



*ANNUAL*  
*REPORT*  
*1998-99*

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**CHOKSI**



# Certificate of Approval

*Awarded to*

**CHOKSI TUBE COMPANY LIMITED,**

60/ A&B GIDC, PHASE-I, VATVA,  
AHMEDABAD - 382 445, INDIA.

*Bureau Veritas Quality International certify that the  
Quality Management System of the above supplier  
has been assessed and found to be in accordance  
with the requirements of the quality  
standards detailed below*

QUALITY STANDARDS

**BS EN ISO 9002:1994**

SCOPE OF SUPPLY

**MANUFACTURE AND SUPPLY OF COLD FINISHED, SEAMLESS STAINLESS  
STEEL AND NICKEL ALLOY TUBES/PIPES FROM 3 MM TO 168 MM. DIAMETER  
AND WELDED STAINLESS STEEL TUBES FROM 1.6 TO 16 MM DIAMETER.**

Original approval date: **31ST JANUARY 1998**

*Subject to the continued satisfactory operation of the supplier's  
Quality Management System, this Certificate is valid for a period of three years from:*

**31ST JANUARY 1998**

Date **16TH FEBRUARY 1998**



*Lame*

For Bureau Veritas Quality International

Certificate No: **45332**

SF06/B

The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the accreditation certificate number 008

**CHOKSI TUBE COMPANY LIMITED**

**BOARD OF DIRECTORS**

Shri Harshad H. Choksi  
*Chairman & Managing Director*

Shri B. D. Desai

Shri R. R. Parikh

Shri Mahipendra Singh

Shri Shaunak H. Choksi

Shri Himanshu H. Choksi

Shri H. J. Bakshi

**CORPORATE HEADQUARTERS**

113, Bajaj Bhavan,  
11th Floor, Nariman Point,  
Mumbai-400 021.

**ADMINISTRATIVE OFFICE**

Samruddhi, 8th Floor,  
Navrangpura, Ahmedabad-380 014.

**FINANCIAL CONTROLLER &  
SECRETARY**

Shri H. H. Medh

**BANKERS**

State Bank of India  
Credit Agricole Indosuez

**AUDITORS**

M/s. M. A. Parikh & Co.  
Chartered Accountants  
Yusuf Building, M. G. Road,  
Mumbai-400 023.

**HEAT EXCHANGER TUBE DIVISION**

Village : Moti Bhoyan  
Taluka : Kalol  
District : Mehsana

**REGISTERED OFFICE &  
STAINLESS STEEL TUBE DIVISION**

Plot No. 60/A,  
Vatva Industrial Estate,  
Vatva-382 445, Ahmedabad.



**NOTICE**

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## CHOKSI TUBE COMPANY LIMITED

**DIRECTORS' REPORT**

To :

The Members,

1. Your Directors present their Thirty Sixth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 1999.

**2. FINANCIAL RESULTS :**

	1998-99	(Rs. in Lacs) 1997-98
(a) Profit Before Depreciation and Taxes	<b>562.89</b>	573.31
(b) Less : Depreciation	<b>293.72</b>	186.05
(c) Profit Before Tax	<b>269.17</b>	387.26
(d) Less : Provision for Taxes	<b>20.00</b>	39.00
(e) Profit After Tax	<b>249.17</b>	348.26
Add : Balance brought forward from previous year	<b>463.12</b>	468.19
Add : Prior years' Tax adjustments	<b>13.46</b>	—
(f) Profit available for appropriation	<b>725.75</b>	816.45
<b>APPROPRIATIONS :</b>		
(a) Debenture Redemption Reserve	—	55.15
(b) General Reserve	—	50.00
(c) Dividend on Redeemable Preference Shares	<b>25.31</b>	—
(d) Proposed Dividend on Equity Shares	<b>82.73</b>	206.82
(e) Taxes on Dividend	<b>11.63</b>	41.36
(f) Profit & Loss Account	<b>606.08</b>	463.12

**3) DIVIDEND :**

- (a) Your Directors recommend for your approval, payment of Dividend on 14% Redeemable Preference Shares of Rs. 500 lacs issued to Industrial Development Bank of India on Private Placement Basis on pro-rata basis from the date of allotment.
- (b) Payment of Equity Dividend of Re. 1.00 per share on 8.27 Mn. Equity Shares of Rs. 10 each.

**4) ' PREVIEW OF PREVIOUS YEAR'S OPERATIONS :**

The year under review was one of stress and strain. The domestic economy continued to remain weak. The political climate was equally bad. Because of this, there was no significant investment by any of our major industrial consumer groups which could have resulted in business. In spite of this, our sales and production in absolute terms registered a significant increase. However, the generally depressed conditions in the market place resulted in our acquiring this market share at very discouraging price levels in several of our product groups, which resulted in lowering of our margins. Lack of industrial activity due to a virtual absence of new capital projects in the country has rendered the domestic capital goods manufacturers, who are our main customers, in a very depressed state, with the prospects of improvement remaining highly unpredictable. Fortunately, we have been able to increase our tempo of exports and we hope to further increase our contribution in this field. The main limiting factors in this field are inadequate port infrastructure, extended credits that need to be given to overseas buyers and the pressure on maintaining delivery schedules within the overall limits imposed by our domestic infrastructure. Since our raw material sourcing, through our Joint Venture company, still remains highly import dependent, due to technical and commercial considerations, financial costs remained high.

**5) HIGHLIGHTS OF THE PREVIOUS YEAR :****(a) Heat Exchanger Tube Division (HXTD) :**

As you know, we have established a brand new state of the art plant for manufacture of high precision Heat Exchanger Tubes in extra long straight lengths upto 30-35 Mtrs. We are the only producer of

**CHOKSI TUBE COMPANY LIMITED**

such long lengths and coils in India at present. There is a large demand for such tubes for special purpose heat exchangers as well as Feed Water Heaters and similar applications. These tubes are being produced in a specially designed and inhouse built pilger mill where the entire process is carried out in one single continuous operation starting from hot extruded mother pipes as input material and cold finished seamless stainless steel Heat Exchanger Tubes in these lengths as output materials. This continuous process has considerably reduced the time cycle for production of these tubes and we are now in a position to supply these tubes for quick deliveries. Moreover, the smallest size of tube we produce in this plant is ideal feed stock for producing instrumentation tubes by our Capillary Tube Division at Vatva. There is a very large established global market for instrumentation tubes.

**(b) Prestigious Orders :**

The Company has executed during the year an order from Larsen & Toubro Ltd., for 23 Mtr. lengths which were supplied by the above plant and used for manufacturing a high pressure heat exchanger to be ultimately used for a Mitsubishi organised projects in Indonesia. The Company also executed orders for Bandel and Annapara Thermal Power Projects through M/s. BHEL for Heat Exchanger Tubes in lengths of 16-18 Mtrs. to be used for Feed Water Heaters. We have now the capability of executing such orders on the basis of production facilities established by us in our HXTD plant.

**(c) Wind Mill Division :**

The wind mills installed by us are generating a high rate of output among all the wind mills in GEDA region. However, due to the damage caused by the cyclone last year, our annual production of power fell to approx. 22 lac units from the 33 lac units established a year ago. This resulted in a gross charge to us of approx. Rs. 40 lacs. We were fortunate that none of our wind mills got uprooted during this calamity and the damage suffered was mainly to the blades and electricals. The cost of these repairs was estimated at Rs. 1.36 crore, for which our claim has been fully accepted by the Insurance Dept. and has already been partly disbursed. Further, the Gujarat Govt. has arbitrarily increased the cost of wheeling charge from 2% to 15% along with certain extra charge. We, as well as other members of the Wind Mills Users Association, have already made representation against the same and are hopeful to get certain concession when the new Wind Mill Policy is announced.

**(d) Joint Venture :**

As you know, we have established a Joint Venture Company (JVC) called Sandvik Choksi Limited (SCHL) in which Sandvik AB Sweden has 51% share holding and we have 49% share holding. This JVC now owns & operates the Extruded Tube Plant. The JVC has already increased the capacity of this plant substantially on the basis of investment plans already executed. The JVC has also carried out necessary modifications and upgradation in the plant which has resulted in better quality yield and efficiency. The JVC has received its ISO 9002 status. The JVC's products are now of the same high quality as produced by similar Sandvik plants overseas.

**6) CURRENT YEAR'S OPERATIONS :**

The outlook for the current year remains weak too. No new projects are being planned and existing projects have been put on hold. There is a crisis of confidence because of political uncertainties. There is also a fear that the U.S. and European markets may finally catch up with the "Asian Flu" and put pressure on our market share and price realisation. Further, our domestic production is also adversely affected by unhealthy competition from imports of low priced secondaries and defectives and production of sub standard goods by small time manufacturers. There is also added pressure of dumping from Japan and Korea who are diverting their output to the Indian market as a result of lack of demand in the Asia Pacific region where they dominate. In spite of this, we are quite hopeful of achieving our targets to a great extent in the European and American markets with our competitive prices and product acceptabilities. However, it will still be important for us to expect a revival of the domestic market in order to optimally utilise the manufacturing capacities created by us.

**CHOKSI TUBE COMPANY LIMITED****7) LONG TERM OUTLOOK :**

The Company has now completed its investment plans and created a modern manufacturing infrastructure capable of producing over 3000 tons of Seamless Stainless Pipes and Tubes. This is in line with the substantial increase in capacity created by our JVC. Once the industrial climate improves and demand particularly in Asia Pacific region picks up we should be able to increase our business substantially. The trend worldwide is to use smaller diameter and lighter wall tubes with right metallurgical properties to reduce costs. The JVC plant is ideally equipped to produce raw materials for this purpose. Our new HXTD plant is also equipped to produce cold finished tubes out of this raw material in the most efficient manner. We are optimistic that the long term outlook of the Company remains good and our fundamentals are strong.

**8) DIRECTORS :**

Shri R. R. Parikh and Shri H. J. Bakshi, Directors of your Company are retiring by rotation and being eligible, offer themselves for re-appointment.

**9) DEPOSITS :**

Deposits of Rs. 3.50 lacs due for repayment on or before 31st March, 1999 were not claimed by 29 depositors as on that date. Of these, deposits amounting to Rs. 0.28 lacs of 4 depositors have since been repaid.

**10) AUDITOR'S REPORT :**

With regard to Qualification contained in Para 3.5 of the Auditor's Report, your attention is drawn to Note No. 8 of Schedule 17-B - Notes to the Accounts, which is self explanatory.

**11) PERSONNEL :**

Relations with the employees were cordial throughout the year.

**12) Particulars of Employees :**

The particulars of employees as required under provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are furnished as Annexure to this report.

**13) AUDITORS :**

M/s. M. A. Parikh & Company, Chartered Accountants, Mumbai are the retiring Auditors. The said Auditors have furnished a certificate that if re-appointed, their appointment shall be within the limits prescribed under Section 224 (1-B) of the Companies Act, 1956. You are requested to re-appoint them and fix their remuneration.

**14) ACKNOWLEDGEMENTS :**

Your Directors would like to place on record their appreciation for timely assistance, guidance and co-operation which your Company has received from State and Central Governments, Financial Institutions and Banks. The Directors also wish to place on record their appreciation of co-operation received from the employees at all levels without which Company's present progress would not have been possible.

**ADDITIONAL INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

As required under Rule 2 of the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy & technology have been given in forms A & B annexed hereto.

During the year, the foreign exchange outgo has been Rs. 678.97 lacs while the foreign exchange earned was Rs. 3737.58 lacs. The details have been stated under item Nos. 11(E), (F), (G) & (H) of the Notes to the Accounts.

On behalf of the Board  
H. H. CHOKSI  
Chairman

Mumbai, 31st May, 1999

**CHOKSI TUBE COMPANY LIMITED****INFORMATION AS PER PROVISIONS OF SEC. 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.**

Employed throughout the year and in receipt of remuneration aggregating not less than Rs. 6,00,000 per annum.

Sr. No.	Name of Employee	Age (Yrs.)	Designation/ Nature of Duties	Remuneration Received (Gross) Rs.	Qualification & Experience	Date of Commencement of Employment	Last Employment held
1.	Mr. Choksi H. H.	75	Managing Director	788,238	Law Graduate of Bombay University - 47 Yrs.	6-10-1962	S.H. Benson India P. Ltd.

**NOTES :**

- Gross remuneration as above includes Salary, Contribution to Provident Fund & Expenditure incurred by the Company on accommodation and other facilities.

On behalf of the Board,

H. H. CHOKSI

CHAIRMAN

Mumbai, 31st May, 1999



**CHOKSI TUBE COMPANY LIMITED****Form of disclosure of particulars with respect to conservation of energy.****A. CONSERVATION OF ENERGY :**

The Company has installed a brand new bright annealing furnace in the new HXTD plant which has unique design features intended to reduce the energy cost for producing heat exchanger tubes.

**B. TECHNOLOGY ABSORPTION :**

1. Specific areas in which R & D carried out by the Company.
  - (a) Development of Stainless Steel Instrumentation Tubes in continuous coils.
  - (b) Alternative methods of Bright Annealing Furnace.
2. Benefits derived as a result of the above R & D :
  - (a) Improvement in yield.
  - (b) Improvement in productivity.
3. Future plan of action :  
To continue the efforts as in 1.
4. Expenditure on R & D :

R & D expenses are not substantial and hence not accounted separately.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

1. Efforts in brief, towards technology absorption, adoption and innovation. : Company has successfully utilised inhouse technology to design a high speed cold pilger mill which has commenced production in its new Plant at Moti Bhoyan.
2. Benefits derived as a result of above efforts e.g. : product improvement, cost reduction, product development, import substitution etc. : With the development of this technology, it is possible for the Company to make long length heat exchanger tubes at high speeds which results in improved productivity and better yield.
3. Incase of imported technology (imported during last 5 years reckoned from the beginning of the financial year) following information may be furnished. :
  - (a) Technology imported : —
  - (b) Year of import : —
  - (c) Has technology been fully absorbed : —
  - (d) If not absorbed, areas where this has not taken place, reason thereof and future plans of action. :

**CHOKSI TUBE COMPANY LIMITED****REPORT OF THE AUDITORS TO THE SHAREHOLDERS**

1. We have audited the attached Balance Sheet of CHOKSI TUBE COMPANY LIMITED as at 31st March, 1999 and the annexed Profit & Loss Account for the year ended on that date.
2. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and as per the information and explanations furnished to us and the books and records examined by us in the normal course of audit, we report that :
  - 2.1 The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. As explained to us, all the fixed assets have been physically verified by the management at the year end and has revealed no material discrepancies.
  - 2.2 The fixed assets have not been revalued during the year.
  - 2.3.1 The stocks of finished goods, stores, spare parts and raw materials, excluding stocks lying with third parties and in-transit, have been physically verified by the management at the year end.
  - 2.3.2 In our opinion, the procedures of physical verification of above referred stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The discrepancies, noticed on such verification as compared to book records, were not material and have been properly dealt with in the books of account.
  - 2.3.3 In our opinion, the valuation of the said stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
  - 2.4 The rate of interest and other terms of fixed deposits taken from a Director under Public Deposit Scheme of the Company, in our opinion, are not prima facie prejudicial to the interest of the Company.
  - 2.5 The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 and/or to Companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.
  - 2.5.1 Loans and advances in the nature of loans given to employees and companies with interest, wherever applicable, have been recovered as stipulated.
  - 2.6 In our opinion, the internal control procedures of the Company relating to purchase of stores, raw materials including components, plant and machinery, equipments and other similar assets and for sale of goods, are commensurate with its size and nature of its business.
  - 2.7 During the year, there are no transactions for purchase of goods or materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 as aggregating during the year to Rs. 50,000 or more, in respect of each party.
  - 2.8 As explained, the Company has regular procedure for determination of unserviceable or damaged stores, raw-materials and finished goods and in our opinion, adequate amounts have been written off in respect of items of stores so determined. As informed, the Company does not hold stocks of unserviceable or damaged raw-materials and finished goods.
  - 2.9 The Company has complied with the provisions of Section 58-A of the Companies Act, 1956 and the rules made thereunder with regard to "Deposits" accepted by it.
  - 2.10 In our opinion, reasonable records have been maintained by the Company for disposal of scrap generated in the manufacturing process. The Company does not have by-product.
  - 2.11 The Company did not have formal internal audit system during the year under review. In the opinion