

Interview



CMA Jose V J

Director (Finance)

Cochin Shipyard Ltd., Cochin

Q1. The journey of CSL from construction and delivery of first ship MV Rani Padmini in 1981 to a listed company has been tremendous. CSL has also built and delivered the first Indigenous Aircraft Carrier which was commissioned in September 2022, please share with us the success story of CSL?

Ans. Cochin Shipyard Ltd (CSL) was incorporated in the year 1972. In the initial two decades the company faced lots of challenges and went into financial difficulties. In 90's the entire net worth of the company was eroded and the company was almost referred to BIFR.

Overcoming all those initial hinderances, the Company has emerged as forerunner in the Indian Ship Building and Ship Repair industry and also has established itself as a global hub for Ship Building and Ship Repair.

CSL has constructed and delivered the first Indigenous Aircraft Carrier, making India the 5th country in the world which is capable of building the Aircraft Carrier.

CMA Jose V J assumed charge as Director (Finance) and Chief Financial Officer of Cochin Shipyard Ltd from August 2019. He is a member of the Institute of Cost Accountants of India. He also holds a degree in Law from Government Law College, Ernakulam. He has approximately 32 years of work experience across diverse field viz., financial management, strategic planning, risk management, forex management, budgeting and cost control. He is also heading the Information Systems Department of Cochin Shipyard Ltd. He is also a Director in Hooghly Cochin Shipyard Limited and Udupi Cochin Shipyard Limited, the wholly owned subsidiaries of CSL.

The company has exported more than 50 ships to countries like Norway, Cyprus, Germany, Denmark and USA. In the domestic market CSL has delivered around 31 defence vessels and our domestic clientele includes Indian Navy, IWAI, A&N Administration, KMRL, Coast Guard, JSW etc.

From a single unit Company, CSL has expanded geographically to Mumbai, Kolkata and Andamans. The CSL group comprises of 2 subsidiaries as well - HCSL, Kolkata and UCSL, Udupi. Currently for the Indian Navy, 8 numbers Anti-submarine warfare shallow watercrafts (ASW SWC) worth about Rs. 6300 crores are under various stages of construction at the yard and another 6 numbers Next Generation Missile Vessels (NGMV) worth about Rs. 9800 Crores are in the design and equipment ordering stage.

At present the company has a net worth of Rs. 4700 Crores and an order book of Rs 21,500 Crores. CSL is now a Mini Ratna company. We have been upgraded as a Schedule A CPSE by the Govt of India. Our shares are listed in both BSE and NSE and our market cap is around Rs.29,000 crores as of today.

Q2. The ship building industry in India is undergoing a transformation as India aims to become global hub of green ship building by 2030. What is your opinion on expansion plan of this industry in our country?

Ans. The shipbuilding industry in India is not fully mature and India currently holds the 22nd position globally. India commands less than 1% of the \$ 140 billion global shipbuilding market. India aims to lead the Global Maritime Sector by 2047. In Ship building, India aims to be in top 10 by 2030 and to be in top 5 by the year 2047.

The global shipbuilding market is expected to grow @ CAGR of 3.2% till 2030. The ship building sector is set for greater growth primarily due to the challenges faced by ageing fleets the world over in meeting the new regulatory requirements, thus accelerating the demand for fleet replacements. There is high demand for ships in the international market especially since the world is moving towards sustainable development adopting the green technologies. Also, there is a growth of offshore and oil industry and there is rising demand for cruise and leisure vessels globally. Hence shipbuilding in India should focus on tapping the potential of the export market. The good thing is that after the Covid-19, the preference of the European owners has shifted towards India when compared to China which is ultimately benefitting the country.

At present, there are various issues on the financing

and insurance of shipping sector like lack of diversified financing option, uncompetitive tax structure, long term cargo uncertainty, limited reinsurance options, access to export credit etc. which needs to be addressed for gradually establishing a sustainable ecosystem for the growth of the Indian shipping sector.

Synergy across stakeholders like banking units, India bound investors, legal and digital framework, insurance players, central/state governments etc. is critical for developing the ecosystem. The focus of industry is on sensitizing the banking sector for facilitation of ECB lending, loan syndication, trade finance etc. and the insurance sector for meeting the insurance and reinsurance requirements of the industry. Lack of economy of scale in the domain leads to higher premium and lesser products in the insurance sector catering to the Ship Building industry.

The Indian shipbuilding industry also needs to attract Foreign Portfolio Investors and Alternative Investment Funds so as to boost the demand for the ships. The IFSC, India's first International Financial Services Centre under Special Economic Zone Act, 2005 is also promoting ship acquisition, financing and leasing through their ventures in the GIFT city.

To compete effectively with the global counterparts, Indian Shipyards need to focus on cost competitiveness, quality standards and timely project execution.

Q3. CSL has expanded units in various locations. Could you please share some future plans of your esteemed organization?

Ans. CSL was a single unit company till 2018. Since then, it was a journey of dedicated expansion. CSL has expanded its pan India presence to Mumbai, Kolkata, Andamans and Udupi as 3 units and 2 subsidiaries. The units in the different geographical locations focus on the ship repair requirements of the respective areas and add significant strength to CSL's overall ship repair portfolio.

The agreement with A&N enables the development of an integrated ship repair ecosystem at A&N islands that includes modernization of facilities, maintenance of A&N Administration owned vessels and skill development for the islanders. CSL has been successful in mobilizing professionally qualified and experienced manpower dedicatedly for operations at the project site and developing essential infrastructure required for undertaking ship repair operations at Port Blair.

Hooghly Cochin Shipyard Ltd (HCSL), the subsidiary at Kolkata focuses on the construction of ships/vessels for the Inland waterways segment especially the vessels plying in the National Waterways.

Udupi Cochin Shipyard Ltd (UCSL) was acquired by CSL through the Corporate Insolvency Resolution Process under the Insolvency and Bankruptcy Code,

2016 consequent to which UCSL became a wholly owned subsidiary of CSL. Subsequently the process of revamping the shipbuilding infrastructure at the various facilities of the company were carried out and the company commenced operations in July 2021. The company will cater to the requirements for smaller tugs and other small offshore vessels for Indian & European clients and has bagged some major export and indigenous shipbuilding orders and is on substantial growth tangent.

CSL has also set up a ship lift facility and a new dry dock adjacent to the yard in Kochi. The infrastructure investment on these facilities at a cost of around Rs. 2800 Crores, is aligned to positioning India among the world's top 10 shipbuilding & repair destinations by 2030. The larger capacity will not only propel Kochi's competence in ship building and repairs but also facilitate the developments of a business eco system in the region that encompasses micro, small and medium enterprises as well as ancillary facilities. Larger vessels like aircraft carriers and LNG carriers can be accommodated thereby cutting India's dependence on foreign nations for their construction and repair.

Q4. Could you please share few updates and worldwide trend of this industry and how CSL is grooming itself to boost its business to be at par with the international trend?

Ans. Today the world is unified towards sustainable developmental goals. Sustainable and clean energy solutions will mean that more and more near shore/coastal/inland waterways vessels will be powered by alternate energies. CSL is presently building electrically operated vessels for Kochi Water Metro. Out of the order for 23 vessels, CSL has delivered 14 vessels so far. These water metros are plying in Kochi currently.

India's commitment to sustainable development, aims for net zero emission by 2070. At the forefront of this endeavor is the adoption of green hydrogen as the maritime fuel. Hydrogen is becoming one of the main fuels for the future and CSL is mastering the fuel cell technologies. CSL has built India's first hydrogen fuel cell ferry which was recently launched and is currently undergoing trials. The new indigenous technology vessel has been developed by CSL in collaboration with Indian technology partners.

As the world steadily transitions into fully green regimes, CSL strives to be the early pioneers in this space which allows us to seize the advantage and fully capitalize on the opportunities in this forward-thinking industry. CSL is hopeful of rolling out eco-friendly vessels in various riverine or coastal cities as part of

this initiative.

Q5. Its almost 30 years of your long association with the esteemed organization, we would like to hear some of your experiences through remarkable journey from Assistant Manager to Director (Finance)?

Ans. The Initial Public Offer and the construction of New Dry Dock and International Ship Repair Facility (ISRF) were strategic decisions taken during the recent years. The huge investment decisions required extensive deliberations. Since its inception in 1972, 50 years ago, CSL had not made any major expansions or modernisations and a decision for Rs. 2,800 Crores investment at a time when the equity of CSL was Rs. 130 Crores and net worth Rs. 2000 Crores was very tough.

We went for our IPO to raise fund for the projects partly. IPO marketing was also very challenging. The IPO was subscribed by over 75 times, with more than Rs. 1.11 lakhs Crores raised against the offer of Rs. 1442 Crores. It was a 10% disinvestment by the Government of India and 20% fresh issue by CSL. The rest of the project expansion investments were met from own funds with zero debt.

I am extremely happy that CSL could contain the costs within the estimated levels despite time over run due to the Covid pandemic.

Q6. Please share some integrated suggestions/plans that can be undertaken jointly with The Institute of Cost Accountants of India for development of our profession as well as enlighten our students for future endeavor?

Ans. The Finance professionals should be the pioneers of growth and propel the development of our country through their foresight and proactiveness.

Imparting continuous learning to the members and sharing the knowledge /expertise of the senior members shall facilitate the young professionals and students in taking leverage of the previously earned insights.

Q7. Being a CMA, please share some advices and guidance for CMA students and young professionals?

Ans. The CMA profession has huge potential and gives the students the opportunity to prove their capability across all sectors of business either as a member in practice or as a member employed in industry.

To be the drivers of growth, the students/young professionals should be willing to work hard and continuously update themselves. Integrity and commitment to work should be the core principles upon which they should build their profession. If the above aspects are followed, they can easily adorn the top positions in their respective fields of expertise. **MA**