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CHOKSI TUBE COMPANY LTD

ANNUAL REPORT 2001-2002

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BVQi

Certificate of Approval

Awarded to

CHOKSI TUBE COMPANY LIMITED

1. KALOL-RANCHERDA HIGHWAY, VIL: MOTIBHOYAN, DIST. GANDHINAGAR – 382 721,
2. 60/A, 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

ISO 9002:1994

SCOPE OF SUPPLY

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

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

Subject to the continued satisfactory operation of the supplier's Quality Management System, this Certificate is valid until:

14TH DECEMBER 2003

Date: **23RD APRIL 2001**

Managing Office:
Bureau Veritas Quality International
606 Balarama, 6th Floor
C-3, Bandra-Kurla Complex
Bandra (E), Mumbai – 400 051, India

UKAS
QUALITY MANAGEMENT
008

For Bureau Veritas Quality International (Holding) S.A.,
2nd Floor, Tower Bridge Court
224-226 Tower Bridge Road
London SE1 2TX

Certificate No: **81802**

SF06/B

BVQI (Holding) S.A. using UKAS accreditation covered by the accreditation certificate number 008

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BOARD OF DIRECTORS

Shri Harshad H. Choksi
Chairman & Managing Director

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.

BANKERS

State Bank of India

Bank of India

Development Credit Bank Ltd.

HEAT EXCHANGER TUBE DIVISION
Village : Moti Bhoyan
Taluka : Kalol
District : Mehsana

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

REGISTERED OFFICE &
STAINLESS STEEL TUBE DIVISION
Plot NO. 60/A,
Vatva Industrial Estate,
Vatva-382 445, Ahmedabad.

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NOTICE

Notice is hereby given that the Thirty Ninth Annual General Meeting of the Members of the Company will be held at 11.00 A.M on Friday, the 20th September, 2002 at GIDC Estate, Plot No.60-A, Vatva Industrial Estate, Vatva - 382 445, Ahmedabad to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2002 and the Balance Sheet as at that date, the Directors' Report and Auditors' Report thereon.
2. To note and confirm as final dividend on 14% Redeemable Cumulative Preference Shares.
3. To appoint a Director in place of Shri Himanshu H Choksi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Mahipendra Singh, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

   "**RESOLVED** that in terms of provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, if necessary, the Company hereby accords its approval and consent to the re-appointment of Shri Himanshu H Choksi as a "Wholetime Director" designated as "Director (Technical)" of the Company for a further period of 5 years with effect from 20.05.2002 on the following remuneration."

a. **Salary :** Consolidated salary of Rs.20,000/- p.m. with effect from 20th May, 2002 with annual increments at the discretion of the Board.

b. **Commission :** Commission based on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956. Such commission shall be on percentage of the net profits and such amount as Board of Directors of the Company may determine keeping in view the performance of the Company in each financial year.

c. Perquisites such as fully furnished house or house rent allowance in lieu thereof, expenses incurred on gas, electricity, water and furnishing, repairs, medical benefits for self and family, leave travel concession for himself and family, club fees, personal accident insurance and/or any other allowances provided that such perquisites be restricted to annual salary or Rs.6,00,000/- (Rupees Six Lacs Only) whichever is less.

   Perquisites shall be evaluated as per the Income Tax Rules, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost.

   Shri Himanshu H Choksi shall be entitled to the following which shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

i. Free use of Company's car with driver for the business of the Company.

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ii. Free telephone facility at residence (including payment for local calls and long distance official calls).

iii. Reimbursement of expenses actually and properly incurred by him for the business of the Company.

(i) The salary and perquisites as mentioned at items (a), (b) and (c) above will be exlcusive of : Contribution to Provident Fund, Superannuation Fund or Annuity Funds to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;

(ii) Gratuity payable at the rate not exceeding half month's salary for each completed year of service and encashment of leave at the end of the tenure, to the extent the same are not taxable under the Income Tax Act, 1961 shall not be included in the computation of limits for the perquisites.

Aggregate of total consolidated salary, commission, perquisites and contribution towards Provident Fund, Superannuation Fund or Annuity Funds taken together in respect of Shri Himanshu H Choksi shall always be subject to overall ceiling laid down in Section 198 and 309 of the Companies Act, 1956."

"RESOLVED FURTHER THAT wherein in any financial year during the currency of the tenure of the Director (Technical), the Company has no profits or inadequate, the Company will pay him remuneration by way of consolidated salary and perquisites as specified in (a), (b) and (c) above, subject to the limits of Section II of part II of Schedule XIII of the Companies Act, 1956, or any statutory modification, substitutions or re-enactments thereof, as may be agreed to by the Board of Directors and Shri Himanshu H Choksi."

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

"**RESOLVED** that in terms of provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, if necessary, the Company hereby accords its approval and consent to the re-appointment of Shri Harshad H Choksi as a "Wholetime Director" designated as Managing Director of the Company for a further period of 5 years with effect from 01.10.2002 on the following remuneration."

a. **Salary :** Consolidated salary of Rs.40,000/- p.m. with effect from 1st October, 2002 with annual increments at the discretion of the Board.

b. **Commission :** Commission based on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956. Such commission shall be on percentage of the net profits and such amount as Board of Directors of the Company may determine keeping in view the performance of the Company in each financial year.

c. Perquisites such as fully furnished house or house rent allowance in lieu thereof, expenses incurred on gas, electricity, water and furnishing, repairs, medical benefits for self and family, leave travel concession for himself and family, club fees, personal accident insurance and/or any other allowances provided that such perquisites be restricted to annual salary or Rs.6,00,000/- (Rupees Six Lacs Only) whichever is less.

Perquisites shall be evaluated as per the Income Tax Rules, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost.

Shri Harshad H Choksi shall be entitled to the following which shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

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i. Free use of Company's car with driver for the business of the Company.

ii. Free telephone facility at residence (including payment for local calls and long distance official calls).

iii. Reimbursement of expenses actually and properly incurred by him for the business of the Company.

The salary and perquisites as mentioned at items (a), (b) and (c) above will be exlcusive of :

(i) Contribution to Provident Fund, Superannuation Fund or Annuity Funds to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;

(ii) Gratuity payable at the rate not exceeding half month's salary for each completed year of service and encashment of leave at the end of the tenure, to the extent the same are not taxable under the Income Tax Act, 1961 shall not be included in the computation of limits for the perquisites.

Aggregate of total consolidated salary, commission, perquisites and contribution towards Provident Fund, Superannuation Fund or Annuity Funds taken together in respect of Shri Harshad H Choksi shall always be subject to overall ceiling laid down in Section 198 and 309 of the Companies Act, 1956.

"RESOLVED FURTHER THAT wherein in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or inadequate, the Company will pay him remuneration by way of consolidated salary and perquisites as specified in (a), (b) and (c) above, subject to the limits of Section II of part II of Schedule XIII of the Companies Act, 1956, or any statutory modification, substitutions or re-enactments thereof, as may be agreed to by the Board of Directors and Shri Harshad H Choksi."

By Order of the Board,
H H CHOKSI
Chairman

Mumbai, 31st July, 2002

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

   The Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.

2. An Explanatory Statement relating to item nos. 6 & 7 required under Section 173(2) of the Companies Act, 1956 is annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 06-09-2002 to 20-09-2002 (both days inclusive).

4. Members are requested to intimate the change, if any, in their registered addresses before 06-09-2002 to the Company's Registrar and Transfer Agents, M/s.Nucleus Shares Custodian Services Ltd., 'Arambha', Opp. L & T, Gate No.7, Saki Vihar Road, Powai, Andheri (East), Mumbai - 400072.

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CHOKSI TUBE COMPANY LIMITED

5. For the convenience of Members, Attendance Slip is annexed to the Proxy Form. Members are requested to fill in and affix their signatures at the space provided therefore and hand over the Attendance Slip at the entrance of the place of meeting, Proxy/Representative of a Member should mark on the Attendance Slip as "Proxy" or "Representative" as the case may be.

By Order of the Board,
H H CHOKSI
Chairman

Mumbai, 31st July, 2002

REQUEST TO THE MEMBERS

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready.

2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

Shri Himanshu H. Choksi is a Wholetime Director designated as Director (Technical) since 20.5.1997 and his appointment for a period of 5 years expired on 19.5.2002. He was drawing his remuneration as approved by you. Looking at his contribution on the technical aspects of the Company, the Board of Directors has thought fit to reappoint him for a further period of 5 years with effect from 20.5.2002 on the terms and conditions as set out in resolution under item no.6 to this Notice.

A copy of the resolution passed by the Board of Directors at its Meeting held on 18.5.2002 revising terms of employment of Shri Himanshu H. Choksi is open for inspection by the Members at the Registered Office of the Company on any working day between 10.30 a.m. to 12.30 p.m.

Shri Himanshu H. Choksi being a relative of Shri. H. H. Choksi, the Managing Director of the Company and Shri Shaunak H. Choksi, Director (Commercial) of the Company a special resolution is proposed for giving consent under Section 314 and other applicable provisions of the Companies Act, 1956 for his holding and continuing to hold an office or place of profit in the Company.

The terms of employment of Shri Himanshu H Choksi as a Wholetime Director as also payment of remuneration as proposed to be payable to him is subject to the approval of the Central Government if required under Sections 198, 269, 309, 314 and other applicable provisions of the Companies Act, 1956.

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The terms of employment of Shri Himanshu H Choksi as set out in the said Resolution in the accompanying Notice be treated as an abstract of the terms of the Contract with him for the purpose of Section 302 of the Companies Act, 1956.

Shri Himanshu H Choksi is concerned or interested in the said special resolution as it relates to his own appointment as the Wholetime Director and the payment of remuneration to him. Shri H. H. Choksi, the Managing Director and Shri Shaunak H. Choksi, Director of the Company are also concerned or interested in the said resolution as they are the relatives of Shri Himanshu H. Choksi.

ITEM NO. 7

Shri Harshad H. Choksi is a Wholetime Director designated as Managing Director since 01.10.1997 and his appointment for a period of 5 years will expire on 30.09.2002. He is drawing his remuneration as approved by you. Looking at his contribution on the technical and commercial aspects and the leadership of the Company, the Board of Directors has thought fit to reappoint him for a further period of 5 years with effect from 01.10.2002 on the terms and conditions as set out in resolution under item no.7 to this Notice.

A copy of the resolution passed by the Board of Directors at its Meeting held on 31.07.2002 revising terms of employment of Shri Harshad H. Choksi is open for inspection by the Members at the Registered Office of the Company on any working day between 10.30 a.m. to 12.30 p.m.

Shri Harshad H. Choksi being a relative of Shri. Shaunak H. Choksi and Shri Himanshu H. Choksi, Directors of the Company and as he has attained the age of 70 years - a special resolution is proposed for giving consent under Section 314 and other applicable provisions of the Companies Act, 1956 for his holding and continuing to hold an office or place of profit in the Company and to comply with the requirements of condition (c) of Part I of Schedule XIII of the Companies Act, 1956.

The terms of employment of Shri Harshad H Choksi as a Wholetime Director as also payment of remuneration as proposed to be payable to him is subject to the approval of the Central Government if required under Sections 198, 269, 309, 314 and other applicable provisions of the Companies Act, 1956.

The terms of employment of Shri Harshad H Choksi as set out in the said Resolution in the accompanying Notice be treated as an abstract of the terms of the Contract with him for the purpose of Section 302 of the Companies Act, 1956.

Shri Harshad H Choksi is concerned or interested in the said special resolution as it relates to his own appointment as the Wholetime Director and the payment of remuneration to him. Shri Shaunak H. Choksi and Shri Himanshu H. Choksi, Directors of the Company are also concerned or interested in the said resolution as they are the relatives of Shri Harshad H. Choksi.

By order of the Board,
H H CHOKSI
Chairman

Mumbai: 31st July, 2002

Registered Office:
Plot No. 60/A, Vatva Industrial Estate,
Vatva 382 445,
Ahmedabad.

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DIRECTORS' REPORT :

To :
The Members,

1. Your Directors present their Thirty Ninth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2002.

2. **FINANCIAL RESULTS :**

		2001-02	(Rs.in Lacs) 2000-01
(a)	Profit Before Depreciation and Taxes	**643.04**	516.34
(b)	Less : Depreciation	**401.80**	370.95
(c)	Less : Provision for Taxes	**16.65**	1.00
(d)	Add/(Less) : Prior years adjustments (Net) including tax adjustments of Rs.1.67 Lacs.	**(1.88)**	124.79
(e)	Add: Deferred Tax Credit	**48.06**	—
(f)	Profit After Tax	**270.77**	269.18
(g)	Transferred from Investment Allowance Reserve Account.	—	172.95
(h)	Transferred from Investment Allowance (Utilised) Reserve Account	—	289.63
(i)	Loss on sale of long term investment in Equity Shares	—	(554.79)
(j)	Balance brought forward	**783.00**	833.17
(k)	Profit available for appropriation	**1053.77**	1010.14
APPROPRIATIONS :			
(a)	Dividend on Redeemable Preference Shares	**70.00**	70.00
(b)	Taxes on Dividend	—	7.14
(c)	Capital Redemption Reserve	**150.00**	150.00
(d)	Profit & Loss Account	**833.77**	783.00

3. **DIVIDEND :**
   (a) The Directors recommend for your approval, payment of dividend on 14% Redeemable Preference Shares of Rs.500 Lacs (inclusive of Rs.150 lacs not redeemed during the year) issued to Industrial Development Bank of India on Private Placement Basis.
   (b) The Directors have decided not to recommend any dividend on equity shares for the year with a view to conserve the resources for future operations.

4. **REVIEW OF PREVIOUS YEAR'S OPERATIONS :**
   (a) Overall project activity in the domestic sector continued to remain relatively low. The energy sector, however continues to remain as a potential user of the Company's product. The company's Motibhoyan plant was evaluated for approval for supply of high pressure long length feed water heater tubes for 250 MW+ power stations in India and the results are expected to be favourable. The Company has also been approached for supply of instrumentation tubes in the domestic sector for high critical industries and we are hopeful that this approval will also come through. On the export front, the markets continue to remain relatively active and the Company was able to develop newer customers in various European markets as well as in the United States.
   (b) The Company's Wind Mills at Navadra Bhogat Near Porbandar produced 35.62 lac units of power with an overall productivity of 25% compared to the normal standards of other mills of 14-15%. The Company was able to convince the local power authorities to permit allocation of its wind mill power

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