

24th December 2012

**SETTING UP OF SHIP REPAIR FACILITY BY COCHIN SHIPYARD LTD IN
COCHIN PORT TRUST AREA AT WILLINGDON ISLAND**

1. **Cochin Shipyard Limited (CSL) and Cochin Port Trust (CoPT) entered into a contract, today (24th Dec 2012), whereby 42 acres of land will be leased by CoPT to Cochin Shipyard Limited for setting up of an International Ship repair facility at Willingdon Island. The function was presided over by Shri Milind Deora, Hon'ble Union Minister of State for Communication, Information Technology and Shipping. The contract was signed today by Shri Paul Antony, Chairman, CoPT and Cmde K Subramaniam, Chairman and Managing Director, Cochin Shipyard Limited.**

2. The Ship Repair Project is one of the three identified PPP projects for Cochin Port Trust by the Ministry of Shipping to be awarded during the year 2012-13. The other two projects are the Multi User Liquid Terminal project at Puthuvypeen and the General Cargo Terminal Q8-Q9 at Ernakulam Wharf. As per the agreement with the CSL, the CoPT will get the upfront premium, the value of the assets handed over, the guaranteed revenue quoted by CSL every year for the 30 year period and the lease rental for the land and water area allotted to them at the TAMP notified rates from time to time. In addition, 243

employees currently working in the Dry Dock and the Workshop area will be deputed to CSL.

3. The growth of CSL over the past few years has been impressive. The total income of the company has grown from Rs 453 Crores in 2005-06 to Rs 1480 Crores in 2011-12. The net profit has correspondingly grown from Rs 18 Crores to Rs 172 Crores respectively. In order to sustain momentum of growth, the shipyard has been looking for expanding its operations. Accordingly, a business plan and visioning exercise was undertaken with the help of a consultant (M/s Ernst & Young) to identify potential areas for expansion and growth. One of the areas of potential growth identified was ship repair where Cochin Shipyard holds a premier position in India.

4. Cochin Port Trust had issued a tender in Jun 2012 to set up an International Ship Repair Facility on approx 42 acres of land of the Port Trust. Cochin Shipyard bid successfully for the project, the details of which are enumerated in succeeding paragraphs.

5. As per the terms of the tender by which CSL was awarded the work, the following facilities of CoPT would be leased for a period of 30 years.

- 16.90 hectares(42 acres) of land area with 850 mtrs water front including

_ The existing Graving Dry Dock of size 66 M X 12.5 M and associated work shop facilities.

– 15.60 hectare (39 acres) adjoining water area for setting up of Ship lift and allied facilities.

6. The CoPT will receive the upfront payment of Rs. 75 crores and the value of the assets handed over Rs.12.92 crores immediately on execution of the agreement.

7. CSL is planning to put up a modern shiplift system in the above facility at an estimated total cost of Rs 490 crores over a four year period. This is besides the upfront premium, value of assets, annual guaranteed amount, annual lease rental for land and water area payable to Cochin Port Trust. CSL will be using the facility for the repairs of small ships upto 130 metre in size , so that the existing ship Repair facility in CSL can be dedicated to value added repairs of larger ships. The projected revenues from the new facility for CSL is expected to be around Rs 980 crores by the end of the 30 year period ie in 2043. The investment in this facility is landmark one being the first major investment of CSL in ship repair facility .

8. Apart from the above project, CSL has identified the following two projects for taking up in the short to medium term:-

(a) A new larger dry dock in the existing CSL premises for taking up underwater repairs to rigs and semi submersibles.

(b) To take up fabrication of offshore structures,

9. The letter of award for the said project had been formally handed over to the Hon'ble Chief Minister of Kerala Shri Oommen Chandy by the Hon'ble Minister of Shipping, Govt. of India Shri G.K. Vasan on 14th Sept 2012 during the Emerging Kerala Event at Cochin. The execution of the agreement between Cochin Port Trust and Cochin Shipyard Ltd marks the culmination of months long efforts in materializing the International Ship Repair Project in Cochin Port Trust land which will be a major investment in the Cochin city.