE**

**To**  
**The Members of Tebma Shipyards Limited**  
**Chennai**

We have examined the compliance of conditions of Corporate Governance by Tebma Shipyards Limited ('the Company'), for the year ended on 31<sup>st</sup> March 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, *subject to*;

- i. Composition of Independent Directors in the Board, being less than fifty per cent, stipulated in terms of Clause 49 (I) (A)(i) of the listing agreement for the period from 7<sup>th</sup> January 2010 to 2<sup>nd</sup> August 2010 and from 18<sup>th</sup> October 2010 till date,*
- ii. Composition of Audit committee being less than the minimum, stipulated in terms of Clause 49 (II) (A) (i) of the Listing Agreement from 18<sup>th</sup> October 2010 till date, and*
- iii. Only two Audit Committee meetings were held during the financial year as against the minimum of four stipulated in terms of Clause 49 (II) (B) of the Listing Agreement. Also, the Quarterly results and other matters relating to the Financial Year 2010-11 were not placed before the Committee.*

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 **D.RANGASWAMY & CO**  
Chartered Accountants  
(Firm Registration No.003073S)

**B.RAMANI**  
Partner  
(Membership No. 19603)

Place: Chennai  
Date: July, 1, 2011

**Auditors' Report To The Members of TEBMA SHIPYARDS LIMITED**

1. We have audited the attached balance sheet of Tebma Shipyards Limited ("the Company") as at 31st March 2011, the profit and loss account and the cash flow statement 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 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. *As stated in Note 3.7 of schedule 19, the Company had reached a settlement agreement with a customer on the balance sheet date. The Company has provided for the profit recognized on percentage of completion method for the said vessel except that the company has not provided for the subsidy recognized on percentage of completion method. This is contrary to Accounting standard-7 (Construction Contracts) issued by the Institute of Chartered Accountants of India (ICAI). Had the company complied with this Accounting standard, the provision for subsidy receivable would have been higher by Rs 999.54 Lac. Consequently, the losses would have been higher by Rs.999.54 Lac.*
4. As required by the Companies (Auditor's Report) Order, 2003 as amended by the companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
5. Further to our comments in the Annexure referred to above, we report that:
  - i. 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;
  - ii. 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 those books;
  - iii. the Balance Sheet, Profit and Loss account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss account and the Cash Flow Statement dealt with by this report have been prepared in all material respects, , in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act, subject to the deviations as stated in paragraph 3;
  - v. On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of section 274 (1)(g) of the Act;
  - vi. Subject to our comments in Paragraph 3, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. in the case of the balance sheet, of the state of affairs of the company as at 31st March 2011;
    - b. in the case of the profit and loss account, of the loss of the company for the year ended on that date; and
    - c. in the case of the cash flow statement, of the cash flows of the company for the year ended on that date.

FOR **D.R A N G A S W A M Y & C o**  
 CHARTERED ACCOUNTANTS  
 FIRM REGN NO-003073S

**B.RAMANI**  
 PARTNER  
 MEMBERSHIP NO:19603

CHENNAI  
 1<sup>st</sup> JULY, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 4 of our report of even date to the members of TEBMA SHIPYARDS LIMITED ("the company") on the financial statements for the year ended March 31, 2011)

We report that:

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, *except for location of certain fixed assets which are yet to be updated. The management is in the process of updating.*
- b) The company has a regular programme for physical verification of fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets. In accordance with this programme, certain fixed assets were verified, and as explained to us, no material discrepancies were noticed on such verification.
- c) No substantial part of fixed assets of the company has been disposed off during the year.
- (ii) a) The company has conducted physical verification of inventory at reasonable intervals to verify substantial value of inventories. *However, the physical verification of inventory did not cover all items at least once in a year. Accordingly, in our opinion, the frequency and coverage of such verification needs to be extended to cover all items.*
- b) *The procedures for the physical verification of inventories followed by the management needs to be strengthened in relation to the size of the Company and the nature of its business.*
- c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and sale of goods. *However, the internal control procedure with regard to purchase of inventory needs to be strengthened in order to make them commensurate with the size of the company and the nature of its business.* In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control system.
- (v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) With regard to transactions made in pursuance of such contracts or arrangements there are no comparable market prices as the related services are considered to be of special nature as explained by the management of the company. However, on the basis of information and explanations given to us, the same appear reasonable.
- (vi) The company has not accepted any deposits from the public during the year.
- (vii) *Based on the information and explanations given to us, the company had no internal audit system during the year.*
- (viii) As explained to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act, for any of the products made or services rendered by the company.
- (ix) a) Undisputed statutory dues including provident fund, employees' state insurance, income tax, sales-tax, service tax, customs duty, excise duty, and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases, *except for (1) Research and Development Cess payable under the Research and Development Cess Act, 1986 amounting to Rs.100.36 lacs pertaining to year 2008-09 has not been paid till the reporting date. (2) Service Tax which remain uncollected amounting to Rs 112.17 Lac pertaining to current year has not been remitted for a period exceeding six months and;*
- b) There are no dues of income tax / wealth tax, service tax, customs duty, which have not been deposited on account of any dispute, *except for those referred to in Note 3.4 of schedule 19 to the financial statements.*

- (x) *The company has incurred accumulated losses at the end of the financial year. The company has incurred cash losses in the current financial year and also in the immediately preceding financial year amounting to Rs.5205.72 lacs and Rs. 19574.59 Lacs respectively.*
- (xi) *According to the records produced, the company has defaulted in repayment of cash credit loan and settlement in respect of forward contract to Non-CDR lenders, amounting to Rs 1795.47 Lac and 460.00 Lac respectively. The period of default in respect of Cash Credit Facility and matured forward cover is 18 months and 10 months respectively. The default continues to exist as on the reporting date.*
- (xii) *According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.*
- (xiii) *In our opinion and according to the information and explanations given to us, the company is not a chit fund/ nidhi/mutual fund/ society.*
- (xiv) *According to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments.*
- (xv) *According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.*
- (xvi) *In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of account, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.*
- (xvii) *According to the information and explanations given to us, we are of the opinion that the funds raised on short term basis have not been used for long term investments by the company.*
- (xviii) *The company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, refer Note 3.1 of Schedule 19 to the financial statements.*
- (xix) *The company did not have any outstanding debentures during the year.*
- (xx) *The Company did not raise any proceeds during the year through public issue of any of its securities.*
- (xxi) *According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.*

FOR D.RANGASWAMY & CO  
CHARTERED ACCOUNTANTS  
FIRM REGN NO-003073S

**B.RAMANI**  
PARTNER

MEMBERSHIP NO: 19603

CHENNAI  
1<sup>st</sup> JULY, 2011

**BALANCE SHEET AS AT 31.03.2011**  
(All amounts are in Indian Rupees lakhs, except share data and where otherwise stated)

Particulars	Schedule	31.03.2011	31.03.2010
<b>SOURCES FOR FUNDS</b> ( Rupees in Lakhs )			
<b>Shareholders' Funds</b>			
Share Capital	1	20,236.15	777.82
Advance for share capital	1.1	1,915.00	7,700.00
Reserves & Surplus	2	<u>12,194.71</u>	<u>5,793.04</u>
		34,345.86	14,270.86
<b>Loan Funds</b>			
Secured Loans	3	33,503.02	34,110.32
UnSecured Loans	4	4,292.19	8,850.54
		<u>37,795.21</u>	<u>42,960.86</u>
<b>Total</b>		<b><u>72,141.07</u></b>	<b><u>57,231.72</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	24,534.19	23,504.07
Less: Accumulated Depreciation / Amortisation		<u>5,944.48</u>	<u>3,670.56</u>
Net Block		18,589.71	19,833.51
Capital Work in Progress		<u>474.95</u>	<u>1,294.74</u>
		19,064.66	21,128.25
<b>Investments</b>			
	6	1.32	1.32
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	14,102.38	11,959.55
Sundry Debtors	8	638.61	3,677.37
Cash & Bank Balances	9	21,403.23	8,502.26
Other Current Assets	10	25,317.96	45,307.13
Loans & Advances	11	<u>2,410.18</u>	<u>4,388.95</u>
		63,872.36	73,835.26
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	12	36,916.32	56,445.71
Provisions	13	<u>219.12</u>	<u>145.00</u>
		37,135.44	56,590.71
<b>Net Current Assets</b>			
Profit and loss account	14	26,736.92	17,244.55
		<u>26,338.17</u>	<u>18,857.60</u>
		63,872.36	73,835.26
<b>Total</b>		<b><u>72,141.07</u></b>	<b><u>57,231.72</u></b>

**Significant Accounting Policies and Notes to the Accounts**

19

The schedules referred to above and the notes thereon form an integral part of the financial statements

As per our report of even date attached  
for **D. Rangaswamy & Co.**  
Registration No.: 003073S  
Chartered Accountants

for and on behalf of the Board of Directors

**B. Ramani**  
Partner  
Membership No. 019603

**P.K.BALASUBRAMANIAN**  
Chairman

**M.M. KAMATH**  
Director

Chennai  
01 July, 2011

**N. RAMANATHAN**  
CEO

**P R KANNAN**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**  
(All amounts are in Indian Rupees lakhs, except share data and where otherwise stated)

Particulars	Schedule	31.03.2011	31.03.2010
(Rupees in Lakhs)			
<b>INCOME</b>			
Income from operations	15	5,951.61	16,220.74
Gain on settlement of contract with Customer (refer note 3.6)		8,545.52	--
Other income	16	922.88	4,670.81
		<b>15,420.01</b>	<b>20,891.55</b>
<b>EXPENDITURE</b>			
Raw materials and components consumption		3,392.63	12,087.07
Other Expenses	17	6,206.09	11,572.68
Impact on Vessels Cancelled (refer note 3.7)		7,221.54	5,512.46
Reversal of subsidy (refer note 3.9)		648.00	3,377.93
Depreciation	5	2,274.85	2,105.63
Finance Charges	18	3,232.69	4,865.10
		<b>22,975.80</b>	<b>39,520.87</b>
<b>(Loss) / before taxes and prior period adjustments</b>		(7,555.80)	(18,629.32)
Prior period adjustments (Refer Note 3.28 of Schedule 19)		19.10	(13.94)
<b>(Loss) / Profit before tax</b>		<b>(7,536.70)</b>	<b>(18,643.26)</b>
<b>Provision for Tax</b>			
Current Tax		--	--
Earlier years		(56.13)	--
<b>(Loss) after taxes</b>		<b>(7,480.57)</b>	<b>(18,643.26)</b>
Balance brought forward		(19,085.93)	(442.67)
<b>Balance carried to balance sheet</b>		<b>(26,566.50)</b>	<b>(19,085.93)</b>
<b>Earnings per share - Basic and diluted</b>			
Basic and diluted (Rs.)		<b>(9.67)</b>	<b>(239.69)</b>
Weighted average number of equity shares outstanding during the year (Nos)		7,73,61,505	77,78,180
Face value of equity shares (Rs.)		10	10

**Significant accounting policies and notes to the accounts 19**

The schedules referred to above and the notes thereon form an integral part of the financial statements

As per our report of even date attached  
for **D. Rangaswamy & Co.**  
Registration No.: 003073S  
Chartered Accountants

for and on behalf of the Board of Directors

**B. Ramani**  
Partner  
Membership No. 019603

**P.K.BALASUBRAMANIAN**  
Chairman

**M.M. KAMATH**  
Director

Chennai  
01 July 2011

**N. RAMANATHAN**  
CEO

**P R KANNAN**  
Company Secretary

## CASH FLOW STATEMENT YEAR ENDED 31ST MARCH 2011

	31.03.2011	31.03.2010
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	(Rupees in Lakhs)	
Profit Before Taxes and prior period adjustments	<b>(7,555.80)</b>	(18629.32)
Prior period adjustments	19.10	(13.94)
<b>Adjustments for:</b>		
Depreciation / amortisation	2274.85	2105.63
Provision for Inventory valuation, Sundry Debtors, Unbilled Debtors, Subsidy	5572.53	5264.91
Provision for warranty	15.00	92.42
Loss / (profit) on sale of fixed assets	(0.01)	(3.04)
Interest Income received	(306.44)	(531.46)
Income from investments	(0.23)	(2.57)
Loss/(profit) on sale of Investments	-	(24.43)
Interest and finance charges	3232.69	4804.02
Unrealised exchange loss / (Gain)	-	(714.53)
<b>Operating profit before working capital changes</b>	<b>3251.69</b>	<b>(7652.31)</b>
Increase(-)/decrease in inventories	(4289.40)	(4215.69)
Increase(-)/decrease in sundry debtors	2477.13	(1502.98)
Increase(-)/decrease in loans & advances and other current assets	19282.71	6417.02
increase/decrease(-) in current liabilities & provisions	(19453.81)	5222.52
<b>Cash generated from Operations</b>	<b>1268.32</b>	<b>(1731.45)</b>
Taxes paid, net	(164.27)	(230.78)
<b>Net Cashflows (used in) / from operating activities</b>	<b>1104.05</b>	<b>(1962.23)</b>
<b>B. Cash Flow from investing activities</b>		
Purchase of Fixed Assets	(216.41)	(2751.87)
Proceeds from sale of fixed assets	5.15	30.15
Proceeds from sale of mutual fund investments	-	46.79
Dividend from Mutual fund investments	0.23	2.57
Purchase of mutual fund investments	-	-
Interest income received	361.28	565.64
<b>Net Cashflow (used in) / from investing activities</b>	<b>150.25</b>	<b>(2106.72)</b>
<b>C. Cash Flow from Financing activities</b>		
Proceeds from issue of equity share capital	7575.00	700.00
Proceeds from issue of Preference share capital	12500.00	-
Proceeds from long-terms borrowings	5607.02	1865.05
Repayment of Long-term borrowings	(12500.00)	(1539.38)
Proceeds from short-term borrowings, net	-	4643.85
Proceeds from Interest finance borrowings	1727.33	-
Bank interest and finance charges paid	(3262.69)	(4893.12)
<b>Net Cashflow from / (used in) financing activities</b>	<b>11646.66</b>	<b>776.40</b>
<b>Net Increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>12900.97</b>	<b>(3292.54)</b>
Cash and cash equivalents at the beginning of the year	8502.26	11794.80
<b>Cash and Cash equivalents at the end of the year</b>	<b>21403.23</b>	<b>8502.26</b>
(Refer to schedule 9 - Cash and bank balances)		
Cash and cash equivalents include the following which in the view of the management are restricted in nature:		
in margin money account	13850.30	8309.76
in EEFC A/c	3069.03	-
in dividend account	1.84	1.84
	<b>16921.17</b>	<b>8311.60</b>

Significant accounting policies and notes to accounts

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The schedules referred to above and the notes thereon form an integral part of the financial statements

As per our report of even date attached for **D. Rangaswamy & Co.**  
Registration No.: 003073S  
Chartered Accountants

for and on behalf of the Board of Directors

**B. Ramani**  
Partner  
Membership No. 019603

**P.K.BALASUBRAMANIAN**  
Chairman

**M.M. KAMATH**  
Director

Chennai  
1 July 2011

**N. RAMANATHAN**  
CEO

**P R KANNAN**  
Company Secretary

## Schedules to Balance Sheet

	As at 31.03.2011	As at 31.03.2010
(Rupees in Lakhs)		
<b>Schedule 1 : Share Capital</b>		
<b>Authorised:</b>		
90,000,000 (31 March 2010: 30,000,000)		
Equity Shares of Rs.10/- each	9,000.00	3,000.00
125,000,000 (31 March 2010 : 2,000,000)		
Preference shares of Rs. 10/- each	12,500.00	200.00
	<u>21,500.00</u>	<u>3,200.00</u>
<b>Equity Share :</b> (refer note 3.1 of Schedule 19)		
77,361,505 (31 March 2010: 7,778,180)		
Equity Shares of Rs.10/- each fully paid up	<u>7,736.15</u>	<u>777.82</u>
Of the above shares:		
i) 39,453,125 shares (31 March 2010: Nil) are allotted on preferential basis to Nirupam Energy Projects Private Ltd., a wholly owned subsidiary of Bharati Shipyard Ltd., the majority shareholder		
ii) 34,252,636 shares (31 March 2010: 4,122,436) are held by India Advantage Fund - VI, includes preferential allotment of 30,130,200 during the year 2010-11.		
iii) 2,605,690 shares (31 March 2010: 2,605,690) are allotted as fully paid up bonus shares by capitalisation of general reserve during 1996 and 1998.		
<b>Preference Share :</b> (refer note 3.2 of Schedule 19)		
125,000,000 Nos. (31 March 2010; Nil) 6.5% Compulsorily Redeemable Preference Shares (CRPS) of Rs.10/- each fully paid up. Redeemable during years 2017-21	<u>12,500.00</u>	--
	<u>20,236.15</u>	<u>777.82</u>
<b>Advance for share capital</b>		
(Amount received from India Advantage Fund - VI)	<u>1,915.00</u>	<u>7,700.00</u>
<b>Schedule 2 : Reserves and Surplus</b>		
Securities Premium Account		
Opening Balance	5,793.04	5,793.04
Add: Additions during the year	<u>6,401.67</u>	--
Closing Balance	12,194.71	5,793.04
General Reserve		
	228.33	228.33
Add: Debit balance in profit and loss account	<u>(228.33)</u>	<u>(228.33)</u>
Balance carried forward	--	--
	<u>12,194.71</u>	<u>5,793.04</u>
<b>Schedule 3 : Secured Loans</b> (Refer note 3.5 of Schedule 19)		
Term Loans from banks	7,803.71	7,750.68
Packing credit loan	--	8,323.60
Cash Credit / Overdraft	5,186.91	18,036.04
Working Capital Term Loan 1 (CC/PC/OD)	5,369.62	--
Working Capital Term Loan 2 (BCR)	5,318.71	--
Working Capital Term Loan 3 (BG)	8,096.74	--
Financing Interest Term Loan	<u>1,727.33</u>	--
	<u>33,503.02</u>	<u>34,110.32</u>
<b>Notes:</b>		
1. The term loan from banks are secured by:		
i) pari passu first charge on Malpe fixed assets and second charge on current assets;		
ii) personal guarantee of Mr P K Balasubramanian, Chairman		
2. Cash Credit / Overdraft Loan:		
i) pari passu first charge on current assets of the Company and second charge on fixed assets		
ii) personal guarantee of Mr. P K Balasubramanian, Chairman.		
3. Working Capital Term Loans (WCTL) and Funded Interest Term Loan (FITL):		
i) pari passu first charge on fixed assets and second charge on current assets		
ii) personal guarantee of Mr. P K Balasubramanian, Chairman.		

**SCHEDULE : 5**  
**Fixed Assets**

Rs. In Lakhs

Description	Gross Block			Accumulated Depreciation/Amortisation			Net Block		
	As at 01.04.10	Addition for the year	Deletions/ Adjustments	As at 31.03.11	Upto 01.04.10	For the year	Deletions	As at 31.03.11	As at 31.03.10
<b>Tangible - assets</b>									
Land - leasehold	70.83	-	-	70.83	16.06	4.73	-	50.04	54.77
Land - freehold	324.78	-	-	324.78	-	-	-	324.78	324.78
Building	8,456.80	4.02	-	8,460.82	877.83	663.31	-	6,919.68	7,578.97
Slipway	3,587.95	54.96	-	3,642.91	438.41	241.11	-	2,963.39	3,149.54
Plant and machinery	9,931.60	967.10	-	10,898.70	1,694.74	1,230.03	-	7,973.93	8,236.86
Office equipments	176.58	3.93	3.89	176.62	56.14	16.63	0.86	104.71	120.44
Furniture and fittings	495.40	0.47	2.19	493.68	230.21	69.16	0.08	194.39	265.19
Vehicles	53.37	0.23	-	53.60	34.84	4.88	-	13.88	18.53
Computers	174.27	-	-	174.27	124.52	19.65	-	30.10	49.75
<b>Intangible assets</b>									
Software licences	232.49	5.49	-	237.98	197.81	25.36	-	14.81	34.68
<b>Total</b>	<b>23,504.07</b>	<b>1,036.20</b>	<b>6.08</b>	<b>24,534.19</b>	<b>3,670.56</b>	<b>2,274.85</b>	<b>0.94</b>	<b>18,589.71</b>	<b>19,833.51</b>
<b>Previous Year</b>	<b>19,409.93</b>	<b>4,182.33</b>	<b>88.19</b>	<b>23,504.07</b>	<b>1,598.95</b>	<b>2,105.63</b>	<b>34.02</b>	<b>19,833.51</b>	

	As at 31.03.2011	As at 31.03.2010
(Rupees in Lakhs)		
<b>Schedule 4 : Unsecured loans</b>		
Buyers' credit (All amounts are repayable within one year)	1,775.95	7,183.42
Cash credit (repayable within one year)	1,795.47	1,667.12
Short term demand loan	720.77	--
	<u>4,292.19</u>	<u>8,850.54</u>
<b>Schedule 6: Investments</b>		
<b>Long term investments, at cost in equity shares</b>		
<b>Andhra Bank Limited</b>	0.46	0.46
4,600 (previous year:4,600) equity shares of Rs.10 each fully paid up		
<b>Syndicate Bank Limited</b>	0.86	0.86
1,728 (previous year:1,728) equity shares of Rs.10 each fully paid up		
	<u>1.32</u>	<u>1.32</u>
<b>Note</b>		
<b>Aggregate amount of quoted shares at market value</b>	8.86	6.29
<b>Schedule 7 : Inventories</b>		
Raw materials and components	10,308.80	6,326.65
Less: Provision for writing down of materials to NRV	88.44	--
Less: Provision for realisable value of equipments pertaining to canceled contracts	<u>2,058.13</u>	<u>--</u>
	8,162.23	6,326.65
Work in Progress (refer note 3.7(ii) of Schedule 19)	5,940.15	5,632.90
	<u>14,102.38</u>	<u>11,959.55</u>
<b>Schedule 8 : Sundry debtors</b>		
<b>(Unsecured)</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Considered good	638.61	497.02
Considered doubtful	1,393.44	22.69
Other debts		
Considered good	--	3,180.35
Considered doubtful	--	809.12
	<u>2,032.05</u>	<u>4,509.18</u>
Less: Provision for doubtful debts	<u>(1,393.44)</u>	<u>(831.81)</u>
	<u>638.61</u>	<u>3,677.37</u>
<b>Schedule 9 : Cash and Bank balances</b>		
Cash in hand	1.65	2.74
Balances with scheduled banks		
- In current accounts		
Current Account	791.51	189.76
EEFC Account	4,483.23	--
	<u>5,274.74</u>	<u>189.76</u>
- In deposit accounts	16,126.84	8,309.76
	<u>21,403.23</u>	<u>8,502.26</u>

Note 1: Balance in EEFC account includes advance received from customer to the extent of Rs.3069.03 Lacs against which bank guarantees are provided.

2 : Deposit account includes lien marked towards BG, LC and Buyer's credit to the extent Rs.12050.30 Lacs and towards refund guarantees to the extent Rs.1800 Lacs.

	As at 31.03.2011	As at 31.03.2010
(Rupees in Lakhs)		
<b>Schedule 10 : Other Current Assets</b>		
Unbilled revenue	19,631.42	38,192.96
Subsidy income accrued / receivable	5,539.26	6,912.05
Interest accrued on fixed deposits	147.28	202.12
<b>Considered doubtful</b>		
Unbilled revenue	6,523.64	695.36
Less: Provision for doubtful unbilled revenue (refer note 3.7 (ii) of Schedule 19)	(6,523.64)	(695.36)
Subsidy income receivable	510.00	3,887.93
Less: Provision for doubtful debts	(510.00)	(3,887.93)
	<b>25,317.96</b>	<b>45,307.13</b>
<b>Schedule 11 : Loans &amp; Advances</b>		
<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received		
Advance paid to suppliers and others	755.20	2,989.25
Balance with government authorities	181.16	21.90
Deposits - others	276.43	400.81
Advance tax (inclusive of FBT)	805.26	584.86
MAT credit entitlement	392.13	392.13
	<b>2,410.18</b>	<b>4,388.95</b>
<b>Unsecured, considered doubtful</b>		
Other advances recoverable in cash or in kind or for value to be received	413.98	69.67
Less: Provision for doubtful other advances (refer note 3.7 (iv) of Schedule 19)	(413.98)	(69.67)
	<b>--</b>	<b>--</b>
	<b>2,410.18</b>	<b>4,388.95</b>
<b>Schedule 12 : Current Liabilities</b>		
Sundry Creditors		
- dues to micro and small enterprises (Refer Note 3.29 of schedule 19)	11.32	9.98
- dues to others	3,812.96	6,105.04
	<b>3,824.28</b>	<b>6,115.02</b>
Advance received from customers	30,288.69	48,667.14
Unclaimed dividend	1.84	1.84
Other liabilities	2,801.51	1,661.71
	<b>36,916.32</b>	<b>56,445.71</b>
<b>Schedule 13 : Provisions</b>		
Income Tax	--	--
Gratuity	53.04	18.92
Leave encashment	58.66	33.66
Warranty (also refer note 3.27 of Schedule 19)	107.42	92.42
	<b>219.12</b>	<b>145.00</b>
<b>Schedule 14 : Profit and loss account</b>		
Debit balance in profit and loss account	26,566.50	19,085.93
Less: As per contra in General Reserve - Schedule 2	228.33	228.33
	<b>26,338.17</b>	<b>18,857.60</b>

	Year ended 31.03.2011	Year ended 31.03.2010
<b>Schedule 15: Income form operations</b>		
(Rupees in Lakhs)		
Shipbuilding operations		
Sales	5,451.86	13,746.46
Labour Contract Receipts (TDS Rs.Nil Previous year Rs.85.43 Lacs)	--	728.08
Subsidy Income	499.75	1,746.20
	<u>5,951.61</u>	<u>16,220.74</u>
<b>Schedule 16: Other income</b>		
Interest Received - Fixed Deposits	306.44	531.46
[TDS Rs.32.14 Lacs Previous Year Rs.78.32 Lacs]		
Profit on sale of fixed assets	0.01	3.04
Miscellaneous income	196.14	237.55
Foreign exchange difference (refer note 3.25 of Schedule 19)	420.06	3,896.19
Income from Investments	0.23	2.57
	<u>922.88</u>	<u>4,670.81</u>
<b>Schedule 17: Other expenses</b>		
Labour and fabrication charges	2,585.49	4,641.85
Hire charges	20.46	142.56
Design and engineering charges	4.06	2.24
Salaries, wages and bonus	1,391.22	1,424.61
Contribution to statutory and other funds	172.05	139.08
Workmen and staff welfare expenses	76.07	79.89
Power and fuel	74.65	113.66
Rent	86.45	182.26
Repairs and maintenance		
Buildings	0.70	2.55
Plant & Machinaery	0.15	15.47
Others	51.99	76.69
Legal and Professional Charges	596.80	759.97
Insurance	230.66	281.36
Rates and taxes	186.20	71.51
Travelling and conveyance	132.35	244.21
Communication expenses	49.65	69.25
Provision for writing down of materials to NRV	88.44	--
Liquidated damages for delayed delivery	104.98	2,424.94
Provision for doubtful debts & advances	180.55	382.50
Provision for warranties	15.00	126.56
Miscellaneous expenses	158.17	391.52
	<u>6,206.09</u>	<u>11,572.68</u>
<b>Schedule 18: Finance Charges</b>		
Interest		
on Term loan	761.62	944.24
on others	1,963.32	3,028.93
Guarantee commission and other charges	427.86	830.85
Bank charges	79.89	61.08
	<u>3,232.69</u>	<u>4,865.10</u>

**Schedules forming part of the financial statements (continued)****19. Significant accounting policies and notes to the financial statements****1. Company Overview**

Tebma Shipyards Limited ('Tebma' or 'the Company') was incorporated on 09 July 1984 as Tebma Engineering Private Limited. Subsequently, the name was changed to Tebma Engineering Limited on 21<sup>st</sup> October 1993 and further changed to Tebma Shipyards Limited on 17 July 1998. The Company is engaged in the business of construction of offshore support vessels and tugs.

**2. Significant accounting policies****2.1 Basis of preparation of financial statements**

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards as prescribed by the Companies (Accounting Standards) Rules 2006, other pronouncements of the Institute of Chartered Accountants of India, provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India ('SEBI').

**2.2 Use of estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and subsidy income and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

**2.3 Fixed assets, Capital work-in-progress and Depreciation / amortisation**

Fixed Assets are carried at cost of acquisition or construction less accumulated depreciation and impairments if any. Cost comprises the purchase price and cost attributable to bringing the asset to its working condition for its intended use. In respect of major projects involving construction, related directly attributable costs form part of the value of assets capitalised.

Software initially purchased together with workplace computers are capitalized and depreciated at the rates applicable to workplace computers. Other software is capitalised as intangible assets, where it is expected to provide future enduring economic benefits. Capitalisation costs include license fees and costs of implementation/ system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.

Borrowing costs directly attributable to acquisition, construction or production of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized. Other borrowing costs are accounted as expense in profit and loss account.

Depreciation of assets constituted on leasehold land is provided over the lower of the period of the lease or useful life of those assets. For other assets, depreciation is provided on the written-down value (WDV) method. The manner and rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid Schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/ remaining useful life.

### 2.3 Tangible and Intangible fixed assets and depreciation/amortisation (continued)

The key fixed asset blocks and related useful lives, which in management opinion reflect the estimated useful economic lives of the fixed assets, are:

Asset Category	Years
<b>Tangible assets</b>	
Buildings	
- Factory buildings	15 to 25
- Other buildings	25 to 60
Plant and machinery	1 to 13
Office equipments	20
Furniture and fittings	9 to 15
Vehicles	10
Computers	3 to 6
<b>Intangible assets</b>	
Software Licenses	3 to 6

Leasehold land is amortised over the period of lease. Leasehold improvements including certain buildings, plant and machinery and slipway are depreciated over the lower of remaining estimated useful lives and the lease period. Individual assets costing less than Rs 5,000/- are depreciated at 100% in the year of purchase.

Assets constructed on leasehold land at Malpe yard are amortized over the lower of the period of lease and useful life of those assets.

Capital work in progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date.

### 2.4 Impairment of assets

The management assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

### 2.5 Investments

Investments are classified as long term investments and current investments. Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. Current investments are stated at lower of cost and fair or market value. The comparison of cost and fair value is done separately in respect of each category of investments.

### 2.6 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all costs of purchase and costs incurred in bringing the inventories to their present location and condition. Inventory of raw materials and components for ship building projects are valued based on Weighted Average Method.

## 2.7 Revenue recognition

Shipbuilding revenue from fixed price construction contracts is recognised with reference to the estimated overall profitability of the contract under the percentage of completion method. Percentage of completion is determined as a proportion of the costs incurred to date to the total estimated contract costs. Accordingly, revenue recognition is commenced upon laying the keel of the vessels under construction, till which time, the same is inventorised under Work in Progress. Provision for expected loss is recognized immediately when it is probable that the total estimated contract costs will exceed total contract revenue.

Liquidated damages / penalties are provided for as per the contract terms wherever there is a delayed delivery attributable to and accepted by the Company.

The Company is eligible for export subsidy under the Ship Building Subsidy Scheme issued by the Ministry of Shipping, Government of India vide Press Note (2003). Ship building subsidy income is determined based on the percentage of completion method and accrued as and when the revenue for the construction of ship is recognised.

Dividend income from investments is recognized and accounted for when the unconditional right to receive the amount is established.

Interest income is recognized on the time proportion method.

## 2.8 Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the profit and loss account of the year.

Forward contracts are entered into to hedge the foreign currency risk of the underlying transaction at the balance sheet date. The premium or discount on all such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or expense for the period.

In accordance with notification G.S.R 225(E) dated March 31, 2009 issued by Ministry of Corporate Affairs, Government of India, the Company has opted to capitalize or deduct from the cost of the depreciable asset, the exchange differences arising on reporting of long term foreign currency monetary items and depreciate it over the balance life of the asset and in other cases, accumulates it in 'Foreign Currency Monetary Item Translation Difference Account' and amortize over the balance period of such long term asset or liability but limited up to March 31, 2011.

## 2.9 Derivative instruments and hedge accounting

The changes in the fair values of forward contracts and options designated as cash flow hedges are recognised directly in 'Hedge Reserve Account' being part of the shareholders' funds and reclassified into the profit and loss account upon the occurrence of the hedged transactions. The changes in fair value relating to the ineffective portion of the cash flow hedges and forward contracts/options not designated as cash flow hedges are recognised in the profit and loss account as they arise.

## 2.10 Employee Benefits

**Provident fund:** Contributions to provident fund (a defined contribution plan) are made to the Regional Provident Fund Commissioner and are charged to the profit and loss account. The Company has no further obligations for future provident fund benefits other than its monthly contributions.

**Gratuity:** This is a defined benefit plan. The Company's scheme is administered by LIC. The liability is determined based on the actuarial valuation using projected unit credit method. Actuarial gains and losses, comprising of experience adjustments and the effects of changes in actuarial assumptions, are recognized immediately in the profit and loss account as income or expense.

**Compensated Absences:** Provision for leave entitlement is made on the basis of an actuarial valuation carried by an independent actuary as at the balance sheet date. Actuarial gains or losses are taken to the Profit & Loss Account and are not deferred.

## **2.11 Leases**

Lease payments under an operating lease, are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

## **2.12 Taxation**

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and total income as defined in the Income Tax Act, 1961 for the period).

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence of realization of such assets. Deferred tax assets / liabilities are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

## **2.13 Earnings per share**

Basic earnings per share ('EPS') amounts are computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all measurable dilutive potential equity shares.

## **2.14 Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Company has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognized nor disclosed in the financial statements.

### 3. Notes to the financial statements

**3.1** The company has allotted 3,94,53,125 Equity shares at a price of Rs. 19.20 per share on a preferential basis to M/s Nirupam Energy Projects Private Limited, a wholly owned subsidiary of M/s Bharti Shipyard Ltd. Further the company has also allotted 3,01,30,200 Equity shares at a price of Rs. 19.20 per share on a preferential basis to India Advantage Fund - VI (IAF VI) acting through its Investment Manager M/s ICICI Venture Funds Management Company Limited. The consideration payable by IAF VI has been set off against the advance subscription money funded by them earlier. The allotment was completed on 28<sup>th</sup> February 2011.

**3.2** As part of implementation of the Corporate Debt Restructuring (CDR) package, the company has issued 12,50,00,000 Compulsorily Redeemable Preference Shares (CRPS) of Rs.10 each in consideration for the loan repayable to the lenders as on 1<sup>st</sup> April 2010 . The allotment was completed on 30<sup>th</sup> March 2011 and shall be redeemable with the put option exercisable from 6<sup>th</sup> year onwards subject to the maximum tenure of the CDR package ie 10 years. The CRPS shall bear a fixed coupon rate of 6.5% p.a.. (Other features of the CDR Package mentioned in Note 3.5).

**3.3** The following is a table summarizing the fresh issue of shares during the year;

Sn	Date	Basis	Nature	Allotee	Consideration	Number	Issue Price	Rs.In Lacs
1	28/02/11	Preferential Basis	Equity Shares	M/s Nirupam Energy Projects Pvt. Ltd.	Consideration received in cash	39,453,125	Rs. 19.20	7,575.00
2	28/02/11	Preferential Basis	Equity Shares	IAF – VI	Allotment made against the Advance subscription money received earlier.	3,01,30,200	Rs. 19.20	5,784.99
3	30/03/11	CDR Package	6.5% CRPS	Lender Banks	Allotment made against part of the Loan borrowed, to the extent of Rs.125 Crores.	125,000,000	Rs. 10.00	12,500.00

### 3.4 Capital commitments and Contingent Liabilities

Particulars	As at 31 March 2011	As at 31 March 2010
i) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	105.00	262.28
ii) Sales tax, Excise matters, under dispute (details provided in the table below)	1,324.71	1,059.20
iii) Bank Guarantees Outstanding	23,361.23	27,822.97
iv) Letters of Credit Outstanding	1,653.73	9,372.27
v) Arrears of Dividend on CPRS	812.50	---

**Pending Tax Disputes**

Name of the Statute	Nature of Dues	Amount (in Lacs)	Forum where the dispute is pending	Period
Central Sales Tax Act	Central Sales Tax	26.49	Madras high Court	2004-05
Tamil Nadu General Sales Tax Act	Tamil Nadu General Sales Tax	5.69	Appellate Deputy Commissioner (Commercial Tax), Chennai	2004-05
Tamil Nadu General Sales Tax Act	Tamil Nadu General Sales Tax	9.40	Appellate Deputy Commissioner (Commercial Tax), Chennai	2003-04
Karnataka Value Added Tax	Central Sales Tax, Penalty	23.34	Joint Commissioner of Commercial Tax (Appeal), Mangalore	2009-10
Kerala Value Added Tax	VAT	531.00	Kerala VAT, Cochin	2006-07 & 2007-08
Central Excise Act	Central Excise	454.00	CESTAT, Bangalore	2009-10
Central Excise Act	Entry Tax	0.45	Supreme Court	2006-07
Central Excise Act	Central Excise	72.58	Central Excise Commissioner, Mangalore	2008-09

In addition, there are two winding up petitions filed against the company with a view to recover the dues amounting to Rs.1727 Lac as of date. The Company, in the meanwhile, has initiated the process of negotiating with parties concerned for an out of court settlement of the dues in a phased manner.

**3.5** The secured lenders of the Company have approved a restructuring package under Corporate Debt Restructuring mechanism, formulated by RBI. The terms and conditions of the restructuring package has been communicated to the Company vide CDR Cell's letter dated 22nd November 2010. As per the package, the company has been sanctioned a concessional rate of interest and commission on various facilities. The other features of the package include,

- i. Splitting of Cash credit and packing credit as on the cut-off date (1<sup>st</sup> April 2010), into Cash Credit, WCTL 1 and CRPS in the ratio of 21.89%, 23.33% and 54.78% respectively.
- ii. Converting the Buyer's Credit outstanding as on the cut-off date, upon maturity to WCTL 2 which amounts to Rs.5318.71 Lac.
- iii. Converting the Bank Guarantee invoked by one of the customers into WCTL 3 which amounts to Rs. 8096.74 Lac.
- iv. Funded of interest on Terms Loans (FITL) and WCTL for a period of two years from the cut-off date. The amount funded through FITL during the year amounts to Rs. 1727.33 Lac.

**3.6** Certain contracts of the Company now stand covered under a Consolidated Settlement and Compromise agreement entered into in October 2010. The financial impact from such settlement have been accounted for during the year and resulted in positive impact of Rs 8545.52 Lac.

**3.7** Contracts with two customers were cancelled during the year and the consequential impact of the same amounting to Rs. 7221.54 Lac has been charged to the profit and loss account. The same is explained as follows;

- i. Contract with one of the customers for two vessels was mutually agreed to be cancelled during the year. Revenue recognized till date in respect of these vessels, amounting to Rs. 6248.41 Lac has been fully reversed and the same has been set off against unbilled revenue and subsidy receivable to the extent of Rs. 5016.47 and Rs. 1231.94 Lac respectively. The material cost amounting to Rs.2545 Lacs has been inventorized and the other costs incurred on the project have been valued at nil. Adequate provisions have been made separately to bring down the inventorized material cost to estimated realizable value. Besides, the company is obligated to make payments aggregating to Rs. 1811.20 Lac (USD 40.00 Lac) as against the advance money received earlier from the customer. This has been removed from 'Advance received from Customers' and presently grouped under 'Other Liabilities'. The settlement payments fall due in several tranches within the ensuing financial year. As a result of the said event, the impact in 'Impact on Vessels Cancelled' amounts to Rs. 3702.46 Lac.
- ii. Contracts with another customer for several vessels, whose status was uncertain earlier, turned into cancelled contracts, pursuant to a Consolidated Settlement and Compromise agreement, entered into between the Customer and the Company.(Refer Note 3.5). The Company had already reversed the revenues in respect of these vessels, barring, two vessels which were in advance stages of completion. One of the vessels was shipped out subsequent to the balance sheet date and the construction of the remaining one vessel is in progress. As there are no order for the second vessel as on date, the company has reversed the revenue recognized net of Cost incurred for the Vessel. The revenue recognised till the reporting date amounts to Rs 6209.36 Lac has been included in the provision for unbilled revenue. The sum of Rs 5162.39 Lac relating to the cost incurred for the vessel has been inventorized under the head "Work-in-Progress". However the Subsidy previously recognized on the second vessel amounting to Rs 999.54 Lac has not been provided for. Thus revenue net of cost amounting to Rs 1046.97 Lac has been charged to profit & Loss account under the head 'Impact on Vessels Cancelled'.
- iii. The materials procured specifically for the cancelled vessels amounting to Rs 5145.31 Lac have been brought down to estimated net realisable value and the consequential impact of Rs 2058.13 Lac has been charged to Profit & Loss account under the head 'Impact on Vessels Cancelled'.
- iv. On cancellation of certain contracts, advance earlier paid to suppliers amounting to Rs 413.98 Lac towards the import of equipments have been provided for.

**3.8** The Contract price and the delivery dates for four vessels were modified during the year, pursuant to an agreement entered with the buyer on 28<sup>th</sup> March 2011. The revision in contract price in respect of these vessels resulted in reversal of revenues recognized till the date of agreement amounting to Rs 1323.88 Lac and the same has been deducted from the Income from ship building operations. Further, as the delivery dates have been postponed, the Liquidated Damages provided for, as per the terms of the erstwhile contract, during the first three quarters of the financial year was reversed.

**3.9** Due to deferment of construction of certain vessels, revenue recognized in the previous periods on items specially made for those contracts have been reversed and taken into inventory. This resulted in reversal of net revenue of Rs. 224 Lacs and subsidy recognized by Rs. 648 Lac; Inventory increased on account of reinstatement of project specific inventory by Rs. 2546 Lac and the corresponding project cost has decreased by same value.

**3.10** Inventory includes materials remaining unutilized, pertaining to vessels which have been shipped out. The Management has identified Materials requiring a considerable replacement cost, and which do not fit in the requirement of the orders under execution, amounting to Rs. 88.44 Lac. This has been provided for. The remaining materials unutilized amount to Rs. 780.82 Lac., which shall be utilized for the orders under execution and consequently no provision has been made thereof.

**3.11** The Company is obligated to pay liquidated damages as per the terms of the contracts for delays caused in deliveries of ships. In respect of ships already delivered but beyond the due dates liquidated damages levied by the customers and accounted amount to Rs. 104.98 Lac.

**3.12 Managerial remuneration**

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
<b><u>Managing director and whole time directors</u></b>		
Salaries and allowances	78.57	156.53
Contribution to provident and other funds	9.15	15.21
Other benefits	<u>Nil</u>	<u>9.90</u>
	<b><u>87.72</u></b>	<b><u>181.64</u></b>
<b><u>Non whole time directors</u></b>		
Remuneration	-	-

**3.13 Auditors remuneration (excluding service tax)**

	Year ended 31 March 2011	Year ended 31 March 2010
Statutory audit*	5.50	13.00*
Tax audit	0.50	0.50
Other audit services	-	-
Out of pocket expenses*	-	0.47*
<b>Total</b>	<b><u>6.00</u></b>	<b><u>13.97</u></b>

\*Includes payment of audit fee Rs 7.50 Lacs and out of pocket expenses Rs 0.47 Lacs to M/s BSR & Associates, erstwhile auditors. M/s D Rangaswamy & Co, Chartered Accountants, were appointed as the Statutory Auditors of the Company at the Extraordinary General Meeting held on 26<sup>th</sup> April 2010, in the causal vacancy caused by the resignation of M/s. BSR & Associates.

**3.14 Earnings in foreign currency**

FOB value of exports (Billed and delivered during the period)	10,174.65	11,736.62
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**3.15 CIF value of imports**

Raw materials and components	3217.31	10,905.08
Capital goods	-	945.68

**3.16 Expenditure in foreign currency**

Travelling expenses	17.31	12.38
Professional and consultancy fee	868.88	272.75
Interest on foreign currency term loan	-	186.75
Interest on buyers' credit	116.27	300.63
Others- Membership fee	0.51	0.54

**3.17 Consumption of raw materials and components for shipbuilding projects\***

Steel	317.84	1,134.22
Engine and propeller systems	-	-
Pipes	166.48	594.09
Components and others	2,908.31	10,358.76
<b>Total</b>	<b><u>3,392.63</u></b>	<b><u>12,087.07</u></b>

\* Steel and components such as engine room components, anchors, pipes etc., required in shipbuilding comprise of a large number of dissimilar items which are impracticable to aggregate and accordingly quantitative information in respect thereof has not been furnished.

### 3.18 Consumption of imported and indigenous raw materials and components for shipbuilding projects

Particulars	Year ended 31 March 2011		Year ended 31 March 2010	
	Value	%	Value	%
<b>Raw materials</b>				
Imported	2,879.06	85%	10,153.14	84%
Indigenous	513.57	15%	1,933.93	16%
<b>Total</b>	<b><u>3,392.63</u></b>	<b><u>100%</u></b>	<b><u>12,087.07</u></b>	<b><u>100%</u></b>

### 3.19 Information in respect of capacities, production, stock and turn over

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Licensed capacity	Not applicable	Not applicable
Installed capacity	Not applicable	Not applicable

Particulars	Year ended 31 March 2011			Year ended 31 March 2010		
	Production *		Sales *	Production *		Sales *
	Qty	Qty	Value	Qty	Qty	Value
Dredgers	2	2	2,154.88	2	2	2,154.88
Platform supply vessels	1	1	10,174.65	1	1	11,736.61
Survey launches	-	-	-	1	1	489.00
Tug	-	-	-	2	2	7,780.00
<b>Total</b>			<b>12,329.53</b>			<b>22,160.49</b>

During the year the company did not have any opening or closing stock of vessels.

\* Vessels billed and delivered during the year

The disclosure and information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 has been given to the extent applicable to the activities of the Company, i.e., shipbuilding projects.

### 3.20 Disclosure for construction contracts

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
a. Contract revenue recognized as revenue in the period	5,451.86	14,557.42
b. Contract cost incurred and recognized profits till date*	26,155.06	38,888.32
c. Advances received	30,288.69	48,667.14
d. Gross amount due from customers for contract work **	2,910.52	4,992.08

There are no amounts of retention for the above contracts as at the balance sheet date.

\* The net amount for all contracts in progress for which cost incurred plus recognised profit (less recognised losses, if any).

\*\* Excess of unbilled revenue over the stage payments

### 3.21 Employee Benefits

(a) The following table set out the status of the gratuity plan as required under AS-15 (Revised) Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

SI No	Particulars	Year ended 31 March 2011	Year ended 31 March 2010
<b>I</b>	<b>Reconciliation of opening and closing balances of Defined benefit obligation</b>		
	Defined benefit obligation at beginning of the year	122.35	107.26
	Current service cost	14.21	8.54
	Interest cost	9.79	1.71
	Benefits settled	(0.46)	(3.15)
	Actuarial (gain)/loss	43.22	7.98
	Defined benefit obligation at year end	<u>189.11</u>	<u>122.35</u>
<b>II</b>	<b>Reconciliation of opening and closing balances of fair value of plan assets</b>		
	Fair value of planned assets at beginning of the year	103.90	98.64
	Expected return on plan assets	10.03	8.41
	Actuarial gain/(loss)	-	-
	Contributions	22.60	-
	Benefits settled	(0.46)	(3.15)
	Fair value of planned assets at year end	<u>136.07</u>	<u>103.90</u>
<b>III</b>	<b>Amount Recognised in the Balance Sheet</b>		
	Present value of the obligation at the end of the year	189.11	122.35
	Fair value of plan assets at the end of the year	<u>136.07</u>	<u>103.90</u>
	<b>Funded status of the Plan – (asset)/Liability</b>	<u>53.04</u>	<u>18.45</u>
<b>IV</b>	<b>Expense recognised during the year</b>		
	Current service cost	14.21	8.54
	Interest cost	9.79	1.71
	Expected return on plan assets	(10.03)	(8.41)
	Actuarial (gain)/loss	43.22	7.98
	Net cost	<u>57.19</u>	<u>9.82</u>
<b>V</b>	<b>Actuarial Assumptions</b>		
	Discount rate	8%	8%
	Expected return on assets	8%	8%
	Rate of compensation increase	10%	5%
	Attrition Rate	1-3%	1-3%
	Retirement expectancy	60	60

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

#### (b) Long term benefit – Compensated absence

##### Principal Actuarial Assumptions at Balance Sheet date

Discount rate	8%	8%
Rate of compensation increase	10%	5%
Attrition Rate	1-3%	1-3%

#### 3.22 Segmental reporting

The Company is mainly engaged in construction of vessels and accordingly the said business segment is the only primary reportable segment as per Accounting Standard 17 - Segment Reporting.

Secondary segment reporting is performed on the basis of the geographical location of customers.

Particular	Year ended 31 March 2011	Year ended 31 March 2010
<b>Revenues</b>		
India	6251.21	8,799.20
Rest of the world	524.52	5,758.22

Fixed assets used in the Company's business or liabilities contracted, other than those specifically identifiable, have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments.

### 3.23 Related party disclosures

Nature of Relationship	Name
Key management personnel	Mr P K Balasubramanian, Chairman Mr. N. Ramanathan, CEO

Enterprise over which key managerial personnel are able to exercise significant influence

Chami Vadhyar Memorial Trust

### 3.24 Related party disclosures (continued)

The following are the significant transactions during the year ended 31 March 2011 and 2010

SI No.	Nature of transactions	Enterprise over which Key management personnel are able to exercise significant influence		Directors / Key Management personnel	
		2011	2010	2011	2010
	<b>(a) Transactions during the year</b>				
1	Advances given			-	0.61
2	Training expenses	10.50	9.68		
3	Sale of Furniture				
4	Remuneration paid	4.74	-		
	- Mr P K Balan, Chairman			72.81	84.70
	- Mr Ajay Dhagat, MD			-	48.80
	- Mr Jayakumar, Director-Tech			14.91	48.13
	- Mr Ramanathan N.CEO (Since August 2010)			33.16	-
	<b>(b) Outstanding balances at year end</b>	-	-	-	-

### 3.25 Hedging and derivatives

During the current year, some of the ship building contracts were deferred. This has resulted in deferment of expected cash inflows denominated in foreign currencies. The Company had taken hedge contract for the said expected inflows. This has resulted in all underlying contracts becoming ineffective as per AS-30 and hence all the losses on the derivative contracts have been accordingly charged to Profit & Loss account and the impact of the same amounts to Rs. 460.59 Lac.

There are no outstanding forward exchange contracts entered into by the Company as at 31 March 2011

Particulars	Currency	As at 31 March 2011	As at 31 March 2010
Sell	USD Lacs	-	109.00

There are no foreign exchange forward contracts, designated as cash flow hedges as at 31 March 2011

Particulars	Currency	As at 31 March 2011	As at 31 March 2010
Sell	USD	-	109.00

**3.26 Deferred taxes**

Particulars	As at 31 March 2011	As at 31 March 2010
<b><u>Deferred tax liabilities</u></b>		
Arising from timing differences in respect of		
a) Depreciation	1,655.04	2,530.25
b) Subsidy	<u>1,661.78</u>	<u>2,303.79</u>
	<b><u>3,316.82</u></b>	<b><u>4,834.04</u></b>
<b><u>Deferred tax assets</u></b>		
Arising from timing differences in respect of:		
a) Retirement benefits and other tax disallowances	-	11.22
b) Provision for loans and advances, debts, warranty	124.19	539.81
c) carried forward business loss	9,478.06	9,002.03
d) carried forward business depreciation	1,793.07	1,326.67
	<b><u>11,395.32</u></b>	<b><u>10,879.73</u></b>
<b>Net deferred tax liability/(assets)</b>	<b><u>(8,078.50)</u></b>	<b><u>(6,045.69)</u></b>

The Company has not recognized the above deferred tax assets, in respect of losses carried forward as the management feels it is prudent not to do so.

**3.27 Warranty Provisions**

Particulars	As at 31 March 11	As at 31 March 10
Opening balance of warranty provisions	92.42	58.29
Warranty expenses provided during the year	15.00	92.42
Provisions utilized during the year	-	58.29
Closing balance of warranty provisions	<b>107.42</b>	<b>92.42</b>

The provision for warranty represents the expected liability on account of expected expenditure of servicing the vessels over the period of warranty, which varies according to the terms of each contract. Such liability is accrued based on the estimates made by the management.

**3.28 Prior period income / (expenses)**

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Accruals		
VAT Receivable	19.20	-
Interest costs	-	(2.40)
Others	-	(11.54)
	<b>19.20</b>	<b>(13.94)</b>

*VAT receivable represents the refund of VAT pertaining to the financial year 2007-08 which, the company failed to carry forward and consequently accounted for and disclosed under Prior period Item for current financial year. The previous year amount relates to certain interest and other expenses.*

**3.29** The management has identified the enterprises which have provided goods and services to the company and which qualify under the definition of medium and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such medium and small enterprises as at 31 March 2011 has been made in the financial statements to the extent of information available with the company.

S.No.	Description	Year ended 31 March 2011	Year ended 31 March 2010
(i)	a) Principal amount remaining unpaid to any supplier as at the end of the year b) Interest due on the above amount	11.32 0.41	9.98 0.30
(ii)	Amount of interest paid in terms of Section 16 of the Micro, Small and Medium Enterprises Act, 2006 and amounts of payment made to the suppliers beyond the appointed day during the year	Nil	Nil
(iii)	Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act	Nil	Nil
(iv)	Amount of interest accrued and remaining unpaid at the end of the year	0.41	0.30
(v)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	Nil	Nil

### 3.30 Disclosure in terms of Clause 49 of the Listing Agreement

Total amount collected pursuant to preferential allotment of Equity Shares	Rs.7575 Lakhs
Amount utilised as of 31.03.2011	Rs.2400 Lakhs
Purpose for which money was utilised	Towards Working Capital
Unutilised money as of 31.03.2011	Rs.5175 Lakhs
Unutilised money has been invested in Fixed Deposits	

**3.31** The previous year figures have been regrouped / reclassified wherever necessary to conform to current year presentation.

**For D Rangaswamy & Co,**  
Registration No : 003073S  
Chartered Accountants

For and on behalf of the Board of directors

**B. Ramani**  
Partner  
Membership No. 019603

**P K Balasubramanian**  
Chairman

**M M Kamath**  
Director

**N. Ramanathan**  
CEO

**P R Kannan**  
Company Secretary

Chennai  
1 July 2011



V. Generic Names of Three Principal Products / Service of Company [as per monetary terms]

Item Code No. [ITC Code]	Product Description
8 9 0 5 9 0 0 0	P L A T F O R M S U P P L Y V E S S E L
8 9 0 4 0 0 0 0	T U G S
8 9 0 5 1 0 0 0	D R E D G E R S

Place: Chennai - 600 097  
Date : 1st July, 2011.

**P.K.BALASUBRAMANIAN**  
Chairman

**M.M. KAMATH**  
Director

**N. RAMANATHAN**  
Chief Executive Officer

**P.R. KANNAN**  
Company Secretary

**TEBMA SHIPYARDS LIMITED**

REGD. OFFICE: 5/360. Rajiv Gandhi Salai (OMR), Okkiam, Thoraipakkam, Chennai - 600 097

**FORM OF PROXY**

REGD. FOLIO NO. / DP ID NO. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being member(s) of the above named company hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/ our proxy to vote for me/ us on my/our behalf at the Twenty Seventh Annual General Meeting of the Company to be held on the 28<sup>th</sup> day of September, 2011 and at every adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

For Office use only

No. of Shares held :

Proxy No. :

Affix 0.15 Rupee Revenue Stamp
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**NOTE:****SIGNATURE**

The proxy form, to be valid, should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

**TEBMA SHIPYARDS LIMITED**

REGD. OFFICE: 5/360. Rajiv Gandhi Salai (OMR), Okkiam, Thoraipakkam, Chennai - 600 097

**ATTENDANCE SLIP**

Please complete this attendance slip and hand it over at the entrance of meeting venue.

**NAME OF THE MEMBER :****REGD. FOLIO NO. / DP ID No. :**

I hereby record my presence at the twenty seventh Annual General Meeting held at 11.00 A.M. on 28.09.2011 at the Registered Office of the Company 5/360, Rajiv Gandhi Salai (OMR), Okkiam Thoraipakkam, Chennai - 600 097.

SIGNATURE OF THE MEMBER OR PROXY