

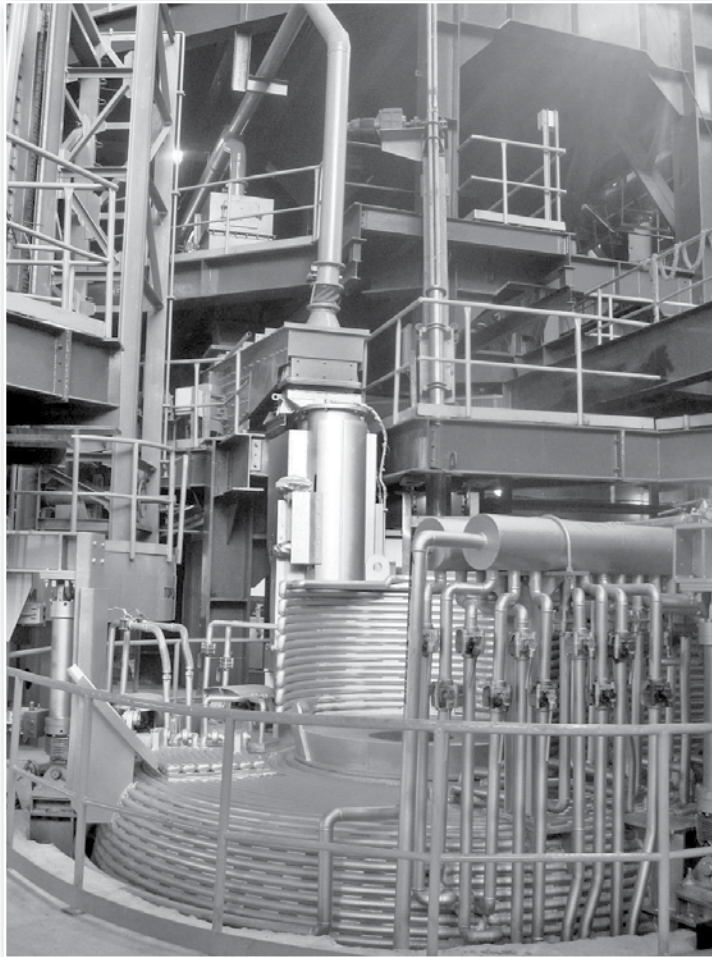


ARTSON ENGINEERING LIMITED

33RD ANNUAL REPORT

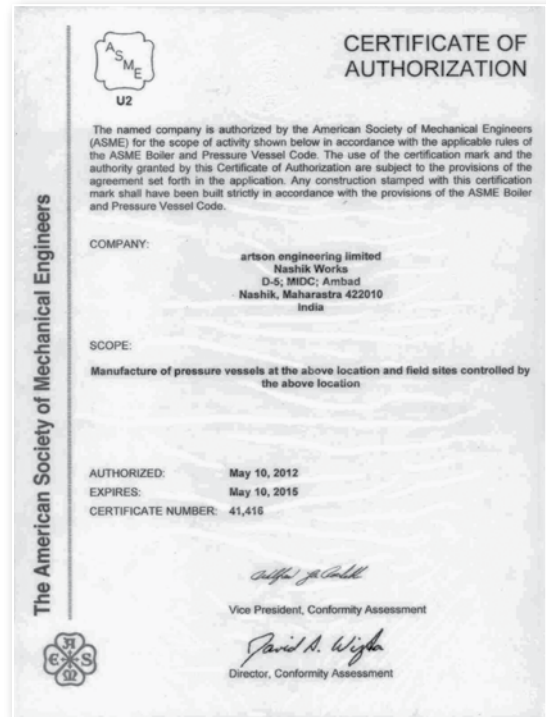
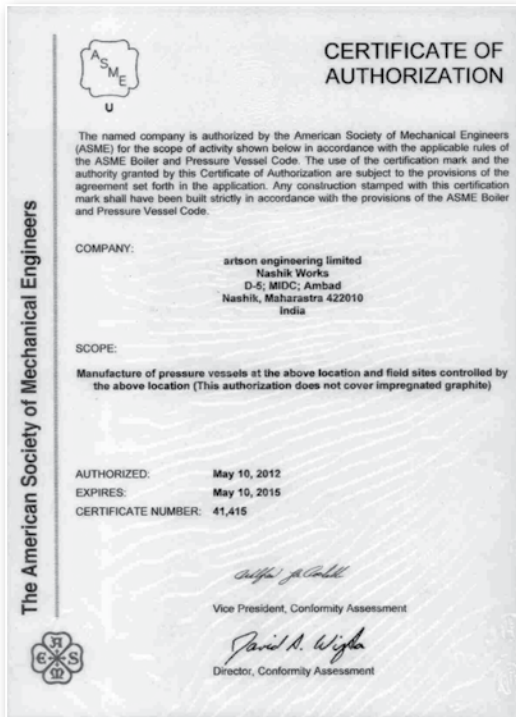
2011-2012





LD#3 Project
being erected and
commissioned at
Jamshedpur

ASME – Authorization Certificates



On Cover — Above: Feed vessels manufactured at Nashik Factory. Below: Nitrogen vessels manufactured at Nashik Factory.

Artson Engineering Limited

Board of Directors (As on 2nd May 2012)

Chairman	Vinayak Deshpande
Directors	H. H. Malgham
	A. K. Misra
	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

Manufacturing Unit

D-5, MIDC
Ambad, Nashik 422 010

Share Registrars and 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

Monitoring Agency

Bank of India

Statutory Auditors

Chokshi & Chokshi, Chartered Accountants

Concurrent Auditors

Patel & Deodhar, Chartered Accountants

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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 33rd Annual General Meeting of the Members of the Company will be held on Monday, 23rd July 2012 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 2012 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. Michael Bastian, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors to hold Office until the conclusion of the 34th Annual General Meeting on a remuneration to be fixed by the Board of Directors.

Special Business

4. Appointment of Mr. Vinayak Deshpande as a Director.

To appoint a Director in place of Mr. Vinayak Deshpande, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 1st February 2012 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.

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 Monday, 16th July 2012 to Monday, 23rd July 2012 (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 Share Registrars and Transfer Agents of the Company.
7. Shareholders are requested to address all correspondence in relation to shares related matters to the Company's Share Registrars and Transfer Agents at the following addresses:

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

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.
9. Pursuant to the "Green Initiative in Corporate Governance" the Notice convening the 33rd Annual General Meeting along with the Balance Sheet, Profit & Loss Account, Directors' Report and Auditors' Report etc. for the year ended 31st March 2012, are being issued in electronic form, to the email address made available by the Depositories.

Full text of the Notice and these reports will also be made available in an easily navigable format on the Company's website, **www.artson.net**. The physical copies of the Annual Report will be available at the Registered Office of the Company for inspection during office hours.

The Members who still intend to receive the copies of the Notice and other documents in physical form (hard copy) are requested to write to the Company Secretary at the Company's Registered Office or send an email to **artson@shareproservices.com** and accordingly a printed copy of the Annual Report will be sent to the registered address of the Member.

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: 2nd May, 2012

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. 4:

Mr. Vinayak Deshpande, nominee of Tata Projects Limited, was appointed as an Additional Director of the Company by the Board of Directors with effect from 1st February 2012. Pursuant to the provisions of Section 260 of the Act and Article 147 of the Articles of Association, Mr. Deshpande 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. Vinayak Deshpande, as a candidate for the office of a Director liable to retire by rotation.

Mr. Vinayak Deshpande is a graduate in Chemical Engineering (1980) from IIT, Kharagpur. He has over 30 years of work experience in different roles in diverse industries, starting with the design and sales of Boilers and Captive Power Plants in Thermax and Industrial Automation and Process Controls in Tata Honeywell, of which he was the Managing Director of its India business for 5 years till 2004-05. After an eventful stint as the Executive President (Operations) of Tata Teleservices, Mr. Deshpande moved to Hindustan Construction Company Limited in 2008-09 as its President in-charge of EPC and construction business. Effective 1st July 2011, Mr. Vinayak Deshpande is the Managing Director of Tata Projects Limited.

None of the Directors except Mr. Vinayak Deshpande is concerned with or interested in the said Resolution.

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: 2nd May, 2012

INFORMATION PERTAINING TO DIRECTORS SEEKING RE-APPOINTMENT/APPOINTMENT

Name of the Director	Mr. Michael Bastian	Mr. Vinayak Deshpande
Director Identification Number (DIN)	00458062	00036827
Date of Birth	5 th August 1944	21 st July 1957
Directorship in other Indian companies	<ol style="list-style-type: none"> 1. Elder Pharmaceuticals Limited 2. Orient Paper & Industries Limited 3. Indian Oil Corporation Limited 4. Bangalore Stock Exchange Limited 	<ol style="list-style-type: none"> 1. Tata Projects Limited 2. Kennametal India Limited 3. NELCO Limited 4. Voltas Limited
Directorship in foreign companies	Nil	<ol style="list-style-type: none"> 1. TPL-TQA QS South Africa (Proprietary) Ltd. 2. TPL-TQA QS (Mauritius) Pty. Ltd.
Positions in Committees* of other Indian companies	<ol style="list-style-type: none"> 1. Indian Oil Corporation Limited – Audit Committee, Chairman 2. Elder Pharmaceuticals Limited – Audit Committee, Chairman 3. Orient Paper & Industries Limited – Investors Grievance Committee, Chairman 4. Orient Paper & Industries Limited – Audit Committee, Member 5. Bangalore Stock Exchange Limited – Audit Committee, Member 	<ol style="list-style-type: none"> 1. Kennametal India Limited – Audit Committee, Member 2. NELCO Limited – Audit Committee, Member
Number of shares held in the Company	Nil	Nil
Relationship, if any, with other Directors	Nil	Nil

* Only Audit and Investor Grievances Committees considered.

DIRECTORS' REPORT

TO THE MEMBERS OF ARTSON ENGINEERING LIMITED

The Directors present their Thirty-third Annual Report along with the Audited Statement of Accounts for the financial year ended 31st March 2012.

1. Performance of the Company

The Company's performance for the year is summarised below:

Financial Highlights

	Financial Year ended 31 st March 2012	Financial Year ended 31 st March 2011
		(₹ Crore)
Sales and Other Income	60.88	135.94
Profit/(Loss) before Finance cost, Tax, Depreciation and Exceptional items	(5.61)	9.20
Profit/(Loss) before tax	(13.49)	4.27
Profit/(Loss) after tax	(13.30)	4.55
Profit/(Loss) brought forward	(6.37)	(10.92)
Profit/(Loss) available for appropriation	(19.67)	(6.37)

Operations

The Company's Total Income for the year under review aggregated ₹ 60.88 Crore (Previous year – ₹ 135.94 Crore). The operations of the Company for the period under review resulted in a Loss after Tax of ₹ 13.30 Crore (Previous year – Profit after Tax of ₹ 4.55 Crore).

The Company commenced the financial year with a healthy order backlog of about ₹ 200 Crore. However, two major overseas contracts having aggregate value of about ₹ 125 Crore could not be executed, and were treated as cancelled, due to certain onerous contractual issues. Consequently, the Company could not achieve the results hoped for at the start of the Financial Year.

During the year under review, the Company completed (a) the project at Bathinda entailing construction of 64 nos. of Intermediate and Product Storage Tanks (b) another project at Bathinda involving supply, fabrication and erection of structural Crossover Platform in Tank Farm area, and (c) a project entailing mechanical works and piping of 8 (eight) well pads at Bhagyam Oil-fields at Barmer, Rajasthan. The Company's Nashik factory successfully completed a major order of manufacturing high-pressure and complex equipment for installation at a steel plant in Rourkela.

The Company has been awarded by one of its Clients a Certificate for achievement of One Million safe Man-hours of Construction Works without any Lost Time Incident (LTI). This Certificate has been awarded for maintaining Construction Safety Standards as prescribed by the Client and the Company will ensure to maintain these standards in all other project sites.

Work for projects at Cuddalore is now gaining momentum after the suspension due to cyclone in December 2011 which hit India's East Coast. Work was restarted in March 2012, after completion of insurance survey and technical audit by the Client.

Project execution activities at Jamshedpur sites are being completed as per schedule.

During the year under review, the Company secured new orders aggregating ₹ 95 Crore. The total order-book position as at 31st March 2012 was about ₹ 115 Crore. Since the beginning of

the FY 2012-13, the Company has received new orders aggregating ₹ 36 Crore. In addition to domestic projects, the Company is actively pursuing various opportunities in the overseas markets, especially in the Middle-East and Gulf Region, and is hopeful of adding, for execution, new orders during the Financial Year 2012-13.

The Board is conscious of the fact that the Company's Net Worth continues to be negative. However, as mentioned earlier, due to factors beyond the control of the Company, its endeavours to be Networth-positive have not fructified. The Board is, however, confident that with pro-active actions under implementation, the performance during the current year will lead to substantial improvement.

2. Certification by American Society of Mechanical Engineers (ASME)

A Review Team from the American Society of Mechanical Engineers (ASME) has recently conducted an audit of the Company's Nashik Factory and hence is now been received an ASME Certification. The Company is, consequently, hopeful of booking significant number of high-end fabrication orders to be executed from Nashik factory.

3. Rehabilitation Scheme sanctioned by the Board for Industrial and Financial Reconstruction

As the Members are aware, the Board for Industrial and Financial Reconstruction (BIFR) had, vide its Order dated 18th December 2007, sanctioned a rehabilitation scheme (Sanctioned Scheme). The said Sanctioned Scheme is presently under implementation. Most of the provisions of the Sanctioned Scheme have already been implemented.

During the year under review, the Company filed a modification application seeking further exemption from Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited (BSE). The BIFR has approved the extension of the exemption till 31st March 2013 from the applicability of Clause 49 of the Listing Agreement.

4. Term loan from Tata Projects Limited

During the year under review, the Company repaid a part of the 2nd instalment of ₹ 1.50 Crore towards the principal amount of the term loan extended by Tata Projects Limited (TPL) under the Sanctioned Scheme. Considering the working capital requirements for the projects under execution and other business activities of the Company and circumstances, TPL has allowed further time to repay the balance amount of ₹ 3.70 Crore by 30th September 2012. Interest on the said loan has been paid to TPL regularly.

5. Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, for the year ended 31st March 2012 the Directors confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates 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 or loss of the Company for that period;
- c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the Directors had prepared the annual accounts on a going concern basis.

6. Directors

Mr. N. K. Jagasia, an original promoter and director, resigned as a Director of the Company effective 17th August 2011. The Board has placed on record its appreciation of the role played by Mr. Jagasia during his tenure as a Director.

Mr. K. P. Singh, who had been nominated as a Director by Tata Projects Limited, stepped down as a Director of the Company effective 1st February 2012. The Board has placed on record its appreciation of his valuable guidance and directions in the Company's initiatives and achievements during his tenure as the Chairman of the Company.

Mr. Vinayak Deshpande, the Managing Director of Tata Projects Limited, was nominated by it to the Board in lieu of Mr. K. P. Singh and the Board has appointed Mr. Deshpande as the Chairman effective 1st February 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. Deshpande holds office, as an Additional Director, upto the ensuing Annual General Meeting, but is eligible for re-appointment. The Company has received a notice in writing from a Member proposing candidature of Mr. Deshpande for the office of a Director. Accordingly, proposal for Mr. Deshpande's appointment as a Director is being placed before the shareholders for their approval at the ensuing Annual General Meeting.

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Michael Bastian retires by rotation and is eligible for re-appointment.

7. Audit Committee

The Audit Committee comprises of Mr. H. H. Malgham, Mr. Michael Bastian and Mr. Shashikant Oak. The Audit Committee continues to provide valuable advice and guidance in the areas of costing, finance and internal controls.

8. Auditors

M/s. Chokshi & Chokshi, Chartered Accountants, the Statutory Auditors of the Company are due to retire at the ensuing Annual General Meeting. The Company has received a certificate from the Statutory Auditors, under Section 224(1)(b) of the Companies Act, 1956, stating that they are eligible for re-appointment and the said re-appointment, if made, will be within the prescribed limits.

9. Cost Accountants

During the year under review, the Companies (Cost Accounting Records) Rules, 2011 ("the Rules") were notified vide Notification [No. G. S. R. 429 (E) dated 3rd June 2011] issued by the Ministry of Corporate Affairs. In compliance with the provisions of the Rules, the Company has appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai to be the cost accountants for the Financial Year under review and they have certified the compliance report to be submitted by the Company to the Central Government.

10. Particulars of Employees

Particulars of the employees as required under Section 217 (2A) of the Companies Act, 1956 are not applicable as the Company did not have any employee drawing remuneration in excess of the sums prescribed.

11. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgoings

Particulars prescribed under Section 217(1) (e) of the Companies Act, 1956 are given in an Annexure to this Report.

12. Report on Corporate Governance

Pursuant to the Orders passed by the BIFR, the Company has been granted exemption from complying with the requirements of Clause 49 of the Listing Agreement upto 31st March 2012, now extended upto 31st March 2013. Accordingly, for the year under review, the Company is not required to report compliance with Clause 49 of the Listing Agreement dealing with Corporate Governance.