

26th
Annual Report
2005-2006

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CHOKHANI
INTERNATIONAL LIMITED



BOARD OF DIRECTORS

Mr. Jagdish Chokhani
Mr. Naresh Tulshan
Mr. Satendra Singh
Mr. B.P. Hazarika

Chairman & Managing Director
Director
Director
Director

BANKERS

Indian Bank

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

REGISTRARS & SHARE TRANSFER AGENTS

Beetal Financial & Computer Services (P) Ltd.
Beetal House, 3rd Floor,
99, Madangir, Near Dada Harsukh Das Mandir
New Delhi-110 062



NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of CHOKHANI INTERNATIONAL LIMITED will be held at 1, DSIDC Complex, Okhla Industrial Area, Phase-I, New Delhi-110020 on Friday, 29th September, 2006 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, 2006 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. Naresh Tulshan, who retires by rotation and being eligible, offers himself for reappointment.
3. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT M/s 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 next Annual General Meeting of the company on a remuneration to be fixed by the Board of Directors of the company."

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Badri Prasad Hazarika, who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of the 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 a Special Resolution:

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act 1956, Securities Contract (Regulations) Act, 1956, the Listing Agreement with Stock

Exchanges at Ahmedabad, Chennai, Calcutta and Delhi the provisions of the SEBI (De-Listing of Securities) Guideline 2003 or any amendment or modifications thereon and subject to such other approval, permission and sanction as may be necessary and such conditions and modifications as may be prescribed or imposed by any authority while granting such approval, permission or sanction, it may be agreed to, by the Board of Directors of the company or any person(s), Authorised by Board, approval be and is hereby accorded for de-listing equity share of the company from Stock Exchanges at Ahmedabad, Chennai, Calcutta & Delhi."

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to seek voluntary de-listing and to take all necessary steps in then regard as it may in its absolute discretion deem necessary and to settle any question, difficulties, doubts that may arise in regard to implementation of the foregoing resolution for de-listing of the existing share and to execute of such deeds, documents, writings as may be necessary or expedient and for this purpose to delegate the authority to any one of the director of the company or the Company Secretary or any person to do various act, deed and things required to be done in this behalf."

For and on behalf of the Board of Directors
for CHOKHANI INTERNATIONAL LIMITED

Place : New Delhi
Date : 29-07-2006

Jagdish Chokhani
Chairman

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 filed up for attending the meeting.
3. The Register of Members and Share Transfer Books of the company will be closed from 22nd



September, 2006 to 29th September, 2006 (both days inclusive). Members are requested to communicate change of address if any.

4. Members who hold shares in dematerialised form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
5. All documents referred to in the accompanying notice and explanatory statement are open for inspection at the registered office of the company on all working days, except Saturdays between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 3

Section 224A of the Companies Act, 1956, 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. 4

Mr. Badri Prasad Hazarika was appointed as an Additional Director of the Company w.e.f. 28.04.2006 pursuant to Section 260 of the Companies Act, 1956.

He will hold office of Director upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member (alongwith the deposit of Rs. 500/-) proposing the candidature of Mr. Badri Prasad Hazarika for the office of Director under the provisions of Section 257 of the Companies Act, 1956. In view of his considerable administrative experience, in the opinion of the Board it would be in the interest of the company that Mr. Badri Prasad Hazarika be appointed as a Director of the Company.

Other than Mr. Badri Prasad Hazarika, none of the Directors of the Company are in anyway, concerned or interested in this resolution.

ITEM NO. 5

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 concerned Authorities like SEBI, Stock Exchanges, etc. to discontinue Company's listing Agreement with Ahmedabad Stock Exchange, Madras Stock Exchange, Delhi Stock Exchange and Calcutta Stock Exchange.

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

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

For and on behalf of the Board of Directors
for CHOKHANI INTERNATIONAL LIMITED

Place : New Delhi
Date : 29-07-2006

Jagdish Chokhani
Chairman

**DIRECTOR'S REPORT**

The Directors present the 26th Annual Report and the audited Accounts for the financial year ended 31st March, 2006.

FINANCIAL PERFORMANCE	(Rs in Lakhs)	
	31.3.2006	31.3.2005
Ship repair income	NIL	NIL
Excess Provision written back	NIL	4.67
Other Income	0.13	NIL
Profit on sale of fixed assets	NIL	63.48
Total Income	0.13	68.15
Expenditure before interest, Depreciation & Tax	25.82	24.44
Interest	NIL	NIL
Gross Profit/(Loss)	(25.69)	43.71
Depreciation	0.35	23.13
Profit/(Loss) before tax	26.04	20.58
Provision for Tax (PBT)	0.10	NIL
Profit/(Loss) after tax	26.14	20.58

OPERATIONS :

The company could not resume any operations in the Company. The recovery suit filed by the Lead Institution i.e. ICICI Bank Ltd., is still pending before the Debt, Recovery Tribunal, Mumbai. The company's entire moveable & immovable assets alongwith the two floating dry docks Bharat & Madhusudan which were in the possession of DRT Receiver, since August 1998 have been sold off vide DRT Mumbai's direction in this regard. Further the possession of Land and Water area, at Chennai Port, comprising of building and sheds/structures and Marine Construction, has been handed over to Chennai Port Trust as per DRT, Mumbai directions.

The company had filed a counter claim of Rs. 210 crores against the ICICI Bank Ltd., through Debt Recovery Tribunal, Mumbai in respect of the value of assets as handed over to the Receiver appointed by the Hon'ble Mumbai High Court. The company has deposited the requisite court fee. The ICICI Bank Ltd., filed an appeal (appeal No. 121/2005) against above order. However Debt Recovery Appealate Tribunal, Mumbai has dismissed said appeal of ICICI Bank Ltd. and allowed the company to move its counter claim.

Pending decision in the matter of company's counter claim on ICICI Bank Ltd. amounting to Rs. 210 crores, the cost of fixed assets (net of relevant revaluation reserve) less depreciation provided till the date of disposal/handover of possession of Land and Water Area comprising of building and sheds/structures and Marine construction to the Chennai Port Trust and value of inventories aggregating to Rs. 48.81 crores as intimated by DRT Receiver has been deducted from secured loans.

IDBI & IFCI have also filed cases at Debt Recovery Tribunal, Chennai for recovery of their dues. The company has sought the permission from the Chennai High Court to transfer these cases to Debt Recovery Tribunal, Mumbai so that the company could fight at one forum, the case is still pending.

The company has filed a petition for recovery of Rs. 2.72 crores from the Coast Guards at Chennai in respect of repair work done on their Ship "VARHA".

The company has also filed a case against Shipping Corporation of India for the recovery of dues of Rs. 23.76 crore (including interest) in respect of repair work done on their ship "Dada Bhai Nauroji". The matter is yet to come up for hearing at Mumbai High Court.

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.

DIRECTORS :

Mr. Naresh Kumar Tulshan retires by rotation at this Annual General Meeting and is eligible for reappointment.

Brief resume of the Director, nature of his expertise in specific functional areas and names of companies in which he is holding the directorship and the membership/ chairmanship of committee of the Board as stipulated under clause 49 of the listing agreement with the stock exchanges are given in the section on Corporate Governance elsewhere in Annual Report.

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.

LISTING OF SECURITIES :

The securities of the company are listed on the Stock Exchanges at Ahmedabad, Chennai, Calcutta, Delhi & Mumbai.

SHARE TRANSFER SYSTEM :

The company's shares are in dematerialization mode with Central Depository Services (India) Ltd.

Company has appointed "Beetel Financial & Computer Services (P) Ltd. as the Registrar and Share Transfer Agents of the Company. Transfer of shares are approved by the Shareholders/Investors Grievance Committee of Directors which meets at frequent intervals.

CORPORATE GOVERNANCE CLAUSE 49 OF THE LISTING AGREEMENT :

In accordance with the listing Agreements, a note on Corporate Governance together with Certificate regarding compliance of Corporate Governance is enclosed.

**DIRECTOR'S RESPONSIBILITY STATEMENT :**

Pursuant to the requirement u/s 217 (2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed :

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2006 the applicable accounting standards have been followed along with proper explanations relating to material departure.
- (ii) That the Director's had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the profit and loss of the company for the year ended under review.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for the safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors had prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

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, there was no employee who was in receipt of remuneration in excess of provisions of Section 217(2A) of the Companies Act.

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.

ACKNOWLEDGMENT :

Your Directors wish to place on record, their deep sense of appreciation for devoted services of the Executives & Staff of the Company.

For and on behalf of the Board of Directors

Place : New Delhi

Date : 29-07-2006

JAGDISH CHOKHANI

CHAIRMAN

**ANNEXURE - 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, 2006.

A. Conservation of Energy

As the entire ship repair assets of the company have been sold off vide DRT Mumbai's direction, there are no more ship repair operations, hence no measures to conserve the energy.

B. Technology absorption, adoption & innovation

In view of (A) above, this is not applicable.

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
NIL	NIL	NIL	NIL

On Behalf of the Board of Directors

Place : New Delhi

Date : 29-07-2006

JAGDISH CHOKHANI

CHAIRMAN



CORPORATE GOVERNANCE

CORPORATE PHILOSOPHY

The company believes in the values of transparency, professional accountability and equity in its dealing with the shareholders, lenders, government, employees and every individual who comes in contact with the company. Company is committed to achieving the high standards of corporate governance.

The company is in compliance with most of the requirement prescribed on corporate governance.

I. BOARD OF DIRECTORS

A) Composition of Board

As on date of balance sheet the Board of Directors consisted of 4 Directors with the combination of One Executive and three non-executive directors.

The Board of Directors comprises of Sh. Jagdish Chokhani, Sh. Naresh Tulshan, Sh. Satender Singh and Sh. Vivek Garg. However one Director ceased to be subsequent to 31.03.2006 and Sh. Badri Prasad Hazarika was appointed as Director.

No Director of the Company is either member in more than ten committees and/or Chairman of more than five committees in which they are members.

B) Number of Board Meetings

During the period 4 Board Meetings was held as on 30th April 2005, 30th July 2005, 28th October 2005 & 30th January 2006. The maximum gap between two meetings was less than 4 months.

C) Directors Attendance Record & Directorship held

Details of Board Meetings attended by Directors during the period from 01.04.2005 to 31.03.2006.

S. No.	Name	Category	Attendance		No. of Directorship and Membership/Chairmanship		
			No. of Meetings	AGM	Other Directorship	Committee Membership	Committee Chairmanship
1.	Mr. Jagdish Chokhani	Promoter/ Executive Director	4	Present	0	1	0
2.	Mr. Naresh Tulshan	Independent Director	2	Present	1	4	2
3.	Mr. Satender Singh	Independent Director	4	Present	0	2	1
4.	Mr. Vivek Garg (upto 28.04.06)	Independent Director	0	LOA	1	2	0
5.	Mr. B.P. Hazarika (from 28.04.06)	Independent Director	N.A.	N.A.	0	1	0

All the information required to be furnished to the Board was made available to them along with detailed agenda notes.

The Board reviews compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.



D) Code of Conduct

The company has laid down a Code of conduct for all Board Members & senior management personnel of the Company.

All Board members and senior management personnel have affirmed compliance with the code for the year ended on March 31, 2006. Declaration to this effect signed by the CEO for the year ended on March 31, 2006 has been included elsewhere in this report.

II. AUDIT COMMITTEE

A) Pursuant to Clause 49 of Listing Agreement, the company has constituted an audit committee. The present members of audit committee are Sh. Naresh Tulshan, Sh. Satender Singh & Sh. Badri Prasad Hazarika.

Mr. Satender Singh has been appointed as the Chairman of the Audit Committee.

B) Meetings of the Audit Committee

The Audit Committee Meetings were held on 28.04.2005, 23.07.2005, 25.10.2005 and 23.01.2006. The time gap between any two meetings was less than four months.

All the members of the Audit Committee have requisite accounting & financial management expertise.

Sh. Satender Singh, the Chairman of the Audit Committee attended the Annual General Meeting (AGM) held on 30th September 2005 to answer shareholders queries.

The functions of the Audit Committee of the company include the following :

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statement before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the board Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made, if any, in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications, if any, in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.



- Discussion with management and/or internal auditors, if any of any significant findings and follow up there on.
- Reviewing the findings of any internal investigations into matters where there is suspected fraud or irregularity.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered, pursuant to its terms of reference, to:

- Investigate any activity within its terms of reference and to seek any information it requires from any employee.
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The Audit Committee has reviewed following information:

- Management discussion and analysis of financial conditions and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee) submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.

SHAREHOLDERS/INVESTORS' GRIEVANCE COMMITTEE

The Board of Directors of the company has constituted shareholders/Investors Grievance Committee comprising one executive and two independent Directors. The members of the committee are Sh. Jagdish Chokhani, Sh. Naresh Tulshan and Sh. Satender Singh.

Sh. Naresh Tulshan, an independent Director is the Chairman of this committee.

The Committee interalia oversees and reviews matters pertaining to share transfer. The Committee looks into redressal of shareholders complaints like transfer of shares, non-receipt of Annual Report etc. received from investors in co-ordination with the Company's Registration and Transfer Agent. The Committee has met 12 times during the year i.e. on 30th April 2005, 28th May 2005, 30th June 2005, 30th July 2005, 30th August 2005, 30th September 2005, 28th October 2005, 28th November 2005, 28th December 2005, 30th January 2006, 24th February 2006 and 30th March 2006.

Status of the complaints received during the period ended 31st March 2006 is as under:-

No. of Complaints received — 57

No. of Complaints replied — 57

No. of Complaints pending — NIL.

III. SUBSIDIARY COMPANIES

The company does not have any subsidiary company.

IV. DISCLOSURES

A) Basis of related Party Transaction

There were no materially significant transactions with the related parties viz: Promoters, Directors or the Management, their relatives conflicting with Company's interest at large.