

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of Pipavav Defence and Offshore Engineering Company Limited ("the Company") will be held at the Registered Office of the Company at Pipavav Port, Post Uchhaiya, Via-Rajula, District Amreli – 365 560, Gujarat, India, on Tuesday, September 25, 2012 at 10.00 A.M. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2012 and Statement of Profit and Loss for the year ended on that date together with the Reports of the Auditors and Board of Directors thereon.
2. To appoint a Director in place of Mr. Ajai Vikram Singh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. Venkiteswaran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Chaturvedi & Shah, Chartered Accountants, (Registration No. 101720W), as Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII to the Act and subject to approval of the Central Government,

Mr. Bhavesh Gandhi, Whole-Time Director designated as Executive Vice-Chairman, be paid performance incentive of ₹ 1,50,00,000/- (Rupees One Crore Fifty Lacs only) for the financial year 2011-12, in addition to remuneration already approved by the Members vide Special Resolutions passed at the Extraordinary General Meeting held on October 17, 2008 (for the period commencing from April 1, 2011 to December 31, 2011) and at the Fourteenth Annual General Meeting held on October 5, 2011 (for the period commencing from January 1, 2012 to March 31, 2012).

RESOLVED FURTHER THAT subject to applicable approvals, Mr. Bhavesh Gandhi, Whole-Time Director designated as Executive Vice-Chairman of the Company, shall be paid the aforesaid remuneration as minimum remuneration in the event of absence or inadequacy of profits.

RESOLVED FURTHER THAT Mr. Nikhil Gandhi, Chairman and Mr. Ajit Dabholkar, Company Secretary be and are hereby severally authorized to make any applications as may be required and to file the required forms with the concerned Registrar of Companies, to give and/ or publish the required notices in terms of Section 640B of the Act and to do all such acts, deeds, matters and things as may be considered necessary, proper, desirable or expedient to give effect to this resolution and/ or otherwise considered by them in the best interest of the Company."

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL AT THE MEETING INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxies in order to be valid must be received by the Company not later than 48 hours before the commencement of the Meeting. The relevant proxy form is attached herewith.

2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 ("the Act"), in respect of Special Business set out hereinabove is annexed hereto and forms part of this Notice. Pursuant to Clause 49 of the Listing Agreement, particulars of the Directors seeking re-appointment at the Meeting are also attached to this Notice.
3. Only registered members of the Company may attend and vote at the Meeting. In case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.
4. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a duly certified copy of Board Resolution and/ or duly notarized Power of Attorney, authorizing their representatives to attend and vote on their behalf at the Meeting.
5. Members desiring any information relating to accounts of the Company are requested to write to the Company at least seven working days before the date of the Meeting to enable the Company to keep the information ready at the Meeting.
6. No gifts/ coupons will be distributed before or at the Meeting to the Members. Members may make their own travel arrangements at their costs for attending the Meeting.
7. Members are requested to bring their copy/ printout of Annual Report along with duly filled in Attendance Slips to the Meeting.
8. For security reasons, no gadgets, mobile phones, cameras, article/ baggage will be allowed at the venue of the Meeting. If any such gadgets are brought by any Member, the same shall be deposited with the security personnel at the risk of such Member/ attendee.
9. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, September 20, 2012 to Monday, September 24, 2012, (both days inclusive). The Members of the Company whose names appear in the Register of Members as on September 19, 2012 shall be entitled to attend and vote at the Meeting.
10. Members holding shares in physical form are requested to notify any change in their addresses and/ or the Bank Mandate details to the Registrar and Transfer Agent, Karvy Computershare Pvt. Ltd. ("Karvy"). Members holding shares in demat form are requested to notify their respective Depository Participants of any change in their addresses and/ or the Bank Mandate details.
11. Non-Resident Indian Members are requested to inform Karvy, immediately of:
 - a) Change in their residential status on return to India for permanent settlement.
 - b) Particulars of their Bank Account maintained in India with complete name of the Bank, Branch, Account type, Account No. and address of the Bank with PIN Code, if not furnished earlier.

By Order of the Board of Directors

**sd/-
Ajit Dabholkar
Company Secretary**

Place: Mumbai

Date: August 14, 2012

EXPLANATORY STATEMENT

As required by Section 173(2) of the Companies Act, 1956 ('the Act') in respect of the Special Business set out at Item No. 5 of the accompanying Notice.

Item No. 5:

The Members at the Extraordinary General Meeting of the Company held on October 17, 2008 had approved that Performance Incentive payable to Mr. Bhavesh Gandhi, Whole-Time Director designated as Executive Vice-Chairman of the Company, shall be determined annually considering the performance of the Company.

Highlights of performance of the Company during the fiscal 2011-12 are as follows:

- During the financial year 2011-12, the Company achieved EBITDA of ₹ 436.27 Crore (previous year ₹ 216.03 Crore) and Profit before Tax of ₹ 72.70 Crore (previous year ₹ 47.96 Crore).
- The Company successfully delivered two new built 74,500 DWT Panamax Vessels to Golden Ocean Group Limited.
- The huge efforts invested during the financial year 2011-12 resulted in the Company subsequently signing the Shareholders' Agreement with Mazagon Dock Limited, Ministry of Defence, Government of India, for incorporation of joint venture company for building surface warships for the Indian Navy. This is the first time post independence that a private sector company had been selected by a company controlled by the Ministry of Defence to build warships together, which will result in speeding up the delivery of warships to the Indian Navy.
- The Company has been awarded contract for construction of 5 NOPVs for Indian Navy at total

cost of ₹ 2,974.58 Crore, by the Ministry of Defence, Govt. of India, after obtaining Industrial License for construction of strategic defence vessels.

In view of the progress achieved by the Company during the last financial year, it is proposed to pay ₹ 1.50 Crore as Performance Incentive to Mr. Bhavesh Gandhi for the financial year 2011-12, which is the same as approved by the Members for the previous financial year 2010-11.

The above Performance Incentive of ₹ 1.50 Crore payable to Mr. Bhavesh Gandhi, was approved by the Remuneration Committee and the Board of Directors at their respective meetings held on May 30, 2012 and the proposal is now placed for members' approval.

Since the remuneration payable to Mr. Bhavesh Gandhi, will be in excess of limits laid down in Schedule XIII to the Act, proposed additional remuneration by way of Performance Incentive will be subject to the approval of Central Government, to the extent applicable. Please refer to Annexure 1 to this Notice for details, as required to be provided pursuant to Schedule XIII of the Act.

The Board commends the Special Resolution set out at Item No. 5 of this notice for approval by the members.

Mr. Nikhil Gandhi and Mr. Bhavesh Gandhi are concerned or interested in the Resolution. No other Director of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board of Directors,

**Place: Mumbai
Date: August 14, 2012**

**sd/-
Ajit Dabholkar
Company Secretary**

Annexure 1

Information required in terms of Schedule XIII of the Companies Act, 1956

(see sub-paragraph (C) of Paragraph 1 of Section II of Part II of Schedule XIII)

I General Information											
1.	Nature of Industry	Defence, Offshore Oil & Gas Exploration and Production Assets, Commercial Shipbuilding, Ship Repair Sectors and Heavy Engineering.									
2.	Financial performance based on given indicators (₹ in Lacs except EPS)	The Company has commenced its commercial operations w.e.f. April 1, 2009. Based on the audited Statement of Profit and Loss of the Company for the financial year 2011-12, financial performance of the Company is as follows: <table style="margin-left: 20px; border: none;"> <tr> <td>a)</td> <td>Turnover</td> <td>₹ 1,891.47 Crore</td> </tr> <tr> <td>b)</td> <td>Net Profit</td> <td>₹ 72.70 Crore</td> </tr> <tr> <td>c)</td> <td>EPS (₹)</td> <td>0.27</td> </tr> </table>	a)	Turnover	₹ 1,891.47 Crore	b)	Net Profit	₹ 72.70 Crore	c)	EPS (₹)	0.27
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b)	Net Profit	₹ 72.70 Crore									
c)	EPS (₹)	0.27									
3.	Export performance and net foreign exchange collaborations	Total value of earnings in foreign exchange during the financial year 2011-12 was ₹ 1,200.78 Crore as compared to previous year foreign exchange earnings of ₹ 519.23 Crore.									
4.	Foreign investments or collaborators, if any	Total foreign investment in the Company as on March 31, 2012 is approx. ₹ 852.91 Crore.									
II Information about the Appointee											
(1)	Background details	Mr. Bhavesh Gandhi is the Whole-Time Director designated as Executive Vice-Chairman of the Company. Mr. Gandhi has been a Director of the Company since December 30, 2005. He commenced his career by joining SKIL Infrastructure Ltd. as a director appointed by the Promoters of the Company responsible for the business development of the Company. Mr. Gandhi has approx. 28 years of experience as an entrepreneur. Mr. Gandhi has particular expertise in infrastructure development projects. Mr. Gandhi also serves as a member of the Managing Committee of Bombay Chamber of Commerce and Industry.									
(2)	Past Remuneration details	Please refer Exhibit – 1.1									
(3)	Recognition or awards	N. A.									
(4)	Job profile and his suitability	Mr. Bhavesh Gandhi, Whole-Time Director designated as Executive Vice-Chairman, is responsible for overall management of the Company subject to the superintendence, control and direction of the Board of Directors. Under the leadership of Mr. Bhavesh Gandhi, the Company has achieved progress on various fronts. The highlights of performance of the Company during the financial year ended on March 31, 2012 are as follows: <table style="margin-left: 20px; border: none;"> <tr> <td>➤</td> <td>The Company achieved EBITDA of ₹ 436.27 Crore (previous year ₹ 216.03 Crore) and Profit before Tax of ₹ 72.70 Crore (previous year ₹ 47.96 Crore).</td> </tr> <tr> <td>➤</td> <td>The Company successfully delivered two new built 74,500 DWT Panamax Vessels to Golden Ocean Group Limited.</td> </tr> </table>	➤	The Company achieved EBITDA of ₹ 436.27 Crore (previous year ₹ 216.03 Crore) and Profit before Tax of ₹ 72.70 Crore (previous year ₹ 47.96 Crore).	➤	The Company successfully delivered two new built 74,500 DWT Panamax Vessels to Golden Ocean Group Limited.					
➤	The Company achieved EBITDA of ₹ 436.27 Crore (previous year ₹ 216.03 Crore) and Profit before Tax of ₹ 72.70 Crore (previous year ₹ 47.96 Crore).										
➤	The Company successfully delivered two new built 74,500 DWT Panamax Vessels to Golden Ocean Group Limited.										

- The huge efforts invested during the financial year 2011-12 resulted in the Company subsequently signing the Shareholders' Agreement with Mazagon Dock Limited, Ministry of Defence, Government of India, for incorporation of joint venture company for building surface warships for the Indian Navy. This is the first time post independence that a private sector company had been selected by a company controlled by the Ministry of Defence to build warships.
- The Company has been awarded contract for construction of 5 NOPVs for Indian Navy at total cost of ₹ 2,974.58 Crore, by the Ministry of Defence, Govt. of India, after obtaining Industrial License for construction of strategic defence vessels.

(5)	Remuneration proposed	Please refer to Exhibit 1.2
(6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	Please refer Attachment A
(7)	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	Mr. Nikhil Gandhi, Chairman of the Company is the brother of Mr. Bhavesh Gandhi.
III. Other Information:		
(1)	Reasons of loss or inadequate profits	During the financial year, the Company earned Profit before Tax of ₹ 72.70 Crore registering growth of 51.58% as compared to previous year profit before tax. Considering that the financial year 2011-12 was only the third year of commercial operations of the Company, the Company has earned reasonable profits. Profits are inadequate in view of prevailing limit of 5% of net profits relating to payment of managerial remuneration, as prescribed under the Companies Act, 1956.
(2)	Steps taken or proposed to be taken for improvement	Amongst other important steps, in July 2012, the Company has signed Shareholders' Agreement with Mazagon Dock Limited, Ministry of Defence, Government of India, for incorporation of joint venture company for building surface warships for the Indian Navy. This joint venture will potentially provide the Company with a ready order book of business which will help to implement strategy and further growth of business.
(3)	Expected increase in productivity and profits in measurable terms	The Company expects further increase in its order book and profits from various steps taken including the joint venture with Mazagon Dock Limited. In view of above, performance of the Company is expected to improve in terms of higher turnover, better productivity and commensurate profitability.

Attachment A

Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person

(₹ in Crore)

Name of the Company	Name of the Managing Director	Total Remuneration for F.Y. 2010-11
Aban Offshore Ltd.	Mr. Reji Abraham – Managing Director	8.47
The Great Eastern Shipping Company Ltd.	Mr. Bharat K. Sheth – Deputy Chairman & Managing Director	5.78

Exhibit 1.1 (Past Remuneration)

For the Financial Year 2010-11

Remuneration		
1.	Basic salary	₹ 12,00,000 per month
2.	House Rent Allowance (“HRA”)	₹ 5,00,000 per month
3.	Special Pay	₹ 3,00,000 per month
4.	Perquisites	
	i) Provident fund contribution	Membership of the provident fund to which the Company will contribute 12% of the basic salary.
	ii) Gratuity	Calculated on the basis of 15 days’ basic salary for each year of completed service subject to completion of a minimum of five years of continuous service with the Company. For the purpose of the calculation, the average of the last three months’ basic salary will be considered as basic salary.
	iii) Reimbursement of leave travel allowance for self & family members	One month’s basic salary
	iv) Reimbursement of medical expenses	At actuals
	v) Club fees	Membership and annual fees of clubs shall be incurred by the Company subject to a maximum of 2 clubs
	vi) The Company will provide two cars for official and personal use.	At cost
	vii) Superannuation and/ or annuity fund	As per the Company’s rules
5.	Performance Incentive for the Financial Year 2010-11	₹ 1,50,00,000/- (Rupees One Crore Fifty Lacs only)

Exhibit 1.2**Proposed Remuneration details*****For the Financial Year 2011-12:**

Remuneration	For 9 Months (01.04.2011 to 31.12.2011)	For 3 Months (01.01.2012 to 31.03.2012)
1. Basic salary	₹ 12,00,000 per month	₹ 15,00,000 per month
2. House Rent Allowance ("HRA")	₹ 5,00,000 per month	₹ 5,00,000 per month
3. Special Pay	₹ 3,00,000 per month	₹ 5,00,000 per month
4. Perquisites		
i) Provident fund contribution	Membership of the provident fund to which the Company will contribute 12% of the basic salary.	
ii) Gratuity	Calculated on the basis of 15 days' basic salary for each year of completed service subject to completion of a minimum of five years of continuous service with the Company. For the purpose of the calculation, the average of the last three months' basic salary will be considered as basic salary.	
iii) Reimbursement of leave travel allowance for self & family members	One month's basic salary	
iv) Reimbursement of medical expenses	At actuals	
v) Club fees	Membership and annual fees of clubs shall be incurred by the Company subject to a maximum of 2 clubs.	
vi) The Company will provide two cars for official and personal use.	At cost	
vii) Superannuation and/ or annuity fund	As per the Company's rules	
5. Performance Incentive for the financial year 2011-12 – ₹ 1,50,00,000/- (Rupees One Crore Fifty Lacs only)		

The proposed Performance Incentive of ₹ 1.50 Crore for the FY 2011-12 is the same as Performance Incentive for the FY 2010-11.

***Note:** All the components of proposed remuneration apart from the Performance Incentive have already been approved by the Members of the Company.

**Details of the Directors seeking re-appointment at the forthcoming Annual General Meeting
(In pursuance of Clause 49 of the Listing Agreement)**

Name of the Director	Mr. Ajai Vikram Singh	Mr. S. Venkiteswaran
Date of Birth	July 4, 1945	January 22, 1941
Date of Appointment	May 30, 2008	September 18, 2007
Expertise in specific functional areas	Joined the Indian Administrative Service in 1967 and has held various appointments in the State and the Central Governments. In the Government of India, he has held various posts, including that of Additional Secretary and Financial Advisor to the Ministry of Industry, Secretary Revenue, Secretary, Ministry of Non Conventional Energy Resources, Secretary, Ministry of Road Transport and Highways and Defence Secretary.	Has approximately 47 years of experience as a lawyer. He completed his L.L.B. degree from the Mumbai University. He was designated as a Senior Advocate and has appeared before State High Courts and the Supreme Court of India. He has also been involved in arbitration in relation to shipping and has appeared as an expert witness on Indian law in foreign arbitration and litigation proceedings.
Directorships held in other Public companies as on March 31, 2012 (excluding foreign companies and Section 25 companies)	Horizon Infrastructure Limited	<ol style="list-style-type: none"> Adani Port and Special Economic Zone Limited Dolphin Offshore Enterprises (India) Limited Dolphin Offshore Shipping Limited National Securities Clearing Corporation Limited The Clearing Corporation of India Limited
Memberships/ Chairmanships of Committees of other Public companies as on March 31, 2012 (includes only Audit & Shareholders'/ Investors' Grievance Committee)	NIL	Audit Committee <ol style="list-style-type: none"> Adani Port and Special Economic Zone Limited Dolphin Offshore Enterprises (India) Limited Dolphin Offshore Shipping Limited National Securities Clearing Corporation Limited The Clearing Corporation of India Limited
No. of shares held	NIL	NIL