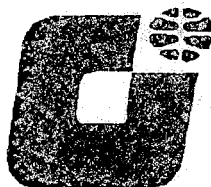


EIGHTEENTH ANNUAL REPORT 1997—98

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RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHH	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

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CHOKHANI
INTERNATIONAL LIMITED



BOARD OF DIRECTORS

Mr. Jagdish Chokhani,
Mr. K.M. Jayarao
Mr. K.P. Taimni
Mr. R. Visveswaran
Mr. R. Sampath
Mr. S. Ramamurti
Mr. Lai Ching Chuan
Mr. A.C. Talwani
Mr. Atul Garg

Chairman & Managing Director
(ICICI Nominee)
(ICICI Nominee)
(ICICI Nominee)
(ICICI Nominee)
(IDBI Nominee)
(Keepel Nominee)

COMPANY SECRETARY

Mr. B.K. Dhingra

BANKERS

Indian Bank
Canara Bank
Oriental Bank of Commerce

AUDITORS

M/s. Doogar & Associates
Chartered Accountants,
13, Community Centre, East of Kailash,
New Delhi-110 065

REGISTERED OFFICE

S-42, (2nd Floor) Okhla Industrial Area, Phase-II,
New Delhi-110 020

MADRAS OFFICE & SHIPYARD

CHOKHANI SHIPYARD
Near Container Terminal,
Madras Port Trust, Madras-600 001

REGISTRARS & SHARE TRANSFER AGENTS

M/s MCS Limited,
Shri Venkatesh Bhavan, 212-A, Shahpur Jat
Behind Panchsheel Club,
New Delhi-110 049.

CHOKHANI INTERNATIONAL LIMITED



NOTICE

NOTICE is hereby given that the eighteenth Annual general Meeting of a CHOKHANI INTERNATIONAL LIMITED will be held at Kalyan Kendra, Government Servants Co-operative house Building Society Ltd., 9, Paschimi Marg, Vasant Vihar, New Delhi-110057 on Tuesday, 29th September, 1998 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To Consider, approve and adopt the Audited Balance Sheet as at 31st March, 1998 and Profit & Loss Account for the financial year ended as on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr Atul Garg, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place Mr A C Talwani who, retires by rotation being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr R Visveswaran, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT Messrs Doogar & Associates, Chartered Accountants, the retiring Auditors, be and is hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the company.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following resolutions as a Special Resolution:

"RESOLVED THAT, the Board of Directors of the company be and is hereby authorised to take necessary action to discontinue listing of the Company's securities at Ahmedabad, Calcutta and Madras Stock Exchanges, subject to the necessary approvals from the concerned authorities including the Ministry of Finance, concerned Stock Exchanges and/or concerned Government authorities like SEBI, etc."

7. To consider and if thought fit, to pass with or without modification, the following resolution as a ordinary Resolution:

"RESOLVED THAT, pursuant to the provisions of Section 198, 269, 309, 317 and other applicable

provisions of the Companies Act, 1956 including schedule XIII of the said Act as amended up-to-date, consent and approval be and is hereby accorded to reappointment of and the remuneration and perquisites being paid or provided to Mr Jagdish Chokhani who is also Managing Director of Chokhani Shipyard (Bengal) Ltd, New Delhi be and is hereby reappointed as the Managing Director of the Company for a further period of five years effective from 01.11.98 on the remuneration including perquisites and upon the terms & conditions contained in the draft agreement to be entered into between the company and Mr Jagdish Chokhani. (Copy of which placed before the meeting and initialed by Mr A C Talwani, a Director of the company for the purpose of identification), has been placed before this meeting.

"RESOLVED FURTHER THAT, the Board of Directors of the Company be and is hereby authorised to revise from time to time the remuneration of the Managing Director including perquisites payable to him by increasing the same to such extent not exceeding the maximum permissible limits of managerial remuneration prescribed under the provisions of Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force, as may from time to time be approved by the Board of Directors of the Company subject however to such approval of such authority as may be required."

"RESOLVED FURTHER THAT, the Board of Directors of the Company be and is hereby authorised to assent to any modification to the terms of the said draft agreement that may be required to give effect to the foregoing resolutions."

By Order of the Board
for CHOKHANI INTERNATIONAL LIMITED

Place : New Delhi

Date : 29.06.98

B K DHINGRA
COMPANY SECRETARY

REGISTERED OFFICE:

S-42, 2nd Floor
Okhla Industrial Area,
Phase-II, New Delhi-110020.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. In order to be effective, the proxy must reach 48 hours before the commencement of the Annual General Meeting.
2. Members/Proxies should bring the attendance slip sent herewith duly filled up for attending the meeting.



3. The Register of Members and Share Transfer Books of the company will be closed from 22nd September, 1998 to 29th September, 1998 both days inclusive. Members are requested to communicate change of address if any.
4. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the companies Act, 1956)

ITEM NO. 5

Section 224A of the Companies Act, 1956, inter alia, provides that in the case of a Company in which not less than 25% of the subscribed share capital is held either singly or in any combination by Public Financial Institution, Government Companies, etc., appointment or re-appointment at each Annual General Meeting of an Auditor or Auditors shall be made by a Special Resolution. The subscribed share capital of the Company held collectively by public Financial Institutions and Nationalised Banks is more than 25% thereof, it is, therefore, necessary that the re-appointment of Auditors be made by a Special Resolution.

The Resolution is recommended for the approval of the Members.

None of the Directors of the Company is concerned or interested in the Resolution.

ITEM NO. 6

In terms of the prospectus for the Company's public Issue in 1989, the company's securities are listed at the following five Stock Exchanges, namely.

1. Delhi 2. Bombay 3. Calcutta
4. Madras 5. Ahmedabad.

Keeping in view the insignificant volume of transaction, and as part of the overall review of the efficiency of our operations and also with a view to cut down Company's overheads, it is proposed, subject to the necessary approvals from the Ministry of Finance and/or other concerned Authorities like SEBI, Stock Exchanges, etc. to discontinue Company's listing Agreement with Ahmedabad Stock Exchange and Ahmedabad Exchange.

This is not likely to affect the shareholders' interest in general, since your Company's securities will continue to be listed in the other 2 stock exchanges apart from being traded in the National Stock Exchange and other Stock Exchanges, even though they have not been listed therein.

The shareholders are requested to accord their approval to the proposed Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

ITEM NO. 7

The Board of Directors has re-appointed the Chairman

Sh. Jagdish Chokhani as the Managing Director of the company for a period of five years w.e.f. 01.11.1998 subject to approval of the shareholders. The re-appointment of Sh. Jagdish Chokhani as Managing Director does not require the approval of the Central Government under Section 269 of the Companies Act, since the re-appointment and the remuneration payable to him, as set out below, are in accordance with the conditions specified in Schedule XIII to the said Act.

REMUNERATION :

- (a) Salary : Rs. 30,000/- per month
- (b) Commission : Remuneration by way of commission will also be allowed in addition to salary & perquisites. The amount of it, based on the net profits of the company in a particular year, shall be subject to the overall ceiling laid down in section 198 and section 309.
- (c) Perquisites : Perquisites shall be allowed in addition to the salary and/or commission or both as approved by the Board/Members of the Company, but the nature and quantum therefore shall be subject to the ceiling laid down in schedule XIII of the Companies Act, 1956 whichever is less. Perquisites are classified three categories, Part A, B & C, as follows:

Part A

(a) House Rent Allowance :

- (i) **Housing I** : The expenditure by the Company on hiring furnished accommodation for the Managing Director will be subject to the following ceiling :- Sixty percent of the salary, over and above ten percent payable by the Managing Director.

Housing II : In case the accommodation is owned by the Company, ten percent of the salary shall be deducted by the Company.

Housing III : In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in clause (i) herein above.

Explanation : The expenditure paid by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to ceiling of ten percent of the salary of the Managing Director.

- (b) **Medical Reimbursement** : Expenses incurred by Managing Director for self and family subject to a ceiling of one month's salary in a period of three years.

CHOKHANI INTERNATIONAL LIMITED



- (c) **Leave Travel Allowance** : For the Managing Director and his family once in a year incurred in accordance with the rules of the Company.
- (d) **Club Fees** : Fees of clubs subject to a maximum of two clubs excluding admissions and life membership fees.
- (e) **Personal Accident Insurance** : Insurance of such value, the premium of which does not exceed Rs. 4,000/- per annum.

Explanation : Family means the spouse, the dependent children and dependent parents of the Managing Director.

Part B

- (i) Contribution to Provident Fund and Superannuation Fund or annuity fund as per rules of the Company will not be included in the computation of ceiling of perquisites to the extent these either single or put together are not taxable under Income Tax Act.
- (ii) Gratuity not exceeding one-half month's salary for each completed year of service.
- (iii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Part C

Provision of conveyance and telephone as per the rules to be made separately, in this regard.

That in the event of loss or inadequacy of profits, the Managing Director shall be paid remuneration by way of salary and perquisites not exceeding the limits specified in this part.

A copy of the draft agreement referred to the Resolution at Item No. 7 of the accompanying notice will be open for inspection at the Registered Office of the company between the hours of 10.00 A.M. to 1.00 P.M. on any working day except Saturday. The Explanatory Statement together with the accompanying notices should be treated as an abstract of the terms of the agreement and memorandum of concern or interest under Section 302 of the Companies Act 1956.

The resolution is recommended for the approval of the members.

Except Mr Jagdish Chokhani and Mr Atul Garg none of the other Director is concerned or interested in the above matter.

By Order of the Board of Director

Place : New Delhi
Date : 29.06.98

JAGDISH CHOKHANI
Managing Director

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CHOKHANI INTERNATIONAL LIMITED



DIRECTORS' REPORT

The Directors present the 18th Annual Report and the audited accounts for the financial year ended 31st March 1998:

(Rupees in lakhs)

FINANCIAL PERFORMANCE	31.3.98	31.3.97
Ship repair income	2710.20	2691.62
Increase in work in progress	116.02	255.07
	2826.22	2946.69
Less: Credit notes relating to earlier years	(590.75)	(88.32)
Ship repair income net	2235.47	2858.37
Other income	68.40	66.97
Total Income	2303.87	2925.34
Total expenditure	2472.22	2313.37
Interest	834.12	867.60
Gross profit/loss	(1002.47)	(255.62)
Depreciation	(356.28)	(343.64)
Profit/Loss before Tax	(1358.75)	(599.26)
Provision for Tax	—	—
Profit/Loss after tax	(1358.75)	(599.26)

PERFORMANCE REVIEW:

The sluggishness in industrial activity in the country continued to prevail during the year under report. This has been aggravated by tight liquidity conditions and high interest liability on your company arising from devaluation of the Rupee. The severe competition from the foreign shipyards had an adverse affect on the volume of business attracted by the company during the year. As a result of these conditions, the gross revenue of the company has been somewhat less than that of the preceding year. The substantial drop in the net income was however solely due to issue of credit notes during the course of settlement of bills for ship repair raised during the earlier years. The Company Management made all out efforts to control and economize on expenditure, but inevitable increase therein has been because of the continued inflationary conditions.

During the year the company's operations continued to be under severe financial strain owing to the financial institutions having recalled their loans followed by withdrawal of working capital facilities by the company's bankers and settlement thereof. Despite these adverse circumstances, the Company was able to almost maintain the same level of business as in the preceding year, by finding the requisite capital from its internal resources.

All efforts were made by the Management to discuss with the Financial institutions the need to restructure the loans and repayment schedules, but, unfortunately, without any success so far. The financial constraint was further aggravated when the lead financial institution approached the Hon'ble High Court, Bombay, in Nov.1997 for the appointment of a receiver due to non-settlement of their dues by the Company. A receiver has since been appointed to take charge of the company's immovable and moveable assets.

World over, the ship repair industry is totally exposed to international competition. In order to ensure the viability of the Indian ship repair industry also, the Government of India should consider granting the same fiscal facilities

(such as availability of term loan funds at the international rates of interest), as available to foreign shipyards.

DIVIDEND:

In the light of foregoing, the Directors are unable to recommend payment of any dividend.

FIXED DEPOSITS:

Since your Company has not accepted any deposits from the public, no information is required to be furnished in respect of outstanding deposits.

BOARD OF DIRECTORS:

The Board wishes to place on record the valuable services rendered by Shri S.V.Singh, nominee of the IFCI whose nomination was withdrawn by them during the year.

RETIREMENT OF DIRECTORS:

Mr Atul Garg, Mr A.C.Talwani and Mr R.Visweswaran are to retire by rotation at the forthcoming annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS:

M/s Doogar & Associates, Chartered Accountants retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from the Auditors to the effect that their appointment if made, would be within the prescribed limit under Section 224 (1-B) of the Companies Act, 1956.

AUDITORS' REPORT:

Auditor's observations are self-explanatory and are suitably explained in the notes to the accounts.

PARTICULARS OF EMPLOYEES:

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are set out in the Annexure forming part of the report.

PARTICULARS OF CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is set out in the Annexure and forms a part of this Report.

ACKNOWLEDGEMENT:

Your Directors wish to thank and gratefully acknowledge the sustained co-operation and support received by the Company from Shipping Corporation of India, Indian Navy & Coast Guard, our valuable clients and Shareholders of the Company.

Your Directors wish to place on record, their deep sense of appreciation for devoted services of the Executives, Staff and Workers of the company for the smooth functioning of your Company.

On behalf of the Board of Directors

Place : New Delhi
Date : 29th June, 1998

JAGDISH CHOKHANI
MANAGING DIRECTOR

CHOKHANI INTERNATIONAL LIMITED

**ANNEXURE - I TO DIRECTOR'S REPORT**

Particulars under Section 217 (1) (e) read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 for the year ended on 31st March, 1998.

A. CONSERVATION OF ENERGY:

The Company carried out regular energy conservation measure and monitor the consumption of power Energy conservation is an on going activity in the company and wherever possible energy conservation measure have been implemented. The efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

B. Technology absorption, adoption & innovation

Continuous efforts are made to upgrade quality and in house expertise.

C. Foreign Exchange Earnings

Earnings	Rs. 86.12 lakhs
Outgo	Rs. 42.64 lakhs

2. Information regarding Technology Imported during the last five years:

Technology Imported	Year of Import	Has technology been fully absorbed?	If technology not fully absorbed, the reasons thereof
From Keppel Corpn. Ltd., Singapore	1988	Yes	N.A.

ANNEXURE - II TO DIRECTOR'S REPORT

Particulars of Employees Information as per Section 217 (2A) of the Companies Act, 1956
Read with the Companies (Particulars of Employees) Rules-1975.

Sl. No.	Name	Age	Designation	Remuneration	Qualification	Date of Commencement	Exp. (Yrs.)	Last Emp. loyment held
1.	Sh. J P Chokhani	48	Managing Director	6,82,243.00	Intermediate	01.11.1988	31	—
2.	Sh. S S Bawa (Part of the year)	61	Group President	4,23,517.00	B.E. (Marine Eng.)	01.11.1996	41	Managing Director of Cochin Shipyard Ltd.

NOTES:

- All Employments are non-contractual except in the case of Managing Director of the Company.
- Except Sh. J.P. Chokhani who is related to one of the directors, none of the other employee is related to any director of the company.
- Remuneration includes salaries, Allowances, Medical Reimbursements, Leave Travel Assistance, Company's contribution to E.P.F.

Place: New Delhi
Date: 29.06.98

On Behalf of the Board of Directors
JAGDISH CHOKHANI
MANAGING DIRECTOR