

ARTSON ENGINEERING LIMITED
28TH ANNUAL REPORT



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ARTSON ENGINEERING LTD.

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ANNUAL REPORT

ARTSON ENGINEERING LIMITED

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ANNUAL GENERAL MEETING ON

Friday, 30th March, 2007 at 2:00 p.m. at Chembur
Gymkhana, Phase - I, 16th Road, 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

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BOARD OF DIRECTORS

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

MANAGEMENT

U.S.NANIWADEKAR	General Manager (Projects)
P.E.THOMASKUTTY	General Manager (Projects)
T. SENTHILNATHAN	General Manager (International Operations)

BANKERS

BANK OF INDIA
DENA BANK
ICICI BANK LTD./KOTAK MAHINDRA
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 (I) Pvt. Ltd.
Satam Industrial Estate, 3RD Floor,
Cardinal Gracious Road, Chakala
Mumbai - 400 099

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NOTICE

NOTICE is hereby given that the TWENTY EIGHT GENERAL MEETING of the Company will be held at Chembur Gymkhana, Phase – I, 16th Road, Chembur, Mumbai – 400 071, on Friday, 30th March, 2007 at 2:00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2006 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 being eligible offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

By Order of the Board,

N. K. JAGASIA

Chairman & Managing Director

Mumbai, 28th February, 2007

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 27th March, 2007 to 30th March, 2007.
- 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, 28th February, 2007.

Registered Office :

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

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DIRECTORS' REPORT

To the Members,

The Directors hereby present their Twenty Eight Annual Report on the business and operations of your Company and statements of accounts for the year ended 30th September, 2006.

1. SUMMARISED FINANCIAL RESULTS

The financial results are briefly indicated below :

	For the year Ended 30 th September, 2006	For the period ended 30 th September, 2005
	Rs. In '000	Rs. In '000
Profit / (Loss) before Depreciation	(8,941)	26,923
Less : Depreciation	4,973	5,421
Profit / (Loss) before Taxation	(13,914)	21,501
Less : Provision for Taxation	106	5,650
Net Profit / (Loss)	(14,020)	15,851
Surplus brought forward from previous year	(196,262)	(291,181)
Other Adjustments	(27,356)	79,068
Profit available for disposal	<u>237,638</u>	<u>(196,262)</u>
Appropriations :		
Proposed Dividend	---	---
General Reserve	---	---
Balance carried forward to Profit & Loss Account	(237,638)	(196,262)

2. REVIEW OF OPERATIONS

The company is actively perusing its effects to get its arbitrations completed at the earliest to improve the funds flow and provide the same for growth. The contracts under execution both at Reliance-Jamnagar, Reliance-Chennai and Heisco-Kuwait are proceeding well on schedule.

3. THE FUTURE SCENARIO

The revival in Engineering and Construction Industry has gathered momentum. Large number of projects are being approved and implemented. The company's proven performance in Oil and Gas Sector should see it consolidate its position and capitalize on the gains achieved in the year under consideration. Orders from Reliance Jamnagar Refinery worth 20 crores and Kuwait Heisco of about 12 crores, have just started.

4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated Financial statements pursuant to clause 41 of the Listing Agreement entered into the stock exchange and prepared in accordance with the Accounting standards prescribe by the Institute of Chartered Accounts of India are attached herewith, Explanation on the observation made in the auditors report, has been furnished in the 'Notes on Accounts in Schedule p.

5. DIVIDEND

No dividend is proposed by the directors

6. BIFR

Hearing on the company's application made to the Board for Industrial & Financial Reconstruction took place on 17th May, 2006 before the BIFR Bench. The company's application has been admitted under reference No. 152/2004. The Board has appointed M/s. Bank of India, Electric House branch, as an Operating Agency. The company is in the process of preparing the rehabilitation plans through the Operating Agency to the Board.

7. 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.

8. DIRECTORS' RESPONSIBILITY STATEMENT

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

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- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) 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;
- (iii) 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;
- (iv) That the Directors had prepared the annual accounts on a going concern basis.

9. 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.

10. Auditors

The Auditors, M/s. Chokshi & Chokshi hold office until the conclusion of the forthcoming Annual General Meeting and are recommended for re-appointment.

11. ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank the employees of Artson, who continue to stand by your Company. Bank of India, Dena Bank, ICICI Bank Limited and Kotak Mahindra 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 28.02.2007

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
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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, 28.02.2007

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

YEAR YEAR
ENDED 30.09.06 ENDED 30.09.05

A. POWER AND FUEL CONSUMPTION

- 1. Electricity
 - (a) Purchased Units (KWH) Nil Nil

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	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.

(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 30th September, 2006	For the year Ended 30th September, 2005
		(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 30th September, 2006	(Rs. in Lacs) For the year ended 30th September, 2005
(i)	Foreign Exchange earned	237.00	320.00
(ii)	Foreign Exchange used	125.49	215.21

For and on behalf of the Board

N.K. JAGASIA
Chairman & Managing Director

Mumbai 28.02.2007

Registered Office :

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

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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)	8	Y	Kerraun Systems Ltd.	Chairman-1 Member-1
Mr. Prakash S. Chopde	Director (Non-Executive & Non-Independent)	8	Y	Kerraun Systems Ltd.	Chairman-1 Member-1
Mr. R. S. MEDHI*	Director (Whole Time) (Independent)	8	Y	Nil	Member-2

* Appointed since 31.03.2006 as whole time Director in place of Executive Director.

2. **BOARD MEETINGS**

During the period under review, 8 Board Meetings were held, viz. 27.10.2005, 31.01.2006, 01.03.2006, 25.03.2006, 24.04.2006, 30.06.2006, 31.07.2006 & 05.09.2006

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 4 meetings, viz. 31.12.2005, 31.03.2006, 30.06.2006 & 27.09.2006. The composition of the Audit Committee is as hereunder:

Mr. P.S. Chopde	Chairman (Director)
Mr. R.S. Medhi	Member (Director)

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	900,000	Nil
P.S. Chopde	720,000	Nil
R.S.Medhi	*300,000	Nil
TOTAL	**1,920,000	NIL

*Remuneration is for 01.04.2006 to 30.09.2006

**This remuneration was approved by Board of Directors in their meeting held on 25.03.2006 and by Extra Ordinary General Meeting held on 21.04.2006.

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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 Mr. P. S. Chopde, Director. The other member of the Committee is Mr. N. K. Jagasia (CMD) & Mr. R. S. Medhi, 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. Registrar M/s. Sharepro Services has certified that during the financial year, Nil complaints were received from shareholders. The Company had 2 transfers aggregating 3108 shares pending at the close of the year ending on 30th September 2006 which have been processed by 03.10.2006.

6. NAME, DESIGNATION & ADDRESS OF COMPLIANCE OFFICER

Mr. R. S. Medhi
Director

Address:
ARTSON ENGINEERING LIMITED
426, Manoharlal Lekhray 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

7. DETAILS OF GENERAL BODY MEETINGS

<i>Financial Year</i>	<i>Date</i>	<i>Time</i>	<i>Venue</i>
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
2004-2005	31.03.2006	4:30 p.m.	Chembur Gymkhana, Phase-I, 16 th Road,, Chembur, Mumbai-400 071
2005-2006	31.03.2006	2:00 p.m.	Chembur Gymkhana, Phase-I, 16 th Road,, 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.

EXTRA ORDINARY GENERAL MEETING

2005-2006	21.04.2006	4:30 p.m.	426, M.L. Aggarwal Building, W. T. Patil Marg, Chembur, Mumbai-400 071
Special Resolution passed for re-appointment & payment of remuneration to Directors was approved in this meeting.			
2005-2006	05.08.2006	10:30 a.m.	426, M.L. Aggarwal Building, W. T. Patil Marg, Chembur, Mumbai-400 071
Special Resolution passed for delisting of Shares from Chennai(Madras) Delhi & Ahmedabad Stock Exchanges was approved in this meeting.			

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.

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 Exchange. 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.

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10. GENERAL SHAREHOLDERS INFORMATION

☛ **Day, Date, Time and Venue of 28 Annual Year General Meeting :**

Friday 30th of 2007 2:00 p.m. at Chembur Gymkhana, Phase-I, 16th Road,, Chembur, Mumbai-400 071.

☛ **Book Closure Date:**

27th March, 2007 to 30th March, 2007 (both days inclusive)

☛ **Financial Year:** October, 2005 to September, 2006

☛ **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: Taken from 'Stock Prices ' as published by 'BSE Site'.**

PERIOD	LOW (RS.)	HIGH (RS.)
October, 2005	14.60	26.00
November, 2005	16.35	20.70
December, 2005	14.20	20.55
January, 2006	15.45	20.90
February, 2006	15.00	23.00
March, 2006	19.00	34.45
April, 2006	23.10	40.30
May, 2006	33.20	55.25
June, 2006	19.35	34.55
July, 2006	17.25	28.40
August, 2006	21.50	29.00
September, 2006	22.60	37.40

☛ **Distribution of Shareholding:**

The distribution of shareholding as on 30.09.2006 is as follows –

No. of equity shares held	Folios	%age	Shares	%age
Upto 500	12,729	85.810	22,87,014	24.778
501 to 1000	1,167	7.867	9,61,133	10.413
1001 to 2000	463	3.121	7,00,402	7.588
2001 to 3000	153	1.031	3,88,824	4.213
3001 to 4000	64	0.431	2,31,421	2.507
4001 to 5000	72	0.485	3,47,786	3.768
5001 to 10000	96	0.647	7,38,664	8.003
10001 & above	90	0.607	35,74,756	38.730
Shares in transit (in the depository)	Nil	Nil	Nil	Nil
GRAND TOTAL	14,834	100	92,30,000	100
<u>No. of Shareholders in :</u>				
Physical Mode	-	-	28,98,652	31.40
Electronic Mode	-	-	63,31,348	68.60

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➤ **Shareholding pattern as on 30.09.2006:**

Category	No. of Shares held	%age of shareholding
A Promoters' Holding		
1. Promoters (Indian)	12,09,844	13.11
Sub-Total	12,09,844	13.11
B Non-Promoters Holding		
2. Institutional Investors -		
a. Mutual Funds and UTI	2,800	0.03
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions / Non-Government Institutions)	2,075	0.02
c. FIs	770	0.01
Sub-Total	5,645	0.06
3.. Others -		
a. Corporate Bodies	12,53,187	13.58
b. Indian Public	65,22,996	70.67
c. NRIs / OCBs	2,38,328	2.58
d. Any other (NSDL in Transit)	0	0
Sub-Total	80,14,511	86.83
GRAND TOTAL	92,30,000	100.00

➤ **Dematerialization of shares and liquidity:**

68.60 % of the paid up capital has been dematerialised as on 30.09.2006 & 31.40 % continue to hold their shares in physical form.

➤ **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 2006, 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, subject to:

- (1) *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*