

28th
Annual Report
2007 - 2008

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CHOKHANI
INTERNATIONAL LIMITED



BOARD OF DIRECTORS

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

Chairman & Managing 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 28th Annual General Meeting of CHOKHANI INTERNATIONAL LIMITED will be held at 1, DSIDC Complex, Okhla Industrial Area, Phase-I, New Delhi on Tuesday, 30th September 2008 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, 2008 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. B.P. Hazarika who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

RESOLVED THAT, in accordance with the provisions of section 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the re-appointment of Shri Jagdish Chokhani as Chairman and Managing Director of the Company for the period of 5 (five) years with effect from 1st November, 2008 on the terms and conditions as are set out in the agreement to be entered into between the Company and Shri Jagdish Chokhani, a draft whereof is placed before this meeting which agreement is hereby sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment including remuneration and/or agreement subject to the same not exceeding the limits specified in Schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri Jagdish Chokhani.

"RESOLVED FURTHER, that the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 149 (2A) of the Companies Act, 1956 and all other applicable Rules, Regulations, Statutes etc. approval be and is hereby accorded to the Company to carry on business in securities, and deal in stocks and shares as detailed in para (10) of sub-clause (C) of Clause III of the Memorandum of Association of Chokhani International Limited."

For and on behalf of the Board of Directors

Place : New Delhi

Jagdish Chokhani

Date : 29-07-2008

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 filled in for attending the meeting.
3. The Register of Members and Shares transfer Books of the Company will be closed from 24th September, 2008 to 30th September, 2008 (both days inclusive). Members are requested to communicate change of address, if any.
4. Members who hold shares in dematerialized 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 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. 4**

The present term of office of Shri Jagdish Chokhani as Chairman and Managing Director is expiring on 30th October, 2008. Subject to shareholders' approval, the Board of Directors at their meeting held on 29th July, 2008 have re-appointed him for a further period of 5 (five) years from the expiry of his present term.

The terms and conditions set up for re-appointment and payment of remuneration herein and/or in the respective agreement may be treated and varied from time to time by the Board of Directors of the Company as it may, at its discretion, deem fit.

The respective agreement may be terminated by either party (the Company or the Managing Director) by giving three months prior notice in writing.

Other than Mr. Jagdish Chokhani, none of the Directors of the Company are in anyway, concerned or interested in this resolution.

Item No. 5

Since long there are no operations in the Company, Board of Directors of the Company at their Meeting held on 29th July, 2008 decided to commence and carry on business in securities, and deal in stocks and shares as detailed in para (10) of sub-clause (C) of Clause III of the Memorandum of Association of the Company.

Section 149 (2A) of the Companies Act, 1956 require that a company shall not commence any business in relation to any of the objects stated in the Memorandum of Association of the Company in pursuance of Section 13 (1) (d) (ii) of the Companies Act, 1956.

In view of the foregoing circumstances, members of the Company are requested to the consider and pass the Resolution as a special Resolution.

Directors recommend the said Resolution for approval of the Shareholders for the proposed commencement of business.

None of the Directors is in any way concerned or interested in this Resolution.



DIRECTORS' REPORT

The Directors present the 28th Annual Report and the Audited Accounts for the financial year ended 31st March 2008.

| FINANCIAL PERFORMANCE | (Rs in Lakhs) | |
|---|---------------|-----------|
| | 31.3.2008 | 31.3.2007 |
| Ship repair income | NIL | NIL |
| Excess Provision written back | 0.87 | 0.02 |
| Other Income | 0.19 | 0.09 |
| Profit on sale of fixed assets | — | 335.53 |
| Total Income | 1.06 | 335.64 |
| Expenditure before interest, Depreciation & Tax | 45.14 | 45.83 |
| Interest | NIL | NIL |
| Profit/(Loss) before Interest, Depreciation & Tax | (44.08) | 289.81 |
| Depreciation | 0.29 | 0.31 |
| Profit/(Loss) before tax | 44.37 | 289.50 |
| Provision for Tax (FBT) | 0.08 | 0.09 |
| Profit/(Loss) after tax | (44.45) | 289.41 |

OPERATIONS :

During the year under review, there were no operations. The recovery suit filed by the lead Institution i.e. ICICI Bank Ltd., is still pending before the Debt Recovery Tribunal, Mumbai.

Counter claim of Rs.210 crores filed by the Company against ICICI Bank Ltd., in respect of the value of assets as handed over to the Receiver appointed by the Hon'ble Mumbai High Court is also still pending before Debt Recovery Tribunal, Mumbai. Requisite court fee has been deposited. The ICICI Bank Limited filed an appeal. However Debt Recovery Appellate Tribunal, Mumbai has dismissed said appeal of ICICI Bank Limited, 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.

As reported earlier, IDBI & IFCI had also filed a

case at Debt Recovery Tribunal (DRT), Chennai for recovery of their dues. Company filed petition before the Supreme Court praying for transfer of this case from DRT, Chennai to DRT Mumbai. Accordingly, the Supreme Court by order stayed further proceedings by DRT, Chennai in the original case till the said transfer petition is heard and disposed of by it.

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

As reported earlier, 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 Naroji". Said matter has still not come up for hearing at Mumbai High Court.

DIVIDEND :

In view of the accumulated losses, your Directors do not recommend any dividend for the financial year under review.

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 :

Shri B.P. Hazarika retires by rotation at this Annual General Meeting and is eligible 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 being eligible, offer themselves 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(1B) of the Companies Act, 1956.

AUDITORS' REPORT :

Auditors' Report annexed to the Balance Sheet and Profit and Loss Account are self-explanatory. However, the Board discussed the qualifications raised by the auditors in their reports and noted the same along with the explanations provided by the management as annexed to this report.

LISTING OF SECURITIES :

The Securities of the Company are listed on the



Bombay Stock Exchange Limited, Stock Exchanges at Chennai and Delhi. Ahmedabad & Calcutta Stock Exchanges have delisted Securities of the Company vide their letters dated 2nd February, 2008 and 17th July, 2008 respectively.

SHARE TRANSFER SYSTEM :

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

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

DIRECTORS' RESPONSIBILITY STATEMENT :

In compliance with Section 217 (2AA) of the Companies Act, 1956, it is hereby confirmed:-

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2008 the applicable accounting standards have been followed along with proper explanations relating to material departure.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments 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 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, 2008 on a going concern basis except to the extent as noted in the Auditors' Report.

PARTICULARS OF EMPLOYEES :

There is no employee who was in receipt of remuneration in excess as provided U/s Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND 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 place on record, their appreciation for devoted services of the Executives & Staff of the Company.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 29-07-2008

Jagdish Chokhani
Chairman

**ANNEXURE - TO DIRECTORS' REPORT :**

1. Particulars under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 for the year ended on 31st March, 2008.

A. Conservation of Energy : N.A.

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 |

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On Behalf of the Board of Directors

Place : New Delhi
Date : 29-07-2008

JAGDISH CHOKHANI
CHAIRMAN



ANNEXURE - TO DIRECTORS' REPORT :

Explanation to the qualification in Auditors' Report

- a) *Accounting of deferred taxes as per AS-22 has not been quantified / disclosed*

The Board noted that the management does not foresee any immediate revival of operation / earnings in near future where the deferred tax assets can be realized against future taxable income.

- b) *Provision of certain expenses has not been made amounting to Rs 57 lacs for the year together with the aggregate liabilities thereof upto 31.03.08 amounting to Rs. 6589.74 lacs*

The board noted that pursuant to the Mumbai High Court, the Court Receiver has taken possession of suit properties i.e Yard on 14.08.1998. Thus the company has not provided the following expenses:

- | | |
|--|-------------------|
| (i) Custom Bond Officer's salary for the period from 1.10.98 to 31.03.2005 | Rs 5.97 lacs. |
| (ii) Interest on Term Loan for the period from 15.8.98 to 31.3.2008. | |
| — On Rupee Loan including Rs. 27.04 lacs for the current year | Rs. 2,678.63 lacs |
| (Previous year Rs. 27.04 lacs) | |
| — On Foreign Currency Loan including Rs 29.96 lacs for the current year | Rs. 2,973.37 lacs |
| (Previous year Rs 29.96 lacs) | |
| (iii) Penal interest & liquidated damages upto 14.08.1998 | Rs. 931.77 lacs |

- c) *The Auditor qualification pertaining to confirmation / reconciliation of certain balances are pending, resulting in the balances being as per books of accounts only*

The board noted that most of the balances under the head Term Loans, Loans & Advances, Deposits, Sundry Debtors, Sundry Creditors for Materials and Sub-contractors, remained unconfirmed till the Balance Sheet date.

- d) The Company's ship repairing operations remained suspended since June, 1998. Company has suffered continuous losses and erosion of equity due to many pending litigations with govt./ autonomous bodies & financial institutions and there is doubt that the company will be able to continue as a going concern. However in the absence of adequate necessary data for compilation on an alternative basis, the accounts are continued to be prepared on a going concern basis.
- e) Pending decision in the matter of Company's claim on ICICI amounting to Rs.210 Crores, the cost of fixed assets (net of relevant revaluation reserve) less depreciation provided till the date of disposal / hand over 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

The above non compliances / Auditors qualifications could not be addressed as the operation of the Company remained suspended since June, 1998 and the Official Receiver appointed by the Mumbai High Court had taken possession of the ship yard on 14th August, 1998 and sold-off the entire fixed assets thereof.

On Behalf of the Board of Directors

Place : New Delhi
Date : 29-07-2008

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 complying with most of the requirements prescribed on Corporate Governance.

[A] BOARD OF DIRECTORS

The Board of Directors is headed by Executive Chairman. Board is comprised of Sh. Jagdish Chokhani (Chairman), Sh. Satender Singh, and Sh. B.P. Hazarika, Directors.

During the year under review 4 Board Meetings were held on 28th April 2007, 31st July 2007, 29th October 2007 and 28th January 2008. The details of composition of Board, other Directorship and Committee Chairmanship/Membership of the Members of the Board and their attendance at the Board Meeting and Annual General Meeting of the Company are as under :

| S. No. | Name | Category | Attendance | | No. of Directorship and Membership/Chairmanship | | |
|---------------------|----------------------|------------------------------------|-----------------|---------|---|----------------------|-----------|
| | | | No. of Meetings | AGM | Other Directorship | Committee Membership | Committee |
| Chairmanship | | | | | | | |
| 1. | Sh. Jagdish Chokhani | Promoter/ Executive Chairman | 4 | Present | 1 | 2 | — |
| 3. | Sh. Satender Singh | Independent Director | 4 | Present | — | 2 | 2 |
| 4. | Sh. B.P. Hazarika | Independent Director | 4 | Present | — | 2 | 2 |

Independent Directors do not have any pecuniary relationship or transaction with the Company or with the management that may affect their judgement in any manner. The Company endeavors to place all statutory and other material information before the Board to render it to discharge its responsibilities of strategic supervision of the Company as trustee of shareholders. The Board reviews on periodical basis the compliances status of all laws applicable to the Company as well as the steps taken by the Company to rectify instances of non-compliances, if any.

(B) AUDIT COMMITTEE

Pursuant to Clause 49 of Listing Agreement, the Company has constituted an audit committee. The Audit Committee of the Company consists of Sh. Jagdish Chokhani (Promoter/Executive Chairman), Sh. Satendra Singh (Chairman Audit Committee & Non-Executive Independent Director) and Sh. B.P. Hazarika (Non-Executive Independent Director), who are having accounting & financial management expertise.

During the year 2007-08, the Committee met on 28.04.2007, 31.07.2007, 29.10.2007 and 28.01.2008.



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

- Oversee 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 statements before submission of the same to the Board for approval, with particular reference to:-
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' report in terms of sub-section 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, if any, made in the financial statements arising out of audit findings;
 - Compliance with Listing Agreement and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions;
 - Qualifications, if any, in the draft audit report; and
 - Reviewing, with the management, the quarterly financial statements before submission of the same 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.
- Discussions with management and/or internal auditors, if any, of any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations into matters where there is suspected fraud or irregularity.
- Discussions with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in making payments to the specified category of creditors etc.
- 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.