



ARTSON ENGINEERING LIMITED

32ND ANNUAL REPORT

2010-2011





Tellurium Reactor
manufactured at
Nashik Factory



Air Receiver
manufactured at
Nashik Factory



Artson Engineering Limited

Board of Directors (As on 30th April 2011)

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

Registered Office

Rang Udyan, Building No. 2, 1st 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,
2nd 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
Gulf Bank, Kuwait

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. 2, 1st Floor, Sitladevi Temple Road, Mahim (West), Mumbai 400 016

NOTICE

Notice is hereby given that the 32nd Annual General Meeting of the Members of the Company will be held on Thursday, 28th July 2011 at 4.00 p.m. at Mini Theatre, 3rd Floor, Ravindra Natya Mandir, P. L. Deshpande Kala Academy, Sayani Road, Prabhadevi, Mumbai 400025 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the Financial Year ended 31st March 2011 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. Kishore Pal Singh, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. Arun Kumar Misra, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors to hold Office until the conclusion of the 33rd Annual General Meeting on a remuneration to be fixed by the Board of Directors.

Special Business

5. Re-appointment and terms of remuneration of Mr. P. S. Chopde as Executive Director – Manufacturing

To consider and 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), the Company hereby approves of the appointment and terms of remuneration of Mr. P. S. Chopde as the Whole-time Director of the Company, designated as Executive Director (Manufacturing), for a period of 3 (three) years with effect from 1st April 2011, 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. S. Chopde.

a. **Remuneration:**

Salary not exceeding ₹ 1,00,000/- per month, with annual increments effective 1st April every year, commencing 1st April 2012, 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.”

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 Thursday, 21st July 2011 to Thursday, 28th July 2011 (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 Registrars 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 nd 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. 2,
1st Floor, Sitladevi Temple Road,
Mahim (West), Mumbai 400 016

Date: 30th April 2011

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:

The Board of Directors of the Company (the Board) vide its Resolution dated 31st March 2011 has, on the recommendations of the Remuneration Committee and subject to the approval of the Members at General Meeting, re-appointed Mr. P. S. Chopde, as the Whole-time Director of the Company, designated as Executive Director (Manufacturing), for a period of 3 years i.e. from 1st April 2011 to 31st March 2014.

The appointment and terms of remuneration of Mr. P. S. Chopde as the Executive Director – Manufacturing 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. P. S. Chopde shall not, while he continues to be the Whole-time 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. 5, the other main terms and conditions relating to the re-appointment of Mr. P. S. Chopde as a Whole-time Director, as approved by the Remuneration Committee and the Board are given below:

1. The Executive Director – Manufacturing 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 – Manufacturing 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 – Manufacturing, unless specifically provided otherwise.
3. The Executive Director – Manufacturing, 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 – Manufacturing may be terminated by the Company without notice or payment in lieu of notice:
 - a. if the Executive Director – Manufacturing 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 – Manufacturing 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 – Manufacturing.
6. In the event the Executive Director – Manufacturing 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 – Manufacturing 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 – Manufacturing is at the material time a Director or other officer;
 - (ii) the Executive Director – Manufacturing 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 – Manufacturing 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. P. S. Chopde will cease to be the Executive Director – Manufacturing, and also cease to be a Director. If at any time, the Executive Director – Manufacturing ceases to be Director of the Company for any reason whatsoever, he shall cease to be the Executive Director – Manufacturing, and this Agreement shall forthwith terminate. If at any time, the Executive Director – Manufacturing ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director and Executive Director – Manufacturing of the Company.
10. The terms and conditions of the appointment of the Executive Director – Manufacturing 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 – Manufacturing 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 – Manufacturing, 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 re-appointment of Mr. P. S. Chopde as the Executive Director – Manufacturing and the terms of remuneration as set out in Item No. 5 of the Notice.

Mr. P. S. Chopde is concerned with or interested in the Resolution mentioned at Item No. 5 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. S. Chopde as the Executive Director – Manufacturing together with the memorandum of concern or interest has already been sent to the shareholders of the Company.

Taking into account Mr. P. S. Chopde'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. Chopde's services and accordingly the Directors commend the Resolution at Item No. 5 for approval by the Members.

Additional information relevant to the said appointment/payment of excess remuneration as per Notification dated 16th 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 18th September 1978 as a private limited company and was converted into a public limited company effective 22nd September 1986. The Company commenced commercial production from 1st September 1992 from its Nashik Factory. This factory was closed in the year 2002 and commercial operations have re-commenced effective 10th November 2010.
- (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 31st March 2011 and 31st March 2010:

₹ Crore

Particulars	31 st March 2011	31 st March 2010
Sales and Other Income	136.02	132.08
Profit/(Loss) before tax	4.27	6.23
Profit/(Loss) after tax	4.55	6.22
Networth	(2.69)	(7.23)

- (v) Export performance and foreign exchange earnings for the Financial Years ended 31st March 2011 and 31st March 2010:

₹ Crore

Particulars	31 st March 2011	31 st March 2010
Earnings	32.33	13.17
Expenditure	30.37	14.28

- (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. S. Chopde

- (i) Background details:

Mr. P. S. Chopde is a Mechanical Engineer from Pune University and MBA from the Jamnalal Bajaj Institute of Management Studies. He has over 4 decades of experience in Design and Construction. He was working with Lube India Limited and Hindustan Petroleum Corporation Limited before promoting this Company. Mr. Chopde has extensive international exposure by virtue of having visited large number of countries on business visits.

(ii) Past Remuneration drawn:

Remuneration drawn during the Financial Year 2010–11 aggregated ₹ 15 Lakh.

(iii) Recognition and Awards/Achievements:

Mr. Chopde has conducted many workshops on storage tanks in India and abroad and has many innovative methods of tank construction to his credit. He has been instrumental in popularizing in India the 'build and lift' method of tank construction using hydraulic jacks.

(iv) Job profile and suitability:

Mr. P. S. Chopde is one of the original promoters of the Company. Mr. Chopde has over four decades extensive experience in design and construction. Effective 4th August 2009, Mr. Chopde has been re-designated as the Executive Director – Manufacturing to undertake the revival and starting of the Nashik Factory in a phased manner. Taking into consideration his qualifications and expertise, Mr. P. S. Chopde is best suited for the responsibilities assigned to him by the Board of Directors.

(v) Remuneration proposed:

Remuneration	Salary not exceeding ₹ 1,00,000/- per month with annual increments effective 1 st April every year, commencing 1 st April 2012, 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.
Minimum Remuneration in case of inadequacy of profits during any financial year	Salary, perquisites and allowances, incentive remuneration as mentioned above, but excluding commission.

(vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

Taking into consideration the nature of industry, size of the Company, the profile of Mr. P. S. Chopde, responsibility shouldered by him, the remuneration proposed is not commensurate and significantly lesser than the remuneration packages paid to similar senior level appointees in other companies.

(vii) Pecuniary relationship, directly or indirectly, with the Company or relationship with the managerial personnel, if any:

Besides the proposed remuneration, Mr. P. S. Chopde has no pecuniary relationship, directly or indirectly, with the Company or its managerial personnel.

III. Other Information:

(i) Reasons for loss or inadequate profits:

As per the Audited Balance Sheet as on 30th September 2004, the Company's networth was fully eroded due to the accumulated losses and consequently, the Company was referred to the Board for Industrial and Financial Reconstruction (BIFR) as a sick company under the provisions of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985. The main reasons for the sickness of the Company were non-availability of certain type of specialized raw materials such as alloy carbon steel and non-ferrous plates, major

industrial relation problems resulting in closure of Nashik factory, major orders for fabrication of storage tanks had been abandoned which resulted in financial crunch, due to lack of funds, the Company suffered heavy losses in executing some of the Orders.

(ii) Steps taken or proposed to be taken for improvement:

At the hearing held on 27th November 2007, the BIFR has sanctioned the Rehabilitation Scheme of the Company and the Order sanctioning the scheme of rehabilitation was received by the Company on 18th December, 2007 (Sanctioned Scheme). The Sanctioned Scheme is presently under implementation.

As per the Audited Accounts of the Company for the Financial Year ended 31st March 2011, the Company's operations had resulted in a Profit After Tax of ₹ 4.54 Crore as against a Profit After Tax of ₹ 6.22 Crore during the Financial Year ended 31st March 2010. The accumulated loss as at 31st March, 2011 was ₹ 6.38 Crore as against ₹ 10.92 Crore as at 31st March, 2010.

(iii) Expected increase in productivity and profits in measurable terms:

With the orders already secured and commencement of commercial operations from the Nashik Factory, the Company hopes to substantially reduce the accumulated loss by the year-end and thereby meet the performance assured to BIFR at the time it gave its Sanctioned Scheme. The cost reduction measures would also contribute in the Company's profitability.

By Order of the Board,

VISHRAM PANCHPOR
Company Secretary

Registered Office:

Rang Udyan, Building No. 2,
1st Floor, Sitladevi Temple Road,
Mahim (West), Mumbai 400 016

Date: 30th April 2011