

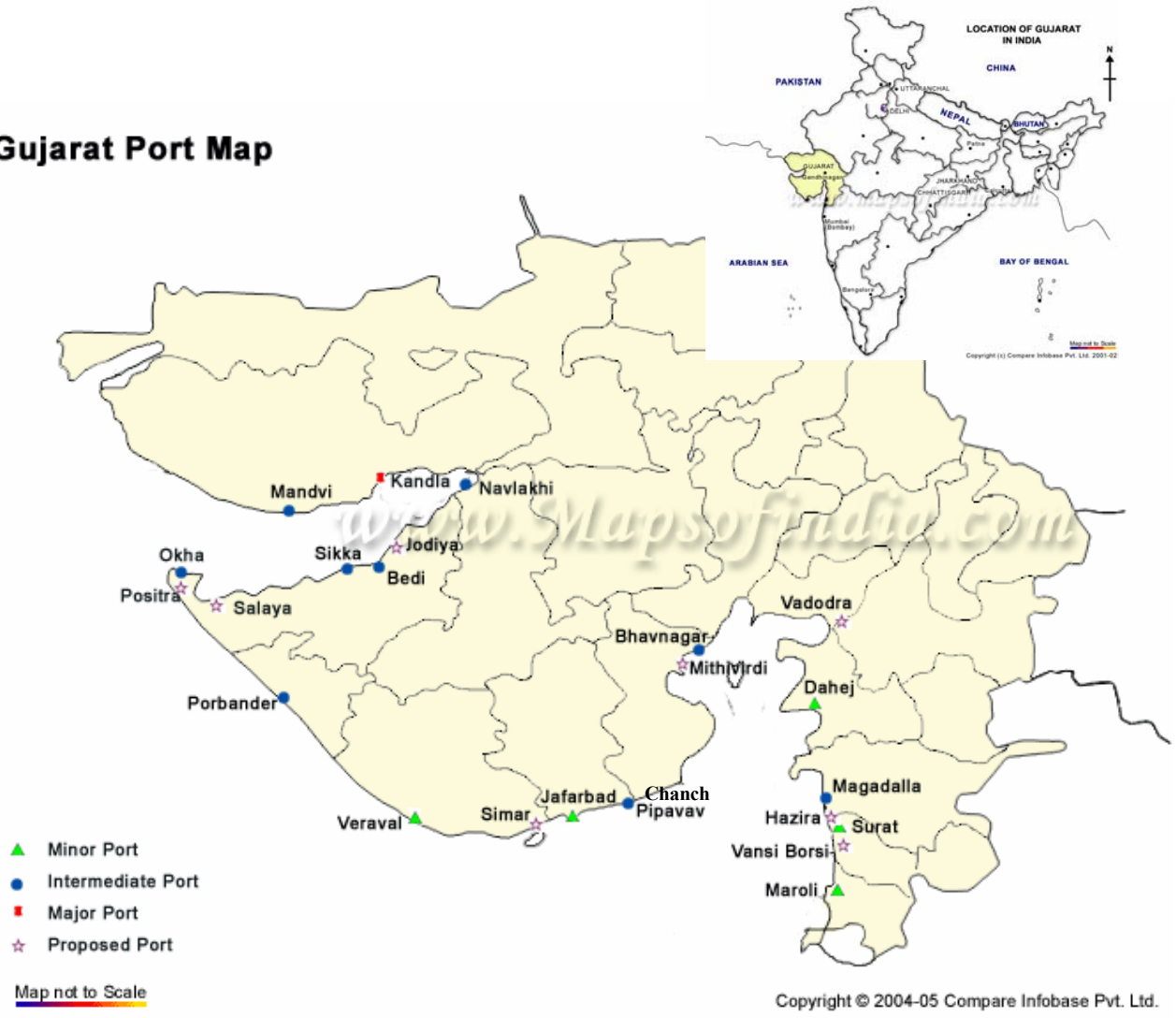


Alcock Ashdown (Gujarat) Ltd. Disinvestment Programme

Request for Qualification Document



Gujarat Port Map





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DISCLAIMER

The sole purpose of this RFQ / Bid Pack is to assist the interested party to participate in the disinvestment process. This RFQ / Bid Pack does not constitute an offer or invitation or solicitation of an offer, to subscribe to or purchase GoG's stake in AAGL. As such, it is not necessarily complete or authoritative.

This document is not intended to form the basis of any contract, investment decision and accordingly, interested parties are advised to carry out their own due diligence, investigations and analysis of any information contained or referred to herein or made available at any stage in the disinvestment process and satisfy about the authenticity of the same. This RFQ / Bid Pack has been delivered to interested parties for information purposes only and upon the express understanding that such parties will use it only for the purpose set forth above.

The RFQ documents / Bid Pack include certain statements, estimates, projections, targets and forecasts with respect to the Company. Such statements, estimates, projections, targets and forecasts reflect various assumptions made by the management, officers and employees of the Company, which (and the base information on which they are made) may or may not prove to be correct. No representation or warranty is given as to the reasonableness of, and no reliance should be placed on, any statements, estimates, projections, targets or forecasts or the assumptions on which they may be based and nothing in the RFQ documents / Bid Pack is, or should be relied on as, a promise, representation or warranty. Any liability of whatsoever in nature, is accordingly expressly declined even if any loss or damage is caused by any act or omission on part of the aforesaid information or data, whether negligent or otherwise.

While this document has been prepared in good faith, no representation or warranty, express or implied, is or will be made, and no responsibility or liability will be accepted by AAGL, Crisil Limited and/ or the Government of Gujarat (GoG) or any of their employees, advisors or agents as to or in relation to the accuracy or completeness of this document or any other oral or written information made available to any interested recipient or its advisors at any time during the disinvestment process and any liability thereof is hereby expressly disclaimed. Any prospective purchaser will be required to acknowledge in the purchase contract that he has not relied on or been induced to enter such agreements by any representation or warranty, save as expressly set out in such an agreement.

The information contained in the RFQ documents / Bid Pack is selective and is subject to updating, expansion, revision and amendment. It does not, and does not purport, to contain all the information that a Bidder may require. Neither GoG nor any of its advisors undertake to provide any Bidder with access to any additional information or to update the information in the RFQ documents / Bid Pack or to correct any inaccuracies therein which may become apparent. GoG reserves the right to change, modify, add to or alter any or all of the provisions of this Request for Qualification and / or the Bidding Process, terminate the due diligence or negotiations or any part of or the entire disinvestment process prior to signing of any binding share purchase agreement without assigning any reasons whatsoever. Such a change will be intimated to all Eligible Bidders. Any information contained in this document, will be superseded by any later written information on the same subject made available to all recipients by or on behalf of AAGL, Crisil Limited and/ or GoG.



GoG reserves the right to reject any or all of the Proposals received in response to this RFQ / Bid Pack at any stage without assigning any reasons whatsoever.

This document has not been filed, registered or approved in any jurisdiction. Recipients of this document, particularly in jurisdiction outside India, should inform themselves of and observe any applicable legal requirements.



1. DEFINITIONS AND ABBREVIATIONS

AAGL	“ AAGL ” means Alcock Ashdown (Gujarat) Ltd
Affiliate	“ Affiliate ” means any Person that Controls, is controlled by, or is under common Control with the Person specified
Bid Pack	“ Bid Pack ” means the set of documents given to Eligible Bidders to assist them in Financial Bid preparation. It will include Confidential Information Memorandum, Non-Disclosure Agreement, data room rules, share purchase agreement and other related documents.
Bidders	“ Bidders ” means the Bidding Company
Bidding Company	“ Bidding Company ” means a corporate entity that has submitted the RFQ for the divestment. The Bidding Company shall not be a partnership, proprietorship, consortium or a special purpose vehicle.
Commercial Criteria	“ Commercial Criteria ” has the meaning assigned to it in section 4.3 of this document
Confidential Information Memorandum	“ Confidential Information Memorandum ” shall be a confidential document made available in the second stage to Eligible Bidders post Non-Disclosure Agreement. It will include details of AAGL and its operations
Control	“ Control ” or “ Controlled ” as to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or partnership interests, the right or ability to appoint directors or by contract
Data Room	Disclosure of confidential data to Eligible Bidders in a physically secure continually monitored room, as communicated by GOG from time to time, which the Eligible Bidders and their advisers will visit in order to inspect and note various documents and other data made available.
DWT	“ DWT ” means Dead Weight Tons
Eligible Bidders	“ Eligible Bidders “ means those Bidders that have satisfied the eligibility criteria as stipulated in this Request for Qualification document
EPC	“EPC” means Engineering, Procurement and Construction
Essential Qualification Criteria	“ Essential Qualification Criteria ” has the meaning assigned to it in appendix 7.11
Expression of Intent	“ Expression of Intent ” means the expression of intent that is to be submitted by the Bidder in a manner as specified in appendix 7.9
FDI	Foreign Direct Investment
Financial Bid	“ Financial Bid ” means the financial proposal to be submitted by the Eligible



	Bidder in a manner as specified in the Bid Pack
Financial Criteria	“ Financial Criteria ” has the meaning assigned to it in section 4.2 of this document
Foreign company	“ Foreign company “ means a body corporate incorporated outside India
GDP	Gross Domestic Product
Gearing Ratio	Gearing Ratio = [Long term debt + current portion of long term debt + working capital loan + other short term borrowings] / [Net Worth]
GoG	Government of Gujarat
GoI	Government of India
Good Management Practice	“ Good Management Practice “ means the practices, methods, techniques and standards as changed from time to time that are generally accepted for managing, controlling and operating a company in India
H1 Eligible Bidder	“ H1 Eligible Bidder ” is the Eligible Bidder whose Financial Bid is of the highest value amongst the Financial Bids submitted by the other Eligible Bidders at the time of financial bid submission stage
IMO	International Maritime Organisation
Net Cash Accruals	Net Cash Accruals = Profit after Tax + Non cash charges (such as depreciation, amortization)
Net Worth	Net Worth = Paid up Capital + Free Reserves and Surplus (excluding revaluation reserves) – (Accumulated losses + Intangible Asset)
Non-Disclosure Agreement	“ Non-Disclosure Agreement ” will be an undertaking required to be signed by all Eligible Bidders in the stage two of the disinvestment process prior to initiating a due diligence process or receiving Confidential Information Memorandum.
OSV	Offshore Supply Vessel
Person	“ Person ” means any natural person, limited or unlimited liability company, corporation, general partnership limited partnership, proprietorship, trust, union, association, governmental authority or other entity, enterprise, authority or business organisation
Proposal	The “ Proposal ” shall mean the documents to be submitted by the Bidders in response to this Request for Qualification and in the manner prescribed herein
PSRP	Public Sector Restructuring Program
Purchaser	“ Purchaser ” means the H1 Eligible Bidder short listed in stage two of the disinvestment process to acquire the 100% equity of Alcock Ashdown (Gujarat) Limited
Qualification Criteria	“ Qualification Criteria ” has the meaning assigned to it in section 4
RFQ / Request for Qualification	“ Request for Qualification ” or “ RFQ ” means this document issued to prospective Bidders inviting them to indicate their intent and submit their Proposal to participate in the disinvestment process of Alcock Ashdown (Gujarat) Ltd.
Rs. / Rupees	Indian Rupees



SRU	Ship Repair Units
Statement Of Qualification / SOQ	“ Statement Of Qualification ” or “ SOQ ” is a document comprising of the information specified in section 6. It forms a part of the Proposal.
The Company	The “ Company ” refers to Alcock Ashdown (Gujarat) Ltd.; unless specifically referring to otherwise, in which case, company shall mean such reference
Threshold score / Threshold limit	“ Threshold score ” or “ Threshold Limit ” means the minimum score required by a Bidder in the evaluation of the Proposal, as specified in section 4, to qualify for the second stage of the disinvestment process
T	“ T ” means the date on which the advertisement appears in the newspapers inviting RFQ Proposals from Bidders i.e. 30 th March 2007
Undertakings	“ Undertakings ” means the companies promoted, owned and managed by Government of Gujarat
VRS	Voluntary Retirement Scheme



2. INTRODUCTION

2.1. OBJECTIVES OF THIS RFQ

Government of Gujarat (GoG) invites Proposal from Indian and Foreign Companies for disinvestment of 100% equity stake of Alcock Ashdown Gujarat Ltd.

Government of Gujarat (GoG) had initiated Public Sector Restructuring Program (PSRP) in 1996. Under this program, GoG is continuing its efforts towards public sector restructuring and also disinvestment of existing Public Sector Undertakings (PSUs). Based on its experience in PSRP and also the experience of Government of India (GoI) in disinvestment of PSUs, GoG has decided to follow certain procedures for its disinvestment program.

As a part of economic reforms, the GoG is moving ahead with the reform of its State Owned Enterprises (SoE). In the process it has decided to disinvest its equity stake in Alcock Ashdown (Gujarat) Limited (AAGL). As the FDI policy permits 100 per cent foreign investments in ship building industry under the automatic route, Proposal are also invited from the interested foreign investors.

Alcock Ashdown (Gujarat) Limited (AAGL) is a wholly owned SoE of GoG and its Undertakings. The company has been established under the Companies Act, 1956. GoG intends to disinvest 100% of equity of AAGL held by it and its Undertakings, on cash basis, with complete transfer of management control to a Purchaser.

For this purpose, Proposal from interested parties, satisfying the pre-qualification criteria as set out by GoG in this RFQ document and who are not subject to disqualification on the grounds set out by the Government of India vide notification no. 6/4/2001 – DDII dated 13th July, 2001 as amended from time to time and the disqualification criterion set out under this RFQ, is invited.

2.2. GOVERNMENT OF GUJARAT'S OBJECTIVES

The GoG's primary objectives in undertaking the reform process and divesting 100% equity stake in AAGL are:

- The Company should continue its present business after completion of the disinvestment process;
- The Purchaser shall add adequate capital and improved technology to the resource of the Company to ensure proper and sustained conduct of business ;
- The Purchaser shall introduce Good Management Practices in the course of business of the Company;
- The Purchaser shall honour the existing obligations of the Company vis a vis its employees and adopt policies or work practices that may be beneficial to such work force; and
- The Purchaser shall honour the contractual obligations of the Company to its customers, bankers, financiers, vendors and employees as on the date of acquisition of shares by the Purchaser.
- The Purchaser shall relieve GoG from all liabilities in respect of the Company with effect from the date of acquisition of shares by the Purchaser.



2.3. BACKGROUND INFORMATION ON THE COMPANY

AAGL is engaged in the activities of ship building and repairing on the western coast of Gujarat. It has two shipyards located at Bhavnagar and Chanch (near Pipavav Port). AAGL is a zero debt company with confirmed orders and price negotiations for a value of about Rs. 2300 crores and revenue of Rs. 62.08 crores & PAT of Rs. 1.69 crores in FY06. The revenue and PAT have grown at 95% p.a. and 209% p.a. respectively, over the last three years. AAGL's shares are not listed on any Stock Exchange. Further details on AAGL are provided in section 8 of this RFQ document

2.4. SELECTION PROCESS

The selection process involves a selection of Eligible Bidders through qualification procedure in stage one followed by Stage 2 and Stage 3 where there shall be selection of H1 Eligible Bidder on the basis of Financial Bid and submission of business plan which the Eligible Bidders shall submit after completing due diligence exercise .

This RFQ is to seek Proposals from Bidders, in order to identify Eligible Bidders qualifying for stage two of the disinvestment process. The information requirements and the qualification criteria that must be satisfied by the Bidders in order to qualify for the stage two and three process of the disinvestment procedure and for acquiring 100% equity stake in AAGL is as set out in this RFQ document.

This RFQ and its appendices constitute no form of commitment on the part of GoG, to provide Bid Pack and allow due diligence to Eligible Bidders. Furthermore this RFQ confers no rights or expectations on any Eligible Bidder to participate in the disinvestment process. GoG reserves the right to reject one or more than one Proposals if it considers necessary to do so, and/or to withdraw from the disinvestment process or any part of the process or to vary any of its terms at any time without giving any reason and without re-imbursing any cost that the Bidders may have incurred in the process.



3. DESCRIPTION OF THE PROCESS

3.1. OVERVIEW OF THE DISINVESTMENT PROCESS

3.1.1. Stage one: Submission of Proposal

In response to this RFQ document, Bidders are required to submit a Proposal not later than Tuesday 15th May 2007 or such date as may be communicated by the GoG to the Bidders.

The Proposals will be evaluated against Qualification Criteria as set out in section 4. Bidders obtaining a score equal to or higher than the Threshold Limit of 70 marks will be eligible to participate in the stage two of the disinvestment process provided they satisfy Essential Qualification Criteria specified in appendix 7.10. Such Bidder will be declared as Eligible Bidders.

3.1.2. Stage two: Issue of Bid Pack and due diligence

In stage two, all Eligible Bidders shall execute Non Disclosure Agreement and all other related documents as may be required by GoG, for the purpose of collecting the Bid Pack and undertaking the due diligence process, which will comprise of site visits, management presentations and access to Data Room within [T+8 week] or any other date as may be communicated by the GoG to the Bidders.

3.1.3. Stage 3 & 4: Request for Financial Bid and Evaluation & Negotiation of Financial Bids

The Eligible Bidder shall submit the Financial Bid along with a business plan certified by SEBI registered Category I Merchant Banker for its viability and capacity of the Bidder to implement the same, within [T+13 week] or any other date as may be communicated by the GoG to the Eligible Bidders. The business plan for AAGL should be able to demonstrate the ability of the Bidder to continue, grow and improve the business of AAGL, while protecting the interests of the Company's employees, customers, vendors, bankers and financiers. Inter alia it shall detail the following;

- a) Marketing plan for AAGL, which will include future growth strategy, target markets and business areas
- b) Financing plan for AAGL, which will include details on sources and/or options of raising finance in the future for AAGL's working capital requirements, required to execute the existing and future orders, as well as for the funding requirements for the proposed technology and capital enhancement
- c) Operating plan for AAGL, which will include proposed technology enhancement, improvement in productivity, profitability and efficiencies, introduction of better management practices and manpower planning
- d) The Bidder's integration plan for AAGL



3.2.2. Enquiries & Clarifications

Any query which a recipient of an RFQ wishes to put to GoG or any clarification sought by such recipient of an RFQ on the disinvestment process must be submitted in writing to:

**General Manager
Gujarat State Investments Limited
H.K. House, 6th Floor,
Ashram Road,
Ahmedabad 380 009,
Gujarat.**

Enquiries shall be entertained from and clarifications provided only to the Bidders who have submitted the Expression of Intent. All queries are to be submitted by [T+3 week] or any other date as may be communicated by the GoG to the Bidders. GoG will prepare responses to all Bidders' queries and provide response in a written document. Responses to queries deemed necessary to be addressed will be aggregated and provided to all Bidders without disclosing the source of the query. Responses to the queries could be given after the pre-bid conference so as to cover all the queries that may come up.

GoG reserves the right to not respond to questions raised or provide clarifications sought if, in its sole discretion it considers that it would be inappropriate to do so. Nothing in this section 3.2.2 shall be taken or read as compelling or requiring GoG to respond to any questions or to provide any clarification. No extension of any deadline referred to in this RFQ will be granted on the basis or grounds that GoG has not responded to any questions or provided any clarification.

3.2.3. Proposal processing fee

All Bidders are required to pay bid processing fees of [INR 5000.00 (Indian Rupees five thousand only) or USD 150 (One hundred and fifty US dollars)] in the form of demand draft in favour of [Gujarat State Investment Limited] payable at Ahmedabad, Gujarat, India. The Bidders may also transfer the requisite bid processing fees to [Gujarat State Investment Limited (GSIL) current account number 08490200000641, Bank of Baroda, Ashram Road Branch, Ahmedabad, and Gujarat, India. The remittance can be made by SWIFT code under intimation to GSIL. The SWIFT code of Bank of Baroda, Ashram Road Branch, Ahmedabad, Gujarat, India is BARBINBBAAHM]. The Bidder shall pay the processing fee at the time of submission of the Proposal. The processing fee is non-refundable. RFQ proposal without the requisite processing fees is liable to be rejected.

3.2.4. Checklist for Proposal submission

1. The Proposal is to be submitted in a single envelope containing the following documents:
 - a) Request for Qualification in the format provided in appendix 7.4,
 - b) Statement of legal capacity in the format provided in appendix 7.2
 - c) Statement of impact as provided in appendix 7.3
 - d) Statement of Qualification containing the details laid out in section 6, including:
 - i. Statement of Background Information as provided in appendix 7.5, to be submitted by Bidding Company



- ii. Statement of Commercial Capability as provided in appendix 7.6, to be submitted by Bidding Company
 - iii. Statement of Financial Capability as provided in appendix 7.7, to be submitted by Bidding Company
2. All Proposals must be in English
 3. Submission of Proposals by fax, e-mail or other electronic means will not be accepted

3.2.5. Proposal submission

The Proposal, as detailed in the checklist above, will be placed in a sealed envelope and should be clearly marked “**Private and Confidential – Request for Qualification for the disinvestment of Alcock Ashdown (Gujarat) Limited.**”

All Bidders must submit an original and two copies of the Proposal, in prescribed formats and to reach to the **GoG no later than 1600 hours (Indian Standard Time) on Tuesday 15th May 2007** or any other date as may be communicated by the GoG to the Bidders at the following address:

**General Manager
Gujarat State Investments Limited
H.K. House, 6th Floor,
Ashram Road,
Ahmedabad 380 009,
Gujarat.**

It is the responsibility of the Bidder alone to ensure that its Proposal is delivered at the above address by the stated deadline.

3.3. DESCRIPTION OF THE SELECTION PROCESS

3.3.1. Receipt of Proposal

All the Proposals will be marked by GoG with the date and time of receipt. The representative of the Bidder may be present at the time of bid opening. The Proposals will be opened and evaluated until [T + 7 week] or any other date as may be communicated by the GoG to the Bidders. All Bidders who have submitted their Proposal will be intimated about the date, venue and time of opening of the Proposal by speed post at least 3 working days before the date of opening of the Proposal.

3.3.2. Selection process

The Proposal will be evaluated to check whether it is submitted in the manner specified in section 3.2.5 above and it contains all documents as set out in section 3.2.4.

The Proposals received would also be subject to a responsiveness check followed by a step-wise evaluation procedure as described below.



3.3.3. Responsiveness of Proposal

The Proposal submitted by Bidders will be initially scrutinised to establish “responsiveness”. A Proposal may be deemed “responsive” if it satisfies all of the following requirements:

- It is received by the due date specified.
- It is signed and sealed in the manner and to the extent indicated in section 3.2.5 of this RFQ document.
- It includes required information for it to be evaluated and is in the formats specified.
- The processing fee has been paid

A Proposal not satisfying any of the above condition will be deemed to be non-responsive and will be disqualified.

3.3.4. Evaluation of Proposals

The Proposals of “responsive” Bidders shall be evaluated against the Qualification Criteria detailed in section 4.

Based on the Proposals submitted by the Bidders, GoG, advised by its advisors, will carry out the evaluation of the Bidders.

The Bidder shall be disqualified at any stage from the Bidding process, if seeks to or attempts to correspond or contact GOG or any officer , authority or persons engaged in the process of this disinvestment either directly or indirectly except as provided in this RFQ.

3.3.5. Declaration of Eligible Bidders

Only the Bidders who, upon evaluation of Qualification Criteria achieve a score equal to or above the Threshold Limit, , will be considered as Eligible Bidders and will be notified of their selection. The Eligible Bidders will be invited to take part in stage two of the disinvestment process. Notice regarding the dates of issue of the Bid Pack shall be duly intimated to the Eligible Bidders.



4. SPECIFIC QUALIFICATION CRITERIA

In order to identify Eligible Bidders who have the financial strength and the technical, managerial, operational and commercial experience to continue and grow the business of AAGL, Proposals being submitted by the Bidder, shall be scored on Financial and Commercial Criteria.

4.1. CONSIDERATION FOR EVALUATION

Only the Bidding Company, excluding its Affiliates would be considered for evaluation of Financial and Commercial Criteria:

4.2. FINANCIAL CRITERIA (50 MARKS)

The financial data for last three years need to be submitted as specified in sections 6.4 on page 24 & 7.7 on page 35. The Financial Criteria shall be scored only for audited financial statements and as follows:

- 1) **Net Worth** in the last financial year:
 - Rs. 100 crores or higher – 20 marks
 - Between Rs. 75 to 100 crores – 15 to 20 marks (assigned on a proportionate basis)
 - Lower than Rs. 75 crores – no marks

- 2) **Net Cash Accruals** in the last financial year:
 - Rs. 25 crores or higher – 20 marks
 - Between Rs. 20 to 25 crores – 16 to 20 marks (assigned on a proportionate basis)
 - Lower than Rs. 20 crores – no marks

- 3) **Gearing ratio** in the last financial year:
 - 2 times or lower – 10 marks
 - Between 2 to 3 times – 7 marks
 - Between 3 to 4 times – 5 marks
 - higher than 4 times – no marks

Where the above mentioned parameters shall be calculated as follows:

- Net Worth = Paid up Capital + Free Reserves and Surplus (excluding revaluation reserves) – (Accumulated losses + Intangible Asset).

- Net Cash Accruals = Profit after Tax + Non cash charges (such as depreciation and amortization)

- Gearing Ratio = [Long term debt + current portion of long term debt + working capital loan + other short term borrowings] / [Net Worth]



4.3 COMMERCIAL CRITERIA (50 MARKS)

The Commercial Criteria that will be scored are as described below:

Bidding Company shall be scored based on its submissions demonstrating its ability to manage and operate the shipbuilding and ship repairing business of AAGL, for any one among the following parameters as specified in section 6.3.

- a) For a company involved in shipbuilding activities, if it has
 - Owned and/or operated a shipyard that has delivered a sea-going vessel of a capacity 2500 dwt or higher – 50 marks
 - Owned and/or operated a shipyard that has an ongoing order for a sea-going vessel of a capacity 2500 dwt or higher – 40 marks
 - Others – No Marks
 - b) For a heavy engineering company and/or a company involved in EPC contracts and/or subcontractors for shipbuilding companies involved in fabrication and erection of hull / superstructure of a vessel, if it has executed projects / contracts worth:
 - Rs. 150 crores or higher – 40 marks
 - Between Rs. 75 to 150 crores – 30 marks
 - Lower than Rs. 75 crores – no marks
 - c) For a company involved in ship repairs, shipping, ship management, offshore services and/or ship design services, if it has, in the previous three years, annually managed / serviced ships:
 - 10 ships or more – 30 marks
 - Between 5 to 10 ships – 20 marks
 - Lesser than 5 ships – no marks
 - d) For any other company, if it has project management experience and has undertaken projects as a contractor and/or a financial investor worth:
 - Rs. 150 crores or higher – 30 marks
 - Lower than Rs. 150 crores – no marks
- All submissions as per section 6.3 should be duly certified by statutory auditors,
 - The highest marks awarded in this section are 50 marks



The Qualification Criteria will be evaluated by an evaluation committee formed by GoG. The committee's determination of the score in the Qualification Criteria for the Bidder shall be final and conclusive and the same shall not be open to challenge or further discussions.

The Bidder will be required to achieve a Threshold score of 70 to qualify for the second stage. All Bidders who have received a score of 70 or more in the Proposal will qualify to receive the Bid Pack, access Data Room, conduct site visits and management meetings; and will be eligible to submit a Financial Bid to acquire 100% equity shareholding, on cash basis, of AAGL.



5. REQUIREMENTS AND INSTRUCTIONS FOR BIDDERS

5.1. GENERAL INSTRUCTIONS

Bidders are allowed to submit their Proposal in response to this RFQ as a Bidding Company.

No Promoter can propose to be a member of more than one Bidding Company for submission of the Proposal.

The shares disinvested shall be locked-in for a period of 3 (three) years from the date GoG transfers the said shares to the selected Bidder. At the time of submission of Financial Bids, Bidders would also be required to submit an irrevocable non-disposal undertaking to GoG, agreeing not to transfer or alienate in any manner, for a period of 3 (three) years, the shares that they would acquire in this transaction. An appropriate penalty clause to enforce the lock-in period would be incorporated in the Shares Holders Agreement.

5.2. DISQUALIFICATION

GoG will not consider for the purposes of qualification:-

- Any Proposal which is submitted after the response deadline referred to in section 3.2.5;
- Any Proposal which is not accompanied by the required documentation as specified in section 3.2.4.

Without prejudice to any other rights or remedies of GoG, GoG shall be entitled in its sole discretion to determine that any Bidder may be disqualified at any stage of the process and its Proposal dropped from further consideration for any of the reasons including but not limited to those listed below:-

- a) Misrepresentation by such Bidder whether in the Proposal or otherwise;
- b) Failure by such Bidder to provide the information required to be provided in the Proposal pursuant to sections 3 of this RFQ;
- c) Failure by such Bidder to comply with, or is inconsistent with any of the provisions of the RFQ
- d) Submission of a Proposal in respect of Bidder, where such company has already submitted another Proposal.
- e) Failure by such Bidder to comply with any requests of GoG in relation to the disinvestment process
- f) Failure by such Bidder to be qualified in the disinvestment process pursuant to the Government of India Memorandum No. 6/4/2001-DDII dated July 13th, 2001 as amended from time to time (refer to annexure 7.9)



- g) If the Bidder, to be qualified, is discovered to be under winding up / insolvency or other proceedings of a similar nature
- h) Failure by such Bidder to pay the processing fees
- i) If such information becomes known to the GoG after the Bidder has been qualified, which would have entitled GoG to reject or disqualify the relevant Bidder, GoG reserves the right to reject the applicant at the time or at any time thereafter.
- j) If any information regarding the Bidder becomes known to GoG / the Company / or any of GoG's Advisors, which is detrimental to the disinvestment process and/or the interests of the Company.
- k) Any Bidder who has been involved in initiating of defending any claim , dispute , or litigation against the Company
- l) If the Bidders fail to submit or submits incomplete information or clarifications sought by GoG under **Section 5.4**,
- m) If the Bidders discloses terms of this RFQ or any information relating to this process of disinvestment or portion thereof to any third party without prior written consent of GOG.
- n) If Bidder seeks to or attempts to correspond or contact GOG or any officer, authority or persons engaged in the process of this disinvestment either directly or indirectly except as provided in this RFQ.

In the event of disqualification on the basis of (f) above, GoG shall issue a show cause notice and call upon the concerned bidder to show cause as why such bidder should not be disqualified. The concerned Bidder shall waive its right to show cause proceeding and stand disqualified in the event the concerned bidder fails to respond within 15 days from the date of receipt of the Show Cause Notice.

GoG's determination that one or more of the events specified under section 5.3 has occurred shall be final and conclusive.

5.3. REQUESTS BY GOG FOR CLARIFICATION

If at any time during the evaluation process, GoG requires any clarification in order to carry out the evaluation, it reserves the right to request such information from any or all of the Bidders and the Bidders shall be obliged to respond to any request for such information and to supply the same to GoG within such reasonable timeframe as GoG may require. Non-submission, incomplete submission or delayed submission of such additional information or clarifications sought by GoG, may be a ground for rejecting the Proposal

5.4. REQUESTS BY GOG FOR WARRANTIES

GoG reserves the right to seek any additional indemnities, warranties, representations or performance obligations from the Bidders and/or any of their Affiliates to GoG's sole satisfaction.



5.5. DOCUMENTS

The Bidders are requested to read carefully all the information provided in this RFQ document before preparing their Proposal. Failure to provide all requested information shall be at Bidder's own risk and may result in rejection of the Proposal.

Bidders are required to use the prescribed formats, wherever provided, to prepare their Proposals. Proposals not prepared in the prescribed formats are liable to be rejected.

At any time before the submission of proposals, GoG may, for any reason, whether at its own initiative or in response to a clarification requested by any Bidder, modify the RFQ document by amendment. This RFQ and any amendments thereto shall be binding on all the Bidders. The amendments will be notified in writing to all the Bidders who have submitted the Expression of Intent and will be displayed, along with the RFQ document, on the website [www.alcockshipyard.com, <http://financedepartment.gujarat.gov.in> and www.indextb.com].

All Bidders should note the following:

1. All communication and information should be provided in writing and in the English language only
2. All communication and information provided should be legible, and wherever the information is given in figures, the same should also be mentioned in words
3. No change in, or supplementary information to a Proposal will be accepted once submitted.
4. Mere submission of information does not entitle the Bidder to satisfy an evaluation criterion. GoG reserves the right to vet and verify any or all information submitted by the Bidder
5. The Bidder shall be responsible for all the costs associated with the preparation of the Proposal. GoG shall not be responsible in any way for such costs, regardless of the conduct or outcome of this process

5.6. LEGAL CAPACITY OF THE BIDDER & ACCURACY OF INFORMATION

The Bidding Company must provide in the Proposal a representation in the form set out in appendix 7.2 duly executed by its authorised official / representative that it has the requisite corporate authorisation to submit the Proposal and that all information provided in the Proposal is complete, accurate and correct in all material respects. If at a subsequent date it is discovered that the Bidder did not either possess the requisite authorisation or that any part of the information provided in the Proposal was not complete, accurate and correct in any material respect, GoG may disqualify such Bidder from the process.

5.7. OUTSTANDING LITIGATION

The Bidding Company must provide in the Proposal an impact statement in the form set out in appendix 7.3.



5.9 CONFIDENTIALITY

The terms and conditions contained in this RFQ and any other information or document that may come into the possession of the Bidders directly or indirectly as a consequence of their participation in this disinvestment process shall be deemed to be strictly confidential. The Bidders shall not disclose such information or portion thereof to any third party without prior written consent of GOG and / or use the same for any purpose other than for Bidding purpose.



6. CONTENTS OF SOQS

All Proposals shall include the following sections and information in their Statement of Qualification (SOQ):

6.1. EXECUTIVE SUMMARY

The Executive Summary of the SOQ will provide a brief description of the Bidding Company submitting the SOQ. This section will also include details such as ownership structure, write-up on business history and growth, business areas / activities, revenue details and a brief commentary on the capability of the Bidding Company, as demonstrated, inter-alia, in its past track record, to manage a shipbuilding and ship repairing business.

6.2. BACKGROUND INFORMATION

The Bidder shall submit the background information in the form prescribed in appendix 7.5. The background information section of the SOQ must be completed in respect of the Bidding Company.

6.3. COMMERCIAL CAPABILITY

The Bidder shall submit the statement of commercial capability in the form prescribed in appendix 7.6 and must demonstrate that the Bidding Company has the requisite capability in managing and operating the shipbuilding and ship repairing business of AAGL.

The Bidding Company is required to give details of its relevant experience in the fields of shipbuilding and/or ship repairing and/or heavy engineering project and/or EPC project and/or any other project management in order to satisfy the Commercial Criteria set out in section 4.3.

The commercial capability section of the SOQ must be completed in respect of the Bidding Company.

6.4. FINANCIAL CAPABILITY

The Bidder shall submit the statement of financial capability in the form prescribed in appendix 7.7. Whenever any Bidding Company has less than three (3) years of operation, it must submit all the aforesaid financial information for the entire period of operation.

The financial capability section of the SOQ must be completed in respect of the Bidding Company.



7. APPENDICES

7.1. COPY OF ADVERTISEMENT

**GOVERNMENT OF GUJARAT
REQUEST FOR QUALIFICATION FOR 100% DISINVESTMENT OF GOVT.
OWNED SHIPYARD “ALCOCK ASHDOWN (GUJARAT) LTD.”**

(This announcement is neither a prospectus nor an offer or invitation for sale of securities to the public)

Government of Gujarat (GoG) intends to divest 100% of shareholding of Alcock Ashdown (Gujarat) Ltd. (AAGL) held by it and its undertakings. The FDI policy permits 100% foreign investments in shipbuilding industry under the automatic route and accordingly GoG invites Request for Qualification (RFQ) from Indian and Foreign Companies.

The RFQ document and further information on AAGL can be obtained from the advisor or accessed at the websites – www.alcockshipyard.com, <http://financedepartment.gujarat.gov.in>, www.indextb.com and www.crisil.com.

Interested Companies should at the earliest send their Expression of Intent to participate in the disinvestment process in the format prescribed in the RFQ document to the General Manager – Gujarat State Investments Ltd., 6th Floor, H.K. House, Ashram Road, Ahmedabad – 380 009. before **1600** hours (IST) of Tuesday the 15th May, 2007.

Disclaimer : This advertisement may contain / include certain estimates, projections, statements, targets which are based on the various assumptions made by the management, employees of AAGL, which, as well as the information on which they are based may or may not be accurate. Neither AAGL , GoG or Crisil Limited, make any representations and / or warranty in respect of, and no reliance should be placed on any estimates, projections, statements, targets and forecasts or the assumptions on which they may be based. Any liability of whatsoever in nature, is accordingly expressly declined even if any loss or damage is caused by any act or omission on part of the aforesaid information or data, whether negligent or otherwise. GoG reserves the right to withdraw from the process or any part thereof, to accept or reject any or all offers at any stage of the process and/or modify the process or any part thereof or to vary any terms at any time without assigning any reason whatsoever. No financial obligation whatsoever shall accrue to GoG or CRISIL Limited in such event neither GoG nor CRISIL Limited shall be responsible for non-receipt of correspondence sent by post/courier/email/fax.



7.2. STATEMENT OF LEGAL CAPACITY

STATEMENT OF LEGAL CAPACITY

(To be forwarded on the letterhead of the Bidding Company).

Date _____

To,
General Manager
Gujarat State Investments Limited
H.K. House, 6th Floor,
Ashram Road,
Ahmedabad 380 009,
Gujarat.

SUB: GLOBAL INVITATION OF REQUEST FOR QUALIFICATION FOR DISINVESTMENT OF 100% STAKE IN ALCOCK ASHDOWN (GUJARAT) LTD.

Sir,

This is with reference to the advertisement inviting Request for Qualification for AAGL. We have read and understood the contents of the RFQ document and the advertisement and pursuant to this hereby confirm that:

1. We satisfy the eligibility criteria laid out in the RFQ document and the advertisement.
2. We have all necessary corporate authorities required to submit the Proposal which accompanies this statement;
3. The information contained in the Proposal is complete, accurate and correct in all material respects.
4. The Proposal shall have the meaning ascribed to it in the RFQ
5. We have agreed that _____ (insert individual's name) shall act as our representative on our behalf and has been duly authorized to submit the Proposal. Further, the authorized signatory is vested with requisite powers to furnish such letter and Proposal and authenticate the same.

(Please strike out whichever is not applicable)

Yours faithfully,

Authorised Signatory
For and on behalf of Company



7.3. DETAILS OF INVESTIGATIONS / LITIGATIONS

IMPACT STATEMENT

To,
General Manager
Gujarat State Investments Limited
H.K. House, 6th Floor,
Ashram Road,
Ahmedabad 380 009,
Gujarat.

Dear Sirs

SUB: GLOBAL INVITATION OF REQUEST FOR QUALIFICATION FOR DISINVESTMENT OF 100% STAKE IN ALCOCK ASHDOWN (GUJARAT) LTD.

We refer to the Request for Qualification ('RFQ') document for the disinvestment of Alcock Ashdown (Gujarat) Limited.

Pursuant to provisions of the RFQ document we, [], hereby confirm that save as may be set out in the schedule attached to this statement, there is no litigation (including court, arbitration, and other proceedings) current or pending against us, which, if adversely determined might have a material adverse effect on our ability to carry on our business or pay our debts as they fall due or on our ability to enter into any of the transactions contemplated by or in the RFQ.

The information contained in the schedule as to the likely impact of any litigation as is referred to in the preceding paragraph represents our best estimate based upon information currently available to us, having obtained legal advice, as to the effect of an adverse judgement against us and on the likelihood of such an adverse judgement.

References to an adverse judgement should be taken to mean a judgement against which there is no right of appeal or in respect of which the right of appeal has been lost.

Yours faithfully,

[]

Duly authorised signatory for and on behalf of

[]



SCHEDULE

Details of investigations / litigations

- 1) The name of the investigating agency:

- 2) The charge/offence for which the investigation has been launched:

- 3) The name and designation of persons against whom the investigation has been launched:

- 4) The amount claimed in the investigation / litigation

- 5) Present status of the investigations:

- 6) Whether the charges / offence has been proved:

- 7) Expected outcome of the investigation / litigation

- 8) Any other relevant information:

Authorised Signatory
For and on behalf of the Company



7.4. REQUEST FOR QUALIFICATION

REQUEST FOR QUALIFICATION

(To be forwarded on the letterhead of the Bidding Company)

Date _____

To,
General Manager
Gujarat State Investments Limited
H.K. House, 6th Floor,
Ashram Road,
Ahmedabad 380 009,
Gujarat.

SUB: GLOBAL INVITATION OF REQUEST FOR QUALIFICATION FOR DISINVESTMENT OF 100% STAKE IN ALCOCK ASHDOWN (GUJARAT) LTD.

Sir,

This is with reference to the advertisement inviting Request for Qualification for disinvestment of Alcock Ashdown (Gujarat) Ltd. (AAGL).

As specified in the advertisement, we have read and understood the contents of the RFQ document and are desirous of participating in the above disinvestment process, and for this purpose:

We propose to submit our RFQ Proposal in individual capacity as (insert name of party)

We understand that 100% equity stake of AAGL is proposed to be divested and we are interested in bidding for the same. We believe that we would satisfy the eligibility criteria set out in the RFQ document including the guidelines for qualification of Bidding Companies seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment issued by the Government of India vide Department of Disinvestment OM No.6/4/2001-DD-II dated 13th July 2001 and subsequent amendments/clarifications thereto.

We certify that in regard to matters other than security and integrity of the country, we have not been convicted by a Court of Law or indicted or adverse orders passed by a regulatory authority which would cast a doubt on our ability to manage the public sector unit when it is disinvested or which relates to a grave offence that outrages the moral sense of the community.

We further certify that in regard to matters relating to security and integrity of the country, we have not been charge-sheeted by any agency of the Government or convicted by a Court of Law for any offence committed by us or by any of our Affiliates.

We further certify that no investigation by a regulatory authority is pending either against us or against our Affiliates or against our CEO or any of our Directors/Managers/ employees. (In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the GoG).



We undertake that in case due to any change in facts or circumstances during the disinvestment process, we are attracted by the provisions of disqualification in terms of the subject guidelines; we would intimate the GoG of the same immediately and shall be deemed to have been dis-qualified from participating in the disinvestment process with out any act of omission or commission by the GoG.

The Statement of Legal Capacity and other requirements as per formats indicated hereinafter, duly signed by us, are enclosed.

We shall be glad to receive further communication on the subject.

Yours faithfully,

Authorised Signatory
For and on behalf of the Company



7.5. STATEMENT OF BACKGROUND INFORMATION

Statement of Background Information

(To be submitted in respect of Bidding Company)

Name of the Bidding Company _____

2. Constitution (Tick, wherever applicable)
 - i) Public Limited Company
 - ii) Private Limited Company
 - iii) Others, if any (Please specify)
3. Sector (Tick, wherever applicable)
 - i) Public Sector
 - ii) Joint Sector
 - iii) Private Sector
 - iv) Foreign Company / Registered overseas
 - v) Others, If any (Please specify)
4. Details of Shareholding :
5. Nature of business/products dealt with :
(Including, wherever applicable, a brief description of the international operations, joint ventures / alliances and nature & size of operations)
6. Date & Place of incorporation :
(Please also enclose copies of constitutional documents i.e. Memorandum and Articles of Association)
7. Date of commencement of business :
8. Details of Board of Directors & key management personnel :
(including a brief background, roles & responsibilities of each Board member)
9. Organisational chart :
10. Full address (including phone, fax & email) :
 - i) Registered Office :
 - ii) Head Office :
 - iii) In case of Foreign Company, Office in India:
11. Address for correspondence :



12. Contact Person(s):

- i) Name :
- ii) Designation :
- iii) Phone No. :
- iv) Mobile No. :
- v) Fax No. :
- vi) Email :

Yours faithfully,

Authorised Signatory
(For and on behalf of the Bidding Company)

Place :

Date :

Note: Please follow the order adopted in the format provided. If the Bidding Company is unable to respond to a particular question/ request, the relevant number must be nonetheless be set out with the words “no response given” against it.



7.6. STATEMENT OF COMMERCIAL CAPABILITY

Statement of Commercial Capabilities

(To be submitted in respect of Bidding Company)

Name of the Bidding Company _____

1. Experience of the Bidding Company in the fields of shipbuilding, of vessels of 2500 dwt or higher only, for the last three (3) years:

S. No.	Name and place of the yard	Owned / leased	Brief description of Vessel	Weight of vessel in dwt	Client	Delivered / Ongoing project	Year of delivery

2. Experience of the Bidding Company in the fields of heavy engineering and/or a EPC contracts and/or subcontractors for shipbuilding companies involved in fabrication and erection of hull / superstructure of a vessel for the last three (3) years:

S. No.	Project Name and location	Client	Brief description of the project	Value of the Project (Rs. Cr.)	Adherence to delivery schedules

3. Experience of the Bidding Company in the fields of ship repairs, shipping, ship management, offshore services and/or ship design services, for the last three (3) years:

Year	Service area (ship repairs / ship management etc.)	Brief description of the service provided	Number and brief description of ships managed	Client	Turnover from the mentioned operations
2005-06					
2004-05					
2003-04					



4. For any other company (not covered above), experience of the Bidding Company in projects undertaken as a contractor and/or as an investor for the last three (3) years:

S. No.	Project Name and location	Client	Brief description of the project	Value of the Project (Rs. Cr.)	Adherence to delivery schedules

5. Any other relevant information highlighting the experience, technical & financial capability and track record of the Bidding Company that the Bidder believes would be helpful to GoG. In evaluating and scoring the Bidder in Commercial Capability as specified in section 4.3.

Note:

- 1) Please enclose supporting documents duly certified by statutory auditors for the information provided herein.
- 2) No Bidder may claim marks in more than one category mentioned above.

Yours faithfully,

Authorised Signatory
For and on behalf of the Bidding Company

Date & Place :

Note: Please follow the order adopted in the format provided. If the Bidding Company is unable to respond to a particular question/ request, the relevant number must be nonetheless be set out with the words “no response given” against it.



7.7. STATEMENT OF FINANCIAL CAPACITY

Statement of Financial Capabilities (section 6.4)

(To be submitted in respect of Bidding Company)

Name of the Bidding Company: _____

1. Financial Performance of the Bidding Company (as set out in **the audited financial statements of the previous year**)

Rs. Crores

Year	Revenue	Net Worth*	Net Cash Accrual**	Gearing ratio***

*Net Worth = Paid up Capital + Free Reserves and Surplus (excluding revaluation reserves) – (Accumulated losses + Intangible Asset).

**Net Cash Accruals = Profit after Tax + Non cash charges (such as depreciation, amortisation)

***Gearing Ratio = [Long term debt + current portion of long term debt + working capital loan + other short term borrowings] / [Net Worth]

2. Banking reference (Please provide from at least two different banking institutions,)
 - a. Name of the Bank :
 - b. Contact person(s) :
 - c. Address :
 - d. Telephone numbers:
 - e. Fax number :
 - f. Email :
3. Please provide details of all contingent liabilities that, if materialised, have or would reasonably be expected to have a material adverse affect on the business, operations (or results of operations), assets, liabilities and/or financial conditions of the Company, or other similar business combination or transaction

Note :

- 1) Please enclose copies of the audited financial statements for last three years and latest provisional financials to support the information provided herein.
- 2) If the figures are in the currency other than Indian Rupees, please provide the name of the currency in which the figures are quoted.



3) Please provide consolidated figures

Yours faithfully,

Authorised Signatory
For and on behalf of the Bidding Company

Date & Place :



7.8. RECEIPT/ EXPRESSION OF INTENT
(To be forwarded on the letterhead of the Bidding Company)

Date :

To,
General Manager
Gujarat State Investments Limited
H.K. House, 6th Floor,
Ashram Road,
Ahmedabad 380 009,
Gujarat.

SUB: GLOBAL INVITATION OF REQUEST FOR QUALIFICATION FOR DISINVESTMENT OF 100% STAKE IN ALCOCK ASHDOWN (GUJARAT) LTD.

Sir,

This is with reference to the advertisement dated _____ inviting Request for Qualification for disinvestment of Alcock Ashdown (Gujarat) Ltd. (AAGL).

As specified in the advertisement, we have read and understood the contents of the RFQ document and are desirous of participating in the above disinvestment process.

We understand that 100% equity stake of AAGL is proposed to be divested and we hereby express our interest in bidding for the same.

Yours Faithfully,

Authorised Signatory
For and on behalf of the Company



7.9. GOVERNMENT OF INDIA'S DISQUALIFICATION GUIDELINES

Government of India's disqualification guidelines

No. 6/4/2001-DD-II

Government of India

Ministry of Disinvestment

Block 14, CGO Complex

New Delhi.

Dated 13th July, 2001.

Sub: Guidelines for qualification of Bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment

Government has examined the issue of framing comprehensive and transparent guidelines defining the criteria for bidders interested in PSE-disinvestment so that the parties selected through competitive bidding could inspire public confidence. Earlier, criteria like net worth, experience etc. used to be prescribed. Based on experience and in consultation with concerned departments, Government has decided to prescribe the following additional criteria for the qualification / disqualification of the parties seeking to acquire stakes in public sector enterprises through disinvestment:

- (a) In regard to matters other than the security and integrity of the country, any conviction by a Court of Law or indictment / adverse order by a regulatory authority that casts a doubt on the ability of the bidder to manage the public sector unit when it is disinvested, or which relates to a grave offence would constitute disqualification. Grave offence is defined to be of such a nature that it outrages the moral sense of the community. The decision in regard to the nature of the offence would be taken on case to case basis after considering the facts of the case and relevant legal principles, by the Government.
- (b) In regard to matters relating to the security and integrity of the country, any charge-sheet by an agency of the Government / conviction by a Court of Law for an offence committed by the bidding party or by any sister concern of the bidding party would result in disqualification. The decision in regard to the relationship between the sister concerns would be taken, based on the relevant facts and after examining whether the two concerns are substantially controlled by the same person/persons.
- (c) In both (a) and (b), disqualification shall continue for a period that Government deems appropriate.
- (d) Any entity, which is disqualified from participating in the disinvestment process, would not be allowed to remain associated with it or get associated merely because it has preferred an appeal against the order based on which it has been disqualified. The mere pendency of appeal will have no effect on the disqualification.
- (e) The disqualification criteria would come into effect immediately and would apply to all bidders for various disinvestment transactions, which have not been completed as yet.
- (f) Before disqualifying a concern, a Show Cause Notice why it should not be disqualified would be issued to it and it would be given an opportunity to explain its position.



- (g) Henceforth, these criteria will be prescribed in the advertisements seeking Expression of Interest (EOI) from the Bidding Companies / Consortium. The Bidding Companies / Consortium would be required to provide the information on the above criteria, along with their Expressions of Interest (EOI). The bidders shall be required to provide with their EOI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also, a similar undertaking shall be obtained along with EOI.

sd/-

(A.K. Tiwari)

Under Secretary to the Government of India

Clarification

Note: Vide clarification dated 10.1.2002 to the above guidelines it has been provided that the following offence be treated as a grave offence:

- (1) Orders of Securities and Exchange Board of India which directly relates to “fraud” as defined in the securities and Exchange Board of India act, 1992 and / or regulations made there under;
- (2) Orders of Securities and Exchange Board of India which cause a doubt on the ability of the strategic Partner to manage the Company after the sale of the Transaction Shares by the Government to the Strategic Partner;
- (3) Any conviction by a Court of Law; In cases in which Securities and Exchange Board of India also passes a prosecution order, disqualification of the Strategic Partner should arise only on conviction by the court of Law.



7.10. ESSENTIAL QUALIFICATION CRITERIA

Following are the Essential Qualification Criteria for Bidder

Bidding Company - “Bidding Company” means a corporate entity that has submitted the RFQ for the disinvestment. The Bidding Company shall not be a partnership, proprietorship, consortium or a special purpose vehicle.

Submission of business plan - The Eligible Bidder shall submit the Financial Bid along with a business plan certified by SEBI registered Category I Merchant Banker for its viability and capacity of the Bidder to implement the same, within [T+13 week] or any other date as may be communicated by the GoG to the Eligible Bidders. The business plan for AAGL should be able to demonstrate the ability of the Bidder to continue, grow and improve the business of AAGL, while protecting the interests of the Company’s employees, customers, vendors, bankers and financiers.

Proposal from interested parties, satisfying the pre-qualification criteria as set out by GoG in this RFQ document and who are not subject to disqualification on the grounds set out by the Government of India vide notification no. 6/4/2001 – DDII dated 13th July, 2001 as amended from time to time and the disqualification criterion set out under this RFQ

No Promoter can propose to be a member of more than one Bidding Company for submission of the Proposal.



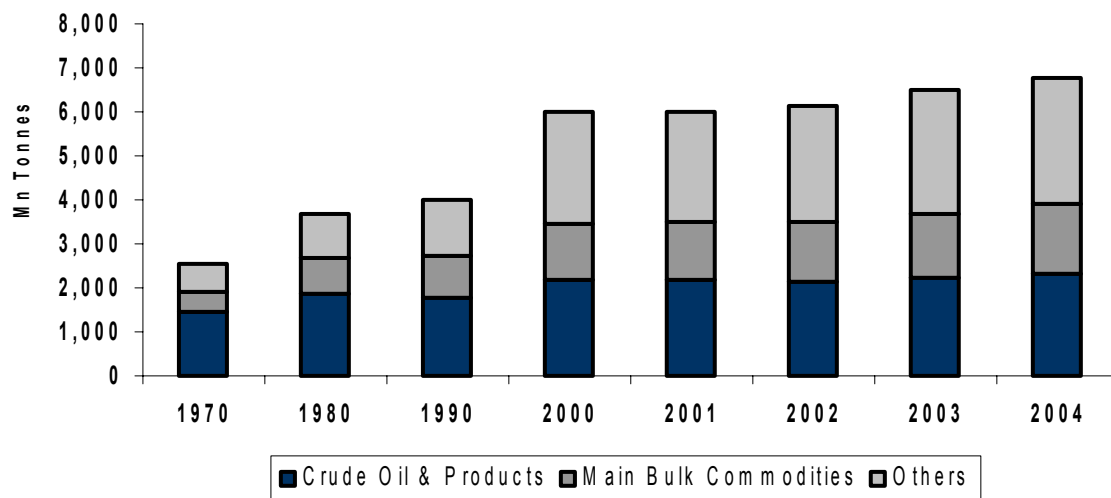
8. PROFILE OF ALCOCK ASHDOWN (GUJARAT) LTD.

8.1. SHIPBUILDING INDUSTRY

8.1.1. Global Shipping Trends

Rapid globalisation in the last four years has led to a remarkable surge in the world trade, reaching a record high of 6.76 billion tons. The annual growth rate was 5.8% and 4.3% in 2003 and 2004 respectively. With the world GDP expected to register a growth of 4% (wherein China is expected to grow by 9-10%, India by 8-9% and Russia by 6-8%) the future forecasts are for the trend to continue.

Figure 1. Development of International Seaborne Trade (goods loaded)



Source: UNCTAD

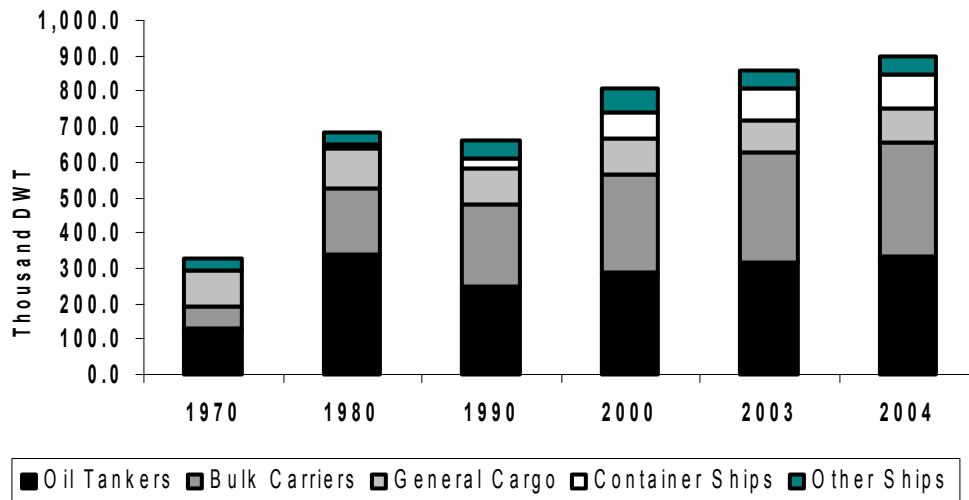
The enhanced trade in the last four years has absorbed not only the surplus supply of shipping, but has also rendered the existing shipyard capacity inadequate to meet the growing demand. The strong ship building market is expected to continue in the foreseeable future due to high economic growth, its importance from defence perspective and the strengthening global outsourcing trend.

8.1.2. Growth in Shipbuilding

The shipping industry reacted to the boom in trade in the last four years with increase in freight rates, ordering of new ships and suspension of scrapping of old ships. The world merchant fleet stood at 895.8 million deadweight tons (dwt) on 1 January 2005. This represents a 4.5% increase over the start of 2004, at which time the world fleet had already expanded by 1.5% over the tonnage in 2003.



Figure 2. Development of World Fleet (Thousands DWT)



Source: UNCTAD,, Lloyds Register

As on 1st Jan. 2005, more than 27% of the world merchant fleet was more than 20 years old. High freight rates deter demolition as even older fleet can be profitably deployed. This effected a 59% decline in the total tonnage sold for demolition in 2004 to 10.6 million dwt, equivalent to 1.2 per cent of worldwide total deadweight tons, as compared with 3 per cent in 2003. As the world fleet supply increases with new deliveries, the freight rates will face a correction and the older ships will be scrapped and replaced by new ships. This would keep a check on the demand for new ships from any considerable decline.

Over the last four years, driven by shortages and the prospects of super normal returns, ship owners placed a record number of orders and the prices for all the main types and sizes of new buildings increased by 25-40% in 2004 over those of the previous year. Deliveries increased in 2004 to 49.4 million dwt, number of vessels delivered increased to 1827 units (over 1707 units in 2003), while the tonnage broken up and lost more than halved to 10.6 million dwt, leaving a net increase of 38.8 million dwt.

Table 1. Tonnage oversupply in world merchant fleet

(mn dwt)	1990	1999	2000	2002	2003	2004
World Merchant Fleet	658.4	799.0	808.4	844.2	857.0	895.8
Surplus Tonnage	63.7	23.7	18.4	21.7	10.3	6.2
Active Fleet	594.7	775.3	790.0	822.5	846.7	889.6
Surplus tonnage as percentage of world merchant fleet	9.7%	3.0%	2.3%	2.6%	1.2%	0.7%

Please note: end-of-year figures

Source: UNCTAD

While the deliveries have picked up in 2003 to 2005, the surplus tonnage at the start of 2005 has come down to 0.7% from 1.2% in 2004 and 2.6% in 2003. The reduction in surplus tonnage available has resulted in the order book being almost at its highest ever of the past 20 years. In the beginning of 2006, in terms of the world tonnage the order book stood at 227 million dwt.

**Table 2. World's Total New building orders as per Country of Building**

Country of Building	1st Jan 2004		1st Jan 2005		1st Jan 2006	
	No. of Ships	DWT ('000)	No. of Ships	DWT ('000)	No. of Ships	DWT ('000)
Japan	774	52,654	1,054	78,060	1,137	79,059
South Korea	788	63,887	1,029	74,738	1,150	78,832
China	488	25,120	672	32,013	882	42,025
Germany	86	2,199	111	2,901	175	4,168
Taiwan	38	2,722	45	2,735	51	2,893
Croatia	45	2,289	70	3,524	65	2,712
Poland	58	2,122	77	2,748	64	2,283
Denmark	9	781	17	1,799	16	1,840
Turkey	71	473	116	851	163	1,688
Romania	15	502	36	1,004	40	1,428
Iran	12	244	28	1,224	31	1,315
Netherlands	105	658	124	945	187	1,291
Vietnam	16	96	58	1,017	73	1,288
Philippines	22	1,149	24	1,266	23	1,091
Russia	44	463	49	613	62	1,006
USA	16	1,161	14	813	24	920
Rest of World	151	2,624	177	2,375	274	3,439
Total	2,738	159,144	3,701	208,626	4,417	227,278

Source: Danish Shipowner's Association – May 2006 report

Table 3. World's Total New building orders as per type of vessels

Type of Ship	1st Jan 2004		1st Jan 2005		1st Jan 2006	
	No. of Ships	DWT ('000)	No. of Ships	DWT ('000)	No. of Ships	DWT ('000)
Dry Cargo, reefer	275	2,425	360	2,776	593	4,692
Container	600	32,411	891	44,487	1,135	51,090
Ro-Ro	120	1,774	169	2,522	211	2,911
Oil Tankers	1,123	77,866	1,450	97,014	1,645	100,438
Bulk Carriers	620	44,668	831	61,827	833	68,147
Total	2,738	159,144	3,701	208,626	4,417	227,278

Source: Danish Shipowner's Association – May 2006 report

All the major shipyards in Japan, Korea and other countries are already booked until 2010. The near closure of shipbuilding in Europe and Korea & Japan moving up the value chain has created a market space for countries like India. This presents a good business potential and accordingly capacity expansions over short to mid-term have been announced by shipyards.



8.1.3. Ship Repair Industry

Ship Repair is generally considered an evergreen industry. Ship being a floating structure requires regular inspection and maintenance of equipment and machinery for smooth and safe functioning during the ocean voyages and also during cargo handling operations at ports. Ships are also governed by scheduled periodic repairs. Hence ship repair yards generally have continuous and consistent flow of business and this makes ship repair revenue generation more predictable as opposed to shipbuilding or shipping, which is often prone to pulls and pressures of market forces and cyclic change.

Today, most ship repairs are carried out in the UK, Singapore, Dubai, Bahrain and Colombo. This segment is likely to grow significantly in the next decade, driven by pollution control measure and stricter environmental norms and regulations. This includes conversion of single-hull vessels to double-hull. The global ship repair bill is estimated to be of the order of US\$ 10-12 billions.

In just the manner that shipbuilding in the past has moved from the US and Europe to West and South-East Asia, it is expected to continue for ship repair industry also. In fact, here the significant cost being labour, would fast lead the industry to areas where labour costs are the lowest, such as China and India.

8.2. SHIPBUILDING AND REPAIRING IN INDIA

8.2.1. Shipbuilding

The Indian ship building industry is small by global standards. Ninety per cent (%) of all India-owned ships are foreign built, and even shipyards in India use mostly imported equipment. Overall, there are four large and twenty four medium & small shipyards, with all the major shipyards being part of the public sector domain.

The growing share of India in international trade is expected to give a major boost to the shipping demand. Trade and transport (including communications) accounted for approximately 27.6% of India's GDP in FY2005. Imports and exports registered 12.7% and 11.8% CAGR, respectively, over the decade 1995-2005.

Keeping in view the newbuild demand outlook, most shipbuilders expect a 50% CAGR in revenue over the next three to four years. Subsequently, one can expect sustainable growth of about 20-25% over the next five years.

8.2.2. Ship Repair

Ship repair industry in India is regulated through Ship Repair Units (SRU) which are registered and licensed by the Director General of Shipping (DG Shipping). It consists of 35 SRUs registered with the DG Shipping of which only 7 SRUs have been given the permanent approval as SRUs. In addition to the Shipyards there are dry docks available with the Port Trusts which can also be used for limited repairs of ships.

The Indian ship repair industry had a turnover of Rs. 1460 crores during the 9th five-year Plan and Rs. 1766 crores in the 10th Plan period. It is estimated to grow to Rs. 1833 crores during the 11th Plan period. The main players in this industry are Cochin Shipyard Ltd., Hindustan Shipyard Ltd., Mazgaon Dock Ltd. and private players such as ABG Shipyard Ltd. Much of the repair work done is statutory in nature.

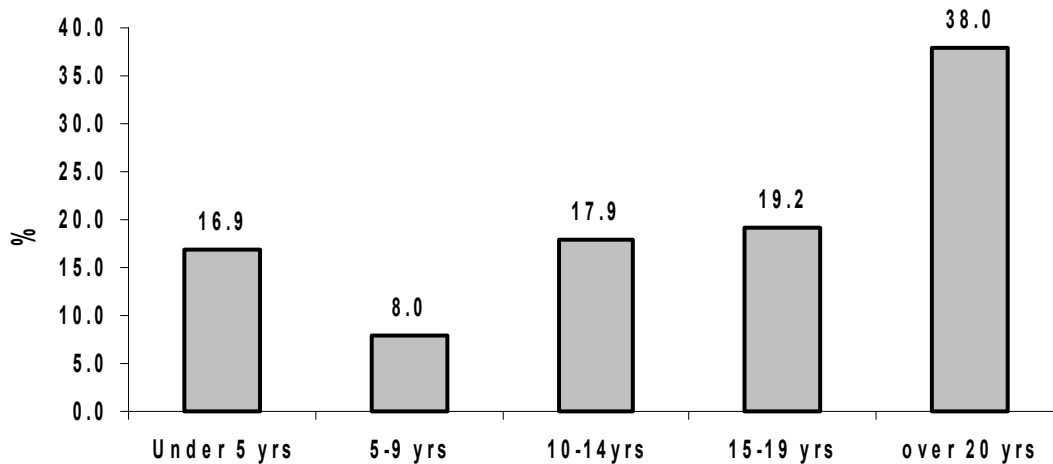


Since the ship owners prefer to get ships repaired at yards in the vicinity of destinations or their trade routes in order to save on unnecessary mobilisation and demobilisation expenses, thus India stands as an attractive destination for ship repairing activities.. As not only does India have a substantial portion of international and domestic shipping traffic calling at its ports, but it is also situated close to major shipping routes between East Asia and Europe & West Asia (Middle-East).

8.2.3. Age profile of Indian Fleet

Despite the growth in the Indian fleet over the past 2 years, the Indian fleet is ageing; with the average age of the fleet at 16.9 years. This is higher than the estimated international average of 12.3 years. There is a need to replace the aging fleets over the next 3-5 years.

Figure 3. Age-Wise Distribution of Indian Fleet as on July 2005



Source: INSA

8.2.4. Government Initiatives

The Government of India has announced a slew of initiatives and measures for the growth of the Indian ship building industry such as:

- 100% FDI in the sector
- Introduction of tonnage tax for shipping companies. This is expected to show a positive impact on their net profits, thereby free up additional funds for expansion
- Plans to set up two international ship building yards on the east and west coast in public-private partnership.
- Extension of its subsidy policy to private shipyards effective October 2002
- Besides slew of other measures such as:



The Sagarmala Project / National Maritime Development Programme

The Government of India has announced a major project known as ‘Sagar Mala’ to develop India’s maritime sector. The project is primarily aimed at capacity expansion, modernisation and creating new ports along India’s coast. The project is expected to result in additional demand for 2400 new ships.

Subsidy for Ship Building

In the year 2003-04, Govt. of India, Ministry of Shipping has introduced ship building subsidy of thirty per cent (30%) for a period of 5 years ending on August 14, 2007. All the contracts signed during the validity period are entitled to claim the subsidy.

The subsidy is currently restricted to:

- Ocean-going merchant ships that are over 80 meters in length if they are manufactured for the domestic market, provided the tender is a global tender
- Ships of all types are eligible for the subsidy if they are manufactured for export, subject to fulfilment of conditions.

8.2.5. Opportunities

Global supply constrains in key ship building countries

Internationally, the Korean and Japanese shipyards are booked for delivery dates up to 2010. This presents an opportunity for India to increase its share of the pie from the existing 1.2% of global shipbuilding capacity.

Supply gap in small & mid size segment

As far as international markets are concerned the ship building has moved from Europe to Asian countries such as China, Korea and Japan. The Koreans, who used to build small and medium-sized vessels until a few years ago, have now moved up to build larger, more complex and sophisticated ships. This has led to a vacuum in the small & medium size vessels segment, filled by Chinese and Indian shipyards.

Oil Exploration & Trade

The revenues in offshore supply and utility ships are dependent on the exploration and production activities. There is an intensification of exploration activities to enhance the world wide availability of oil and gas. In addition to the above, close to one-third of the world wide fleet servicing the oil exploration activities is more than 20 years and would need to be replaced. All these factors mean a need of higher number of ships in this segment.

Increasing Commodities Trade

The increasing demand by emerging economies for commodities and raw materials such as steel, iron ore, food grains etc. would mean that this demand for bulk carriers and containers will only increase in future

Environmental Concerns

The preference for new tonnage, to a large extent, will be motivated by environmental concerns and IMO norms on environment and safety. Accordingly demand for new ships from European Union has increased in the recent past.



8.2.6. Threats & Issues

High Competition

Although the ship building sector is a global industry, it is dominated by China, South Korea and Japan controlling 75-85% of the total market share. China is now emerging as a major player in this market segment and is the price leader. The Indian Ship building companies face intense competition from these Asian counterparts.

Withdrawal of Fiscal benefits

The fiscal incentive (subsidy) to shipbuilders is available for a five-year period that ends in August 2007. If there is a reduction or withdrawal in the value of subsidies allowed to private sector ship builders, it may adversely affect business and profitability.

8.2.7. Success Factors

Cost Competitive Labour: India has a large pool of highly skilled workforce, available at competitive cost

Marketing Network: Indian shipyards have been creating a marketing network that has enabled them to build up an order pipeline from not only domestic, but from international customers also, which is critical to the success of any shipyard.

Availability of technically qualified manpower: Ship building involves very high levels of quality control, designing and engineering. Hence the availability of technically qualified manpower in abundance in India provides a good support for the sector to prosper.

Strategic Location: In addition to India's burgeoning trade, it is also strategically located to allow better access to West Asia (Middle-East) and South-East Asia. It provides the ships plying on this route a good transit point as well as convenient location for ship repairs.

8.2.8. Demand Drivers for Indian Ship building

In the next few years, Indian shipbuilding industry is expected to grow robustly for several reasons, both- external as well as internal:

1. Globally there is a strong latent replacement demand for ageing ships and the ships not conforming to the IMO (International Maritime Organisation) norms
2. The forecast robust global economic growth would result in increased volume of world trade and would effect in greater movement of cargo by sea
3. The proposed Sagarmala Project announced by the Government aiming to develop the Indian coastline envisages adding 2400 ships.
4. Massive addition of refining capacities and exploration activities in India would increase the oil products trade and would result in a higher requirement for ships catering to the offshore oil and gas sector.
5. Container traffic is expected to grow significantly as a result of increasing containerization of general cargo exports from India and investments in container handling facilities.



6. The introduction of Tonnage Tax by the Government of India would reduce the tax burden of the Indian shipping companies and increase the availability of funds for them to expand their fleet, thus also giving a boost to shipbuilding.
7. The director general of shipping in India has announced a mandatory condition assessment programme rating for all ships over 20 years and a complete ban on tankers over 25 years old from entering India's waters with effect from April 1, 2004. This would boost new demand for tanker ships.

Thus, a good opportunity is present for an economically and operationally efficient shipyard to capture an increased share of the shipbuilding market.

8.3. PROFILE OF ALCOCK ASHDOWN (GUJARAT) LTD.

8.3.1. Background

Alcock Ashdown Co. Ltd was originally owned by Turner Morison Mundra Group of Companies, a private organization. The company went into liquidation during the period 1969 to 1974 and was reopened in 1975 due to the efforts of Government of India (GoI) and Government of Gujarat (GoG). Thereafter, Alcock Ashdown & Company was taken over by GoI and managed by GoG on behalf of GoI till July 1990.

In July 1990, GoG took over the ownership of the Company. Finally, as per decision of the Cabinet Committee, Alcock Ashdown was incorporated into a GoG owned State Owned Enterprise (SoE) in 1994 as per the Companies Act, 1956 and the name of the company changed to Alcock Ashdown (Gujarat) Ltd. The original shipbuilding facility for small ships & boats is situated at Old Port, Bhavnagar and a new shipyard facility is established near the Pipavav Port at Village Chanch, Tal. Rajula, Dist. Amreli (Gujarat)

8.3.2. Shareholding

As on September 2006, GoG and its Undertakings own the entire equity share capital of AAGL. The share holding pattern is given below:

Table 4. Shareholders of AAGL as on December 2005

S. No.	Shareholder	No. of shares held
1.	Governor of Gujarat	1,20,00,000
2.	Gujarat Maritime Board	20,00,000
3.	G.I.I.C. Ltd.	20,00,000
4.	Others	7
	Total Outstanding Shares	1,60,00,007

Government of Gujarat is contemplating to infuse additional Rs 35 Crore in the Company by way of fresh equity.



8.3.3. Operations of the Company

AAGL is engaged in shipbuilding and ship repair of all types of steel vessels of ocean going / inland / coastal class and Fibre Glass Reinforced Plastic (FRP) boats. The manufacturing units of the Company are located at Bhavnagar, District Bhavnagar and Chanch, Taluka Rajula, District Amreli in the state of Gujarat.

Although ship repairing is occasionally undertaken at present and forms a marginal part of the business, with the commissioning of the additional shipbuilding facilities in Chanch the dry dock shall be available for ship repairs and the Company plans to increase the focus on this sector.

In view of the emerging opportunities in the shipbuilding activities in the international market, the Company commissioned a modern shipyard in 2004 at Chanch, which is in close proximity to Pipavav Port

The new dry dock at Chanch is the only dry dock of its size on the north-western coast of India with entry directly to the sea. It is in close proximity to Mumbai High and the international gulf bound shipping route, which makes it an ideal location for offshore support, offshore fabrication work, ship repair and new construction.

At Bhavnagar, the Company is having one of the biggest centrally air-conditioned FRP boat building shops in the country and can undertake boat building orders on “Concept to Completion” turnkey basis.

The Company having built 251 steel ships of wide range of variety possesses an extensive competency in production engineering and innovations. It has been the pioneer in India in the construction of vessels such as Ammonia tanker, Fire float, Pollution Control vessels, as well as world class ocean going passenger vessels upto 400 passenger capacity. Having already built crane barges having capacity upto 3039 dwt, the Company is, at present developing IMO II tankers having capacity upto 12800 dwt. AAGL has also received order from Indian Navy to build six survey vessels.

The deliveries made by AAGL so far comprises of 251 steel vessels and 153 FRP boats, the products ranging as:

Bulk Carrier and Tanker

Bulk Carriers	Chemical Tankers
LPG/Ammonia Carriers	Product Tankers

Liner and Passenger

Passenger Vessels	Inter island cargo vessels
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Technical & Offshore

Technical Services	Offshore Services
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Others

Tugs and barges	Fishing trawlers
Split hopper barges	Flood relief boats
Launches	Debris recovery crafts
Canoes	Fire floats
Pollution Control Vessels	High Speed Patrol Boats



Disaster Management Boats

Design for the New builds

The Company's design and engineering cell has been developing in-house designs for the vessels built in the past. But going ahead, the Company has also established a network with international design houses having proven designs, whose services the Company would utilise for garnering orders for more technologically sophisticated vessels. The in-house team would be entrusted with the task of interfacing with these design houses or developing an in-house design for planned execution of the future orders.

System of sub-contracting

To meet the production and schedule requirements of vessels, most of the items of commonplace work are outsourced to appropriate contractors, who are in a position to resource and manage considerable manpower along with back-up logistics, equipments and consumables. The arrangement of sub-contracting is advantageous to the Company as it reduces the permanent burden on the Company from the point of view of overheads, labour welfare and grass root level management.

Supply chain

For key equipment, machinery and materials, such as main engine, propeller system, gear box, D.G. sets, steering gear, steel etc., reputed international suppliers are contracted by the Company for rates and tendering.

On the whole, 70-80% of the equipment, machinery and materials required in shipbuilding are imported from international markets. Hence to optimise the inventory holding cost, talks have been initiated with an international logistics Company for implementation of Just-in-Time procurement system.



8.3.4. Financials

Summarised Balance Sheet

The summarized balance sheet of the Company, for last five years i.e. from year ended March 2002 to March 2006, is given below:

Table 5. Audited Balance Sheet (Rs. Lacs)

	2002	2003	2004	2005	2006
LIABILITIES					
Share Capital	2190	2190	1590	1600	1600
Reserve & Surplus	203	236	280	310	450
Secured Loans	-	-	-	-	7
Unsecured Loans	10	10	10	-	-
Deferred Tax Liabilities	0	35	51	64	110
Progress payments received against work in progress	5803	4429	4078	6451	15526
Current Liabilities	283	379	387	657	1005
Provisions	77	77	85	70	218
Total Liabilities	8567	7357	6482	9152	18916
ASSETS					
Fixed Assets Bhavnagar	300	285	280	285	327
Fixed Assets Chanch	706	745	749	1,093	1119
Investments	860	912	242	0	0
Interest Accrued on Investments	43	6	20	5	13
Inventories & Work in Progress	3727	2620	2784	6482	9790
Receivables	489	636	634	798	945
Cash & Bank balance	2097	1830	1498	195	6206
Loans & Advances	344	319	274	294	516
Misc. Expenditure	1	0	0	0	0
Total Assets	8567	7357	6482	9152	18916



Summarized Profit & Loss Account

The summarized profit & loss account of the Company, for last five years i.e. from year ended March 2002 to March 2006, is given below:

Table 6. Audited Profit & Loss Account (Rs. Lacs)

Description	2002	2003	2004	2005	2006
Sales					
Ship building	820	1804	794	567	2208
FRP Boat Building	30	3	0	0	0
Ship Repairing Income	3	6	3	0	0
Escalation & Extra cost claim on vessels delivered	-	-	-	49	98
Increase in Work-in-Progress	155	(1095)	721	2332	3827
Other Income	136	89	107	89	75
Total Income	1145	807	1625	3038	6208
Expenses					
Manufacturing Expenses	72	95	76	220	358
Material Consumed	441	150	829	1673	3268
Direct Expenses	247	154	224	621	1344
Payment to & Provision for Employees	280	294	312	316	433
Administration & General Expenses	60	59	91	96	399
Sales Tax & Central Sales Tax	1	0	2	1	6
Fringe Benefit Tax	-	-	-	-	2
Hire Purchase charges	0	-	-	-	-
Loss on Sale of Fixed Assets	-	-	-	-	1
Liquidated Damages / Bad Debts written off	0	0	-	-	40
Unrealised Escalation Claims written off	-	-	-	-	-
Total Expenses	1102	752	1535	2927	5850
EBITDA	43	55	90	111	358
Depreciation & Amortisation	28	50	52	54	66
EBIT	15	5	38	57	292
Interest Expense	0	0	-	-	-
EBT	15	5	38	57	292
Provision for Income Tax	1	2	20	18	123
Net Profit	14	3	18	39	169



Working Capital

With the opening of the economy and globalization of business, the terms of payment have changed drastically for the industry, and part financing of the project through bank borrowings has become a requirement. The Company accordingly has tied-up with banks for borrowing money to meet the working capital requirements and is also taking ECGC cover for the orders.

For the current overseas order of 12800 t IMO-II Tankers, Bank of Baroda and SBI have already sanctioned the working capital, bank guarantee and credit facility requirements.

Table 7. Credit facility from Bank (Rs. Crores)

S. No.	Type of Limit	State Bank of India	Bank of Baroda	Total
A	Non Fund Based			
	Bank Guarantee	60	45	105
	Letter of Credit (180 days usance)	40	40	80
	<i>Total A</i>	<i>100</i>	<i>85</i>	<i>185</i>
B	Fund Based			
	Cash Credit	35	35	70
	<i>Total B</i>	<i>35</i>	<i>35</i>	<i>70</i>
	Total A+B	135	120	255

8.3.5. Marketing

In the last three years, marketing activities of the Company have undergone a major revamp. There has been increased participation in the global tenders and efforts have been made to establish a network with shipbrokers. This has enabled the Company to garner orders from domestic & European shipping companies.

Shipbuilding

The order book position of the Company has seen a remarkable improvement in the last year. This has been possible due to the tie-ups established by the Company with prominent design houses and equipment vendors supporting the marketing efforts. Majority of the domestic orders received have been on the basis of global tenders.

Positioning

Following vessels / segments have been identified by the Company as focus areas:

- IMO II Chemical Tankers of upto 15000 dwt.
- PSV and OSV.
- Defence Production Vessels
- Multi Purpose box hold Cargo Ships



Ship repairing

Ship repairing work, being an evergreen industry, is identified by the Company as one of the focus activities to mitigate the risks of downturn cycle. It is a short duration operation with quick realization of payment, high profit margins and comparatively low risk element.

At present, after the Mazagon Docks in Mumbai there is no regular dry dock, with direct entry from sea, available on the entire west coast of India and, therefore, the Company with its new facility at Chanch would be an ideal destination for medium size ships coming to Kandla, Pipavav and other nearby ports for ship repair work.

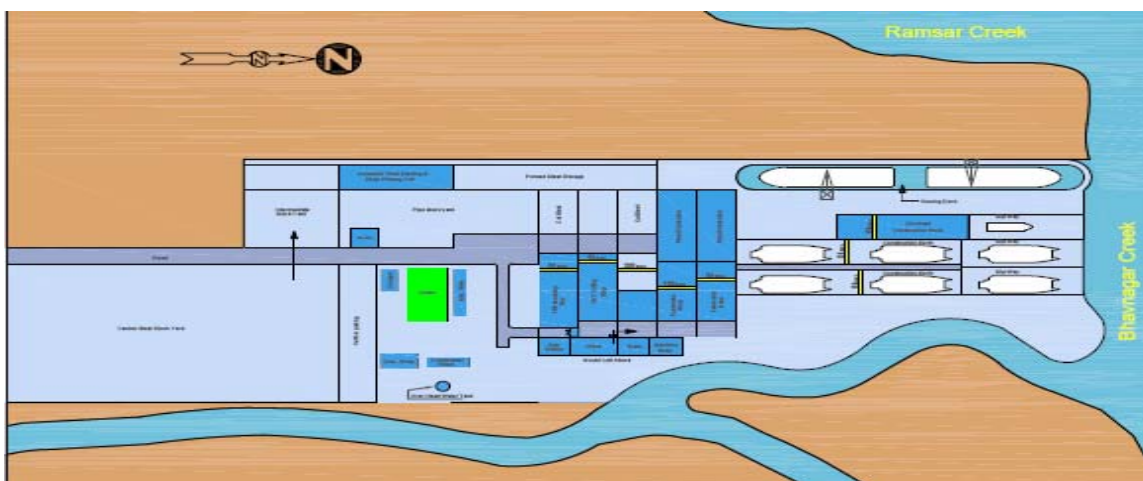
The Company estimates ship repairing potential to be eighty ships per annum, forty ships in the dry dock and another forty ships afloat, generating Rs. 25-30 crores of revenues at high gross margin levels.



8.3.6. Facilities

Bhavnagar

The Bhavnagar yard is located at Old Port premises of Bhavnagar, spread over 27 acres of land. The land is on leasehold from Gujarat Maritime Board. The shipyard has been assessed and approved by IHQ-MOD (Navy).



The yard encompasses following facilities:

<u>Bhavnagar Facilities</u>			
Yard size	27 acres		
Berthage	As per layout plan		
Draft	Upto 4m		
<u>Other Facilities</u>			
Dock (Graving dock)	166m x 20m	Afloat repair Jetty	-
Slipway – covered	61m x 15m	Mould Loft	61m x 18m
Slipway – open	2 x 115m x 15m	Pipe storage	43m x 105m
Pre-fabrication bay	2 x 90m x 18m	Primed plate storage	15m x 107m
<u>Handling Equipment</u>			
Overhead travelling cranes	2 x 5 T	Hydra cranes	2 x 15 T
	1 x 10 T	Gantry crane	1 x 5 T
	1 x 20 T	Steel stock yard	200m x 90m
Goliath cranes	2 x 5 T	CNC cutting shop	37 x 18
Mobile crane	1 x 75 T		
<u>FRP Boat building facilities</u>			
Centrally air-conditioned fibreglass boat outfit shop	37m x 18m	Water tank	18m x 6m



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The above shipbuilding facilities are supported by

- D.G sets for emergency power requirement:
 - 370 KVA - 1 Nos
 - 120 KVA - 2 Nos
 - 62 KVA - 2 Nos
- Separate X-Ray facilities for testing of product
- Electricity 400 KVA power transformers - Two 11/440 KV Power supply
- Two Compressors (1106 CFM at 100 PSI & 282 CMF at 100 PSI)
- In-house Design office with Computer Aided Design facilities

To integrate and support activities in Chanch, the following ancillary facilities are being set-up at Bhavnagar:

- A central steel stock yard of 200m x 90m
- A fully conveyerised steel surface preparation (shot blasting) equipment with shop priming facility with a 5 T goliath crane
- A CNC (plasma & oxy-acetylene) steel cutting machine in a covered shop with a 5 T gantry crane

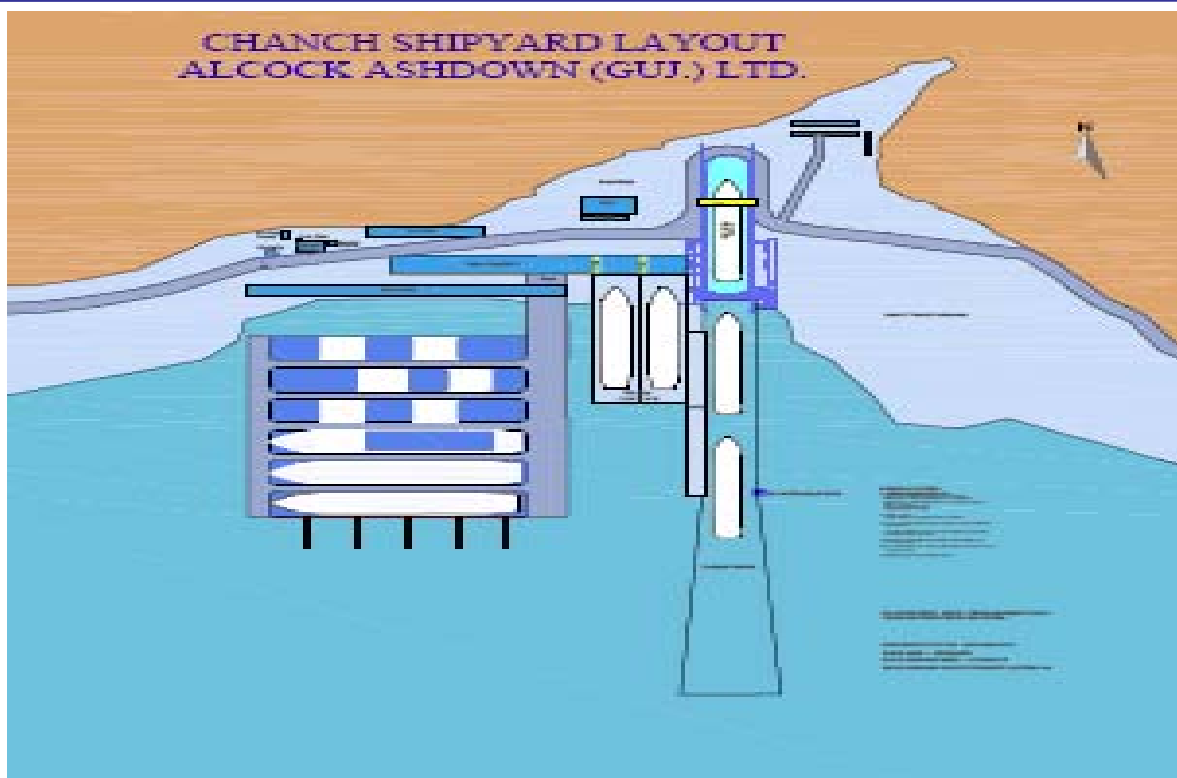
The yard at Bhavnagar will build vessels such as OSV and Mini Bulk Carriers and will act as a support system for the activities in Chanch. Activities such as steel storage, steel cutting, scraps and back office work will be centralised and based in Bhavnagar.

Chanch (Pipavav)

The Company has ten acres of land at Chanch, which is about one nautical mile from the Pipavav Port, in the Gulf of Khambhat. At present, the yard has an annual shipbuilding capacity of 60,000 dwt for construction of seven vessels simultaneously, which includes dry dock capacity of 10000 dwt for shipbuilding and ship repairing.

This region has a deeper water front as well as strong sub-soil to facilitate creation of marine infrastructure. The wind and wave condition in this region is also favourable for the business. Pipavav port is protected by islands Shial Bet and Savai Bet, which act as a natural breakwater and thus making it safe in all weather conditions. The port is to expand with future plans of two major power plants and an airport.

Chanch is located at a sea front with a rocky surface. This is a favourable condition for reclamation of land at low costs. The site provides scope for expansion by way of reclamation and further acquisition of adjacent land. It has a draft availability of minimum 5m at the dredged wet basin, which goes upto 9m at high tide. This is a favourable condition for building bigger class steel vessels and is associated with built-in infrastructure of a full fledged jetty for berthing of ships.



The yard at Chanch encompasses following facilities:

Chanch Facilities			
Yard size	10 acres		
Berthage	4 x 160m (20000 dwt)		
Draft	5m to 9m		
Facilities and Handling Equipment			
Dry Dock	128m x 25m	Goliath crane	1 x 50 T
Slipway	2 x 100m x 20m		2 x 15 T
Panel Fabrication bay	180m x 20m	Afloat repair Jetty	175m x 9m
Caisson gate	180 T, 20m x 7.5m	Launchway	Transverse
Mooring Dolphin with Bollard Pull test facility	50 T capacity		

Other infrastructural facilities available at Chanch:

- Power supply of 750 KVA capacity from Gujarat Electricity Board
- D.G. Sets for emergency power requirement:
 - 520 KVA - 2 Nos.
 - 220 KVA - 1 Nos.
 - 115 KVA - 1 Nos.
 - 62 KVA - 1 Nos.
- Two Service Air Compressors
- Stores, Workshop, Office block, Pump house and other utility facilities.



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In view of developing the infrastructure and enhancing the capacity, a further allotment of ten acres of land, adjacent to the yard, has been requested to the government. The proposal is pending with the Collector, Amreli.

Details of other properties

- Four rented tenements at Chanch
- A guest house at Chanch with accommodation for six persons.
- A bungalow at Bhavnagar, which is being used to accommodate new recruits in the organisation.

8.3.7. Strengths & Competitive advantages

- The Company, having built 251 steel vessels of wide range of variety, has immense competency in production engineering, design and innovations. It was the pioneer in India to build Ammonia tanker, Fire float, etc
- The new dock at Chanch has draft availability of 5m to 9m, where the Company is in a position to go for construction of major world class ocean going vessels upto the capacity of 20000 dwt.
- The shipyard at Chanch is located next to an emerging hub at Pipavav port, which is to expand with a future plans of two major power plants and an airport
- The Company is the first in India to develop an IMO-II standard tanker. Successful delivery of IMO-II tankers would enable the Company to charge substantial premium in the subsequent orders.
- The revamped marketing set-up of the Company has enabled it to establish a network with shipbrokers and be competitive in the open tenders. Accordingly the Company has been able to garner prestigious orders such as supply of IMO-II tankers.
- The Company has a competent in-house design and engineering cell and a established network with various design houses of international repute. This enables the Company to build technologically sophisticated vessels at competitive prices.
- The strategic location of Chanch on the north-western coast of India, next to the emerging hub at Pipavav port, in close proximity to Mumbai High and also the international gulf bound shipping route gives it an ideal setting for offshore support and fabrication work, ship repair and new construction.

Cost Cutting Initiatives

The Company has taken following initiatives to reduce cost and time in ship production:

- a) The centralisation of steel storage at Bhavnagar and conversion of steel cutting to entirely a CNC controlled process would facilitate storage of up to 25000 tonnes of steel and processing 9000 tonnes of steel per month. This is expected to avoid rework and reduce scrap losses.
- b) The welding activities are proposed to be reorganized with 35% of the total welding being done on the basis of fully automatic submerged arch welding and another 30% with semi-automatic inert gas shielded welding. This is expected to increase productivity and reduces cost of consumables.



- c) Higher capacity cranes are planned to facilitate block fabrication and to reduce the cost & time for assembly of ships.

8.3.8. Employee Details

The Company has a workforce of 216 employees of which the workers constitute 132, support staff ie. peons, clerks / assistants & security is 38 and managerial / technical / supervisory staff of 46. There has been a wage revision signed with them on 1st October 2005 with retrospective effect from 1st July 2003. Benefits being provided to workers are: Health Insurance policy, uniform, text books and school related materials for worker's children etc.

The workforce is at present supported by 500-600 workers through sub-contract, who are hired on need basis through sub-contracts, which are assigned on need basis. Pay scales for sub-contractual workers are maintained on the prevalent market rates.

The Government has approved a Voluntary Retirement Scheme (VRS) for eligible and accepted employees, which will entail an expenditure of Rs 1.20 crores. The scheme has been prepared as per the Government guidelines and will be funded through internal accruals.

8.3.9. Business plan

Order Book

The current status of the confirmed orders and price negotiations are as follows:

Table 8. Order Book

S. No.	Type of Vessels	Qty.
1.	3000 T Product Carrier	2
2.	Work boat cum Supply Vessel	2
3.	12800 t IMO-II type Tanker	4
4.	12800 t IMO-II type Tanker**	4
5.	Catamaran Survey Vessel	6
6.	8800 t IMO-II Tanker*	8
7.	5000 t Multipurpose Cargo Vessel*	6
	Total Price of Rs. 2300 crores approx.	32

*Price Negotiations completed, contract to be signed shortly

**Option with the client to place the order

Expansion Plans

The Company has taken up the following capital expansions in the future in Chanch, which are nearing completion:

- Reclamation of land measuring 170m x 160m for construction of ships along with transverse launchway is in progress and over 90% work has been already completed. The estimated cost for the expansion Rs. 17 crores and it is expected to be completed by the last week of January 2007. The above facility will enable construction of four ships simultaneously.



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- Construction of two additional end launching slipways (west of the fitting-out jetty) is underway and its estimated cost is Rs. 50 lacs. The slipway will facilitate simultaneous construction of increased number of vessels, and support the improved order book position. The work is expected to be completed by the last week of April 2007.
- To enable the smooth execution of the orders and expansion of capacity, the Collector has been requested to allot 10 acres of additional land, adjacent to the yard, and land for constructing a direct approach road to shipyard. The Company is simultaneously on the lookout for direct acquisition of private land for the said purpose. The road is to be completed on top priority basis.
- Implementation of assembly line construction model has been initiated, which will enable on-going production for a project. With the implementation of this lay-out each subsequent vessel of an order, after the first, will be completed with a time lag of three months
- The Company has also approached authorities for upgradation and augmentation of a double lane road from the National Highway 8E to shipyard (over 16 kms), which presently is a single lane road.

The Company envisages the following capital expansions in the future in Bhavnagar/Chanch:

- The Company plans to install a second CNC plasma cutting machine to increase the steel production capacity by 2000 tons per month.
- Increase in the number of higher capacity cranes at Chanch to facilitate block fabrication, which is expected to reduce cost and time for assembly of ships.
- The Company is also interacting with TTS, Norway, the world leader in shipyard handling systems for setting up a high productive panel line and a block handling system at Chanch yard.
- The Company plan to develop additional three construction berths, one end launch slipway and a 300 mt outfitting jetty on the eastern side of the existing fitting-out jetty in Chanch. This plan also encompasses a 100mx120m reclaimed fabrication area.
- The Company is also planning to strengthen its 166mx20m building dock at Bhavnagar for construction of two offshore supply vessels simultaneously.