

ARTSON ENGINEERING LIMITED
26TH ANNUAL REPORT



ARTSON ENGINEERING LTD.
ANNUAL REPORT
2003 - 2004

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ARTSON ENGINEERING LIMITED

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ANNUAL GENERAL MEETING ON

Tuesday, 31st March, 2005 at 4.30 p.m. at 426, M. L. Aggarwal Building, W. T. Patil Marg, Chembur, Mumbai - 400 071

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.

BOARD OF DIRECTORS

N.K.JAGASIA	Chairman & Managing.
R.S.MEDHI	Executive Director.
P.S.CHOPDE	Director.
T.RAMARAJU	Director.

MANAGEMENT

U.S.NANIWADEKAR	General Manager (Projects)
P.E.THOMASKUTTY	General Manager (Projects)

BANKERS

BANK OF INDIA
DENA BANK
ICICI BANK LTD.

AUDITOR

CHOKSHI & CHOKSHI
Chartered Accountants
Mumbai 400 020.

REGISTERED OFFICE

426, M. L. Aggarwal Building W. T. Patil Marg, Chembur.
Mumbai - 400 071

REGISTRARS

SHAREPRO SERVICES
SATAM INDL, ESTATE, 3RD FLOOR,
CARDINAL GRACIOUS ROAD,
CHAKALA
ANDHERI (E, MUMBAI - 400 099

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NOTICE

NOTICE is hereby given that the TWENTY SIX GENERAL MEETING of the Company will be held at 426, M. L. Aggarwal Building, W. T. Patil Marg, Chembur, Mumbai - 400 071, on Thursday, 31st March, 2005 at 4.30 p.m. to transact the following business :

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2004 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. T. Ramaraju who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and fix their remuneration.

By Order of the Board,

N. K. JAGASIA

Chairman & Managing Director

Mumbai, 1st March, 2005

Registered Office :

426, M. L. Aggarwal Building,
W. T. Patil Marg,
Chembur, Mumbai - 400 071.

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 28th March 2005 to 31st March 2005.
- c) Members are requested to intimate immediately any change in their address to M/s. Sharepro Services, Satam Industrial Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400 099.
- 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) 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.

By Order of the Board,

N. K. JAGASIA

Chairman & Managing Director

Mumbai, 1st March, 2005.

Registered Office :

426, M. L. Aggarwal Building
W. T. Patil Marg,
Chembur, Mumbai - 400 071.

Annexure to the Notice

Details of the Directors seeking appointment / re-appointment at the ensuing Annual General Meeting

(In pursuance of Clause 49 of the Listing Agreement)

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. T. Ramaraju retire by rotation and are eligible for re-appointment but he has not accepted the same.

DIRECTORS' REPORT

To the Members,

The Directors hereby present their Twenty Six Annual Report on the business and operations of your Company and statements of accounts for the year ended 30th September, 2004.

1. SUMMARISED FINANCIAL RESULTS

The financial results are briefly indicated below :

	For the year Ended 30 th September, 2004	For the period ended 30 th September, 2003 (Six Months)
	Rs. In '000	Rs. In '000
Profit / (Loss) before Depreciation	(326.27)	(632.77)
Less : Depreciation	61.29	34.33
Profit / (Loss) before Taxation	(387.56)	(667.10)
Less : Provision for Taxation	----	----
Net Profit / (Loss)	(387.56)	(667.10)
Surplus brought forward from previous year	(2524.52)	(1852.12)
Other Adjustments	0.27	(5.30)
Profit available for disposal	<u>(2911.81)</u>	<u>(2524.52)</u>
Appropriations :		
Proposed Dividend	----	----
General Reserve	----	----
Balance carried forward to Profit & Loss Account	(2911.81)	(2524.52)

2. REVIEW OF OPERATIONS

During the year under review, the company was able to book orders at Dubai valued over Rs.3 crores. Essar pending order of over Rs.20 crores was reinstated by them and work started at site for their Refinery Project. The company has also successfully closed ONGC, Uran site and CPCL, Manali Contract.

1. THE FUTURE SCENARIO

With the revival of Essar order and further order of Rs.3 crores received from them, the work is expected to continue and a good portion of it will be completed in the financial year (October, 2004 to September, 2005). The chances of getting further business of approximately Rs.4 crores from Dubai are good in view of the performance of the order under execution. Number of enquiries are being received from our past customers and for export. The company expects to resolve its financial position in October, 2004 to September, 2005 in order to be able to take advantage of improved market.

2. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956, the required information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed to the Directors' Report.

3. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors state as under :

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimate that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors had prepared the annual accounts on a going concern basis.

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4. PARTICULARS OF EMPLOYEES

As required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 1975, as amended, particulars of the Company's employees are set out in a separate statement attached hereto which forms part of the report.

5. ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank the employees of Artson, who continue to stand by your Company. Bank of India, Dena Bank and ICICI Bank Limited need special mention for their unfettered support to your Company. Your Directors look forward to a stronger association with these associations.

For and on behalf of the Board
N.K. JAGASIA
 Chairman & Managing Director

Mumbai 1st March, 2005.

Registered Office :

426, M. L. Aggarwal Building, W. T. Patil Marg,
 Chembur, Mumbai - 400 071.

ANNEXURE TO DIRECTORS' REPORT

Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.

Sr. No	Name of Employees	Age	Present Designation / Nature of Duties	Qualification & Experience	Date of Appointment	Total Remuneration Paid (Rs.)	Particulars of last employment
--------	-------------------	-----	--	----------------------------	---------------------	-------------------------------	--------------------------------

Employed throughout the financial year under review and was in receipt of remuneration in aggregate of not less than Rs. 24,00,000/- p.a. - NIL

Employed for a part of the financial year and was in receipt of remuneration in aggregate of not less than Rs. 2,00,000/- p.m. - NIL

For and on behalf of the Board
N.K. JAGASIA
 Chairman & Managing Director

Mumbai, 1st March, 2005

Registered Office :

426, M. L. Aggarwal Building,
 W. T. Patil Marg,
 Chembur, Mumbai - 400 071.

Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956.

(A) CONSERVATION OF ENERGY

(a) Energy conservation measures taken :

NIL

(b) Additional Investments and proposals, if any, being implemented for reduction in consumption of energy :

None

(c) Impact of the measures at (a) and (b) above for energy consumption and consequent impact on the cost of production of goods :

N.A.

(d) Total energy consumption and consumption of energy per unit of production :

FORM A

A. POWER AND FUEL CONSUMPTION

1. Electricity

(a) Purchased Units (KWH)

NIL

NIL

Total amount

(Rs. in lacs)

NIL

NIL

Rate per unit (Rs.)

N.A.

N.A.

(b) Own Generation

NIL

NIL

B. CONSUMPTION PER UNIT OF PRODUCTION

(Standards, if any)*

(i) Electricity

N.A.

N.A.

(ii) Furnace Oil

N.A.

N.A.

(iii) Coal

N.A.

N.A.

(iv) Others

N.A.

N.A.

* The Company does not have unutilized product.

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(B) TECHNOLOGY ABSORPTION**FORM B****Research & Development (R&D)**

1.	Specific areas in which R & D was carried out by the Company :		
	NIL		
2.	Benefits derived as a result of the above R & D :		
	N.A.		
3.	Future plan of action :		
	Being formulated.		
4.	Expenditure on R & D :		
		For the year Ended 30 th September, 2004	For the period Ended 30 th September, 2003 (six months)
		(Rs. In Lacs)	(Rs. In Lacs)
(a)	Capital	NIL	NIL
(b)	Recurring	NIL	NIL
(c)	Total	NIL	NIL
(d)	Total R & D expenditure as % of total turnover	NIL	NIL

Technology Absorption, Adaptation and Innovation

- (1) Efforts in brief made towards technology absorption, adaptation and improvements.
None
- (2) Benefits derived as a result of the above efforts.
None

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

		Rs. In 'Lacs For the year ended 30 th September, 2004	(Rs. in Lacs) For the Period ended 30 th September, 2003 (Six Months)
(i)	Foreign Exchange earned	0	0
(ii)	Foreign Exchange used	0.43	1.37

For and on behalf of the Board

N.K. JAGASIA
Chairman & Managing Director
Mumbai 1st March, 2005**Registered Office :**
426, M. L. Aggarwal Building,
W. T. Patil Marg,
Chembur, Mumbai – 400 071.
CORPORATE GOVERNANCE REPORT**As per the format prescribed by SEBI guidelines and Clause 49 of the Listing Agreement**

The Company's Philosophy on Corporate Governance envisages attainment of high level of transparency and accountability in the functioning and conduct of business of the Company. This includes its interaction with employees, shareholders, creditors, consumers and institutional and other lenders. The Company shall continue its efforts in strengthening and raising the standards in Corporate Governance and shall also review its systems and procedures constantly to keep pace with the changing economic scenario.

1. BOARD OF DIRECTORS

The Company has an Executive Chairman. The composition of the Board of Directors is as under:

Name of Director	Category	No. of Board Meetings attended	Attendance at the Last ANNUAL GENERAL MEETING (Y / N)	Directorship in other companies incorporated in India	No. of committees in which Chairman / Member
Mr. Narayan K. Jagasia	Chairman (Executive & Non-Independent)	9	Y	Kerraun Systems Ltd.	Member - 1

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Mr. Ramesh S. Medhi	Wholetime Director (Executive & Independent)	6 Resigned on 18.03.2004	Y	--	
Mr. Chandrashekhar V. Kadvekar	Wholetime Director (Executive & Independent)	- Resigned on 30.11.2003	N	--	
Mr. Prakash S. Chopde	Director (Non-Executive & Non-Independent)	7	N	Kerraun Systems Ltd.	Chairman - 1 Member - 1
Mr. T. Ramaraju	Director (Non-Executive & Independent)	1	N	--	Member - 1

2. BOARD MEETINGS

During the period under review, 9 Board Meetings were held, viz. 30.10.2003, 12.12.2003, 30.12.2003, 14.01.2004, 16.02.2004, 16.03.2004, 12.04.2004, 16.07.2004 & 01.09.2004

The Company did not have any pecuniary relationship with NEDs during the period under review.

3. AUDIT COMMITTEE

During the period under review, the Audit Committee held 3 meetings, viz. 30.10.2003, 12.01.2004 & 31.08.2004. The composition of the Audit Committee is as hereunder:

Mr. T. Ramaraju	Chairman - Non-Executive & Independent
Mr. P.S. Chopde	Non-Executive & Non-Independent

The broad terms of reference of the newly constituted Audit Committee is to review financial reporting process, reports of the Internal Auditor and discussion with them periodically, to meet Statutory Auditors to discuss their findings, suggestions and other matters, internal control systems and quarterly financial statements. The scope of the activities of the Audit Committee is as prescribed by Clause 49 II (C) & (D) of the Listing Agreement.

4. REMUNERATION COMMITTEE

The Company has not set up a Remuneration Committee. The Board of Directors, however, review the remuneration / performance of the senior management.

Directors' Remuneration:

Directors	Remuneration (Rs.)	Sitting fees (Rs.)
N.K. Jagasia	78,012	Nil
R.S. Medhi	36,280	Nil
C.V. Kadvekar	13,002	Nil

5. SHARE TRANSFER COMMITTEE / SHAREHOLDERS' GRIEVANCE COMMITTEE

The Company has combined the Share Transfer Committee and Shareholders' Grievance Committee into one committee. The Share Transfer Committee functions under the Chairmanship of Non-Executive Director, Mr. P.S. Chopde. The other member of the Committee is Mr. N.K. Jagasia, Executive Director of the Company. The Committee has been delegated the powers to attend to share transfer / transmission approvals, name deletion approvals, etc. and look into the grievances of shareholders. It meets at least twice in a month. During the half financial year, 2 complaints were received from shareholders, all of which have been resolved to date. The Company had 2 transfers aggregating 500 shares pending at the close of the year ending on 30th September 2004 which have been processed by 05.10.2004.

6. NAME, DESIGNATION & ADDRESS OF COMPLIANCE OFFICER

Mr. N. K. Jagasia

Chairman and Managing Director

Address: 426, Manohar Lal Lekhraj Aggarwal Building, 1st floor, 426, W.T. Patil Marg, Chembur, Mumbai - 400 071.

Tel.No. 91 (22) 2521 91 91 Fax. 91 (22) 2521 8564

Email: artson@hathway.com

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7. DETAILS OF GENERAL BODY MEETINGS

Financial Year	Date	Time	Venue
1999-2000	28.09.2000	3:30 p.m.	Plot No. D-5, MIDC Ambad, Nashik 422 010.
2000-2001	28.09.2001	3:30 p.m.	Plot No. D-5, MIDC Ambad, Nashik 422 010.
2001-2002	27.09.2002	2:30 p.m.	Hotel Sai Palace, Bombay Agra Rd. Opp. CIDCO, Nashik-422009.
2002-2003	29.09.2003	2:30 p.m.	Hotel Sai Palace, Bombay Agra Rd. Opp. CIDCO, Nashik-422009.
2003-2004	31.03.2005	4:30 p.m.	426, M.L. Aggarwal Building, W. T. Patil Marg, Chembur, Mumbai-400 071

All resolutions including the special resolutions set out in the respective Notices were passed by the Shareholders. No postal ballots were used for voting at these meetings.

8. DISCLOSURES

There is one transaction, i.e. Tristar Engineering & Chemical Co. a partnership firm in which Mr. N. K. Jagasia is one of partner that may not have potential conflict with the interest of the Company. The contract price is Rs.3.60 Lacs.

9. MEANS OF COMMUNICATION

The Quarterly and Half Yearly results are published in dailies such Free Press Journal and Nav Shakti. These are not sent individually to the shareholders.

The Company's results and official news releases are informed to the respective Stock Exchanges. Results can be viewed on the Bombay Stock Exchange official website www.bseindia.com. There were no presentations made to the institutional investors or analysts.

10. GENERAL SHAREHOLDERS INFORMATION

➤ **Day, Date, Time and Venue of 26th Annual Year General Meeting:**

Thursday, 31st March 2005 4:30 p.m. at 426, M. L. Aggarwal Building, W. T. Patil Marg, Chembur, Mumbai-400 071.

➤ **Book Closure Date:**

26th March 2005 to 31st March 2005 (both days inclusive)

➤ **Financial Year:** October, 2003 to September, 2004

➤ **Listing on Stock Exchange:**

- Mumbai Stock Exchange (Scrip Code 522134)

➤ **Share Transfer System:**

All transfers received are processed by the Registrar and Transfer Agents and are approved by the Share Transfer Committee, which normally meets every fortnight or more depending upon the volume of transfers. Share transfers are registered and returned within a maximum of one month from the date of lodgment, if documents are complete in all respects.

➤ **ISIN Activation Code:** INE133D01015 (CDSL & NSDL)

➤ **Stock Market Data:**

PERIOD	LOW (RS.)	HIGH (RS.)
October, 2003	2.05	3.25
November, 2003	2.11	4.15
December, 2003	3.15	8.04
January, 2004	2.90	6.89
February, 2004	2.26	3.89
March, 2004	1.60	2.80
April, 2004	1.80	2.50
May, 2004	1.50	2.88
June, 2004	1.50	2.30

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July, 2004	1.33	1.90
August, 2004	1.25	3.40
September, 2004	2.18	3.92

➤ Distribution of Shareholding:

The distribution of shareholding as on 30.09.2004 is as follows –

No. of equity shares held	Folios	%age	Shares	%age
Upto 500	14635	85.580	2654298	28.757
501 to 1000	1400	8.188	1124352	12.181
1001 to 2000	594	3.473	877352	9.506
2001 to 3000	181	1.058	447217	4.845
3001 to 4000	73	0.427	264661	2.867
4001 to 5000	63	0.368	296071	3.208
5001 to 10000	71	0.462	588736	6.379
10001 & above	78	0.444	2977313	32.257
Shares in transit (in the depository)	Nil	Nil	Nil	Nil
GRAND TOTAL	17101	100	9230000	100
<u>No. of Shareholders In :</u>				
Physical Mode			5855484	63.44
Electronic Mode			3374516	36.56

➤ Shareholding pattern as on 30.09.2004:

Category	No. of Shares held	%age of shareholding
A Promoters' Holding		
1. Promoters (Indian)	1393162	15.09
Sub-Total	1393162	15.09
B Non-Promoters Holding		
2. Institutional Investors -		
a. Mutual Funds and UTI	2800	0.03
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions / Non-Government Institutions)	2150	0.02
c. FIs	770	0.01
Sub-Total	5720	0.06
3. Others -		
a. Private Corporate Bodies	972813	10.54
b. Indian Public	6714856	72.76
c. NRIs / OCBs	143449	1.57
d. Any other (NSDL in Transit)	0	0
Sub-Total	7831118	84.85
GRAND TOTAL	9230000	100.00

➤ Dematerialization of shares and liquidity:

36.56 % of the paid up capital has been dematerialised as on 30.09.2004 & 63.44 % continue to hold their shares in physical form.

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➤ **Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity:** Not issued.

➤ **Plant locations:** Plot No. D-5, MIDC Ambad Taken over by SICOM on 07.08.2003
Nashik - 422 010.

➤ **Address for Correspondence:**

Shareholders correspondence should be addressed to our Registrars & Share Transfer Agents at the address mentioned in the Notice of the Annual General Meeting.

Contact person: Mrs. Indira Karkera

Shareholders may also contact the Compliance Officer at the Head Office of the Company for any assistance.

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE
UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members of
Artson Engineering Limited

We have examined the compliance of conditions of Corporate Governance by Artson Engineering Limited for year ended 30th September 2004, as stipulated in clause 49 of the listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement except that the composition of the board of directors during the year was not in accordance with sub-paragraph A of paragraph 1 of Clause 49 to the Listing Agreement which stipulates that the company shall have an optimum combination of executive and non executive directors with not less than 50% of the board of directors comprising of non executive directors.

The company had prepared unaudited accounts for the year ended 31st December, 2003 and placed before the meeting of Directors held on 14th January, 2004 without limited review by the Auditors of the company.

Similarly unaudited results for the quarter ended March, 2004, and June, 2004 prepared and placed before the meeting of the Board of Directors meeting held on 12th April, 2004, and on 16th July, 2004 respectively, without limited review by the Auditors of the company.

The company has not published the unaudited results for the quarter ended 30th September, 2004 and not sent to the Stock Exchange.

The meeting of the audit Audit Committee were held during the year with only one independent Director instead of two independent Directors.

Two independent non-executive Directors as required under clause ii of clause 49 of the listing agreement were not appointed as member of the Audit Committee since one of the independent Director, Mr. C.V. Kadwekar resigned with effect from 30th November, 2003.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

R.S. CHOKSHI

Partner

(M. No 7498)

For and on behalf of

M/s. Chokshi & Chokshi

Chartered Accountants

Mumbai, 1st March, 2005