Contracts Management

Cochin Shipyard Limited
India’s premier Shipyard
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.

**Leading Indian Commercial Yard**

- Timely Delivery
- International Quality
- Integrated Infrastructure & Capabilities

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
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.
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<tr>
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<th>Brief of the matter</th>
<th>How settled</th>
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<tbody>
<tr>
<td>1</td>
<td>Shipowners claim for USD 2 million against consequential damages/guarantee claims - International arbitration in London</td>
<td>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</td>
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<td>2</td>
<td>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</td>
<td>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</td>
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<td>3</td>
<td>Claim from engineering consultants for new Dry Dock for additional work towards reengineering the design to contain project cost.</td>
<td>CSL understood clients additional efforts and time – Paid extra Rs 4 Crs over and above the contract price. However project was saved &amp; cost contained by Rs 350 Crs</td>
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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 dispute, admit genuine claims
- Being good pay master helps in a better management
- Legal remedy is the last recourse