

19th

Annual Report

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CHOKHANI
INTERNATIONAL LIMITED



BOARD OF DIRECTORS

Mr. Jagdish Chokhani,
Mr. K. M. Jayarao
Mr. K. P. Tamra
Mr. R. Visveswaran
Mr. R. Sampath
Mr. Lai Ching Chuan
Mr. A.C. Tatwani
Mr. Atul Garg

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

COMPANY SECRETARY

Mr. B. K. Dhirga

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

D-3/2, 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.

**NOTICE**

NOTICE is hereby given that the 19th Annual General Meeting of CHOKHANI INTERNATIONAL LIMITED will be held at Jamia Hamdard (Hamdard University), Hamdard Nagar, New Delhi-110062 on Wednesday, 29th September, 1999 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, 1999 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. A.C. Talwani, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. R. Sampath who, retires by rotation being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Lai Ching Chuan, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS:

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 reappointment 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.

By Order of the Board
for **CHOKHANI INTERNATIONAL LIMITED**

Place : New Delhi **B.K. DHINGRA**
Date : 10.08.99 COMPANY SECRETARY

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 14th September, 1999 to 29th September, 1999 (both days inclusive) Members are requested to communicate change of address, if any.

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.

By Order of the Board
for **CHOKHANI INTERNATIONAL LIMITED**

Place : New Delhi **B.K. DHINGRA**
Date : 10.08.99 COMPANY SECRETARY

**DIRECTOR'S REPORT**

The Directors present the 19th Annual Report and the audited Accounts for the financial year ended 31st March, 1999.

	(Rs in Lakhs)	
FINANCIAL PERFORMANCE	31.3.1999	31.3.1998
Ship repair income	531.49	2710.20
Increase in work in progress	NIL	116.02
	531.49	2826.22
Less: Credit notes relating to earlier years	347.53	(590.75)
Ship Repair Income Net	183.96	2235.47
Excess Provision written back	83.15	—
Other Income	4.89	68.40
Total Income	272.00	2303.87
Expenditure before interest, Depreciation & Tax	850.52	2472.22
Interest	309.92	834.12
Gross Profit/(Loss)	(888.44)	(1002.47)
Depreciation	342.12	356.28
Profit/(Loss) before tax	(1230.56)	(1358.75)
Provision for Tax	8.85	—
Profit/(Loss) after tax	(1239.41)	(1358.75)

OPERATIONS :

As reported in the preceding year that the lead Institutions approached the Bombay High Court for appointment of Receiver due to non-settlement of their dues by the company. A Receiver has taken the possession of the Company's immovable and moveable assets on 14.08.1998.

Despite adverse circumstances, the company was able to do a small quantum of business during the first quarter of the year and subsequently the operation was suspended because the shipyard was under the possession of the Receiver.

All efforts were made by the Management to convince the AIFI's that the impact of Rupee devaluation and interest thereon, can not be borne by the company and there was a need to restructure the loans. Unfortunately, they have, so far, not agreed to this suggestion. Other Financial Institutions viz. IDBI & IFCI have also filed a suit for recovery of their dues in Debt Recovery Tribunal, Madras.

DIVIDEND :

In view of the loss, your 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 that valuable services rendered by Shri S. Ramamurti nominee of the IDBI whose nomination has been withdrawn by them during the year.

During the year under review, Sh. V D Mehta and Dr. S M Dugar have resigned as Directors of the company. The Board places on record its deep appreciation of the valuable services rendered by Sh. V D Mehta and Dr. S M Dugar during their tenure as members of the Board of Director of your Company.

RETIREMENT OF DIRECTORS

Mr. R Sampath, Mr. A.C. Taiwani and Mr. L C Chuan are to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

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 reappointment. 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 :

Auditors observation are self explanatory and are suitably explained in the notes to the accounts. The undisputed Sales Tax will be paid as early as possible.

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 place on record, their deep sense of appreciation for devoted services of the Executives, Staff and workers of the Company.

On behalf of the Board of Directors

Place : New Delhi

Date : 10th August, 1999

JAGDISH CHOKHANI
MANAGING DIRECTOR

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

1. 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, 1999.

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 & outgo

Earnings : NIL
Outgo : NIL

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 Employment held
1.	Sh. J P Chokhani	49	Managing Director	3,36,275.00	Intermediate	01.11.1988	31	—

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 : 10.08.99

On Behalf of the Board of Directors
JAGDISH CHOKHANI
MANAGING DIRECTOR

**AUDITORS' REPORT**

To the Members of

CHOKHANI INTERNATIONAL LIMITED

We have audited the Balance Sheet of M/s.Chokhani International Limited as at 31st March, 1999 and Profit and Loss Account for the year ended on that date and report that:

- 1) As required by the Manufacturing and other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of section 227 (4-A) of the Companies Act, 1956 we give in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
- 2) Further to our comments in the Annexure referred to in paragraph 1 above.
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit.
 - b) Proper Books of Accounts as required by Law have been kept by the Company so far as it appears from our examination of the Books, except certain records pertaining to stores, purchases, gate inward and outward records and time office records which could not be verified by us being in possession of the Receiver appointed by the High Court, Mumbai.
 - c) The Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the Books of Accounts.
 - d) In our opinion the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act 1956 to the extent applicable.
 - e) In our opinion and to the best of our information and according to the explanation given to us subject to non-provision of - certain sub-contractors bills (Refer Note No. 7), withheld amount (Refer Note No. 8/a), site lease rent of Rs.10650246/- additional office space rent Rs. 82870/-, custom bond officers salary Rs. 45882/-, interest on term loan Rs. 52092248/-, penal interest & liquidated damages Rs. 39034811/-, electricity & power, gratuity, bonus & leave salary of which amount is not ascertainable (for details Refer Note No. 13(i) to (vi)) and their consequent impact on the loss for the year, regarding pending initiation for V-2K compliance (Refer Note NO. 14), regarding confirmation/reconciliation resulting in the balances being as per books of accounts only, the consequent necessary adjustment of revenue nature, if any upon which we are unable to comment at this stage (Refer Note No. 11) the said statement of Accounts read together with the

Accounting Policies and other notes thereon, given in schedule 16 of "Notes on Accounts" give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

- i) in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 1999 and
- ii) in the case of Profit and Loss Account of the Loss for the year ended on that date.

for DOOGAR & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : New Delhi
Date : 10.08.99

MUKESH GOYAL
PARTNER

ANNEXURE TO THE AUDITORS' REPORT

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. However, these records are under updation. Fixed Assets have not been physically verified by the Management during the year being in the possession of the Receiver. Therefore, we are unable to comment on discrepancies, if any.
- ii) The Company has not revalued any Fixed Assets during the year.
- iii) The Stock of Stores, Spare parts and materials have not been physically verified by the management during the year being in the possession of the Receiver. Therefore we are unable to comment on discrepancies, if any. Being a service industry, there is no stock of finished goods.
- iv) In the absence of physical verification no comments are being offered on the procedure of physical verification. The question of adjustment on account of discrepancies in the books of account does not arise.
- v) On the basis of our examination of stocks records, we are satisfied that the valuation of the stock of stores, spare parts and materials has been fair and proper in accordance with the normally accepted accounting principles and is generally on the same basis as in the previous year.
- vi) The Company has not taken any loans from parties listed in the register maintained under section 301 & 370(1B) of the Companies Act, 1956.
- vii) The Company has not granted loans to Companies, Firms or other parties listed in the register maintained under Section 301 & 370(1B) of the Companies Act, 1956.
- viii) Parties (including employees) to whom interest free advances/loans have been given by the company are



repaying the principal amount as per stipulations, wherever such stipulations exist (Also refer note no. 11 of schedule no. 16 of notes on accounts)

- ix) In our opinion and according to the information and explanations given to us, internal control procedures for the purchase of stores, including components, Plant and machinery, equipments and materials and other assets are commensurate with the size of the Company and nature of its business. However it needs to strengthen its internal control on awarding of subcontracts and their bill passing.
- x) In our opinion and according to the information and explanation given to us, the transactions of purchase of goods, materials or services made in pursuance to contracts of management entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year Rs. 50,300/- or more in respect of each party have been made at prices which are reasonable, having regard to the prevailing market prices for such goods, materials or services where such market prices are available or the prices at which transactions for similar goods or materials or services have been made with the other parties. However, there is no such transaction regarding sale of goods, materials or services
- xi) Since the Company's operation remained suspended from June, 1998 onwards, the unserviceable or damaged stores and materials have neither been determined nor ascertained. Necessary adjustments for the losses as and when determined will be made in the accounts.
- xii) During the year, the Company has not accepted deposits from the public.
- xiii) The records pertaining to sale/ disposal of scrap generated are presently in possession of the Receiver in the absence of which no adjustment have been made in accounts for sale/ disposal, if any.
- xiv) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- xv) The Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
- xvi) Provident Fund and Employee State Insurance dues have not been regularly deposited with the appropriate

authorities and there have been serious delays in a large number of cases. PF & ESI dues relating to the period upto Feb. 98 aggregating to Rs. 444089/- which had fallen due for deposit with the appropriate authorities had not been so deposited as at 31.3.1999 but have since been deposited.

- xvii) There are no undisputed amounts of Income tax, Customs Duty and Excise Duty outstanding as on 31st March 1999 for a period of more than six months from the date they become payable, except in respect of Sales tax amounting to Rs.658688/-
- xviii) The Company is not a sick industrial Company within the meaning of Section 3 (1) (i) of the Sick Industrial Companies (Special provisions) Act, 1985. However, members attention is invited that company's network is fully eroded.
- xix) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practice.
- xx) In respect of service activities of the company:
 - a) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with size and nature of its business and such payments provide for a reasonable allocation of the materials consumed to relative jobs.
 - b) The Company is not required to have a system of allocation of man hours and labour to the relative jobs since billing is not based on man-hour basis.
 - c) The Company has a reasonable system of authorisation at proper levels with necessary controls on the issue of materials and stores to relative jobs and the system of internal control is adequate and commensurate with the size and nature of the business of the Company.

for DOOGAR & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : New Delhi
Date : 10.08.99

MUKESH GOYAL
PARTNER