

ANNUAL **18TH** REPORT
artson
1996-97

ARTSON ENGINEERING LIMITED

MD	<input checked="" type="checkbox"/>		NYC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
SE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

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**ARTSON ENGINEERING LTD.****ANNUAL GENERAL MEETING ON**

Thursday, 25th Sept., 1997 at 3.00 p.m. at K.C. College Auditorium, K.C. College, Dinshaw Vaccha Road, Churchgate, Mumbai 400 020.

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

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BOARD OF DIRECTORS

N. K. JAGASIA
Executive Chairman

P. S. CHOPDE
Managing Director

K. B. KAKATKAR
Wholetime Director

R. S. MEDHI
Wholetime Director

C. V. KADVEKAR
Wholetime Director

J. S. PAL
Nominee Director

V. S. DATE
Director

S. D. DANDEKAR
Director

MANAGEMENT

V. E. VAITHILINGAM
Vice-President — Construction

**GENERAL MANAGER
(FINANCE) & SECRETARY**
V. CHANDRASHEKAR

BANKERS

BANK OF INDIA
DENA BANK
ICICI BANKING CORPORATION LTD.

AUDITORS

CHOKSHI & CHOKSHI
Chartered Accountants
MUMBAI 400 020

REGISTERED OFFICE

ELYSIUM MANSION
WALTON ROAD, COLABA
MUMBAI 400 001

HEAD OFFICE

ARTSON HOUSE
16-17, MOTIBAUG
CHEMBUR
MUMBAI 400 071

REGISTRARS

SHAREPRO SERVICES
912, RAHEJA CENTRE
FREE PRESS JOURNAL MARG
NARIMAN POINT, MUMBAI 400 021

PLANT

PLOT NO. D-5 MIDC AMBAD
NASHIK 422 010



Directors' Report

To the Members,

The Directors hereby present their Eighteenth annual report on the business and operations of your Company and statements of accounts for the year ended 31st March, 1997.

SUMMARISED FINANCIAL RESULTS

1. The financial results are briefly indicated below :

	For the year ended 31st March, 1997 Rs. in lakhs	For the year ended 31st March, 1996 Rs. in lakhs
Profit before Depreciation	186.59	523.17
Less: Depreciation	157.33	128.03
Profit before Taxation	29.26	395.14
Less: Provision for Taxation	4.00	115.00
Net Profit	25.26	280.14
Less: Transfer to Foreign Project Reserve	22.00	Nil
Surplus brought forward from previous year	169.09	69.12
Other Adjustments	(1.13)	(13.71)
Profit available for disposal	171.22	335.55
Appropriations :		
Proposed Dividend	0.00	138.45
General Reserve	2.00	28.01
Balance carried forward to Profit & Loss Account	169.22	169.09
	171.22	335.55

2. REVIEW OF OPERATIONS

(A) Year in Retrospect

The trend of low capital investment in the Petroleum, Power & Food processing sectors continued during the year. A slow down in the general economic growth rate and a general trend of recession continues to hamper investment by private sector. Subsidies on LPG continues to make parallel marketing an unviable proposition. The credit policy announced by the Government of India and changes in banking policies are yet to show the desired effects. The political situation, which plays a major role in investment decisions made in the core sector, has also not been conducive. The cumulative effect of all these factors is that despite major announcements of intention to invest, the actual investment has not been forthcoming. Your Company has under these circumstances registered a growth of over 10% in sales. Profit margins have been under strain due to high interest and increase in competition on account of very few projects made available.

(B) (i) Engineering, Procurement & Construction (EPC) Division

The Company is on the final stages of completion of a prestigious order from M/s. Hindustan Petroleum Corporation Ltd. for revamping the FCC Unit at its Mumbai refinery. Orders from Jindal Vijayanagar Steel Ltd. (Rs. 500 lakhs), Indian Oil Corporation Ltd. (Rs. 900 lakhs), Gas Authority of India Ltd. (Rs. 500 lakhs) are among the major orders being executed by the EPC Division. The order backlog as of date is approx. Rs. 14,000 lakhs.



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NOTICE



NOTICE is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING of the Company will be held at K. C. College Auditorium, K. C. College, Dinshaw Vaccha Road, Churchgate, Mumbai 400 020 on Thursday 25th September, 1997 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P.S. Chopde who retires by rotation and who is eligible for reappointment.
3. To appoint a Director in place of Mr. C. V. Kadvekar who retires by rotation and who is eligible for reappointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification (as may be permissible), the following resolution as an Ordinary resolution.

"RESOLVED that pursuant to the provisions of Section 94(1) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, consents and permissions, the Authorised Share Capital of the Company be and is hereby increased from Rs. 12 crores divided into 1,20,00,000 Equity shares of Rs. 10/- each to Rs. 17 crores by creation of 30,00,000 Equity Shares of Rs. 10/- each and 2,00,000 Preference Shares of Rs. 100/- each".

6. To consider, and if thought fit, to pass with or without modification (as may be permissible), the following resolution as an Ordinary resolution.

"RESOLVED that pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, consents and permissions, the existing clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the following words and figures :

The Authorised Share Capital of the Company is Rs. 12,00,00,000 (Rupees Twelve crores) divided into 1,20,00,000 (One Crore Twenty lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each,

and substituting therefor the following

The Authorised Share Capital of the Company is Rs. 17,00,00,000 (Rupees Seventeen crores) divided into 1,50,00,000 (One Crore Fifty lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each and 2,00,000 (Two lakhs) Preference shares of Rs. 100/- (Rupees One Hundred only) each."

7. To consider, and if thought fit, to pass with or without modification (as may be permissible), the following resolution as a Special resolution.

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, consents and permissions, clause 3 of the Articles of Association of the Company be altered by deleting the following words and figures

The Authorised Share Capital of the Company is Rs. 12,00,00,000 (Rupees Twelve crores) divided into 1,20,00,000 (One Crore Twenty lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each,

and substituting therefor the following

The Authorised Share Capital of the Company is Rs. 17,00,00,000 (Rupees Seventeen crores) divided into 1,50,00,000 (One Crore Fifty lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each and 2,00,000 (Two lakhs) Preference shares of Rs. 100/- (Rupees One Hundred only) each."

8. To consider, and if thought fit, to pass with or without modification (as may be permissible), the following resolution as a Special resolution.

"RESOLVED that pursuant to Section 81(1)A and other applicable provisions of the Companies Act, 1956 and in accordance with the Articles of Association of the Company and subject to the guidelines and/or approvals of Securities and Exchange Board of India (hereinafter referred to as SEBI) and subject to such other approvals, permissions, consents and sanctions, of the Appropriate Authorities, as may be necessary and subject to such conditions or modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board", which terms are deemed to include any duly authorised Committee for the time being exercising the powers conferred on the Board by this Resolution) the consent of the Company be

ARTSON ENGINEERING LTD.

and is hereby accorded to the Board to issue and allot for Cash on a Private Placement Basis in one or more tranches, Equity Shares, Preference Shares, any Securities convertible into Equity Shares, and/or Convertible/Non Convertible Debentures/Bonds with or without detachable Warrants attached with a right to convert into Equity Shares, and/or Equity Warrants with an entitlement to Equity Shares (hereinafter referred to as "Securities") as the Board at its sole discretion may decide for an aggregate amount not exceeding Rs. 500 lakhs to the Individuals, Bodies Corporate, Indian Mutual Funds, Foreign Institutional Investors, Non-Resident Indians, Overseas Corporate Bodies, Indian Financial Institutions, other entities and to such other persons whether Members or not, by any one or more or a combination of the above modes/methods at such price or prices, as the Board may in its absolute discretion think fit and on such terms and conditions including the number of Securities to be issued, amount of premium, rate of dividend, rate of interest and related or incidental matters.

RESOLVED FURTHER that such of these Securities to be issued, as are not subscribed may be disposed off by the Board, to such persons and in such manner and on such terms as the Board in its absolute discretion may think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/Investment Institutions/Mutual Funds/Foreign Institutional Investors or such other person or otherwise as the Board may in its absolute discretion decide.

RESOLVED FURTHER that the said Securities be allotted and shall rank pari passu in all respects except that the new Equity Shares shall qualify for dividend declared, if any, in respect of the financial year in which they have been allotted, pro rata for the period commencing from the date of allotment and on the amount paid-up thereon.

RESOLVED FURTHER that the issue and allotment of Securities to Non-Resident Indians or Overseas Corporate Bodies will be on repatriation basis, subject to the approval of the Reserve Bank of India.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and

to settle any question, difficulty or doubt that may arise in regard to the issue, allotment and further to do all such acts, deeds, matters and things to finalise and execute all documents and writings as may be necessary, desirable or expedient as it may deem fit without being required to seek any further consent or approval of the Members of the Company or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

By Order of the Board

V. CHANDRASHEKAR
General Manager (Finance)
& Company Secretary

Mumbai, 12th August, 1997

Registered Office:
Elysium Mansion
Walton Road, Colaba
Mumbai 400 001

Notes :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE IN HIS STEAD AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (b) The Register of Members and Share Transfer Books of the Company will be closed from 16th September, 1997 to 25th September, 1997 (both days inclusive).
- (c) Members are requested to intimate immediately any change in their address to M/s. Sharepro Services, 912 Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai - 400 021.
- (d) Members holding shares under more than one folio are requested to send to the Registrar and Transfer Agents details of such folios alongwith the share certificates for consolidating the folios.
- (e) The Company has already transferred unclaimed dividend declared upto the financial year ended March 1993 to the General Revenue Account of the



Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Maharashtra, Hakoba Compound, 2nd Floor, Kalachowki, Mumbai 400 033.

The Unpaid Dividend that are due for transfer to the Central Government are as follows :

Financial Year	Date of Declaration	Due for transfer on
1993-94	13.09.94	30.10.97
1994-95	15.09.95	1.11.98
1995-96	23.09.96	9.11.99

- (f) Members seeking any information with regard to Accounts etc. are requested to write to the Company at an early date so as to enable the management to keep the information ready.
- (g) Members who have not encashed their dividend warrants for the aforesaid financial years are requested to approach the Company's Registrar and Transfer Agents, for obtaining duplicate Dividend warrants.

By Order of the Board

V. CHANDRASHEKAR
General Manager (Finance)
& Company Secretary

Mumbai, 12th August, 1997

Registered Office:
Elysium Mansion
Walton Road, Colaba
Mumbai 400 001

Explanatory statements as required by Section 173 of the Companies Act, 1956 are annexed hereto:

Items 5, 6 & 7

The Authorised Capital of the Company is presently Rs. 12 crores divided into 120 lakhs Equity Shares of Rs. 10/- each. The Company would be required to issue fresh shares to certain foreign parties in terms of proposals received as also to augment long term funding requirements. In order to facilitate raising funds through issue of Equity/Preference shares, the Authorised Share Capital of the Company needs to be modified to include Preference Share Capital and simultaneously increase the total authorised capital of the Company. Hence the ordinary resolution at item no. 5.

Ordinary resolution at item no. 6 and special resolution at item no. 7 are consequential upon the proposed increase in the Authorised Share Capital of the Company. The Board commends the passing of the aforesaid resolutions. None of the directors is interested or concerned in any of the aforesaid resolutions.

Item 8

The Company is examining proposals from various multinationals for jointly undertaking projects in India. Joint execution of complex EPC projects results in sharing of knowhow and technology including drawings, designs, processes and other specification which are confidential in nature. Foreign Majors normally seek an equity participation in such sharing process. The Company would at the same time, look to augment its long term funding requirement.

The approval of the shareholders by a special resolution for the aforesaid issue is necessary having regard to the provisions of Section 81 of the Companies Act, 1956. The Board commends passing of the aforesaid resolution. None of the Directors is interested or concerned in the resolution.

By Order of the Board

V. CHANDRASHEKAR
General Manager (Finance)
& Company Secretary

Mumbai, 12th August, 1997

Registered Office:
Elysium Mansion
Walton Road, Colaba
Mumbai 400 001

Directors' Report — (Contd.)

(ii) Safety

Your Company continues its efforts to maintain high safety standards at all sites and has been recognised over the years by various clients. This time recognition has come from M/s. Bharat Shell Ltd (BSL) in the form of an award for having best safety record at their project amongst all the agencies working at site.

(C) Manufacturing Division

Your Company's Manufacturing Unit at Nashik was recommended for certification to ISO-9002: 1994 Standard. The certifying body for the same was M/s. NQA Quality System Registrar Limited which is accredited to RVC Holland. The scope of certification covers manufacture and sale of Heat Exchangers, Fin Tubes, Fin Fan Coolers, Welded Pressure Vessels, LPG Bullet Tanks, Storage Tanks, LPG Bottling Plants and Fabricated Process Equipments for chemical and petrochemical industries. The certification is valid for 3 years subject to satisfactory maintenance and conformance to the system which will be verified during surveillance audit conducted biannually. The first such audit has been satisfactorily cleared by the unit in August '97. The order backlog of the Manufacturing Division as of date is approx. Rs. 500 lakhs.

(D) LPG Division

The LPG Equipment Division has a healthy order book position with orders worth Rs. 400 lakhs for equipments to be supplied to Public Sector Petroleum Companies and two Transnational Corporations. The division made its first export by supplying cylinder hydrotesting machine to PAM of France to their entire satisfaction. The growth of the division is expected to continue with 30 bottling plants slated for implementation in the Public Sector in the next 2 to 3 years.

(E) Exports

Your Company has successfully completed an order from M/s Walls Ceylon at Sri Lanka. Your Company has also exported equipment to M/s. Damus of Trinidad and Intecil of Nigeria. A refinery shutdown was also executed by your Company for M/s. Cyprus Petroleum Refinery Ltd. This order has been bagged for the second successive time and goes to show the

trust imposed by the customer in your Company's capability.

3. THE FUTURE SCENARIO

The core competence of your Company lies in the area of building infrastructure in the oil & gas, power and food processing sectors. Your Company has been actively considering enquiries received from India and abroad for various infrastructure projects in these areas. As any venture will involve substantial capital commitment, progress in this area has been slow. By virtue of an established reputation, we expect your Company to be favourably considered. Your Company continues to focus its attention on developing satisfied customers by effecting a total quality management approach. Your Company has embarked on securing ISO 9001 certification for its EPC division which calls for a strict discipline in its approach. The various arrangements your Company has with corporates in this field only enhances the prospects of the Company as and when the opportunity presents itself.

4. STATEMENT UNDER CLAUSE 43 OF LISTING AGREEMENT

The Company issued letter of offer dated 8th August 1994 offering 44,85,000 Equity Shares of Rs. 10/- each at a premium of Rs. 15/- per share aggregating Rs. 1121.25 lakhs on rights basis to part finance expansion and diversification programme and meet the long term working capital requirements. The Company has received Rs. 1121.25 lakhs and has used the said funds for the purpose stated above.

PROFITABILITY

The Company reports below comparative position of the projections of profitability given in the letter of offer, dated 8th August 1994 and profitability achieved.

Profits projected for the year 1996-97 and profits earned during the year.

Particulars	Projections (1996-97) (Rs. in lakhs)	Audited (1996-97)
Net Sales	12,480.00	6,749.64
Other Income	69.00	59.13
Profits Before Int. &		
Depreciation	1,615.00	584.38
Profit Before Tax	1,235.00	29.26
Profit After Tax	808.00	25.26