

Contracts Management



कोचीन शिपयार्ड लिमिटेड

Cochin Shipyard Limited

India's premier Shipyard

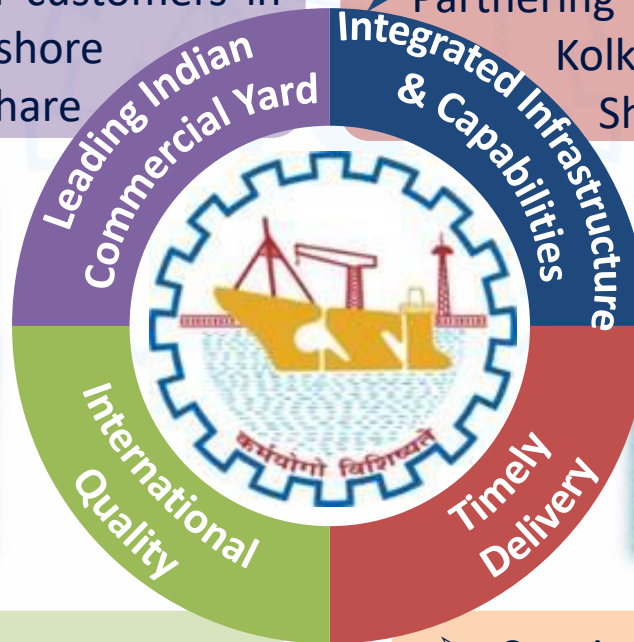
CSL - Profile



- One of the Largest Indian Public Sector Shipyard
- Building India's first **INDIGENOUS AIRCRAFT CARRIER - INS VIKRANT**.
- Only yard to undertake Drydock repairs of Aircraft Carriers
- Caters to a diverse range of customers in commercial, defence and offshore
- Largest Ship Repair Market Share

Expansion

- Investment of Rs. 2800 Cr. for New large Dry Dock & Ship Repair Facility at Kochi in the next three years.
- Set up "Hooghly Cochin Shipyard Limited" at Kolkata for Inland and Coastal vessels
- Partnering with Mumbai Port Trust & Kolkata Port Trust for additional Ship Repair business.



Exported 45 vessels to USA, Germany, Norway, Netherlands, Bahamas and Middle-East.

- Consistent Growth & Profits for more than two decades.
- Listed after a Successful IPO in 2017

Low Claims Scenario



- **Schedule III to The Companies Act, 2013 requires Claims against the company not acknowledged as debt and not provided for to be classified as a Contingent liability:**
- **CSL has a good record with very low claims over the past 7 years, and NIL claims over the past 3 years against a total annual transactions of about Rs 2500 crores (sales + procurements)**

Contracts Management-The best practices



- **Reliance on Standard International Contracts**
 - Most of the Ship building contracts are based on globally accepted Standard International contracts (like Asian & Scandinavian contracts)
 - Major Construction Contracts are awarded based on international “FIDIC” terms.
- **Training on Contracts management/ Legal aspects**
 - Executives dealing in Contracts are regularly sent for trainings /seminars on ‘Contract Management’ in prestigious institutions such as IIM Ahmedabad, IIM Bangalore, IIM Kolkata, IIM Kozhikode
 - During last 3 years, 82 executives attended contract management programmes

Culture - Image and Perception



- **All pervading 'Clean' ethics within CSL**
 - **Long history of clean image**
 - **Great pride in the company profile**
 - **No major CBI/ CVC issues in the last 30 years**
- **Contractors/ Suppliers considered as 'partners'**
 - **Given respect in interactions**
 - **Continual engagement and meet at equal level**
- **Emphasis on sorting out issues 'at site'**
 - **Executives encouraged to settle issues on the spot – Give and take factoring site conditions, so that issues don't blow up later**

Grievance Redressal



- **Transparent approach for customers/ vendors/ contractors and easy access to officials.**
- **All correspondence from customers/suppliers are promptly addressed**
- **3-Tier Grievance Redressal system for suppliers**
 - Level 1: At the dealing department level**
 - Level 2: Grievance redressal committee**
 - Level 3: Director of Grievance – At Director (Finance) level**
- **When disputes start brewing, all efforts to amicably settle the issue.**
 - **Legal remedy is only a last recourse**
 - **Clarity that CSL will ‘*fight to the core*’ if matter goes to litigation/ arbitration**

Freedom– Culture free from fear



- **Willingness and fearlessness in settling issues if ‘CSL is at fault’**
- **If contractor’s issues are ‘genuine’ and if the company is in the wrong such reasons are recorded and issues resolved.**
- **Diligent in appraising the Board and getting approvals for all settlements with contractors / Suppliers transparently.**

Prudent Financial policy



- **Payments will be made to contractors/suppliers even if CSL's payments get delayed from clients**
 - **Clear understanding in CSL that supplier contractors be paid in full, if work done as per contract even if CSL doesn't get paid in time from clients.**
- **CSL's policy to be 'Good Pay Masters'**
 - **Payments On time – Target 3 to 5 days of bills recommendation**
 - **Web based Payments tracking software under implementation.**

Some examples of settlement of claims



	Brief of the matter	How settled
1	Shipowners claim for USD 2 million against consequential damages/guarantee claims - International arbitration in London	CSL contested, initiated London arbitration. However settled with the shipowners at USD 130000 through mutual negotiation of which 50% claimed from insurance. Board approved the settlement
2	Dispute from European Union based Shipowner on traces of asbestos in gasket in ship delivered by CSL. Potential consequential guarantee claim of Rs 30 crs+ huge reputational impact	A Committee negotiated with the shipowner and settled at Rs 10 crs for replacement of gaskets under guarantee. Consequential claims dropped. Board approved the negotiation
3	Claim from engineering consultants for new Dry Dock for additional work towards reengineering the design to contain project cost.	CSL understood clients additional efforts and time – Paid extra Rs 4 Crs over and above the contract price. However project was saved & cost contained by Rs 350 Crs

To sum Up: For better Contracts Management



- **Drafting contracts which are equally balanced, well defined, fair and equitable to both the contracting parties**
- **Training on Contract Management to executives**
- **Clean ethics and transparency within the organisation helps better contracts management**
- **Contractors and suppliers treated as “partners” and with dignity**

To sum Up: For better Contracts Management



- **Sorting out issues 'at site' and timely action reduces issues**
- **Proper Grievance Redressal system**
- **Resolving issues through dialogue when there is a disputes, admit genuine claims**
- **Being good pay master helps in a better management**
- **Legal remedy is the last recourse**