

CHOICE INTERNATIONAL LIMITED



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Director.

**11th ANNUAL REPORT
2003-04**



CHOICE INTERNATIONAL LIMITED

BOARD OF DIRECTORS

**Mr.Sunil Goyal
Mr.Mehul Mehta
Mr.Mahendra Patole
Mr. Gopal Agrawal
Ms. Seema Chavan**

AUDITORS

**B.T. Bhomawat & Co.
R. No 10, 1st Floor, "Court House"
L.T. Marg, Carnac Road
Mumbai – 400 002.**

BANKERS

**Citibank N.A.
The Bharat Co-op. Bank (Mumbai) Ltd.**

REGISTERED OFFICE

**B-22, 1st Floor, Raj Industrial Complex
Military Road, Marol, Andheri (E)
Mumbai – 400 059.**

**REGISTRAR AND
SHARE TRANSFER AGENTS**

**Sharex (India) Pvt. Limited
17/B, Dena Bank Bldg
IInd Floor, Horniman Circle, Fort
Mumbai-400 001.**

**CHOICE INTERNATIONAL LIMITED****NOTICE**

NOTICE is hereby given that the Eleventh Annual General Meeting of the members of **CHOICE INTERNATIONAL LIMITED** will be held on Wednesday, 29th September, 2004 at 4.30 p.m. at the Registered Office of the Company at B-22, 1st Floor, Raj Industrial Complex, Military Road, Marol, Andheri (E), Mumbai 400 059 to transact the following business: -

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended on that date and the reports of the Directors' and Auditors' thereon.
- 2 To appoint a Director in place of Mr. Mehul Mehta who retires by rotation under Article 131 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

- 3 To consider and, if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to section 225 of the Companies Act, 1956 and other applicable provisions, if any, M/s. Gupta Shyam & Co., Chartered Accountant, Mumbai be and are hereby appointed as the Auditors of the Company in place of M/s B. T. Bhomawat & Co., retiring Auditors, to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting at the remuneration as may be mutually agreed upon between M/s. Gupta Shyam & Co. and the Board of Directors of the Company."
- 4 To consider and, if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Gopal Agrawal, who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 21st June, 2004 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received proposing the candidature of Mr. Agrawal as a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."
- 5 To consider and, if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:
"RESOLVED THAT Ms. Seema Chavan, who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 21st June, 2004 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received proposing the candidature of Ms. Chavan as a Director, be and is hereby appointed as a Director of the Company not liable to retire by rotation."
- 6 To consider and, if thought fit, to pass, with or without modification the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Section 198, 269, 310 read with Schedule XIII of the Companies Act 1956, and other applicable provisions, if any, Ms. Seema Chavan be and is hereby appointed as a Whole-time Director of the Company for the period of three years w.e.f. 21st June, 2004."

FURTHER RESOLVED THAT Ms. Seema Chavan shall also be designated as a 'Compliance Officer' in terms of the Company's Listing Agreement with the Stock Exchanges where the Company's shares are listed.

FURTHER RESOLVED THAT Ms. Seema Chavan shall be paid the remuneration as may be fixed by the Remuneration Committee from time to time subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956.

FURTHER RESOLVED THAT Ms. Seema Chavan shall not be liable to retire by rotation during her tenure as a Whole-time Director.

FURTHER RESOLVED THAT any of the director of the Company be and is hereby authorised to do all such acts, deeds, matters and things necessary to give effect to this resolution."

Place : Mumbai, .
Date : 2nd September, 2004

On behalf of the Board of Directors

S. Chavan
Whole-Time Director

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF MEETING.
2. Explanatory Statement pursuant to the provisions of section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Transfer Register and the Register of Members shall remain closed from Tuesday, 28th September, 2004 to Wednesday, 29th September, 2004 (both days inclusive).
4. All members are requested to intimate changes, if any, in their registered address, immediately to the Registrar & Transfer Agents, Sharex (India) Pvt. Ltd. or to their depository participants in case shares are held in electronic form.
5. All documents referred to in the notice are open for inspection at the Registered Office of the company during office hours.
6. As a measure of economy, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the annual report to the meeting.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries at least seven days before the date of the Meeting to the Company so that information required may be made available at the Meeting.
8. Members are requested to sign at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the Meeting Hall.

**CHOICE INTERNATIONAL LIMITED****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****RESOLUTION AT ITEM NO. 3**

M/s B. T. Bhomawat & Co. the retiring auditors of the Company, have expressed their unwillingness to be reappointed as auditors of the Company from the conclusion of this Annual General Meeting of the Company. Accordingly, it is proposed to appoint M/s. Gupta Shyam & Co. as auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. M/s Gupta Shyam & Co. have confirmed their eligibility and willingness to act as auditors of the Company.

The Directors recommend the resolution for the approval of the members. None of the Director is concerned or interested in passing of the resolution.

RESOLUTION AT ITEM NO. 4

Mr. Gopal Agrawal was appointed as an Additional Director of the Company w.e.f 21st June, 2004. Pursuant to the provisions of Section 260 of the Companies Act, 1956 Mr. Agrawal holds office upto the date of this Annual General Meeting. Pursuant to section 257 of the Companies Act, 1956, the Company has received a notice in writing together with a deposit of Rs.500 from a member signifying his intention to propose the candidature of Mr. Gopal Agrawal for the office of Director.

Mr. Gopal Agrawal is a Chartered Accountant having more than 8 years of experience in the field of corporate accounts and taxation. Considering Mr. Agrawal's knowledge and experience, the Board believes that his appointment will be in the interest of the Company and therefore recommends the Resolution for adoption by the shareholders. None of the Directors except Mr. Agrawal is interested in the passing of this resolution.

RESOLUTION AT ITEM NO. 5 & 6

Ms. Seema Chavan was appointed as an Additional Director of the Company w.e.f 21st June, 2004. Pursuant to the provisions of Section 260 of the Companies Act, 1956 Ms. Chavan holds the office upto the date of this Annual General Meeting. Pursuant to section 257 of the Companies Act, 1956, the Company has received a notice in writing together with a deposit of Rs.500 from a member signifying his intention to propose the candidature of Ms. Seema Chavan for the office of Director.

Further, Ms. Chavan was appointed as a Whole-time Director of the Company w.e.f. 21st June 2004. Part III of Schedule XIII of the Companies Act, 1956 requires appointment and remuneration of the Whole-time Director to be approved by the Shareholders. The particulars of remuneration payable to Ms. Seema Chavan are as under :

1. Salary Rs. 12,000/- p.m.
2. One month Bonus Salary and one month paid leave for every completed period of twelve months of service.

The above remuneration will also be payable to Ms. Chavan in the event of loss or inadequate profit in any year during her tenure as a Whole-time Director.

Ms. Seema Chavan is a qualified Company Secretary with experience of 8 years in the field of Corporate Law. Considering Ms. Chavan's knowledge and experience, the Board believes that her appointment will be in the interest of the Company and therefore recommends the Resolution for adoption by the shareholders. This shall be treated as a Notice given under Section 302(7) of the Companies Act, 1956.

None of the Directors except Ms. Chavan is interested in the passing of these resolutions.

Place : Mumbai ,
Date : 2nd September, 2004

On behalf of the Board of Directors

S. Chavan
Whole-Time Director



CHOICE INTERNATIONAL LIMITED

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting their Eleventh Annual Report and Audited Financial Statement of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year ended 31.03.2004	Year ended 31.03.2003
Total Income	487.58	198.57
Total Expenditure	<u>479.81</u>	<u>215.68</u>
Profit / (Loss) before Interest, Depreciation and Taxation	7.77	(17.11)
Less: Interest	—	—
Depreciation & Write off	5.02	6.88
Provision for taxation	—	—
Profit / (Loss) after tax	2.75	(23.99)
Add: Balance brought forward	(73.16)	(49.12)
Add / (Less) Adjustments:		
Prior period expenses	(0.45)	(0.05)
Appropriations	—	—
Carried forward to next year	<u>(70.86)</u>	<u>(73.16)</u>

DIVIDEND

In view of the unabsorbed carried forward losses, the Directors regret their inability to recommend any dividend for the year.

REVIEW OF OPERATIONS

The Company's gross revenue for the year under review amounted to Rs.487.58 lacs as compared to Rs.198.57 lacs for the last year. The net profit after tax for the year amounted to Rs. 2.75 lacs as compared to loss of Rs. 23.99 lacs in the previous year.

DIRECTORS

Mr. Mehul Mehta retires by rotation and, being eligible, offers himself for reappointment, which the Board recommends. Mr. Robert Pavrey resigned as a Director with effect from 25th March, 2004. The Directors place on record their appreciation of the services rendered by Mr. Pavrey during his tenure as a Director. Mr. Shailendra Jindal, Managing Director, resigned from the services of the Company with effect from 1st July, 2004. The Directors place on record their appreciation of the services rendered by Mr. Jindal during his tenure as a Managing Director.

Mr. Gopal Agrawal and Ms. Seema Chavan were appointed as Additional Directors w.e.f. 21st June, 2004. Additionally, Ms. Seema Chavan was also appointed as a Whole-time Director for a period of 3 years with effect from 21st June, 2004. Your approval is sought for appointments of Mr. Gopal Agrawal and Ms. Seema Chavan vide resolutions set out in item nos. 4, 5 and 6 respectively of the accompanying notice.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- 1 In the preparation of the annual accounts, the applicable accounting standards have been followed;
- 2 Appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the affairs at the end of the financial year and of the profit of the Company for the financial year ended 31st March, 2004;
- 3 Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the asset of the Company and for preventing and detecting fraud and other irregularities;
- 4 The annual accounts have been prepared on a going concern basis.

AUDITORS

M/s B. T. Bhomawat & Co., the retiring auditors of the Company, have expressed their unwillingness to be reappointed as auditors of the Company from the conclusion of this Annual General Meeting. It is proposed to appoint M/s. Gupta Shyam & Co., Chartered Accountants, as auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. M/s. Gupta Shyam & Co. have also confirmed their eligibility and willingness to act as auditors of the Company.

PUBLIC DEPOSITS

The Company has not accepted any deposits from Public within the meaning of Section 58 A of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

There are no employees whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

Provisions of Section 217(1)(e) regarding information on conservation of energy, technology absorption is not applicable to the Company. Please refer to Schedule 'N' to the Balance Sheet for earnings & expenditure in foreign currency.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

**DEMATERIALISATION**

As per the SEBI directives, your Company's shares have been included in the compulsory demat list for trading for all investors w.e.f. 30th October 2000. Since then the total electronic holding in the Company's shares as on 31st March, 2004 is 31,04,941 equity shares (NSDL) and 85,109 (CDSL) aggregating to 31,90,050 Equity Shares.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the continuous support received by the Company from its Customers, Bankers, Business Associates, Shareholders as well as the Employees of the Company.

Place : Mumbai

Date : 2nd September, 2004

For and on behalf of the Board

S. Chavan
Whole-time Director

MANAGEMENT DISCUSSION AND ANALYSIS**Industry Structure and Developments**

The Company continued its operations in Non-Banking Financial Activities and Software Development during the year under review, Low interest regime continued for NBFC sector capping the revenue generation in this area during the year. The market conditions for small players in the software sector continues to be difficult though there is a significant improvement in the business of large players.

Opportunities and Threats

The Company mainly operates in investments and lending activities in the NBFC sector and financial application software for small and medium sized industries in India.

Vis-à-vis NBFC activities, your Directors expect the overall investment climate to grow in medium term future. However, there does not appear to be a significant upward revision in the interest rate regime which may continue to affect the interest incomes. The increasing competition and entry of big players in domestic software products continue to offer a major threat to the Software activities. Besides, the Company's limited resources are also insufficient for the huge marketing efforts required in this area.

Segment-wise performance

Your Company achieved total revenue of Rs.466.81 lacs in NBFC sector as compared to Rs.182.09 lacs in the previous year. The net profit for the year was Rs. 10.80 lacs as compared to loss of Rs. 3.93 lacs in the previous year. The profit during the year was mainly as a result of better investment climate.

Your Company achieved total revenue of Rs.20.73 lacs in Software sector as compared to Rs. 16.38 lacs in the previous year. The net loss for the year was Rs.6.26 lacs as compared to Rs. 9.00 lacs in the previous year. The loss during the year was mainly as a result of stiff competition, squeezing margins and the Company's inability to hire and retain quality software personnel in view of the significantly higher salaries offered by big companies.

Outlook

Indian and world economy is passing through a period of high crude prices and modest rise in interest rates scenario. Inflation seems to be raising its head up. In the circumstances outlook for your Company could be considered mixed and cautiously optimistic.

Risk and concerns

The uncertain interest rate regime poses a concern for the NBFC activities and the increasing competition and entry of big players in domestic software products continue to be concerns to the Software activities. Further, rising crude oil prices may affect the overall economic scenario of the country which may also act as a dampener thereto.

Internal Control Systems

The Company has a reasonable internal control system which is adequate considering the size of the operations carried out by the Company.

Financial performance vis-à-vis Operational Performance

Your Company reported a net profit of Rs.2,74,708 for the current year that constitutes an operational profit of Rs.7,77,596. Depreciation provided during the year was Rs.5,02,888. The Company did not incur any interest expense.

Material Developments

As part of the cost-cutting exercise, the Company trimmed the work force to the required level. There were no other major developments in the human resource areas except the changes in the Board of Directors which are duly reported herein and also in the Directors' Report.

Statement of caution

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.



CHOICE INTERNATIONAL LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2003-04

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

A. MANDATORY REQUIREMENTS

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Management of the Company believes that corporate performance in the long run is co-related to corporate governance and that well governed companies mitigate 'non-business risks' better. It is therefore, committed to further improve the Corporate Governance practices in the Company by laying emphasis on 'substance' of Corporate Governance over the 'form'. The Company endeavors to adopt the best practices in corporate governance and thereby aims to increase the value for all its stakeholders.

2. BOARD OF DIRECTORS:
COMPOSITION AND CATEGORY

Mr. Shailendra Jindal functioned as a Non-Independent/Executive Chairman till he resigned and now the Company has a Non-Executive Chairman and the number of Independent Directors is more than one-half of the total number of Directors. The number of Non-Executive Directors (NED's) is more than 50% of the total number of Directors.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The Directors have made the necessary disclosures regarding Committee positions.

The Details of the Directors seeking appointment / reappointment in forthcoming Annual general Meeting (In pursuance of Clause 49 of the Listing Agreement) are given below:

Name of Director	Mr. Mehul Mehta	Mr. Gopal Agrawal	Ms. Seema Chavan
Date of Birth	13.05.1962	01.06.1968	20.12.1973
Date of Appointment	10.01.2003	21.06.2004	21.06.2004
Expertise in specific functional areas	Fellow Company Secretary having experience of more than 15 years in the field of Corporate Laws.	Fellow Chartered Accountant with over 8 years of experience in the field of accounts and taxation.	Has passed final examination of the Institute of Company Secretaries of India and has experience of over 8 years in the field of Corporate Law..
Qualifications	B.Com, F.C.S	B.Com, F.C.A	B.Com, C.S.
List of Companies in which Directorship held as on March 31, 2004	NIL	NIL	NIL
Chairman/Member of the Committee of the Board of the other Companies on which he is a Director as on March 31, 2004	NIL	NIL	NIL

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are given below:

Name	Category	No. of Board Meetings Attended During 2003-04	Whether Attended AGM held on 25 th September, 2003	No. of Directorship in Other Public Companies		No. of Committees Positions held On other Public Companies	
				Chairman	Member	Chairman	Member
Mr. Shailendra Jindal	Chairman and Managing Director-Executive	9	Yes	—	—	—	—
Ms. Pallavi Jindal	Whole-time Director-Executive	5	NA	—	—	—	—
Mr. Mehul Mehta	Independent Non-Executive	9	Yes	—	—	—	—
Mr. Robert Pavary	Independent Non-Executive	7	Yes	—	3	1	2
Mr. Sunil Goyal	Non-Independent Non-Executive	9	Yes	—	—	—	—
Mr. Mahendra Patole	Independent Non-Executive	7	Yes	—	—	—	—

12 (Twelve) Board Meetings were held during the year 2003-04 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows:

30 April, 2003, 28 May, 2003, 31 July, 2003, 25 August, 2003, 3 September, 2003, 30 October, 2003, 15 November, 2003, 16 January, 2004, 30 January, 2004, 9 February, 2004, 1 March, 2004, 25 March, 2004.