Pipavav Defence and Offshore Engineering Company Ltd.

Q2 & H1 FY2012 Results Presentation

Disclaimer

Some of the statements in this presentation that are not historical facts are forward looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate.

These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.

Further, this presentation may make references to reports and publications available in the public domain. Pipavav Defence and Offshore Engineering Company Ltd. (PIPAVAVDOC) makes no representation as to their accuracy or that the company subscribes to those views / findings.

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Key Highlights: Q2 FY2012

Approval of JV with Mazagon Dock Ltd.

MoU with Airbus Industry, France to develop state-of-the-art MRO facilities in India

Approved issue of 2.05 crore convertible warrants to individual investors and Promoters at ₹ 78

Financial Performance:
Total Income: ₹ 4,563.7 million, EBITDA: ₹ 1,077.6 million, PAT: ₹ 94.1 million

The Pipavav Defence and Offshore Story

PIPAVAV

From Vision to Reality.

SKIL Group, promoters of the Company, began operations by investing in world class infrastructure to create PIPAVAVDOC Defence. PIPAVAVDOC the largest shipyard in India and one of the largest in the world from the outset and soon bagged India's first Warship Production License awarded to a private Company and gained a host of foreign strategic partners. Through partnership with Mazagon Dock Ltd, the premier Defence Shipyard, Ministry of Defence, the Company is on its way to establishing its global presence as an Indian defence major.

- **Best in-class infrastructure** and **modular technology –** positions the Company as one of India's most modern shipyard
- **Capable of building high value-add ships** in specialized segments, including defence and offshore

Technical Tie-Ups

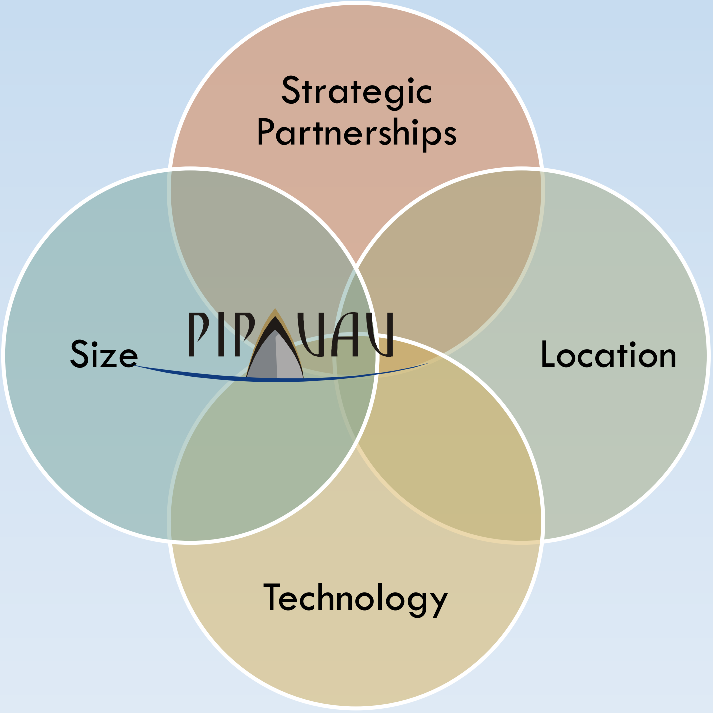
Partnerships with Companies in:

France
Germany
Russia
Singapore
Sweden
United Kingdom
United States

Strategic Partnerships. Global Reach. – Access to technical expertise from some of the best international defence and engineering majors on three continents

Key Strengths

- The Company has several **key advantages** that set it apart as India's solution for naval and offshore shipbuilding:
- The **size** of the facility places it at the largest maritime infrastructure in the country; capable of accommodating vessels of up to 400,000 DWT
- **Advanced modular technology** allows the Company to efficiently build vessels at a faster pace. The engineering and fabrication facility is one of the largest in the world.
- PIPAVAVDOC enjoys a **locational advantage** on the western coastline.
- **Technological tie-ups** with various blue chip global defence giants boosts the Company's ability to deliver high quality ships with superior technology



Section II
FINANCIAL OVERVIEW

Chairman's Message

Commenting on the Q2 & H1 FY2012 results, Mr. Nikhil Gandhi, Chairman, said:

"It is my pleasure to address you once more after such an eventful quarter, which marked several key milestones for the Company. First and foremost, Pipavav Defence and Offshore entered into one of the first joint ventures ever to be formed between an Ministry of Defence operated Company and a private sector shipyard. The Company formed a joint venture with Mazagon Dock Ltd. We look forward to collaborating further with the MoD and armed forces to provide high value added vessels to the Indian Navy.

Coupled with this development, Pipavav also entered into a memorandum of understanding with Airbus Industry, France. Not only does this mark the Company's global reach and its capacity to garner international partners of great reputation, but it also positions the Company as a strong contender in the domestic defence space. We will develop MRO facilities in conjunction with Airbus Industry and their parent Company EADS. The facilities will have both civilian and defence applications and provides a leg-up for Pipavav to cater to the military through the aerospace segment.

The prospects for defence shipbuilding are immense; in the near future, India will have to modernize its military assets to establish itself as a leader in the global arena. The Company is set to capture promising revenue potential given the outlook in the defence segment. We are constantly augmenting the production process to improve our execution capability, and our best-in-class infrastructure establishes Pipavav as a natural partner of choice for major defence and offshore players."

Operating Highlights

Major Developments in Q2 & H1 FY2012:

- The Company was selected by Mazagon Dock Ltd. as its joint venture partner for delivering vessels for the Indian Navy. The partnership is the first post-independence JV between an MoD operated company and a private sector company.

- The Company has entered into an MoU with Airbus Industry, France to develop state of the art Maintenance, Repair, and Overhaul (MRO) facilities and associated infrastructure in India. The joint venture will be set up in partnership with EADS, the parent company for Airbus.

- Approved issue of 1.05 crore convertible warrants to non-institutional individual investors at a price of Rs. 78 and also an additional 1 crore warrants to promoters of the Company at the same price.

- Initiated the process of working with 6 friendly nations to build warships at the Company's facilities. The Company will work with one such friendly nation for working towards developing strategic maritime assets in accordance within the policy framework of the Government of India.

Performance Review – Q2 FY2012

Rs. Million

	Q2 FY2012			Q1 FY2012	Q2 FY2011
		QoQ	YoY		
Total Income	**4,563.68**	**32.3%**	**133.6%**	**3,449.04**	**1,953.92**
Expenditures	3,486.04	28.3%	119.3%	2,717.04	1,589.43
Operating Income	**1,077.64**	**47.2%**	**195.7%**	**732.00**	**364.49**
Operating Income Margin	23.6%	11.3%	26.6%	*21.2%*	*18.7%*
Depreciation	292.28	63.0%	140.5%	179.29	121.53
Profit Before Interest and Tax	**785.36**	**42.1%**	**223.2%**	**552.71**	**242.96**
Interest Cost	627.36	45.8%	136.8%	430.41	264.94
Profit Before Tax	**158.00**	**29.2%**	**-**	**122.30**	**(21.98)**
Provision for Tax	63.90	49.1%	-	42.87	-
Profit After Tax	**94.10**	**18.5%**	**-**	**79.43**	**(21.98)**

Performance Review – Q2 FY2012

REVENUES

133.6% YoY

At ₹4,564 Mn

- With all the facilities being operational including commissioning of both the Goliath Cranes, the capacity boost and stabilizing operations have led to a jump in revenues on a year on year basis.

EBITDA

195.7% YoY

At ₹1,078 Mn

- Significant efficiencies have been achieved over the last one year and the same has led to decrease in the overall production cost and improvement in EBITDA.
- EBITDA margins stand at 23.6% for the quarter ended September 30, 2011 compared to 18.7% in Q2FY11.

PAT

L → P

(₹22Mn) Q2FY11

₹94Mn Q2FY12

- The improved efficiency and cost control has led the loss of Rs. 22 Mn in Q2 FY 11 to turn into a profit of Rs. 94 Mn in the quarter ended on September 30, 2011.

Performance Review – H1 FY2012

PIPAVAV

Rs. Million

	H1 FY2012		H1 FY2011
		YoY	
Total Income	**8,008.28**	**109.4%**	**3,824.18**
Expenditures	6,198.64	93.1%	3,210.61
Operating Income	**1,809.64**	**194.9%**	**613.57**
Operating Income Margin	22.6%	40.8%	*16.0%*
Depreciation	471.57	97.1%	239.21
Profit Before Interest and Tax	**1,338.07**	**257.4%**	**374.36**
Interest Cost	1,057.77	114.0%	494.23
Profit Before Tax	**280.30**	**-**	**(119.87)**
Provision for Tax	106.76	-	-
Profit After Tax	**173.54**	**-**	**(119.87)**

Performance Review – H1FY2012

PIPAVAV

REVENUES

109.4% YoY

At ₹8,008 Mn

- With all the facilities being operational and increase in capacity utilization led the increase in revenues.

EBITDA

194.9% YoY

At ₹1,810 Mn

- EBITDA margins stand at 22.6% for the half year ended September 30, 2011 compared to 16.0% in H1FY11.

PAT

L → P

(₹120Mn) H1FY11

₹ 174Mn H1FY12

- Improvements in efficiency have led the loss of Rs. 120 Mn in H1 FY11 to turn into a profit of Rs. 174 Mn in the half year ended September 30, 2011.

Balance Sheet Items

Rs. Million

Balance Sheet Items (Rs. Million)	As on September 30, 2011	As on March 31, 2011
Total Liabilities	**42,908.6**	***37,820.6***
Shareholders' Equity	16,973.6	16,908.1
Convertible Share Warrants	625.5	625.5
Loan Funds	25,120.3	20,207.5
Deferred Tax Liability	189.2	79.4
Total Assets	**42,908.6**	***37,820.6***
Fixed Assets	27,526.6	27,001.7
Investments	205.0	419.7
Current Assets, Loans and Advances	20,365.1	13,679.4
*Cash and Cash Equivalents	3,802.5	4,256.3
(Less) Current Liabilities and Provisions	8,990.6	7,644.0
Profit and Loss Account	-	107.5
Book Value Per Share	**25.49**	**25.39**
Long Term Debt-Equity Ratio	**0.61**	**0.62**

Balance Sheet Items

- The Company's long term debt-to-equity ratio is at very comfortable levels at 0.61.
- The Loan Funds have increased mainly as the Company is gearing up its operations and has availed additional debt for working capital requirement.
- The Company no longer has any cumulative losses and the profit is now contributing to its Net Worth.
- The book value per share increased as the surplus in the quarter ended September 30, 2011 has added to the Shareholders' Equity.

Section III
OUTLOOK

Media Highlights

PIPAVAV

Source: Business Standard

MAZAGON SEES OPENING IN SUBMERSIBLE DRIFT

Offers to make more Scorpene submarines

Meanwhile, sources said India on Friday signed a contract to buy 80 fast interceptor boats from Sri Lanka for about Rs 250 crore. Officials said the boats would be used by Sagar Prahari Bal, a

Source: Times of India

MUMBAI, THURSDAY 11 AUGUST 2011

UK proposes building future warships with India

Boeing bags $1.4bn IAF deal for 22 helicopter gunships

Source: Indian Defence

Source: Business Standard

Source: Business Standard

IN a victory for India's private sector defence manufacturers, the Ministry of Defence's (MoD's) apex decision making body, the Defence Acquisition Council (DAC), will today issue a ruling that recognises the right of our private companies to compete against the public sector in bidding for top-secret defence projects.

Singapore defence chief in India to expand ties

New Delhi, Nov 8: Opportunities for expanding defence cooperation will be discussed during Singaporean defence forces chief Lt. Gen. Neo Kian Hong's three-day visit to India that began Tuesday. He will meet Defence Minister A.K. Antony and the armed forces chiefs.

India to open bids for $11 bln fighter jets deal

Source: Reuters

Source: Indian Navy

Indian Army desperately needs modern artillery

India Global | Posted on Nov 09, 2011 at 07:03am IST

Naval power will be the key to India's emergence

Source: CNN IBN

CNN IBN

Private shipyards may build large warship

Jayanta Gupta, TNN | Oct 25, 2011, 03.53PM IST

Source: Zee News

Source: Business Standard

Source: Times of India

Navy plans to increase manpower by 10-15 pc

New Delhi, Oct 14, DHNS:

Source: Deccan Herald

NEWS » INTERNATIONAL NEW DELHI, N

India, Japan to step up defence cooperation

Source: Hindu Business Line

Key Business Drivers

Establishment

Best in-class infrastructure; capable of building high value added vessels in the offshore and defence segment. The Company, with modular technology and large dockyard size, can provide vessels at more cost effective rates than Chinese and Korean competitors, while maintaining similar quality

Initiatives

The Company continues to form strategic partnerships with international majors while bidding for orders with friendly nations. The Company is seen as the first mover in this space – first to bag the WPL, first to bag defence orders, and first to form a JV with an MoD Company

Opportunity

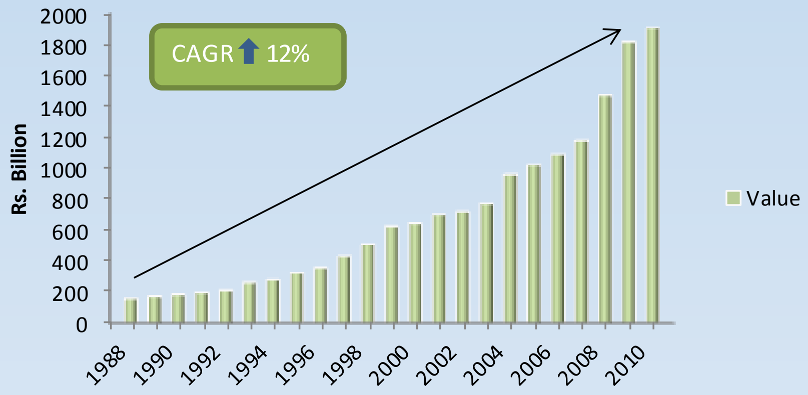
The opportunity in the defence space is immense – the Indian Navy will need submarines, LPVs, NOPVs, frigates, corvettes, etc. to maintain a strategic presence in the Indian Ocean. Significant opportunities abroad as foreign friendly nations gravitate to low cost defence providers. Strong opportunities in the offshore segment for high value added vessels (i.e. drillships, LPJs, and deepwater rigs for domestic and international players.

Outlook

Defence

- **Expenditure -** Government spending in defence has increased year on year
- **DPP –** Encouraging Indigenization and self dependency

Indian Military Expenditure



Source: SIPRI

Defence expenditure expected to increase further. Union Budget allocates Rs. 1,64,415 crore to the defence segment.

- Growth of 11.9% in y-o-y budget.

Defence PSUs are overbooked. Private sector shipyards stand in a favorable position to gain a sizeable chunk on Government expenditure.

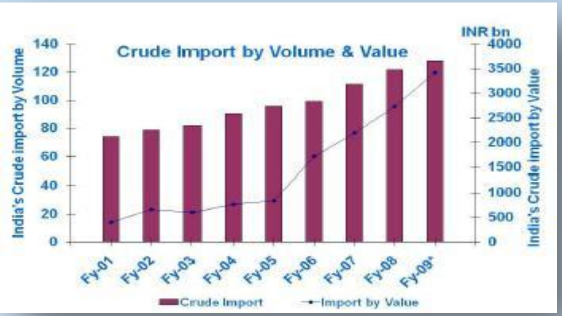
Defence Outlook for PIPAVAVDOC

- The Company is aiming to augment suitable infrastructure to tap a significant opportunity in catering to the requirements of the Indian Army
- Recent strategic partnership signed with Airbus Industry, France will allow the Company to cater to the Aerospace segment as well, both for civilian and military applications

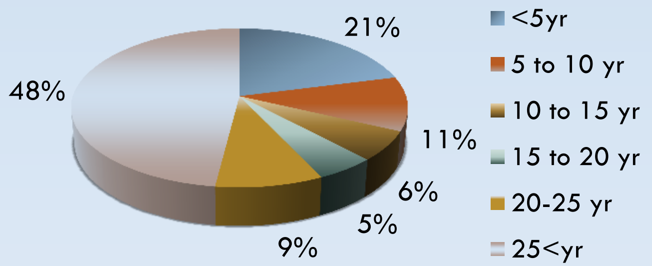
Outlook

Offshore

- Demand for petroleum and liquid fuels to reach 95 million barrels per day by 2015 and 118 million barrels a day by 2030
- Investment in the development of O&G assets expected to reach USD 45 billion in 2011



Age Profiles of OSVs



Source: Mantarana Maritime Advisory

- Energy demand expected to grow fourfold in the next two decades
- More than 75% of existing rigs were constructed before 1985, suggesting that within the next few years, many rigs will need either replacement or refurbishing and revamping.
- Significant increase in demand for OSVs since the currently aging fleet (almost 50% of ships are older than 25 years) cannot adequately service deep water rigs and platforms.

The Company stands to gain from specialized and sophisticated orders that require world class infrastructure and modern fabrication. The demand scenario in Offshore and Defence is bright. Demand for high value added vessels in the Offshore and Defence segment, such as drill ships, floating production storage platform, and LPDs will provide significant sources of revenue going forward.

For further information, please visit www.pipavavshipyard.com

Thank You

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