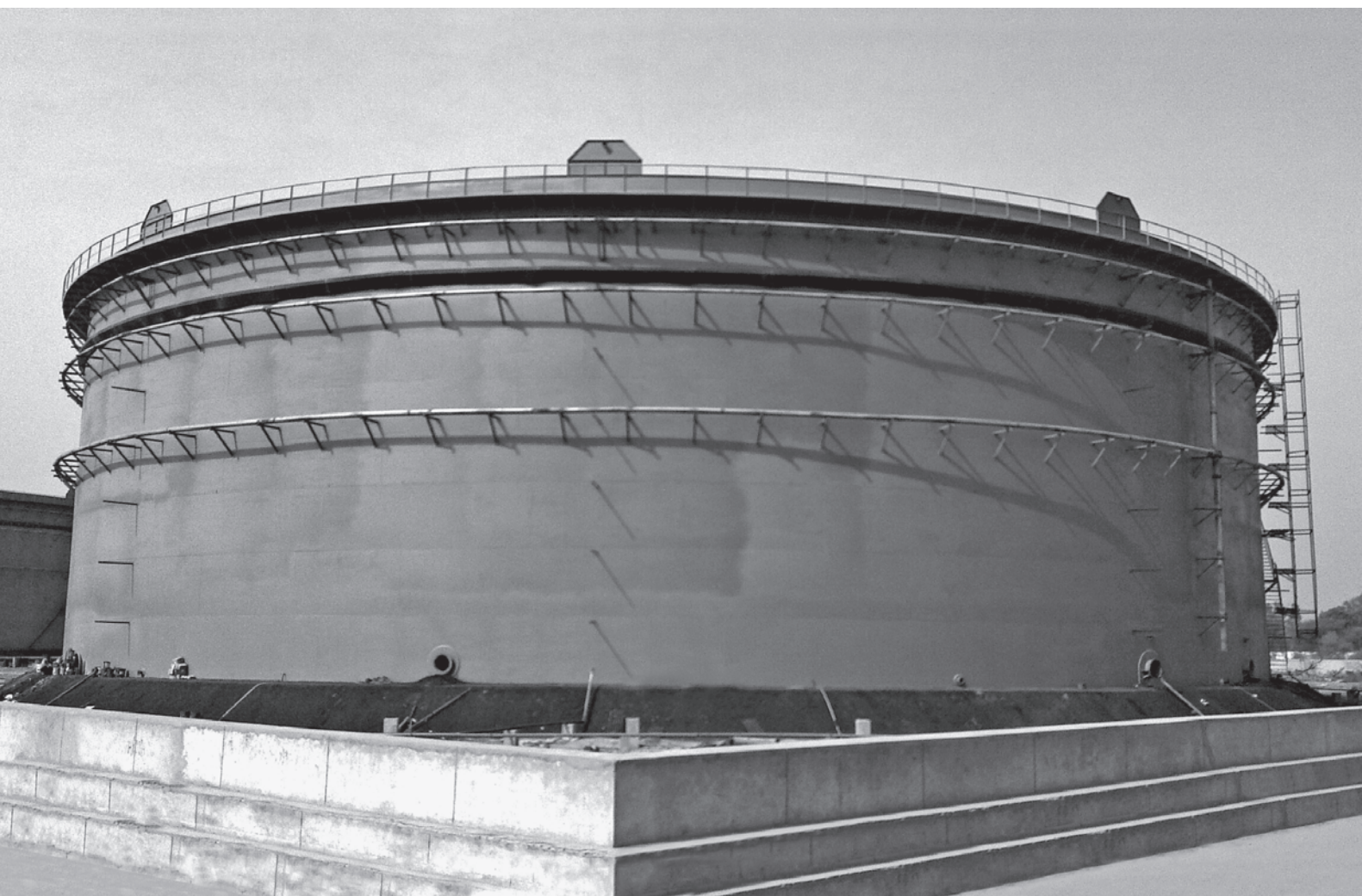




# ARTSON ENGINEERING LIMITED

31<sup>ST</sup> ANNUAL REPORT

2009-2010





↕ Cross Country Pipelines, Kuwait



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# Artson Engineering Limited

## Board of Directors (As on 7<sup>th</sup> May 2010)

Chairman	<b>Kishore Pal Singh</b>
Vice Chairman	<b>N. K. Jagasia</b>
Directors	<b>A. K. Misra</b>
	<b>H. H. Malgham</b>
	<b>Michael Bastian</b>
Special Director	<b>Shashikant Oak</b>
Executive Director – Manufacturing	<b>Prakash S. Chopde</b>
Executive Director	<b>P. V. Varghese</b>

### Registered Office

Rang Udyan, Building No. 1, 2<sup>nd</sup> Floor  
Sitladevi Temple Road, Mahim (West)  
Mumbai 400 016

### Registrar and Share Transfer Agents

Sharepro Services (India) Private Limited  
(Registered Office)  
UNIT: Artson Engineering Limited  
13AB, Samhita Warehousing Complex,  
2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane,  
Off Andheri-Kurla Road, Sakinaka,  
Andheri (East), Mumbai 400 072

Sharepro Services (India) Private Limited  
(Investor Relation Centre)  
UNIT: Artson Engineering Limited  
912, Raheja Centre,  
Free Press Journal Road,  
Nariman Point,  
Mumbai 400 021

### Bankers

Bank of India  
Corporation Bank

### Monitoring Agency

Bank of India

### Auditors

Chokshi & Chokshi, Chartered Accountants

### Concurrent Auditors

Patel & Deodhar, Chartered Accountants

# Artson Engineering Limited

Registered Office: Rang Udyan, Building No. 1, 2<sup>nd</sup> Floor, Sitladevi Temple Road, Mahim (West), Mumbai 400 016

## NOTICE

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of the Company will be held on Wednesday, 21<sup>st</sup> July 2010 at 4.00 p.m. at Mini Theatre, 3<sup>rd</sup> Floor, Ravindra Natya Mandir, P. L. Deshpande Kala Academy, Sayani Road, Prabhadevi, Mumbai 400 025 to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the Financial Year ended 31<sup>st</sup> March 2010 and the Balance Sheet as at that date, together with Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Hoshie H. Malgham, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. N. K. Jagasia, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors to hold Office until the conclusion of the 32<sup>nd</sup> Annual General Meeting on a remuneration to be fixed by the Board of Directors.

### Special Business

5. Appointment of Mr. Michael Bastian as a Director  
To appoint a Director in place of Mr. Michael Bastian, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 21<sup>st</sup> September 2009 and who holds office upto the date of ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 (the Act) but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director.
6. Appointment of Mr. P. V. Varghese as a Director  
To appoint a Director in place of Mr. P. V. Varghese, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 1<sup>st</sup> January 2010 and who holds office upto the date of ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 (the Act) but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director.
7. Appointment and terms of remuneration of Mr. P. V. Varghese as the Executive Director  
To pass the following Resolution, with or without modifications, as a **Special Resolution**  
“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act), and subject to the approval of the Central Government, the Company hereby approves of the appointment and terms of remuneration of Mr. P. V. Varghese as the Executive Director of the Company for a period of 3 (three) years with effect from 1<sup>st</sup> January 2010, upon the terms and conditions as set out below and in the Explanatory Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as ‘the Board’ which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr. P. V. Varghese.
  - a. Remuneration:  
Salary upto a maximum of Rs. 1,25,000/- per month, with annual increments effective 1<sup>st</sup> April every year, commencing 1<sup>st</sup> April 2011, as may be decided by the Board, based on merit and taking into account the Company’s performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration, if any, and/or commission based on certain performance criteria to be prescribed by the Board.”

## b. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration as specified above.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.”

## 8. Reimbursement of medical expenses to Mr. P. S. Chopde, Executive Director – Manufacturing

To pass the following Resolution, with or without modifications, as a **Special Resolution**

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act), and subject to the approval of the Central Government, the Company hereby approves of payment of an amount of Rs. 1,75,709/- to Mr. P. S. Chopde, Executive Director – Manufacturing towards the reimbursement of medical expenses incurred by him during the Financial Year ended 31<sup>st</sup> March 2010.”

**Notes:**

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy and such proxy need not be a Member of the Company. Proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the Meeting.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting is annexed hereto.
3. The Register of Members and the Transfer Books of the Company will remain closed from Wednesday, 14<sup>th</sup> July 2010 to Wednesday, 21<sup>st</sup> July 2010 (both days inclusive).
4. Members holding shares in electronic form are requested to bring their Client ID and DP ID numbers at the Meeting for easy identification.
5. To facilitate registration an attendance slip is enclosed. Shareholders attending the Annual General Meeting are requested to bring it with them at the venue.
6. Pursuant to the provisions of the Companies Act, 1956, facility for making nomination is available to the shareholders in respect of shares held by them. Nomination forms can be obtained from the Registered Office of the Company or the Registrar and Share Transfer Agents of the Company.
7. Shareholders are requested to address all correspondence in relation to shares related matters to the Company's Registrar and Share Transfer Agents at the following addresses:
 

Sharepro Services (India) Private Limited (Registered Office) UNIT: Artson Engineering Limited 13AB, Samhita Warehousing Complex, 2 <sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai 400 072	Sharepro Services (India) Private Limited (Investor Relation Centre) UNIT: Artson Engineering Limited 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021
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8. A Member desirous of getting any information on the accounts or operations of the Company is required to forward his/her queries to the Company at least seven days prior to the Meeting so that the required information can be made available at the Meeting.

By Order of the Board,

**VISHRAM PANCHPOR**  
Company Secretary

Registered Office:

Rang Udyan, Building No. 1,  
2<sup>nd</sup> Floor, Sitladevi Temple Road,  
Mahim (West), Mumbai 400 016

Date: 7<sup>th</sup> May 2010

## EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956 (the Act), the following Explanatory Statement sets out all the material facts relating to the Special Business mentioned in the accompanying Notice and should be taken as forming part of the said Notice.

### Item No. 5:

Mr. Michael Bastian was appointed as the Special Director by the Board for Industrial and Financial Reconstruction (BIFR) and held office from 3<sup>rd</sup> January 2008. The BIFR had, vide its Order F. No. 36/2005/SD/BIFR dated 31<sup>st</sup> August 2009 advised that with effect from the date of the said Order, Mr. Michael Bastian had ceased to be the Special Director of the Company, consequent to his having attained the age of 65 years.

Mr. Bastian, a Chartered Accountant, is a banker by profession and, on reaching the age of superannuation as per the Government of India rules, had retired from service as the Chairman and Managing Director of Syndicate Bank. Mr. Bastian has considerable knowledge and experience in the fields of finance and corporate governance and hence the Board of Directors formed an opinion that his presence on the Board will be very beneficial to the Company at a time when it is restructuring its operations so that they become viable.

Accordingly, Mr. Michael Bastian was appointed as an Additional Director of the Company by the Board of Directors with effect from 21<sup>st</sup> September 2009. Pursuant to the provisions of Section 260 of the Act and Article 147 of the Articles of Association, Mr. Bastian holds office till the date of ensuing Annual General Meeting, but is eligible for appointment. The Company has received a Notice in writing under Section 257 of the Act from a Member of the Company proposing Mr. Michael Bastian, as a candidate for the office of a Director liable to retire by rotation.

None of the Directors except Mr. Michael Bastian is concerned with or interested in the said Resolution.

### Item Nos. 6 and 7:

Pursuant to Section 260 of the Act and Article 147 of the Articles of Association of the Company, the Board of Directors of the Company, vide its Resolution dated 24<sup>th</sup> December 2009, subject to the approval of the Members and the Central Government, appointed Mr. P. V. Varghese as an Additional Director of the Company with effect from 1<sup>st</sup> January 2010. As such, Mr. P. V. Varghese holds office as a Director upto the date of this Annual General Meeting and is eligible for appointment. Notice under Section 257 of the Act has been received from a Member indicating intention to propose Mr. P. V. Varghese for the office of the Director at the forthcoming Annual General Meeting.

Mr. P. V. Varghese is B.Sc. (Hons.) Engg. from Calicut University and AMII (Chem.) from Mumbai. Mr. Varghese has more than 3 (three) decades of experience with Tata Projects Limited (TPL). Mr. Varghese, prior to his deputation to the Company, was heading Oil, Gas and Hydrocarbon (OG&H) SBU of TPL and has very rich experience and deep knowledge of OG&H Sector not only in India but also in International markets especially in the Gulf and Middle-East countries. It was under his leadership that TPL's OG&H SBU could successfully complete many prestigious contracts.

The appointment and terms of remuneration of Mr. P. V. Varghese as the Executive Director are pursuant to the provisions of Article 173 and 176 of the Company's Articles of Association and Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Act. Mr. Varghese shall not, while he continues to be the Executive Director, be subject to retirement by rotation pursuant to the provisions of Section 255 of the Act.

Besides the terms and conditions for payment of Managerial Remuneration as contained in the Resolution at Item No. 7, the other main terms and conditions relating to the appointment of Mr. P. V. Varghese as Executive Director, as approved by the Remuneration Committee and the Board are given below:

1. The Executive Director shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to

superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the Boards of such associated companies and/or subsidiaries or any other executive body or any committee of such a company.

The Executive Director undertakes to employ the best of the skill and ability to make his utmost endeavours to promote the interests and welfare of the Company and to conform to and comply with the directions and regulations of the Company and all such orders and directions as may be given to him from time to time by the Board.

2. The personnel policies of the Company and the related Rules which are applicable to other employees of the Company will also be applicable to the Executive Director, unless specifically provided otherwise.
3. The Executive Director, so long as he functions as such, undertakes not to become interested or otherwise concerned, directly or through his spouse and/or children, in any selling agency of the Company.
4. This appointment may be terminated by either party by giving to the other party six months' notice of such termination or the Company paying six months' remuneration in lieu of such notice.
5. The employment of the Executive Director may be terminated by the Company without notice or payment in lieu of notice:
  - a. if the Executive Director is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associated company to which he is required by the Agreement to render services; or
  - b. in the event of any serious or repeated or continuing breach (after prior warning) or non-observance by the Executive Director of any of the stipulations contained in the Agreement; or
  - c. in the event the Board expresses its loss of confidence in the Executive Director.
6. In the event the Executive Director is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate his contract on such terms as the Board may consider appropriate in the circumstances.
7. Upon the termination by whatever means of his employment under the Agreement:
  - (i) the Executive Director shall immediately tender his resignation from offices held by him in any subsidiaries and associated companies without claim for compensation for loss of office and in the event of his failure to do so the Company is hereby irrevocably authorised to appoint some person in his name and on his behalf to sign and deliver such resignation or resignations to the Company and to each of the subsidiaries and associated companies of which the Executive Director is at the material time a Director or other officer;
  - (ii) the Executive Director shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries and associated companies.
8. The Executive Director is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Act.
9. If and when the Agreement expires or is terminated for any reason whatsoever, Mr Varghese will cease to be the Executive Director, and also cease to be a Director. If at any time, the Executive Director ceases to be Director of the Company for any reason whatsoever, he shall cease to be the Executive Director, and this Agreement shall forthwith terminate. If at any time, the Executive Director ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director and the Executive Director of the Company.

10. The terms and conditions of the appointment of the Executive Director also include clauses pertaining to adherence with the Tata Code of Conduct, intellectual property, non-competition, conflict of interest with the Company and maintenance of confidentiality.
11. The terms and conditions of the appointment of the Executive Director may be altered and varied from time to time by the Board, as it may in its discretion deem fit, irrespective of the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard in such manner as may be agreed to between the Board and the Executive Director, subject to such approvals as may be required.

Pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Act, the approval of the Members in General Meeting is required to be obtained for the appointment of Mr. P. V. Varghese as the Executive Director and the terms of remuneration as set out in Item No. 7 of the Notice.

Mr. P. V. Varghese is concerned with or interested in the Resolutions mentioned at Item No. 6 and 7 of the Notice.

As required under Section 302 of the Act, an abstract of the main terms and conditions of the appointment of Mr. P. V. Varghese as the Executive Director together with the memorandum of concern or interest has already been sent to the shareholders of the Company.

Taking into account Mr. P. V. Varghese's qualifications, experience and performance, the Board is of the opinion that it is in the interest of the Company to receive the benefit of Mr. Varghese's services and accordingly the Directors commend the Resolutions at Item Nos. 6 and 7 for approval by the Members.

#### **Item No. 8:**

At the Extra-Ordinary General Meeting held on 21<sup>st</sup> April 2006, Mr. P. S. Chopde has been appointed as the Whole-time Director of the Company for a period of 5 years effective from 1<sup>st</sup> April 2006 at a remuneration not exceeding Rs. 1,25,000/- per month and other perquisites as mentioned in the Explanatory Statement to the Resolution.

The said Resolution also states that in event of loss or inadequacy of profits in any financial year during the term of Mr. P. S. Chopde, the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Schedule XIII to the Act and the total remuneration as mentioned in the Resolution shall be paid or granted as the 'minimum remuneration'.

During the year ended 31<sup>st</sup> March 2010, the salary, perquisites and allowances availed of by Mr. Chopde aggregated Rs. 15,00,000/-.

Mr. P. S. Chopde, Executive Director – Manufacturing, underwent a bypass surgery in May 2009 and a cataract surgery in February 2010. While major expenses of the cardiac surgery and hospitalisation have been covered under his personal mediclaim policy, he had to incur further expenses. The expenses for cataract surgery could not be claimed under the mediclaim policy. Mr. Chopde has submitted a claim for reimbursement of Rs. 1,75,709/-, being the amount not covered by the mediclaim policy.

The Board of Directors at its Meeting held on 7<sup>th</sup> May 2010, based on the recommendation of the Remuneration Committee has, subject to the approval of the Members and the Central Government, approved the payment of above hospitalisation and medical expenses to Mr. P. S. Chopde. Considering the circumstances and the nature of expenses, the Board formed an opinion that the payment of excess remuneration to the extent of Rs. 1,75,709/- is justified.

After considering the Net Profit for the year ended 31<sup>st</sup> March 2010, the Company is having inadequate profits, and hence Mr. Chopde's total remuneration is subject to the aforementioned approval of the shareholders and the Central Government.

Besides Mr. P. S. Chopde no other Director of the Company is in any way concerned or interested in Item No. 8 of the Notice.

The Board commends the Special Resolution under Item No. 8 for approval.

**Additional information relevant to the said appointment/payment of excess remuneration as per Notification dated 16<sup>th</sup> January 2002 issued by the Department of Company Affairs.**

**I. General Information:**

- (i) Nature of Industry: The Company undertakes EPC contracts on a turn-key basis in the Oil, Gas and Hydrocarbon (OG&H) Industry.
- (ii) Date of commencement of commercial production: The Company was incorporated on 18<sup>th</sup> September 1978 as a private limited company and was converted into a public limited company effective 22<sup>nd</sup> September 1986. The Company commenced commercial production from 1<sup>st</sup> September 1992 from its Nashik Factory.
- (iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable.
- (iv) Financial performance based on given indicators – as per published Audited Financial Results for the Financial Years ended 31<sup>st</sup> March 2009 and 31<sup>st</sup> March 2010:

Rs. Crore

Particulars	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2009
Sales and Other Income	132.08	34.72
Profit/(Loss) before tax	6.23	(5.01)
Profit/(Loss) after tax	6.22	(5.01)
Networth	(7.23)	(13.45)

- (v) Export performance and foreign exchange earnings for the Financial Years ended 31<sup>st</sup> March 2009 and 31<sup>st</sup> March 2010:

Rs. Crore

Particulars	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2009
Earnings	13.17	19.13
Expenditure	14.28	16.32

- (vi) Foreign investments or collaborators, if any: The Company has no foreign collaborators and hence there is no equity participation by foreign collaborators in the Company. The Company has not made any investments overseas.

**II. Information about the appointee/Director:****Mr. P. V. Varghese****(i) Background details:**

Mr. P. V. Varghese is B.Sc. (Hons.) Engg. from Calicut University and AMII (Chem.) from Mumbai. Mr. Varghese has more than 3 (three) decades of experience with Tata Projects Limited (TPL). Mr. Varghese, prior to his deputation to the Company, was heading Oil, Gas and Hydrocarbon (OG&H) SBU of TPL and has very rich experience and deep knowledge of OG&H Sector not only in India but also in International markets especially in the Gulf and Middle-East countries. It was under his leadership that TPL's OG&H SBU could successfully complete many prestigious contracts.

Mr. Varghese has extensive international exposure by virtue of having visited large number of countries on business visits.

**(ii) Past remuneration drawn:**

Remuneration drawn from Tata Projects Limited during the Financial Year 2008-09 aggregated Rs. 25.24 Lakh.

**(iii) Recognition and Awards/Achievements:**

Mr. P. V. Varghese is a permanent member of Indian Institute of Chemical Engineering, nominated member of CII (Western Region) and a permanent member of the Indian Atomic Industrial Forum (IIAF).

**(iv) Job profile and suitability:**

Mr. Varghese was deputed by TPL to assist the Company in its marketing and business development activities. In TPL, Mr. Varghese, prior to his deputation to the Company, was Vice President – OG&H. On deputation to the Company, Mr. Varghese was made Vice President (Marketing). With his guidance and supervision, the Company has been able to secure various important contracts. The Board has full confidence in his abilities to efficiently manage the affairs of the Company and make it viable at the earliest and lead it into a profitable venture in due course of time. With this in view, the Board has appointed Mr. Varghese as an Executive Director of the Company.

**(v) Remuneration proposed:**

Remuneration	Salary upto a maximum of Rs. 1,25,000/- per month with annual increments effective 1 <sup>st</sup> April every year, commencing 1 <sup>st</sup> April 2011, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration, if any, and/or commission based on certain performance criteria to the prescribed by the Board.
	Salary: Rs. 85,000/- per month with effect from 1 <sup>st</sup> January 2010.
Minimum Remuneration in case of inadequacy of profits during any financial year	Salary, perquisites and allowances, incentive remuneration as mentioned above, but excluding commission.