



# ARTSON ENGINEERING LIMITED

29<sup>TH</sup> ANNUAL REPORT



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# Artson Engineering Limited

## Board of Directors (As on 8<sup>th</sup> May 2008)

Chairman	<b>Kishore Pal Singh</b>
Vice Chairman	<b>N. K. Jagasia</b>
Directors	<b>Shailendra Krishan</b>
	<b>H. H. Malgham</b>
	<b>Michael Bastian</b> (Appointed by BIFR)
Executive Director	<b>Prakash S. Chopde</b>

### Registered Office

Plot No. 426, 1<sup>st</sup> Floor,  
M. L. Aggarwal Building,  
Waman Tukaram Patil Marg,  
Chembur, Mumbai 400 071

### Bankers & Monitoring Agency

Bank of India

### Registrar and Share Transfer Agents

Sharepro Services (India) Private Limited  
Unit: Artson Engineering Limited  
Satam Industrial Estate, 3<sup>rd</sup> Floor,  
Cardinal Gracious Road, Chakala,  
Mumbai 400 099

### Auditors

Chokshi & Chokshi, Chartered Accountants

### Concurrent Auditors

Patel & Deodhar, Chartered Accountants

# Artson Engineering Limited

Registered Office: Plot No. 426, M. L. Aggarwal Building, 1<sup>st</sup> Floor, W. T. Patil Marg, Chembur, Mumbai 400 071

## NOTICE

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of the Members of the Company will be held on Thursday, 24<sup>th</sup> July 2008 at 4.00 p.m. at Chembur Gymkhana, Phase II, 16<sup>th</sup> Road, Chembur, Mumbai 400 071 to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the 18 months period ended 31<sup>st</sup> March 2008 and the Balance Sheet as at that date, together with Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. N. K. Jagasia, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. P. S. Chopde, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors to hold Office until the conclusion of the 30<sup>th</sup> Annual General Meeting on a remuneration to be fixed by the Board of Directors.  
M/s. Chokshi & Chokshi, Chartered Accountants, Mumbai, Auditors of the Company, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

### Special Business

5. Appointment of Mr. Kishore Pal Singh as a Director  
To appoint a Director in place of Mr. Kishore Pal Singh, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 4<sup>th</sup> January, 2008 and who holds office upto the date of ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 (the Act) but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director.
6. Appointment of Mr. Shailendra Krishan as a Director  
To appoint a Director in place of Mr. Shailendra Krishan, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 4<sup>th</sup> January, 2008 and who holds office upto the date of ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 (the Act) but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director.
7. Appointment of Mr. Hoshie H. Malgham as a Director  
To appoint a Director in place of Mr. Hoshie H. Malgham, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 4<sup>th</sup> January, 2008 and who holds office upto the date of ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 (the Act) but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a Member proposing his candidature for the office of Director.

### Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint proxy and such proxy need not be a Member of the Company. Proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the meeting.

2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting is annexed hereto.
3. The Register of Members and the Transfer Books of the Company will remain closed from **Thursday, 17<sup>th</sup> July 2008 to Thursday, 24<sup>th</sup> July 2008** (both days inclusive).
4. Members holding shares in electronic form are requested to bring their Client ID and DP ID numbers at the meeting for easy identification.
5. A Member desirous of getting any information on the accounts or operations of the Company is required to forward his/her queries to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
6. Additional information, pursuant to Clause 49 of the Listing Agreement, in respect of Directors retiring by rotation and other Directors seeking appointment at the Annual General Meeting is appended to this Notice.
7. To facilitate registration an attendance slip is enclosed. Shareholders attending the Annual General Meeting are requested to bring it with them at the venue.

By Order of the Board,  
**VISHRAM PANCHPOR**  
Company Secretary

Mumbai, 8<sup>th</sup> May 2008

## EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts relating to the Special Business mentioned in the accompanying Notice dated 8<sup>th</sup> May 2008 and should be taken as forming part of the said Notice.

### Item No. 5:

Mr. Kishore Pal Singh was appointed as an Additional Director of the Company by the Board of Directors with effect from 4<sup>th</sup> January, 2008. Pursuant to the provisions of Section 260 of the Companies Act (the Act) and Article 147 (2) of the Articles of Association, Mr. Kishore Pal Singh holds office till the date of ensuing Annual General Meeting, but is eligible for appointment. The Company has received a notice in writing under Section 257 of the Act from a member of the Company proposing Mr. Kishore Pal Singh, as a candidate for the office of a Director liable to retire by rotation.

Mr. Singh is the former Managing Director of Tata Projects Limited, a closely held company in Tata Group. Prior to that, he held various managerial positions in Indian Railways culminating with Managing Director of Rites Limited, a public sector company affiliated to the Ministry of Railways. He has vast experience in the field of construction and project management, both in India and abroad.

None of the Directors except Mr. Kishore Pal Singh is concerned with or interested in the said Resolution.

### Item No. 6:

Mr. Shailendra Krishan was appointed as an Additional Director of the Company by the Board of Directors with effect from 4<sup>th</sup> January, 2008. Pursuant to the provisions of Section 260 of the Companies Act (the Act) and Article 147 (2) of the Articles of Association, Mr. Shailendra Krishan holds office till the date of ensuing Annual General Meeting, but is eligible for appointment. The Company has received a notice in writing under Section 257 of the Act from a member of the Company proposing Mr. Shailendra Krishan, as a candidate for the office of a Director liable to retire by rotation.

Mr. Shailendra Krishan, an Electrical Engineering graduate, has served power utilities in India and Kenya for 26 years, holding various positions in the field of design, engineering, planning and construction before moving in December, 1996 to Tata Projects Limited, an EPC company. He is currently the Vice President in Tata Projects Limited, heading Transmission and Distribution SBU. He has been responsible for construction, project management, business development in domestic and overseas market.

None of the Directors except Mr. Shailendra Krishan is concerned with or interested in the said Resolution.

### Item No. 7:

Mr. Hoshie H. Malgham was appointed as an Additional Director of the Company by the Board of Directors with effect from 4<sup>th</sup> January, 2008. Pursuant to the provisions of Section 260 of the Companies Act (the Act) and Article 147 (2) of the Articles of Association, Mr. Hoshie H. Malgham holds office till the date of ensuing Annual General Meeting, but is eligible for appointment. The Company has received a notice in writing under Section 257 of the Act from a member of the Company proposing Mr. Hoshie H. Malgham, as a candidate for the office of a Director liable to retire by rotation.

Mr. Malgham joined Tata International Limited in 1963 and retired as an Executive Director in June 2001. During his tenure with Tata International Limited, he acquired considerable expertise in international trade and finance. He has twice been appointed as a non-official director of Export Credit Guarantee Corporation of India Limited for 2 year terms. Widely travelled overseas, Mr. Malgham has participated in a number of Business Delegations and Joint Business Councils including as a leader of some delegations organized by the Confederation of Indian Industry (CII).

None of the Directors except Mr. Hoshie H. Malgham is concerned with or interested in the said Resolution.

By Order of the Board,

**VISHRAM PANCHPOR**  
Company Secretary

Mumbai, 8<sup>th</sup> May 2008

**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT  
PERTAINING TO APPOINTMENT/RE-APPOINTMENT OF A DIRECTOR**

<b>Name</b>	<b>Mr. N K Jagasia</b>	<b>Mr. Prakash S Chopde</b>	<b>Mr. Kishore Pal Singh</b>	<b>Mr. Shailendra Krishan</b>	<b>Mr. Hoshie H. Malgham</b>
<b>Date of Birth</b>	26 <sup>th</sup> September 1942	10 <sup>th</sup> March 1949	24 <sup>th</sup> January 1942	19 <sup>th</sup> February 1947	22 <sup>nd</sup> June 1936
<b>Qualifications</b>	B.E. (Mech.), LL. B	B.E. (Mech.), M.M.S.	Civil Engineer, University of Roorkee	B.Sc Engineering – Electrical – Hons.	B.Com, FCA, FCA (England & Wales), ACS
<b>Specialised Expertise</b>	General Management	Project Management and development of innovative methodologies for engineering construction projects	Construction and Project Management	Construction and Project Management	Finance, Commercial Law & International Trade
<b>Directorship in other Indian companies</b>	Nil	Nil	Nil	Nil	1. Tata Elxsi Limited 2. Tata Projects Limited 3. Tata Ceramics Limited
<b>Positions in Committees* of other Indian companies</b>	Nil	Nil	Nil	Nil	1. Tata Elxsi Limited – Chairman, Audit Committee – Member, Investor Grievance Committee 2. Tata Projects Limited – Chairman, Audit Committee 3. Tata Ceramics Limited – Member, Audit Committee
<b>Number of shares held in the Company as on 31<sup>st</sup> March 2008</b>	3,28,340	1,23,888	Nil	Nil	Nil
<b>Relationship, if any, with other Directors</b>	Not Related to any of the Directors	Not Related to any of the Directors	Not Related to any of the Directors	Not Related to any of the Directors	Not Related to any of the Directors

\* Only Audit and Investor Grievances Committees considered.

## DIRECTORS' REPORT

### TO THE MEMBERS OF ARTSON ENGINEERING LIMITED

The Directors present their Twenty-ninth Annual Report along with the Audited Statement of Accounts for the financial period (18 months) ended 31<sup>st</sup> March 2008.

Pursuant to the approval of the Registrar of Companies, Maharashtra, the Accounting Year of the Company was extended by six months i.e. upto 31<sup>st</sup> March 2008. The financial results of the Company for the year under Report are therefore for a period of 18 months.

#### 1. Performance of the Company

The Company's performance for the year is summarised below:

##### Financial Highlights

	Accounting Year ended 31 <sup>st</sup> March 2008	Financial Year ended 30 <sup>th</sup> September 2006
Sales and Other Income	52.10	14.10
Profit/(Loss) before depreciation	(0.27)	(0.89)
Profit/(Loss) before tax	(1.22)	(1.39)
Profit/(Loss) after tax	(1.43)	(1.40)
Profit/(Loss) brought forward	(23.76)	(19.63)
Add: Prior Period Tax Adjustment	(0.32)	(2.74)
Capital Restructuring Account	12.33	—
Transfer from General Reserve	0.85	—
Profit/(Loss) available for appropriation	(12.33)	(23.76)

##### Operations

For the period under review, the Company has been engaged in executing orders in hand, both domestic as well as overseas, with its existing customers. As a result of this, the Company has recorded a total income of Rs. 52.10 Crore with a loss after tax of Rs.1.43 Crore.

#### 2. Rehabilitation Scheme sanctioned by the Board for Industrial and Financial Reconstruction

The Company is registered with the Board for Industrial and Financial Reconstruction (BIFR) as a sick company. The BIFR has, vide its Order dated 27<sup>th</sup> November 2007, sanctioned a rehabilitation scheme (Sanctioned Scheme) and the same is under implementation. In terms of the Sanctioned Scheme, following actions have been taken:

##### Reduction in paid-up value of equity shares

The paid-up value of the equity shares has been reduced from Rs. 10 per share to Re. 1 per share fully paid up. For deciding the entitlement to receive the resultant shares of Re. 1 per share, 8<sup>th</sup> February 2008 was fixed as the Record Date. On reduction in paid up value, the paid up capital of the Company was reduced to Rs. 92,30,000 comprising of 92,30,000 equity shares of Re. 1 per share. Shareholders holding shares in physical form have been provided with stickers for affixation on the share certificates and for shareholders holding shares in dematerialised form, new equity shares have been credited to the respective demat accounts. Effective 13<sup>th</sup> March 2008, new equity shares have been re-listed on the Bombay Stock Exchange with new ISIN (INE 133D01023).

### **Admission of Tata Projects Limited as a Strategic Investor**

Pursuant to the Sanctioned Scheme, Tata Projects Limited has been admitted as a Strategic Investor and Co-promoter and allotted 2,76,90,000 equity shares of Re. 1 per share. Consequent to this allotment, the Company has become a subsidiary of Tata Projects Limited.

The Company has also availed of further financial assistance by way of a secured loan of Rs. 25.39 Crore from the Strategic Investor. An amount of Rs. 19.59 Crore has already been disbursed to the Company. The creation of security documents is pending. The balance amount of loan will be disbursed in a phased manner as per the Company's needs. The entire loan will be repaid over a period of five years in five annual instalments. The first instalment will fall due on 30<sup>th</sup> September 2008.

The Strategic Investor has nominated Mr. Kishore Pal Singh and Mr. Shailendra Krishan as Directors of the Company.

### **Settlement of Secured Loans from Banks and Financial Institutions**

The Company had availed credit facilities from Bank of India, Dena Bank, Kotak Mahindra Bank Limited and SICOM Limited. The Company has, out of loans extended by the Strategic Investor, settled the dues of above secured creditors on One Time Settlement (OTS) basis. Pursuant to this OTS, the dues of secured creditors have been fully and finally settled and they have released the charges and title deeds in respect of the entire assets of the Company.

### **Unsecured Creditors**

The amounts due to the unsecured creditors have been written back to the extent of Rs. 317.34 Lakh, representing 85% of the principal amount outstanding as per the books of the Company. In terms of the Sanctioned Scheme, the balance 15% of the principal amount is payable in five equal annual instalments.

### **Automatic Delisting of shares of the Company from Ahmedabad, Madras and Delhi Stock Exchanges**

The Members may recall that, at the Extra-ordinary General Meeting of the Company held on 5<sup>th</sup> August 2006, a Special Resolution was passed under the SEBI (Delisting of Securities) Guidelines, 2003 for voluntary delisting of equity shares of the Company from Ahmedabad Stock Exchange, Madras Stock Exchange and the Delhi Stock Exchange Association Limited. Pursuant to the Sanctioned Scheme, the equity shares have been automatically delisted from these Stock Exchanges. The Company has informed the relevant provisions of the Sanctioned Scheme to these Stock Exchanges and confirmations of delisting from these Stock Exchanges are awaited.

## **3. Directors' Responsibility Statement**

Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2008:

- a. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 of the profit or loss of the Company for that period;
- c. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the Directors had prepared the annual accounts on a going concern basis.

## **4. Directors**

The Board of Directors was re-constituted effective 4<sup>th</sup> January, 2008 with induction of Mr. Kishore Pal Singh and Mr. Shailendra Krishan, as nominees of Tata Projects Limited, and Mr. H. H. Malgham



as an Independent Director. Mr. Kishore Pal Singh has been appointed as the Chairman of the Board of Directors. Mr. Singh, Mr. Krishan and Mr. Malgham hold office till the date of forthcoming Annual General Meeting of the Company and are eligible for re-appointment pursuant to the provisions of Section 260 of the Companies Act, 1956.

Mr. N. K. Jagasia resigned as the Chairman and Managing Director of the Company on 4<sup>th</sup> January 2008 and therefore ceased to be a Director not liable to retire by rotation. The Board requested to Mr. Jagasia to continue to be a Non-Executive Director of the Company liable to retirement by rotation.

In terms of Article 175 of the Articles of Association of the Company, Mr. N. K. Jagasia and Mr. P. S. Chopde retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Mr. R. S. Medhi resigned as a Director of the Company effective 4<sup>th</sup> January 2008. The Board places on record its appreciation of Mr. Medhi's valuable contribution to the Company.

Effective 4<sup>th</sup> January 2008, Mr. K. P. Singh and Mr. N. K. Jagasia have, respectively, been appointed as the Chairman and Vice Chairman of the Board of Directors of the Company.

Pursuant to Section 16 (4) of the Sick Industrial Companies (Special Provisions) Act, 1985, the BIFR has, vide its letter dated 3<sup>rd</sup> January 2008, appointed Mr. Michael Bastian as a Special Director of the Company.

## **5. Auditors**

M/s. Chokshi & Chokshi, Chartered Accountants, the Statutory Auditors of the Company are due to retire at the ensuing Annual General Meeting. The Company has received a certificate from the Statutory Auditors, under Section 224 (1) (b) of the Companies Act, 1956, stating that they are eligible for re-appointment and the said re-appointment, if made, will be within the prescribed limits.

## **6. Particulars of Employees**

Particulars of the employees as required under Section 217 (2A) of the Companies Act, 1956 are not applicable as the Company did not have any employee drawing remuneration in excess of the sums prescribed.

## **7. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgoings**

Particulars prescribed under Section 217(1) (e) of the Companies Act, 1956 are given in an Annexure to this Report.

## **8. Report on Corporate Governance**

A Report on Corporate Governance together with the Auditors' Compliance Certificate in terms of Clause 49 of the Listing Agreement forms part of this Report and are annexed hereto.

## **9. Management Discussion and Analysis Report**

Management Discussion and Analysis report is separately given and forms part of this Report.

## **10. Acknowledgements**

The Directors take this opportunity to express their appreciation to the Management team and all the employees of the Company for their sincere hard work, dedication, sacrifices and commitment during the recent years. The Directors express their sincere thanks to all the customers, suppliers and shareholders for the confidence reposed by them in the Company. The Directors would specifically like to thank the BIFR, SICOM Ltd., the Company's Bankers, the Central Government, the State Governments, and other Government agencies for their support.

For and on behalf of the Board of Directors

**KISHORE PAL SINGH**  
Chairman

Mumbai, 8<sup>th</sup> May 2008

## ANNEXURE TO THE DIRECTORS' REPORT

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgoings

Information as per Section 217 (1) (e) read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the Accounting Year ended 31<sup>st</sup> March 2008:

#### A. Conservation of Energy

- (a) Energy conservation measures taken: Not Applicable
- (b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy: Not Applicable
- (c) Impact of the measures at (a) and (b) above, for energy consumption and consequent impact on the cost of production of goods: Not Applicable
- (d) Total energy consumption and consumption of energy per unit of production: Not Applicable

#### B. Technology Absorption

Efforts made in technology absorption: Not Applicable

#### C. Foreign Exchange Earnings and Outgoings

	Accounting Year ended 31 <sup>st</sup> March 2008	Financial Year ended 30 <sup>th</sup> September 2006
Earnings	<b>17.39</b>	2.37
Expenditure	<b>12.61</b>	1.60

(Rupees Crore)

For and on behalf of the Board of Directors

**KISHORE PAL SINGH**  
Chairman

Mumbai, 8<sup>th</sup> May 2008

## CORPORATE GOVERNANCE REPORT

### Company's philosophy on the Code of Governance

The Company has worked with a philosophy and mission of good governance in every field. The Company believes that the Corporate Governance code will enhance the growth of benefits to all the stakeholders. The core values followed by the Company truly reflect this spirit by focusing on the customer, shareholders and employees.

The broad disclosures as required by the Stock Exchanges and regulatory authorities are given below:

### Composition of the Board of Directors – as on 31<sup>st</sup> March, 2008

Name of the Director	Business Relationship	Executive/Non-Executive/Independent
Mr. Kishore Pal Singh	Chairman	Non-Executive, Nominee of Tata Projects Limited
Mr. N. K. Jagasia	Vice Chairman	Non-Executive
Mr. Shailendra Krishan	Director	Non-Executive, Nominee of Tata Projects Limited
Mr. H. H. Malgham	Director	Non-Executive, Independent
Mr. Michael Bastian	Special Director	Non-Executive, Independent
Mr. P. S. Chopde	Whole-time Director	Executive

None of the Directors are related to each other.

At the Board Meeting held on 4<sup>th</sup> January, 2008, the Board of Directors was reconstituted with the following changes:

- Mr. Kishore Pal Singh and Mr. Shailendra Krishan have been appointed as Directors of the Company. Both the Directors are nominees of Tata Projects Limited. Mr. Kishore Pal Singh has been appointed as the Chairman of the Board of Directors.
- Mr. H. H. Malgham has been appointed as an Independent Director.
- Mr. N. K. Jagasia resigned as an Executive Chairman and Managing Director of the Company. He continues as a Non-Executive Director, liable to retire by rotation, and has been designated as Vice Chairman of the Board of Directors.
- Mr. R. S. Medhi resigned as a Director and Whole-time Director of the Company.

Pursuant to Section 16 (4) of the Sick Industrial Companies (Special Provisions) Act, 1985 and a letter received by the Company from the Board for Industrial and Financial Reconstruction (BIFR), Mr. Michael Bastian has been appointed as a Special Director effective 3<sup>rd</sup> January, 2008.

The information prescribed under the Listing Agreement on Directors seeking appointment and re-appointment to be sent to the shareholders is stated in the Notice of the Annual General Meeting.

### Non-Executive Directors' compensation and disclosures

At the Meeting held on 22<sup>nd</sup> January, 2008, the Board of Directors has passed a Resolution for payment of Rs. 5,000 as Sitting Fee to each Non-Executive Director for attending each of the Board, Audit and Management Committee Meetings. No Sitting Fee is payable for the Investors' Grievances Committee Meeting. The said amount is within the limits prescribed under the Notification No. G. S. R. 580 (E) dated 24<sup>th</sup> July 2003 issued by the Department of Company Affairs. Accordingly, the sitting fees paid to the Non-Executive Directors are as under:

Name of the Director	Sitting Fees (Rs.)
Mr. Kishore Pal Singh	5,000
Mr. N. K. Jagasia	10,000
Mr. Shailendra Krishan	10,000
Mr. H. H. Malgham	10,000
Mr. Michael Bastian	15,000
<b>Total</b>	<b>50,000</b>

Effective 4<sup>th</sup> January, 2008, Mr. N. K. Jagasia continues as a Non-Executive Director and accordingly, he was paid sitting fees for the Board and Committee Meetings attended by him.

Presently no commission or any other remuneration other than the sitting fees is paid to the Non-Executive Directors. The Company does not have any Stock Option Scheme for the Non-Executive Directors.

### Board Meetings:

11 Board Meetings were held during the period under review and the gap between any two Board Meetings did not exceed four months. The dates of these Board Meetings are 30<sup>th</sup> October 2006, 30<sup>th</sup> November 2006, 31<sup>st</sup> January 2007, 20<sup>th</sup> February 2007, 30<sup>th</sup> March 2007, 30<sup>th</sup> April 2007, 30<sup>th</sup> July 2007, 31<sup>st</sup> October 2007, 26<sup>th</sup> December 2007, 4<sup>th</sup> January 2008 and 22<sup>nd</sup> January 2008.

The information as required under Annexure I to the Clause 49 of the Listing Agreement is made available to the Board of Directors.

Name of the Director	Number of Board Meetings attended during the period under review	Number of Board Meetings held during the tenure	Attendance at the 28 <sup>th</sup> Annual General Meeting
Mr. Kishore Pal Singh <sup>1</sup>	2	2	Not Applicable
Mr. N. K. Jagasia	11	11	Yes
Mr. Shailendra Krishan <sup>1</sup>	2	2	Not Applicable
Mr. H. H. Malgham <sup>1</sup>	2	2	Not Applicable
Mr. Michael Bastian <sup>2</sup>	1	2	Not Applicable
Mr. P. S. Chopde	11	11	Yes
Mr. R. S. Medhi <sup>3</sup>	9	9	Yes

1. Appointed as a Director effective 4<sup>th</sup> January 2008
2. Appointed as a Special Director effective 3<sup>rd</sup> January 2008
3. Resigned as a Director on 4<sup>th</sup> January 2008

### Directorships and Committee Memberships of Directors in other companies – as on 31<sup>st</sup> March, 2008

Name of the Director	No. of Directorships in other companies	No. of Committee Memberships in other companies*	
		Chairman	Member
Mr. Kishore Pal Singh	–	–	–
Mr. N. K. Jagasia	–	–	–
Mr. Shailendra Krishan	–	–	–
Mr. H. H. Malgham	3	2	2
Mr. Michael Bastian	3	1	2
Mr. P. S. Chopde	–	–	–

\* For this purpose, Chairmanship/Membership in Audit Committee and Shareholders'/Grievances Committee of public limited companies, whether listed or not, is considered.

### Code of Conduct

The Board of Directors has, after the close of the year, approved and adopted a Code of Conduct applicable to the Directors and the Senior Management personnel. All the Directors and senior management personnel have, respectively, affirmed compliance with the Code of Conduct as approved and adopted by the Board of Directors. Mr. P.S. Chopde, Executive Director has confirmed compliance by all concerned in this respect.

**Committees constituted by the Board of Directors**
**a. Audit Committee**

At the Board Meeting held on 22<sup>nd</sup> January, 2008, the Audit Committee was reconstituted. The composition of the Committee as at the end of the period under review is given below.

<b>Name of the Director</b>	<b>Composition</b>	<b>Executive/Non-Executive/Independent</b>
Mr. H. H. Malgham	Chairman	Non-Executive, Independent
Mr. N. K. Jagasia	Member	Non-Executive
Mr. Michael Bastian	Member	Non-Executive, Independent

The Committee has been empowered by the Board with the necessary powers as stipulated in Part II C of Clause 49 of the Listing Agreement and also with such other powers as it may deem fit.

Mr. P. S. Chopde, then Chairman of the Audit Committee, was present at the 28<sup>th</sup> Annual General Meeting held on 30<sup>th</sup> March, 2007.

During the period under review, 4 meetings of the Audit Committee were held on 31<sup>st</sup> December 2006, 31<sup>st</sup> March 2007, 30<sup>th</sup> June 2007 and 10<sup>th</sup> March 2008.

**b. Remuneration Committee**

The Board of Directors has not constituted any Remuneration Committee, being a non-mandatory requirement. The remuneration of the Executive Directors is reviewed by the Board of Directors of the Company.

**c. Management Committee**

At the Board Meeting held on 22<sup>nd</sup> January, 2008, the Management Committee was constituted in terms of the Sanctioned Scheme, to review the operations of the Company and to closely monitor the implementation of the sanctioned rehabilitation scheme. The composition of the Committee is given below.

<b>Name of the Director</b>	<b>Composition</b>	<b>Executive/Non-Executive/Independent</b>
Mr. Shailendra Krishan	Chairman	Non-Executive
Mr. Michael Bastian	Member	Non-Executive, Independent
Mr. P. S. Chopde	Member	Executive

In addition to the above, a Representative of the Monitoring Agency is also a Member of the Committee. One meeting of the Management Committee was held on 10<sup>th</sup> March 2008.

**d. Investors' Grievances Committee**

At the Board Meeting held on 22<sup>nd</sup> January, 2008, the Investors' Grievances Committee was reconstituted. The Committee also functions as the Share Transfer Committee. The composition of the Committee as at the end of the period under review is given below.

<b>Name of the Director</b>	<b>Composition</b>	<b>Executive/Non-Executive/Independent</b>
Mr. Kishore Pal Singh	Chairman	Non-Executive
Mr. N. K. Jagasia	Member	Non-Executive
Mr. Shailendra Krishan	Member	Non-Executive

During the period under review, 2 complaints/grievances were received by the Company. All the complaints/grievances have been resolved. As at 31<sup>st</sup> March 2008, there are no complaints pending for resolution.

### Compliance Officer

Mr. Vishram Panchpor was appointed as the Company Secretary effective 1<sup>st</sup> April 2008 and is the Compliance Officer. He can be contacted at the Registered Office address of the Company or by e-mail at – vnp@artson.net

### Subsidiary Companies

The Company does not have any subsidiary company. Accordingly, provisions of Part III of Clause 49 are not applicable to the Company.

### Remuneration of Directors

#### a. Non-Executive Directors:

The amount paid as Sitting Fees to the Non-Executive Directors is disclosed above. Besides this, the Company does not have any pecuniary relationship or transactions with the Non-Executive Directors.

Mr. N. K. Jagasia holds 3,28,340 equity shares of the Company. Mr. Kishore Pal Singh, Mr. Shailendra Krishan, Mr. H. H. Malgham and Mr. Michael Bastian do not hold any shares of the Company.

#### b. Executive Directors:

Name of the Director and Designation	Salary and Allowances (Rs.)	Perquisites (Rs.)	Total (Rs.)
Mr. N. K. Jagasia, Chairman & Managing Director	12,68,578	89,177	13,57,755
Mr. P. S. Chopde Whole-time Director	11,73,660	1,35,000	13,08,660
Mr. R. S. Medhi Whole-time Director	8,19,287	61,016	8,80,303

The Members at the Extra-ordinary General Meeting held on 21<sup>st</sup> April 2006, have approved the terms of appointment and remuneration of the Executive Directors. The remuneration of Mr. N. K. Jagasia and Mr. R. S. Medhi, as stated above, is upto 4<sup>th</sup> January 2008 i.e. the date upto which they held the office of Executive Director.

Mr. P. S. Chopde is the Executive Director of the Company and his present term is upto 31<sup>st</sup> March 2011. The Contract provides for a notice period of 90 days in writing but does not provide for any severance fees.

The Company does not have any Stock Option scheme for its Executive Directors.

### Certification by the Executive Director and the Chief Financial Officer

Mr. P. S. Chopde, Executive Director and Mr. Purushothaman R., Chief Financial Officer, have issued a certificate to the Board as prescribed under sub-clause V of Clause 49 of the Listing Agreement. The said certificate was placed before the Board Meeting held on 8<sup>th</sup> May 2008 in which the Accounts for the Accounting Year ended 31<sup>st</sup> March 2008 were considered and approved by the Board of Directors.

### General Body Meetings:

Day, Date, Time and Venue of the previous three Annual General Meetings:

Sr. No.	Day	Date	Time	Venue
1.	Friday	30 <sup>th</sup> March 2007	2.00 p.m.	Chembur Gymkhana, Phase I, 16 <sup>th</sup> Road, Chembur, Mumbai 400 071
2.	Friday	31 <sup>st</sup> March 2006	4.30 p.m.	Chembur Gymkhana, Phase I, 16 <sup>th</sup> Road, Chembur, Mumbai 400 071
3.	Thursday	31 <sup>st</sup> March 2005	4.30 p.m.	426, M. L. Aggarwal Building, W. T. Patil Marg, Chembur, Mumbai 400 071

### Special Resolutions

No Special Resolutions were passed at the above Annual General Meetings. None of these Special Resolutions were required to be put to vote through Postal Ballot System.

During the period under review, no Special Resolutions were put to vote through Postal Ballot system. The Board of Directors does not recommend any Special Resolution for approval of the Members through the Postal Ballot system at the 29<sup>th</sup> Annual General Meeting to be held on 24<sup>th</sup> July 2008.

### Disclosures:

The Company does not have any materially significant commercial and financial transactions with any of the related parties i.e. Promoters, Directors, Relatives, Associated company or Management having conflict, actual or potential, with the interest of the Company.

### Means of communication

The Audit Committee, in its meeting, considers the financial results of the Company and recommends it to the Board of Directors for its approval. The financial results, as taken on record by the Board of Directors, are communicated to the Bombay Stock Exchange, where the shares of the Company are listed. These quarterly, half yearly and annual results are also published in widely circulated newspapers (English and vernacular languages) as per the guidelines issued from time to time.

The information viz. Distribution Schedule, financial results, official news releases are available on the website of the Bombay Stock Exchange Limited – ([www.bseindia.com](http://www.bseindia.com)). During the period under review, no presentation was made to any analysts.

### General Shareholder information:

29 <sup>th</sup> Annual General Meeting	Thursday, 24 <sup>th</sup> July 2008 at 4.00 p.m. at Chembur Gymkhana, Phase II, 16 <sup>th</sup> Road, Chembur, Mumbai 400 071
Accounting Year	1 <sup>st</sup> October 2006 to 31 <sup>st</sup> March 2008
Dates of Book Closure (Both days inclusive)	From: Thursday, 17 <sup>th</sup> July 2008 To: Thursday, 24 <sup>th</sup> July 2008
Listing on Stock Exchanges	The Company's equity shares are listed on the Bombay Stock Exchange Limited (BSE). The Company has paid Annual Listing Fees to the BSE.
Stock Code	BSE – 522134
ISIN	On reduction of paid-up value of the equity shares and re-listing of new equity shares of the Company, the ISIN for the equity shares has been changed to INE133D01023. The earlier ISIN (INE133D01015) is no longer valid.
Registrar and Transfer Agents	Sharepro Services (India) Private Limited Unit: ARTSON ENGINEERING LIMITED Satam Estate, 3 <sup>rd</sup> Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099
Dematerialization of shares and liquidity	The Company has signed the agreement with both the Depositories viz. NSDL & CDSIL. The Company has paid the Annual Custodial Fees to both the Depositories. As at 31 <sup>st</sup> March 2008, 93.68 % of the shares of the Company were in dematerialized form.
Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company's capital comprises only of Equity shares and the Company does not have any outstanding ADRs, GDRs, warrants or any convertible instruments.

Share Transfer System	<p>The Company has complied with the requirements under the Listing Agreement regarding transfer of shares, other matters related to shares and despatch of share certificates to the shareholders.</p> <p>The share transfer requests in physical form and other shares related issues are processed and despatched to the respective lodgers within the statutory period provided the documents are complete in all respects. Invalid requests are returned together with the reasons of objection within the stipulated time period.</p>
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### Market Price Data

Month	High (Rs.)	Low (Rs.)
October 2006	37.00	31.40
November 2006	44.00	27.15
December 2006	39.50	30.35
January 2007	42.40	32.65
February 2007	61.40	34.30
March 2007	46.75	35.65
April 2007	51.20	40.15
May 2007	49.00	37.50
June 2007	53.00	35.30
July 2007	52.40	41.15
August 2007	47.65	39.25
September 2007	61.00	42.55
October 2007	58.50	44.50
November 2007	74.70	43.75
December 2007	111.50	65.00
January 2008	133.65	62.05
February 2008	–	–
March 2008*	55.20	22.50

\* On reduction in the paid-up value of shares from Rs. 10/- per share fully paid-up to Re. 1/- per share, the new equity shares of Re. 1/- per share have been re-listed and trading in new shares has commenced effective 13<sup>th</sup> March 2008. Market Price Data for the month of March 2008 is with respect to new equity shares of Re. 1/- per share.

### Distribution of shareholding as at 31<sup>st</sup> March 2008

No. of equity shares held	Folios	% to Total	No. of Shares	% to Total
Less than 5,000	16,161	98.97	53,55,449	14.51
5,001 to 10,000	100	0.61	7,62,056	2.06
10,001 to 20,000	30	0.18	3,92,311	1.06
20,001 to 30,000	11	0.07	2,74,543	0.74
30,001 to 40,000	3	0.02	1,07,900	0.29
40,001 to 50,000	9	0.05	4,16,523	1.13
50,001 to 1,00,000	11	0.06	6,88,718	1.87
1,00,001 & above	5	0.03	2,89,22,500	78.34
<b>Grand Total</b>	<b>16,330</b>	<b>100.00</b>	<b>3,69,20,000</b>	<b>100.00</b>



**Shareholding Pattern – as on 31<sup>st</sup> March 2008**

Category of Shareholder	Number of Shareholders	Number of Shares held	% to Total Capital
<b>Promoter and Promoter Group</b>			
Individuals	40	8,97,466	2.43%
Tata Projects Limited	1	2,76,90,000	75.00%
<b>Total Promoter Shareholding</b>	<b>41</b>	<b>2,85,87,466</b>	<b>77.43%</b>
<b>Public Shareholding</b>			
<b>Institutions</b>			
Mutual Funds/UTI	2	2,875	0.01%
Financial Institutions/Banks	3	1,400	0.00%
Foreign Institutional Investors	3	770	0.00%
	<b>8</b>	<b>5,045</b>	<b>0.01%</b>
<b>Non-Institutions</b>			
Bodies Corporate	360	18,17,411	4.92%
Individual	15,836	63,84,771	17.29%
Non-Resident Indians – (Non-Repatriable)	21	12,375	0.03%
Non-Resident Indians – (Repatriable)	64	1,12,932	0.31%
	<b>16,281</b>	<b>83,27,489</b>	<b>22.56%</b>
<b>Total Public Shareholding</b>	<b>16,289</b>	<b>83,32,534</b>	<b>22.57%</b>
<b>GRAND TOTAL</b>	<b>16,330</b>	<b>3,69,20,000</b>	<b>100.00%</b>

**Plant Location**

Artson Engineering Limited  
Plot No. D – 5, MIDC, Ambad,  
Nashik 422 010

**Address for correspondence****Registered Office:**

Artson Engineering Limited  
Plot No. 426, 1<sup>st</sup> Floor,  
M. L. Aggarwal Building  
W. T. Patil Marg,  
Opp. Shatabdi Hospital,  
Chembur,  
Mumbai 400 071

**Registrar and Share Transfer Agents:**

Sharepro Services (India) Private Limited  
Unit: ARTSON ENGINEERING LIMITED  
Satam Estate, 3<sup>rd</sup> Floor,  
Above Bank of Baroda,  
Cardinal Gracious Road,  
Chakala, Andheri (E),  
Mumbai 400 099

**Certificate on Corporate Governance compliance**

A certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is enclosed.

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## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Members of  
Artson Engineering Limited

We have examined the compliance of conditions of Corporate Governance by Artson Engineering Limited, for the period (18 months) ended 31<sup>st</sup> March 2008 as stipulated in Clause 49 of the Listing Agreement of the said company with Bombay Stock Exchange Limited.

The Compliance of Conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we clarify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement except as under:

- 1. The Company did not have a designated Chief Financial Officer till January 2008 and Company Secretary till 31<sup>st</sup> March 2008 and there was a violation with respect to composition of the Audit committee and Board of Directors till January 2008.*
- 2. The Results for the quarters prior to 31<sup>st</sup> December 2007 have not been subjected to Review by the Statutory Auditors.*

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Investor Grievance Committee, there was no investors' grievance against the Company remaining unattended/pending for more than 30 days.

We further state that compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **CHOKSHI & CHOKSHI**  
Chartered Accountants

**K. S. CHOKSHI**  
Partner  
M. No. 100/17085

Place : Mumbai

Dated : 8<sup>th</sup> May, 2008

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Business Analysis

The Company is a provider of Engineering, Procurement and Construction (EPC) contracts, involving end-to-end solutions, ranging from design and engineering, project management and construction, to quality assurance and guarantees. The Company undertakes projects relating to construction of tank farms, petroleum and Oil and Gas depots and terminals, Power Plants, fuel handling systems, as well as mechanical equipment erection, civil structural works for industrial plants and composite contracts involving oil refinery turnaround/shut down.

The Company's core competence lies in Oil and Gas Sector and Power Plants and it has successfully executed a number of projects for major domestic oil companies like Reliance and Essar. A lot of new projects have been announced in India which are in various stages of implementation. The Company is actively participating in bidding for these projects. The Company is also actively concentrating on making forays into Power Sector in the field of turnkey projects for Fuel Handling Systems, piping and erection.

On the overseas front, a lot of green field projects as well as revamping projects have been announced in Gulf countries. The Company has an operating presence in Kuwait and United Arab Emirates (UAE). On successful completion of a tankage project in Kuwait, the Company has received another order for tankages in Kuwait. The Company is registered with Kuwait National Petroleum Company (KNPC) and Kuwait Oil Company (KOC) for their forthcoming projects and aggressive marketing efforts are being made to book further business thereagainst.

The Company is presently executing a project at Fujairah, UAE as a sub-contractor to Tata Projects Limited for piping of new oil terminal being set up by Emirates National Oil Company (ENOC). Offers for piping and tankages have been made to a number of parties in UAE and the Company expects to receive substantial business against these offers.

Pursuant to the rehabilitation scheme approved by the Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 27<sup>th</sup> November 2007, the Company has fully and finally settled the dues of the secured creditors on a One Time Settlement (OTS) basis. As a result, the secured creditors have released the charges and title deeds in respect of the entire assets of the Company. Consequently, the Company has obtained possession of its manufacturing facility at Nashik, and is in the process of revamping it. The Company is confident of commencing production from the Nashik facility shortly.

The Company is confident that the Oil and Gas Sector will provide ample scope and opportunity to the Company to undertake downstream piping, tankages and associated activities, since the Company has core competence. The Company's Strategic Investor and holding company, Tata Projects Limited being in the Oil and Hydrocarbon business will lead to synergy in the Company's operations.

### Risks and Concerns

#### The major areas of concerns are:

- The Company has a negative networth and hence unable to meet the pre-bid requirement of projects being implemented by various Public Sector Undertakings. Tata Projects Limited, the holding company, is agreeable to extend its support, whenever necessary, subject to viability of the project.
- Unprecedented increase in prices of steel/consumables like electrodes etc. pushing project costs upwards.
- General shortage of manpower in Managerial and Technical cadres.
- Lack of adequate banking facilities

### Performance Analysis

The Accounting Year of the Company was extended by six months i.e. upto 31<sup>st</sup> March 2008 and, consequently, the financial performance of the Company for a period of 18 months are strictly not comparable with that of the previous Financial Year ended 30<sup>th</sup> September 2006 comprising of a period of 12 months.

The following are relevant financial performance details with respect to the operational performance of the Company:

(Rupees Crore)

	<b>Accounting Year ended 31<sup>st</sup> March 2008</b>	<b>Financial Year ended 30<sup>th</sup> September 2006</b>
Income	52.10	14.10
Expenditure	53.31	15.49
Loss Before Tax	(1.22)	(1.39)
Loss After Tax	(1.43)	(1.40)
Capital Restructuring	12.33	-
Balance Carried Forward	(12.33)	(23.76)

The Company began its Financial Year under report with secured contracts for construction of storage tanks at Chennai and Jamnagar in India and from an overseas customer for its site located in Kuwait. As a result of execution of major portion of these contracts, the income from operating activities was Rs. 52.03 Crore as against Rs. 13.86 Crore for the previous Financial Year. Other Income for the current financial year was Rs. 6.72 Lakh as against Rs. 23.99 Lakh for the previous Financial Year.

The total Expenditure of Rs. 53.31 Crore for the current Accounting Year (Rs. 15.49 Crore for the previous Financial Year) comprised of:

(Rupees Crore)

	<b>Accounting Year ended 31<sup>st</sup> March 2008</b>	<b>Financial Year ended 30<sup>th</sup> September 2006</b>
Project Execution and Operating Expenses	37.08	8.79
Employee Cost	8.18	2.86
Establishment and Other Expenses	1.40	4.11
Interest	1.21	-
Depreciation	0.95	0.50
Decrease/(Increase) in work-in-progress	4.49	(0.77)

Project Execution and Operating Expenses were higher mainly due to significant increase in sub-contracting and labour charges and equipment/vehicle hire charges at various sites. With revision in salaries and increase in number of employees, Employee Cost has increased. Interest amounting to Rs. 1.21 Crore represents provision for interest, payable but not due, on loan extended by Tata Projects Limited pursuant to the BIFR Sanctioned Scheme.

Capital Restructuring, as provided in the BIFR Sanctioned Scheme, was carried out resulting in net reduction of the accumulated losses to Rs. 12.33 Crore after taking into account the loss of Rs. 1.43 Crore relating to the operations for the 18 months period ended 31<sup>st</sup> March 2008. The Capital Restructuring, inter alia, included reduction in paid up value of equity shares, writing back of securities premium account, waiver of secured loans and reduction in payment to sundry creditors.

### **Internal Control Systems and its adequacy**

The Company has an internal control system commensurate with the nature of its business and size of its operations. Pursuant to the Order dated 27<sup>th</sup> November 2007 passed by the Board for Industrial and Financial Reconstruction (BIFR) for rehabilitation of the Company, a Management Committee has been set up to review the operations of the Company and to closely monitor the implementation

of the Sanctioned Scheme. Periodic audits are conducted by the Internal/Concurrent Auditors and Statutory Auditors, which are independent firms of Chartered Accountants. Their Reports along with the responses from the Management are placed before the Management Committee or the Audit Committee for discussions and guidance.

**Human Resources**

The number of employees on the Company's rolls as at 31<sup>st</sup> March 2008 was 140. A key challenge remains the attraction, upgradation and retention of human capital. Efforts are being made to build capability in employees at all levels and develop their functional skills.

**Cautionary Statement**

The Management Discussion and Analysis Report describing the Company's activities, projections, estimates, assumptions with regard to economic conditions and Government policies etc. may be forward looking statements based upon the information available with the Company. Important developments that could affect the Company's operations include trends in the industrial sector in which it operates, significant changes in political and economic environment, tax laws, litigation, labour relations, interest rates and other costs. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those expressed or implied in the report. The Company assumes no responsibility to publicly modify, amend, or revise any forward looking statements, on the basis of any subsequent developments, information or events.

## AUDITORS' REPORT

### TO THE MEMBERS OF

#### ARTSON ENGINEERING LIMITED

We have audited the attached Balance Sheet of **Artson Engineering Limited** as on 31<sup>st</sup> March, 2008 and the related Profit and Loss Account and the Cash Flow statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
3. In our opinion, proper books of accounts as required by law have been kept by the Company, in so far as appears from our examinations of the books.
4. The Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the Books of Account.
5. 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.
6. In our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
7. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
  - i. in the case of the Balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008;
  - ii. in the case of Profit and Loss Account, of the loss for the period ended 31<sup>st</sup> March, 2008; and
  - iii. In the case of Cash Flow Statement, of the cash flows for the period ended as on that date.

For **CHOKSHI & CHOKSHI**  
Chartered Accountants

**K. S. CHOKSHI**  
Partner  
Membership No. 100/17085

Place : Mumbai  
Date : 8<sup>th</sup> May, 2008

## ANNEXURE TO AUDITORS' REPORT

### ANNEXURE REFERRED TO IN PARAGRAPH '1' OF AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF ARTSON ENGINEERING LIMITED

1. (a) The Company is maintaining records to show particulars of Fixed Assets including their quantitative details and location of all the assets after year 2004. *However details of assets prior to this period are not available. We are unable to express our opinion in respect of the adjustment that may arise due to the above.*  
(b) The company has carried out physical verification of fixed assets at 2 locations in earlier year (Refer Note No. 11(a) Sch. 13). However, reconciliation of all the assets with the book record is being done. As explained to us, the impact due to the same may not be substantial and shall be accounted upon such reconciliation.  
(c) In terms of BIFR order, during the year the Company has disposed/written off Fixed Assets worth Rs. 46,99,939/- (Net) located at Nashik Factory. As per information and explanation given to us, this has not affected the Going Concern Status of the Company.
2. (a) As informed to us, physical verification has been conducted by the management as at the year-end in respect of the finished goods in process, stores, spare parts and raw materials.  
(b) On the basis of the available records and according to the information and explanations given to us, the procedure of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) No material discrepancies have been noticed on verification of inventory between the physical stock and the book records. The discrepancies noticed have been properly dealt with in the books of accounts.
3. (a) The Company has not granted any Loans, Secured or Unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956; hence this clause is not applicable.  
(b) In terms of BIFR order, the Company has taken a secured loan amounting to Rs. 1959.33 lacs from a company listed in the register maintained u/s 301 of the Companies Act, 1956. The terms and conditions on which the loan has been taken are not *prima facie* prejudicial to the interest of the Company and the payment of principal and interest in this regard is not yet due.
4. In our opinion and according to the information and explanations given to us there are reasonable internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across nor have been informed of any instances of major weakness in the aforesaid internal control procedures. However, in our opinion having regard to the size and nature of business and construction sites being spread over different areas, the internal control needs to be strengthened.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, the transaction that need to be entered in the register maintained u/s 301 of the Companies act, 1956 have been entered including transaction in excess of Rs. 5 lacs for sales of services with a party and are reasonable having regard to the prevailing market prices at the relevant time.
6. (a) The Company has not accepted any deposits during the Year. Accordingly, in our opinion the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.  
(b) There have been no proceedings before the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
7. The Company has an adequate internal audit system commensurate with its size and nature of its business.
8. As informed to us, the Central Government has not prescribed for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
9. According to the information and explanation given to us and the records of the company examine by us. In our opinion, the Company is generally regular in depositing Undisputed Statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Custom Duty, Excise duty, Education Cess and other material Statutory dues as applicable with the appropriate authorities except delay in payment of Service tax. The amount of outstanding statutory dues exceeding 6 months from the date they became payable as at 31<sup>st</sup> March, 2008 are NIL.

10. According to the information and explanation given to us the particulars of sales tax dues as at 31<sup>st</sup> March, 2008 which have not been deposited on account of a dispute pending are as under:

Name of the Statute	Nature of the disputed dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Commercial Tax Officer (Andhra Pradesh)	Work contracts differences in value of property passing and sale in transit	12,20,606	1998-1999	Commissioner appeal
Commercial Tax (West Bengal)	Works Contract value	2,07,981	1998-1999 1999-2000 2000-2001	Commissioner Appeal
Commercial Tax Officer (Haryana Sales Tax)	Works Contract value	32,79,788	1997-1998	Commissioner Appeal

11. The Company is in receipt of BIFR Order during the year and has given effect by way of Capital Restructuring Account. The Company has incurred a cash loss during the year and its accumulated loss is more than its paid up capital and free reserves.
12. In terms of BIFR order, the Company has gone for One Time Settlement for Secured Loans from the Banks and Financial Institutions during the year and has written back an amount of Rs. 22,78,90,329 in Capital Restructuring Account.
13. The Company has not granted any Loans and Advances on the basis of security by way of pledge of shares, debenture and other securities. Therefore clause 4(xii) of the said order is not applicable to the Company.
14. The Company is not a Chit Fund or a Nidhi Mutual Benefit/Society. Therefore, the provisions of clause 4(xiii) of the said order are not applicable to the Company.
15. The Company has not entered into any trading in shares, securities, debenture and other investments during the year. Therefore clause 4(xiv) of the said order is not applicable to the company. The investments as coming from the earlier year have since been written off.
16. According to the information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank or financial Institutions.
17. According to the Cash Flow statement and other records examined by us and the information and explanation given to us, on an overall basis, fund raised on short term basis, have not *prima facie*, been used during the year for long term investments. The Term Loans have been applied for the purpose for which they were taken.
18. The Company has not raised any funds for short-term basis.
19. In terms of BIFR order, the Company has made preferential allotment of shares to Tata Projects Limited, a company listed in the register maintained under Section 301 of the Companies Act, 1956, at a price which is not prejudicial to the interests of the Company.
20. The Company has not issued any secured debentures.
21. The Company has not raised any money through a public issue during the Year.
22. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

For **CHOKSHI & CHOKSHI**  
Chartered Accountants

**K. S. CHOKSHI**  
Partner  
Membership No. 100/17085

Place : Mumbai  
Date : 8<sup>th</sup> May, 2008



**Balance Sheet as on 31<sup>st</sup> March, 2008**

	Schedule	As on 31.3.2008 (Rupees)	As on 30.9.2006 (Rupees)
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Share Capital	1	36,920,000	92,300,000
Reserves & Surplus	2	2,000,000	112,925,000
<b>Loans Funds</b>			
Secured Loans	3	195,933,000	435,523,329
Unsecured Loans	4	4,641,221	4,768,097
Deferred Tax Liability		1,784,126	—
		<u>241,278,347</u>	<u>645,516,426</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	161,972,354	166,891,506
Less: Depreciation		(116,955,455)	(127,395,650)
Net Fixed Assets		<u>45,016,899</u>	<u>39,495,856</u>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	6	7,467,418	119,222,488
Sundry Debtors		98,379,077	264,141,623
Cash and Bank Balances		23,237,434	7,053,689
Other Current Assets		31,155,596	—
Loans and Advances		13,982,237	43,607,791
		<u>174,221,762</u>	<u>434,025,591</u>
Less: Current Liabilities	7	97,957,498	64,035,750
Provisions		3,332,063	1,607,587
		<u>101,289,561</u>	<u>65,643,337</u>
Net Current Assets		<u>72,932,201</u>	<u>368,382,254</u>
Profit and Loss Account		<u>123,329,248</u>	<u>237,638,315</u>
		<u>241,278,347</u>	<u>645,516,426</u>
Earning Per Share		—	—
Significant Accounting Policies and Notes to Accounts	13		
Balance Sheet Abstract	14		

Subject to our Report of even date

For and on behalf of

Chokshi & Chokshi  
Chartered AccountantsK. S. Chokshi  
(Partner)  
Membership No. 100/17085Place : Mumbai  
Date : 8<sup>th</sup> May, 2008

For and on behalf of the Board

K. P. Singh  
ChairmanPurushothaman R.  
Chief Financial OfficerVishram N. Panchpor  
Company SecretaryH. H. Malgham  
DirectorP. S. Chopde  
Executive DirectorPlace : Mumbai  
Date : 8<sup>th</sup> May, 2008

## Profit and Loss Account for the period 1<sup>st</sup> October, 2006 to 31<sup>st</sup> March, 2008

	Schedule	Period ended (18 Months) 31.3.2008 (Rupees)	Year ended 30.9.2006 (Rupees)
<b>INCOME</b>			
From Contracts	8	520,302,429	138,621,417
Other	9	672,317	2,398,811
		<u>520,974,746</u>	<u>141,020,228</u>
<b>EXPENDITURE</b>			
Project Execution and Operating Expenses	10	370,847,485	87,881,158
Employee Cost	11	81,819,506	28,571,536
Establishment and Other Expenses	12	14,006,082	41,099,168
Interest		12,079,568	9,116
Depreciation	5	9,525,711	4,973,442
Preliminary Expenses		—	65,700
Add: Decrease/(Increase) in work-in-progress		44,895,849	(7,665,849)
		<u>533,174,201</u>	<u>154,934,271</u>
Profit/(Loss) Before Tax		(12,199,455)	(13,914,043)
Provision for Taxation – Current Tax		—	—
– Deferred Tax		(1,784,126)	—
– Fringe Benefit Tax		(341,908)	(106,000)
Profit/(Loss) After Tax		<u>(14,325,489)</u>	<u>(14,020,043)</u>
Add: Balance brought Forward		(237,638,315)	(196,262,688)
– Prior Period Adjustment		(3,160,105)	(27,355,584)
– Capital Restructuring Accounts		123,269,661	—
– Transfer from General Reserve		8,525,000	—
Profit/(Loss) Available for Appropriation		<u>(123,329,248)</u>	<u>(237,638,315)</u>
Balance Profit/(Loss) c/f to Balance Sheet		<u>(123,329,248)</u>	<u>(237,638,315)</u>
Earning Per Share		—	—
Significant Accounting Policies and Notes to Accounts	13		
Balance Sheet Abstract	14		

Subject to our Report of even date

For and on behalf of

Chokshi & Chokshi  
Chartered AccountantsK. S. Chokshi  
(Partner)  
Membership No. 100/17085Place : Mumbai  
Date : 8<sup>th</sup> May, 2008

For and on behalf of the Board

K. P. Singh  
ChairmanPurushothaman R.  
Chief Financial OfficerVishram N. Panchpor  
Company SecretaryH. H. Malgham  
DirectorP. S. Chopde  
Executive DirectorPlace : Mumbai  
Date : 8<sup>th</sup> May, 2008

**Schedules forming part of Balance Sheet as at 31.3.2008**

<b>SCHEDULE 1</b>	<b>As on 31.3.2008</b>	<b>As on 30.9.2006</b>
<b>SHARE CAPITAL</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>AUTHORISED SHARE CAPITAL</b>		
(i) 150,000,000 Equity Shares of Re. 1/- each (Previous year 15,000,000 Equity Shares of Rs. 10/- each.)	<b>150,000,000</b>	150,000,000
Reduction in Paid up value of Equity Shares from Rs. 10/- each fully paid up to Re. 1/- each was carried out pursuant to the Sanctioned Scheme of BIFR vide its order dated 18 <sup>th</sup> December, 2007		
(ii) 200,000 Preference Shares of Rs. 100/- each	<b>20,000,000</b>	20,000,000
	<b>170,000,000</b>	170,000,000
<b>ISSUED SUBSCRIBED AND PAID UP CAPITAL</b>		
36,920,000 Equity Shares of Re. 1/- each fully paid up (Previous year 9,230,000 Equity Shares of Rs. 10/- each fully paid up)		
Of the above shares 27,690,000 Equity Shares (Previous Year NIL) of Re. 1/- each fully paid up have been allotted to Tata Projects Limited	<b>36,920,000</b>	92,300,000
	<b>36,920,000</b>	92,300,000
<b>SCHEDULE 2</b>		
	<b>As on 31.3.2008</b>	<b>As on 30.9.2006</b>
<b>RESERVES AND SURPLUS</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>CAPITAL RESERVE</b>		
Balance brought forward	<b>2,000,000</b>	2,000,000
Less: Transferred to General Reserve	—	—
	<b>2,000,000</b>	2,000,000
<b>SHARE PREMIUM ACCOUNT</b>		
Balance brought forward	<b>102,400,000</b>	102,400,000
Less: Written back as per BIFR Order	<b>(102,400,000)</b>	—
	—	102,400,000
<b>GENERAL RESERVE</b>		
Balance brought forward	—	—
Add: Transferred from Foreign Project Reserve	<b>8,525,000</b>	—
	<b>8,525,000</b>	—
Less: Transferred to Profit and Loss Account	<b>8,525,000</b>	—
	—	—
<b>FOREIGN PROJECT RESERVE</b>		
Balance brought forward	<b>8,525,000</b>	8,525,000
Less: Transferred to General Reserve	<b>8,525,000</b>	—
	—	8,525,000
	<b>2,000,000</b>	112,925,000

## Schedules forming part of Balance Sheet as at 31.3.2008

### SCHEDULE 3

	As on 31.3.2008 (Rupees)	As on 30.9.2006 (Rupees)
<b>SECURED LOANS</b>		
<b>(A) TERM LOANS FROM SICOM LIMITED</b>	—	19,965,136
<p>Secured by a first mortgage of all the Company's immovable properties, both present and future situated at Nashik and by hypothecation of machineries and personal guarantee of Directors.</p> <p>In terms of Clause 8.2 of the Sanctioned Scheme of BIFR vide its order dated 27<sup>th</sup> November, 2007, Company settled all its dues to SICOM Limited. In turn, SICOM Limited has issued No dues Certificates and released all the charges held by it on the entire assets of the Company and released the Title Deeds in respect of the property located at D-5, Ambad, Nashik and the personal guarantees of Directors.</p>		
<b>(B) FROM BANKS*</b>		
<b>(i) TERM LOANS*</b>	—	114,919,132
<p>Secured by hypothecation of fixed assets and personal guarantee of Directors, first charge on premises situated at Chembur and second charge on machineries and immovable properties at Nashik with Collateral Security of book-debts and stock.</p>		
<b>(ii) CASH CREDIT*</b>	—	271,346,789
<p>Secured by hypothecation of book-debts and stock and personal guarantee of Directors and second charge on the above machineries and immovable properties at Nashik.</p>		
<b>(iii) DEMAND LOAN FROM BANKS*</b>	—	29,292,272
<p>(Secured ranking <i>pari passu</i> with cash credit)</p>		
<p>* The Company has entered into One Time Settlement (OTS) with all the Secured lenders (excluding SICOM Limited) and repaid the entire loans in terms of the said Sanctioned Scheme of BIFR. Subsequently, Secured lenders have released all the charges held by them on the Assets of the Company and issued No Dues Certificates.</p>		
<b>(C) TERM LOAN FROM TATA PROJECTS LIMITED</b>	<b>195,933,000</b>	—
<p>In terms of the Sanctioned Scheme of BIFR dated 27<sup>th</sup> November, 2007, Company has obtained loan from Tata Projects Limited. The Loan Agreement and creation of charge favouring Tata Projects Limited are under process.</p>		
	<b>195,933,000</b>	<b>435,523,329</b>

### SCHEDULE 4

	As on 31.3.2008 (Rupees)	As on 30.9.2006 (Rupees)
<b>UNSECURED LOANS</b>		
Sales Tax Deferment Loan (SICOM)	<b>4,641,221</b>	4,768,097
	<b>4,641,221</b>	4,768,097

**Schedules forming part of Balance Sheet as at 31.3.2008**
**SCHEDULE 5**
**FIXED ASSETS**

For the period from 01.10.2006 to 31.03.2008

(Amount in Rupees)

Particulars	Rate of Depreciation	DEPRECIATION WORKING AS PER THE COMPANIES ACT, 1956 FOR THE ACCOUNTING YEAR ENDED ON 31.3.2008											
		GROSS BLOCK					DEPRECIATION					NET BLOCK	
		As at 1.10.2006	Additions	Deletions	As at 31.03.2008	As at 1.10.2006	On Opening Balance/ Additions	On Deletions/ Additions	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 30.9.2006	
Land		429,013	—	—	429,013	—	—	—	—	—	429,013	429,013	
Building	5%	11,442,425	—	—	11,442,425	4,519,420	510,572	—	5,029,991	6,412,433	6,923,005	6,923,005	
Plant & Machinery	13.91%	125,420,451	15,632,365	19,620,536	121,432,280	97,568,449	7,167,702	15,764,270	88,971,880	32,460,399	27,852,001	27,852,001	
Computer	40.00%	8,475,275	822,311	880,936	8,416,650	8,250,257	410,790	880,936	7,780,112	636,538	225,018	225,018	
Furniture & Fixture	18.10%	5,938,320	1,969,432	1,405,978	6,501,774	5,039,006	623,683	1,274,967	4,387,722	2,114,051	899,314	899,314	
Office Equipment/ Air Conditioner	13.91%	4,791,788	852,087	502,806	5,141,069	3,359,754	387,090	366,799	3,380,045	1,761,024	1,432,033	1,432,033	
Electrical Installation	13.91%	5,294,829	470,499	2,255,588	3,509,740	3,912,994	300,391	1,678,933	2,534,453	975,287	1,381,835	1,381,835	
Vehicle	25.89%	5,099,406	—	—	5,099,406	4,745,769	125,483	—	4,871,252	228,154	353,637	353,637	
Current Year		166,891,505	19,746,694	24,665,844	161,972,355	127,395,649	9,525,711	19,965,905	116,955,456	45,016,900	39,495,856	39,495,856	
Previous Year		160,211,226	6,680,280	—	166,891,506	122,422,208	4,973,442	—	127,395,650	39,495,856	37,789,019	37,789,019	

## Schedules forming part of Balance Sheet as at 31.3.2008

### SCHEDULE 6

	As on 31.3.2008 (Rupees)	As on 30.9.2006 (Rupees)
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
Current Assets		
Inventories (As valued and certified by Management)		
Stock of Material and Tools	7,467,418	20,388,759
Work in Progress	—	98,435,849
Stock of Finished Goods	—	397,880
	<u>7,467,418</u>	<u>119,222,488</u>
Sundry Debtors		
(Unsecured & considered goods)		
Outstanding for more than six months *	31,074,082	235,379,582
Others *	67,304,995	28,762,041
* Refer Note 12 (b) of Schedule 13		
	<u>98,379,077</u>	<u>264,141,623</u>
Cash & Bank Balances		
Cash on hand	4,433,320	325,329
Balances in scheduled banks in current a/c	6,263,908	2,126,757
In Fixed Deposit Account towards Margin Money	12,540,206	4,601,603
	<u>23,237,434</u>	<u>7,053,689</u>
Other Current Assets		
Work done but not billed	31,155,596	—
	<u>31,155,596</u>	<u>—</u>
Loans & Advances		
Advances recoverable in cash or kind for value to be received	8,455,736	37,327,691
Deposits	1,116,779	3,565,088
Advance payment of Income Tax & FBT	4,409,722	2,715,012
	<u>13,982,237</u>	<u>43,607,791</u>

### SCHEDULE 7

	As on 31.3.2008 (Rupees)	As on 30.9.2006 (Rupees)
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
CURRENT LIABILITIES		
(a) Sundry Creditors	44,485,667	54,258,578
(b) Advances received from customers	17,583,957	—
(c) Other Liabilities	35,887,874	9,777,172
	<u>97,957,498</u>	<u>64,035,750</u>
PROVISIONS		
For Leave encashment	619,919	246,101
For Gratuity	2,220,236	1,211,486
For Fringe Benefit Tax	491,908	150,000
	<u>3,332,063</u>	<u>1,607,587</u>

## Schedules forming part of Profit and Loss Account for the period 1<sup>st</sup> October, 2006 to 31<sup>st</sup> March, 2008

**SCHEDULE 8**

	Period ended (18 Months) 31.3.2008	Year ended 30.9.2006
	(Rupees)	(Rupees)
<b>INCOME</b>		
From Contracts		
Domestic – Supply	<b>40,149,771</b>	—
– Execution	<b>300,712,893</b>	114,920,064
Exports – Execution Overseas	<b>179,439,766</b>	23,701,353
	<b>520,302,429</b>	138,621,417

**SCHEDULE 9**

	Period ended (18 Months) 31.3.2008	Year ended 30.9.2006
	(Rupees)	(Rupees)
<b>OTHER INCOME</b>		
Miscellaneous Income	<b>8,000</b>	331,237
Sales Tax Refund	—	1,765,752
Interest on IT Refund	<b>68,057</b>	—
Interest on FDR	<b>582,839</b>	190,865
Exchange Rate Difference	<b>13,421</b>	110,957
	<b>672,317</b>	2,398,811

**SCHEDULE 10**

	Period ended (18 Months) 31.3.2008	Year ended 30.9.2006
	(Rupees)	(Rupees)
<b>PROJECT EXECUTION &amp; OTHER OPERATING EXPENSES</b>		
Materials Consumed/Contracting & Trading	<b>71,917,673</b>	34,837,269
Subcontracting & Labour Charges	<b>167,968,569</b>	35,811,474
Sales Tax & Works Contract Tax	<b>704,041</b>	1,779,845
Testing Charges & Inspection Charges	<b>7,040,170</b>	577,544
Design Charges	<b>2,775,302</b>	872,273
Power, Fuel & Water Charges	<b>704,194</b>	771,645
Freight & Forwarding Charges	<b>4,702,903</b>	1,608,096
Rent at Sites	<b>12,652,186</b>	669,021
Equipments/Vehicles Hire Charges	<b>69,262,533</b>	10,087,402
Staff Welfare	<b>6,811,313</b>	—
Site Expenses	<b>3,990,454</b>	—
Visa Processing Charges	<b>2,134,266</b>	—
Security Charges & Other Misc. Deduction	<b>3,813,511</b>	—
Vehicle Expenses	<b>1,428,535</b>	—
Medical Expenses	<b>1,027,191</b>	—
Travelling Expenses	<b>5,742,629</b>	—
Other Expenses at Site	<b>7,699,784</b>	270,338
Repairs and Maintenance – Plant & Equipments	<b>472,231</b>	596,251
	<b>370,847,485</b>	87,881,158

## Schedules forming part of Profit and Loss Account for the period 1<sup>st</sup> October, 2006 to 31<sup>st</sup> March, 2008

<b>SCHEDULE 11</b>	<b>Period ended (18 Months) 31.3.2008</b>	Year ended 30.9.2006
<b>EMPLOYEE COST</b>	<b>(Rupees)</b>	(Rupees)
SALARIES, WAGES AND OTHER BENEFITS INCLUDING DIRECTORS REMUNERATION & PERQUISITES		
Salaries, Wages & Bonus	<b>78,556,885</b>	25,211,528
Gratuity	<b>1,008,750</b>	180,193
Other Benefits & Compensation	<b>2,253,871</b>	3,179,815
	<b>81,819,506</b>	28,571,536

<b>SCHEDULE 12</b>	<b>Period ended (18 Months) 31.3.2008</b>	Year ended 30.9.2006
<b>ESTABLISHMENT AND OTHER EXPENSES</b>	<b>(Rupees)</b>	(Rupees)
Rent	<b>865,134</b>	829,260
Rates & Taxes	<b>10,601</b>	7,500
Legal Fees & Expenses	<b>2,315,599</b>	506,104
Printing & Stationery	<b>813,225</b>	518,186
Travelling & Conveyance	<b>1,999,917</b>	4,807,269
Vehicles Expenses	<b>644,561</b>	695,029
Sitting Fees to Non-wholetime Directors	<b>50,000</b>	—
Bank Commission	<b>431,166</b>	1,872,584
Telephone Expenses	<b>750,492</b>	618,289
Electricity and Water Charges	<b>246,463</b>	—
Professional Fees (Inclusive of Auditors Remuneration)	<b>3,264,461</b>	1,378,890
Courier/Postage	<b>358,115</b>	204,719
Insurance Expenses	<b>386,088</b>	—
Internet Charges	<b>159,639</b>	285,590
Professional Tax	<b>112,900</b>	—
Registrar & Transfer Agent Fees	<b>277,569</b>	179,557
Sundry Debit/Credit Balance Written Off/back and Bad Debts	—	27,770,700
Sales Tax	—	76,925
Bank Charges	<b>146,270</b>	—
Miscellaneous Expenses	<b>1,173,882</b>	1,348,566
	<b>14,006,082</b>	41,099,168



# Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date

## SCHEDULE – 13

### 1. Significant Accounting Policies:

#### I. Method of Accounting & Revenue Recognition:

- a. The financial statements are prepared under the historical cost convention, on an accrual basis, in conformity with the accounting principles, generally accepted in India and in accordance with accounting standards referred to in section 211(3C) of the Companies Act, 1956.
- b. Manufacturing activities: Sales have been stated exclusive of excise duty. During the year no Manufacturing Activity has been carried out.  
Erection/Construction activities: Revenues from execution of contract is recognized on Percentage Completion method. The stage of completion is determined on the basis of actual work executed during the period. Running bills are accounted as sales on monthly basis.
- c. Work done but not billed: Value of work executed, billed subsequent to balance sheet date, is valued at contract price.
- d.
  - i. Income and Expenses are mainly accounted on accrual basis except capital incentive from Government authorities and liquidated damages to the extent under negotiation.
  - ii. Sales Tax set-off is based on returns filed with appropriate authorities.
- e. Bank guarantee commission is accounted in the year of execution/renewal of guarantee.
- f. As prudence, all debtors (including advances), creditors unless disputed beyond 36 months are written off/ written back.

#### II. Fixed Assets:

Fixed Assets are stated at cost (as reduced by CENVAT credit) less accumulated depreciation. The cost comprises of purchase price and other attributable expenses incurred up to acquisition and installation.

#### III. Depreciation:

- a. Depreciation has been provided for on the written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.
- b. All the Fixed Assets costing less than Rs.5000/- each are fully depreciated in the year of acquisition.

#### IV. Impairment of Assets:

As at each Balance sheet date, the Company assesses the realizable value of all the assets. If there is any indication of fall in the realizable value over carrying cost of the assets, impairment in value of the assets is recognized.

#### V. Valuation of Inventories:

- a. Stage of completion and cost of completion in respect of engineering and construction contracts in progress, being technical matters, are estimated and certified by the Company's technical personnel.
- b. Stock of all the raw materials, construction materials, stores and spares lying at store / sites have been valued at cost on First in First Out basis.

#### VI. Investments:

Investments intended to be held for more than one year are classified as long term investments and are carried at cost or fair value whichever is lower. Diminution in the value of investment, if such diminution is of a permanent nature, is charged to revenue.

#### VII. Foreign Currency Transactions:

- a. Sales and expenditure relating to overseas jobs/projects have been converted at the exchange rates prevailing at the end of the month in which the transaction is entered or at the last rate available.
- b. Assets and liabilities denominated in foreign currencies at the year end are normally translated at the year end exchange rates.
- c. The exchange difference on conversion are credited or charged to profit and loss account.
- d. Financial statement of Foreign operations, which are integral operations are translated using the same principles as stated above except following items which are translated as below:

Sl. No.	Nature of the account	Policy
1.	Opening and Closing Work-in-progress	Rate at the commencement and close of the year respectively.
2.	Fixed Assets and Depreciation	Rate used for the translation of the respective Fixed Assets

## Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date *(Contd.)*

### VIII. Retirement benefits:

- a. The Company's contribution to Provident fund is charged to the Profit and Loss Account.
- b. Gratuity and Leave encashment benefit at the time of retirement/cessation of service as calculated on the basis of actuarial valuation and is charged to the Profit and Loss Account.

### IX. Segment Reporting:

The Company has only one business segment i.e. Engineering & Construction activity. There is no distinguishable component of the company providing a product or service or group of products or services that is subject to risks and returns that are different from other segments. As the Company also exports, the segment for the company is based on location of customers/exports destinations.

### X. Earnings per share:

The Company reports basic earnings per share in accordance with the Accounting Standard 20 'Earnings per share' issued by the Institute of Chartered Accountants of India. Basic earnings per share, is computed by dividing the net profit or loss for the period, by the weighted average number of equity shares outstanding, during the year.

### XI. Taxation (including Deferred Tax):

Provision for Income Tax is made for both current and deferred taxes whereas provision for Fringe Benefit Tax is made for current tax. Current tax is provided on the basis of taxable income in accordance with and at the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences and which are capable of reversal in subsequent periods, are recognised using the tax rates, and tax laws that have been enacted or substantively enacted, subject to prudence.

### XII. Borrowing Costs:

Borrowing costs have been charged to Profit and Loss Account during the year.

### XIII. Provisions, Contingent Liabilities and Contingent Assets:

Provision are recognized for liabilities that can be measured only by using substantial degree of estimation, if

- a. the Company has a present obligation as a result of past event,
- b. a probable outflow of resources is expected to settle the obligation, and
- c. the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of the expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of:

- a. a present obligation arises from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
- b. a present obligation when no reliable estimate is possible, and
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed. Provision, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### 2. Contingent liabilities not provided for:

- a. Bank Guarantees issued by the Company to one of the clients Rs. 307,500/- (Previous year Rs. 12,787,500/-).
- b. Sales Tax (Works Contract Tax Rs. 4,708,375/- (Previous year Rs. 5,700,770 /-) for which appeals are pending.

3. Estimated amount of contract remaining to be executed on capital account and not provided for (net of advance) Rs. 425,000/- (Previous year – Nil).

4A. The Company is in receipt of BIFR Order (Sanctioned Scheme), received on 18th December, 2007 approving the Draft Rehabilitation Scheme proposed by the Company. Accordingly, in terms of the said Sanctioned Scheme, the Company has made following adjustments in the Books of Account:-

- a. Secured lenders and Unsecured Creditors have been written back to the tune of Rs. 2,278.90 Lacs and Rs. 317.34 lacs respectively.
- b. Sundry Debtors (including retention money) and Advances have been written off to the tune of Rs. 2,166.63 Lacs and Rs. 351.36 Lacs respectively.
- c. Accumulated losses have been reduced with the entire balance of Share Premium Account of Rs. 1,024 Lacs and by reduction by 90% of paid-up Equity Share Capital of Rs. 830.70 Lacs, totaling to Rs. 1,854.70 Lacs.

## Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date *(Contd.)*

- d. The strategic investor, Tata Projects Limited has infused funds to the extent of Rs. 276.90 Lacs by way of equity, and accordingly preferential allotment of 27,690,000 Equity Shares of Rs. 1/- each was made by the Company on 4th January, 2008 to Tata Projects Limited.
- e. The strategic investor, Tata Projects Limited has also provided funds to the extent of Rs. 1,959.33 Lacs as Secured Loan. The execution of Loan Agreement and creation of charge favouring Tata Projects Limited is under process.
- f. The above loan funds of Rs. 1,959.33 Lacs provided by Tata Projects Limited was utilized in clearing the dues of Secured lenders after waiver of 55% of its dues (excluding SICOM) as One Time Settlement (OTS) as provided under the Sanctioned Scheme of BIFR. Similar settlement with SICOM as provided under the Sanctioned Scheme of BIFR was also made besides Rs. 6,500,000 realised by SICOM by way of sale of Plant & Machinery at Nasik towards adjustment of its dues. In return, all the Secured lenders have released the charges and Title Deed in respect of entire assets of the Company.
- g. Unsecured Creditors are to be paid, subject to 85% reduction of the principle amount, in five equal annual instalments.
- h. Fixed Assets (other than Plant & Machinery) and stock of materials at Nasik along with other obsolete stock have been written off totaling to Rs. 72,669,511/-.
- i. Extract of the Capital Restructuring Account is given below:

Particulars	Debit (Rupees)	Credit (Rupees)
Reduction in Capital & Reserves		185,470,000.00
Secured Loans		227,890,329.09
Sundry Debtors Retention Money Written Off	330,000.00	
Sundry Debtors written off (Non-arbitration)	55,692,236.77	
Sundry Debtors written off (Arbitration)	160,641,078.00	
Advance written off	35,135,757.76	
Nasik Fixed Assets Written off (Net)*		1,800,061.00
Sundry Creditors Written Back (Other than under litigation)		31,079,325.52
Sundry Creditors Written Back (Under litigation)		654,854.43
Stock Written Off	18,285,838.00	
W. I. P. Written Off	53,540,000.00	
	323,624,910.53	446,894,570.04
<b>Net Balance</b>		<b>123,269,659.51</b>
*Gross Profit on sale of Plant & Machinery		2,643,734.00
Less: Various Assets		843,673.00
Net		1,800,061.00

- 4B. The Company has preferred an appeal in the AAIFR with reference to Sanctioned Scheme of the BIFR in respect of issues relating to Tax matters i.e. Income Tax & Service Tax, exemption from the applicability of clause 49 of the listing agreement with BSE, from property/house rent tax by Nasik Municipal Corporation, extension of period of sales tax deferral scheme during operation of the Scheme. The consequential impact of the same is dependent on the outcome of the Appeal and hence not made.
- 4C. Prior period include the following:

Particulars	Debit (Rupees)	Credit (Rupees)
Bank balance.(Sundry deposit)	344,554	—
Pam System Deposit	3,250,000	—
Investment	1	—
Misc. Expenditure	53,174	—
Advance Tax	1,668,555	—
Sales Tax		2,156,179
<b>Net Balance</b>	<b>3,160,105</b>	

5.
  - a. All the Fixed Deposit receipts are lying with the banks towards margin money against Bank guarantees issued by Banks.

## Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date (Contd.)

- b. The Major components of Deferred Tax Liabilities as on 31st March 2008 are as follows:

Particulars	Balance as on 30.09.2006 (Rupees)	During the Year (Rupees)	Balance as on 31.03.2008 (Rupees)
Depreciation	NIL	13,14,191	13,14,191
Provision for Gratuity	NIL	3,42,874	3,42,874
Provision for Leave Encashment	NIL	1,27,061	1,27,061
<b>Total</b>	NIL	<b>17,84,126</b>	<b>17,84,126</b>

Since the Company has filed an appeal with AAIFR, with reference to Sanctioned Scheme of BIFR in respect of Income Tax matters, any Deferred Tax Asset/Liability arising on account of the same has not been recognized in the Accounts.

- c. Fringe Benefit Tax for the period 01.10.2006 to 31.03.2008 is provided on estimate and no provision for Income Tax is made as there are losses.

### 6. Related Party Transactions:

The Company has entered into related party transactions with Holding Company and with Key Management Personnel. Details of such transactions are given below:

Name of the related party	Nature of relation	Nature of transaction	18 months period ended 31.3.2008 (Rupees)	Year ended 30.9.2006 (Rupees)
Tata Projects Limited	Holding Company	Allotment of equity shares	27,690,000	Nil
		Secured Loan	195,633,000	Nil
		Interest accrued and due	12,063,000	Nil
		Sale of services (Fujairah Project)	49,645,146	Nil
Tristar Engineering & Chemical Co.	Mr. N. K. Jagasia, a Director is a Partner and Mrs. S. P. Chopde, wife of Mr. P. S. Chopde, a Director, is partner, holding substantial interest	—	Nil	Nil
Rarechem Industries	Mr. P. S. Chopde is a proprietor	Reimbursement of amount paid on Company's behalf	774,000	Nil
Mr. N. K. Jagasia, Chairman and Managing Director (Upto 4.1.2008)	Key Management Personnel	Managerial remuneration	1,286,435	Nil
Mr. Prakash S.Chopde, Whole Time Director	Key Management Personnel	Managerial remuneration	1,305,000	Nil
Mr. R. S. Medhi, Whole Time Director (Upto 4.1.2008)	Key Management Personnel	Managerial remuneration	864,403	Nil

7. Disclosure pursuant to Accounting Standard (AS) 7 (Revised):

- A. Contract revenue recognized for the period ended March 2008 is Rs. 520,302,429.
- B. Aggregate amount of contract cost incurred and recognized profits (less recognized losses) up to March 2008 for all contracts as at September 2006 is Rs. 44,895,849.
- C. Amount of Customer Advances outstanding for contracts in progress as at March 2008 is Rs. 16,702,867.
- D. Retention amounts due from customers for contracts in progress as at March 2008 is Rs. 23,817,111.

8. Disclosure in accordance with Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

The Company has not compiled the above information based on verbal confirmation from supplier. As at the year-end, no supplier has intimated the Company about its status as a Micro or Small Enterprise or its registration under Micro, Small or Medium Enterprises Development Act, 2006.

## Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date *(Contd.)*

9. During the year company has received an order from BIFR dated 27th November 2007 on 18th December 2007. In terms of the same, various implementations have been done as stated in para 4A above. Considering that the said process is completed, in spite of accumulated losses being exceeding share capital and reserves, barring unforeseen circumstances the management expects to continue as a going concern.
10. In terms of the Sanctioned Scheme of BIFR in respect of Unsecured Creditors, on payment of amount specified in the said order, all the proceedings pending against the Company, including recovery suits, decrees, etc are treated as in fructuous/discharged, and are not to be proceeded with. Accordingly, Sundry Creditors under litigation amounting to Rs. 6.54 Lacs are written back, which represents 85% of the book value. In respect of Sundry Debtors in arbitration, Company has written off Debtors amounting to Rs. 1,606.41 Lacs and in the event of Arbitration award in favour of the Company, any amount so received shall be treated as income in the year of receipt of award.
11. (a) Majority of company's Fixed Assets have independently been inspected and valued by an independent valuer in earlier year and the valuation is much higher than the book value resulting in no impairment in the value of assets.
- (b) An independent valuer verified Land and building at Nasik and Plant & Machinery at two major locations in earlier year. These assets include majority of fixed assets. However in respect of unverified assets (which may include assets at sites where there is a dispute), management is making efforts to reconcile them by updating fixed asset register and identifying locations of such assets. These amounts are not quantifiable as per item wise and value wise.
12. a. In opinion of the management all Current Assets, Loans & Advances are approximated of the same value if realized in the ordinary course of business. Provision for all the known liabilities is adequately made.
- b. Sundry Debtors include retention of Rs. 47,721,170 (Previous year – Rs. 23,170,397) receivable on completion of projects.
- c. Balance outstanding against sundry debtors and sundry creditors (including debit balances), are subject to reconciliation and confirmation with respective parties. In the opinion of the management the amounts are recoverable and considered good.
- d. Cash and Bank Balances includes an amount of Rs. 4,224,257 which are in the personal bank accounts of Staff at sites and cash lying with them.
- e. During the period, the Company has transferred Foreign Projects Reserve of Rs. 85.25 lacs to General Reserve.
- f. An amount of Rs. 53,286 included under bank balances under Current Account pertaining to old accounts to be reconciled with bank.
- g. During the year the Company, has changed its Accounting Policy and has included the Work done but not billed in the Contract Sales amounting to Rs. 311 Lacs, valued at Realizable Value, which was previously included in WIP at Cost. The differential impact of Rs. 31 Lacs has resulted in decrease in Loss to that extent.

13. Earnings per share (Basic & Diluted )

	<b>Period ended 31.03.2008</b>	Year ended 30.09.2006
	<b>(Rupees)</b>	(Rupees)
(a) Net profit/(loss) available for equity share holders without prior period items	<b>(14,325,488)</b>	(14,020,043)
(b) Net profit/(loss) available for equity share holders with prior period items	<b>(17,485,593)</b>	(41,375,627)
(c) Number of equity shares.(Face value Re. 1)	<b>83,070,000</b>	—
Number of equity shares (Face value Rs. 10)	—	9,230,000
(d) Earnings per share (a/b) (without prior period items)	<b>(0.172)</b>	(0.152)
(e) Earnings per share (d/b) (with prior period items)	<b>(0.21)</b>	(4.48)
14. Earnings in foreign exchange (Amount received in equivalent Indian rupees)	<b>173,860,837</b>	23,701,353
Expenditure in foreign currency (Amount expended in equivalent Indian rupees)	<b>121,651,699</b>	10,060,373
Traveling Expenses/Site Exp.	<b>4,478,460</b>	2,489,083
Other Expenses	<b>Nil</b>	Nil

15. The net exchange difference amounting to Rs. 13,421 (Previous Year – Rs. 110,957) has been adjusted to the Profit and Loss Account.

## Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date *(Contd.)*

16. The value of consumption of imported and indigenously obtained raw-materials and the percentage to total consumption:

	Period ended 31.03.2008		Year ended 30.09.2006	
	Value (Rupees)	%	Value (Rupees)	%
(a) Imported	Nil	Nil	Nil	Nil
(b) Indigenous	97,670,928	100	34,944,291	100

17. (i) **Erection/Construction Activities**

In respect of Erection/Construction activities, the materials procured by the Company are directly delivered to the project sites and charged off in the year of purchase and included under "Construction/Operating expenses". It is not practicable to furnish the quantitative information in respect of these items due to diversified size and nature of business.

(ii) **Manufacturing Activities**

	Period ended 31.03.2008		Year ended 30.09.2006	
	Qty. MT	Value Rs.	Qty. MT	Value Rs.
(a) <b>M. S. Plates</b>				
Opening Stock	1.699	36,786	1.699	36,786
Add: Purchases	Nil	Nil	Nil	Nil
	1.699	36,786	1.699	36,786
Less: Consumption (w/off)	1.699	36,786	Nil	Nil
Closing Stock	Nil	Nil	1.699	36,786
(b) <b>S. S. Plates</b>				
Opening Stock	0.240	3,072	0.240	3,072
Add: Purchases	Nil	Nil	Nil	Nil
	0.240	3,072	0.240	3,072
Less: Consumption (w/off)	0.240	3,072	Nil	Nil
Closing Stock	Nil	Nil	0.240	3,072
(c) <b>Consumption of other items</b>		Nil		Nil
(d) <b>Total Consumption</b>		Nil		Nil

(iii) **Production of Major Items**

	Period ended 31.03.2008		Year ended 30.09.2006	
	Qty. Nos.	Value Rs.	Qty. Nos.	Value Rs.
Chemical Process Equipment				
Opening stock	5	63,000	5	63,000
Closing stock	Nil	Nil	5	63,000
Production	Nil	Nil	Nil	Nil
Sales	Nil	Nil	Nil	Nil

**Note:** Total sales of Erection/Constructions activities is Rs. 520,302,429 (2005-06 – Rs. 138,732,374/-). Aggregate Purchase Rs. 76,884,288/- (Previous year Rs. 35,309,212/-). No activity was done in Manufacturing Division.

## Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date *(Contd.)*

18. a. **Managerial and Whole-time Directors remuneration:**

	18 months Period ended 31.03.2008 (Rupees)			Year Ended 30.09.2006 (Rupees)		
	Remuneration	Perquisites	Special Allowance	Remuneration	Perquisites	Special Allowance
Mr. N. K Jagasia Managing Director (upto 04.01.2008)	1,197,258	89,177	71,320	900,000	—	13,630
Mr. P. S. Chopde Whole Time Director	1,170,000	135,000	3,660	720,000	—	—
Mr. R. S. Medhi Whole Time Director (upto 04.01.2008)	803,387	61,016	15,900	300,000	—	—
	<b>3,170,645</b>	<b>285,193</b>	<b>90,880</b>	<b>1,920,000</b>	<b>—</b>	<b>13,630</b>

b. **Professional fees include Auditors remuneration as below:**

Nature of services	18 months Period ended 31.03.2008 (Rupees)*	Year Ended 30.09.2006 (Rupees)*
	Audit fees	337,080
Tax audit fees	196,570	56,120
For Taxation & other matters	309,083	154,874
Certification	19,927	—
Reimbursement of expenses	5,000	—
<b>Total</b>	<b>867,660</b>	<b>340,070</b>

\* The above figure include Service Tax

19. The Company has provided for Gratuity of Rs. 1,008,750/- and Leave Encashment of Rs 373,818/- on the basis of actuarial valuation done in terms of AS 15 (Revised) and is being relied on as an expert.

The Actuarial Valuation has been done on the following assumptions:

Rate of Return: 7.5%

Salary Escalation Rate: 5%

Withdrawal Rate: 0.5%

Number of Employees: 140

20. **Segment reporting :**

**Geographical Segments:**

	Revenue	
	18 months Period ended 31.03.2008 (Rupees)	Year ended 30.09.2006 (Rupees)
Local	346,441,592	114,920,064
Export	173,860,837	23,701,353
<b>Total</b>	<b>520,302,429</b>	<b>138,621,417</b>

## Significant Accounting Policies and Notes for the Period Ended 31st March, 2008 and Balance Sheet as at that date *(Contd.)*

	Segmental Assets	
	18 months Period ended 31.03.2008 (Rupees)	Year ended 30.09.2006 (Rupees)
Local	177,124,515	Not Available
Export	43,235,757	Not Available

  

	Segmental Liabilities	
	18 months Period ended 31.03.2008 (Rupees)	Year ended 30.09.2006 (Rupees)
Local	277,043,696	Not Available
Export	28,605,154	Not Available

The Company has only one segment i.e. Engineering Construction Activity. Export Sales include Manpower sales of Rs. 35.34 lacs and Local sales include Idling charges of Rs. 176 Lacs. Since this does not exceed 10% of total sales, it is not disclosed as separate segment as specified by AS 17.

21. The List of Small Scale Industrial undertakings to whom the company owes monies for more than 30 days and in excess of Rs. 100000/- as at 31/03/2008 is as follows.

Sr. No.	Name of the Parties	Amount (Rupees)
1.	Ambesh Engineering	410,186
2.	N. D. Enterprises	205,231
3.	V. P Engineering Works	140,174
	<b>Total</b>	<b>755,591</b>

22. In line with accepted practice in construction business, certain revisions of costs & billing of previous years which have crystallized during the year have been dealt with during the current year.

23. Previous year's figures have been regrouped and recited wherever necessary to make their classification comparable with that of the current period. These cannot be compared on absolute terms due to difference in accounting periods viz; current period is of 18 months whereas previous year was of 12 months.

Subject to our Report of even date  
For and on behalf of  
Chokshi & Chokshi  
Chartered Accountants

K. S. Chokshi  
(Partner)  
Membership No. 100/17085

Place : Mumbai  
Date : 8<sup>th</sup> May, 2008

For and on behalf of the Board

K. P. Singh  
Chairman

Purushothaman R.  
Chief Financial Officer

Vishram N. Panchpor  
Company Secretary

H. H. Malgham  
Director

P. S. Chopde  
Executive Director

Place : Mumbai  
Date : 8<sup>th</sup> May, 2008





V. **Generic Names of Three Principal Products/Services of the Company (as per monetary items)**

Item Code Nos. (ITC Code)	N A
Product Description	C O N S T R U C T I O N A N D P R O J E C T R E L A T E D A C T I V I T Y
Item Code Nos. (ITC Codes)	8 4 1 9
Project Description	M A C H I N E R Y P L A N T & L A B O R A T O R Y E Q U I P M E N T S U C H A S P R E S S U R E V E S S E L S & H E A T E X C H A N G E R S
Item Code Nos. (ITC Codes)	V A R I O U S C O D E N O S 7 3 0 8 7 3 0 9 8 4 7 9
Product Description	T A N K S , S T O R A G E T A N K & P R E S S U R E V E S S E L S , S H A F T S F O R W I N D M I L L O R W I N D - M I L L T O W E R S , M A C H I N E S & M E C H A N I C A L A P P L I A N C E S H A V I N G I N D I V I D U A L F U N C T I O N S U C H A S L P G F I L L I N G M A C H I N E S E V A C U A T I O N U N I T C A R O U S E L A S S E M B L Y

Subject to our Report of even date

For and on behalf of

Chokshi & Chokshi  
Chartered AccountantsK. S. Chokshi  
(Partner)  
Membership No. 100/17085Place : Mumbai  
Date : 8<sup>th</sup> May, 2008

For and on behalf of the Board

K. P. Singh  
ChairmanPurushothaman R.  
Chief Financial OfficerVishram N. Panchpor  
Company SecretaryH. H. Malgham  
DirectorP. S. Chopde  
Executive DirectorPlace : Mumbai  
Date : 8<sup>th</sup> May, 2008

## Cash Flow Statement

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE ACCOUNTING YEAR ENDED 31<sup>st</sup> MARCH, 2008

Particulars	31.3.2008	30.9.2006
	Rupees	Rupees
Net Profit Before Tax		
<b>A. Net Profit After Tax</b>	<b>(14,325,488)</b>	(14,020,043)
Adjustment for Net Prior Period	—	—
Expenses	<b>(3,160,105)</b>	(32,961,584)
Tax	—	5,606,000
Deferred Tax	<b>1,784,126</b>	—
Capital Restructuring Account	—	—
	<b>(15,701,468)</b>	(41,375,627)
Adjustment for Depreciation	<b>9,525,711</b>	4,973,442
Interest & Other Income	<b>(672,317)</b>	(2,287,854)
Interest Expenses	<b>12,079,568</b>	—
Preliminary Expenses	—	65,700
	<b>20,932,962</b>	2,751,288
	<b>5,231,494</b>	(38,624,339)
Operating Profit before Adjustment for (Increase)/Decrease in Trade & other Receivables	<b>(50,900,768)</b>	12,403,218
(Increase)/Decrease in Loans & Advances	<b>(36,665,796)</b>	82,784,291
(Increase)/Decrease in Inventories	<b>39,929,232</b>	(2,985,833)
Increase/(Decrease) in Trade Payables & Provision	<b>67,380,404</b>	(52,622,460)
	<b>19,743,071</b>	39,579,216
	<b>24,974,565</b>	954,877
Direct Taxes Paid	—	—
	<b>24,974,565</b>	954,877
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	<b>(19,746,694)</b>	(6,680,280)
Sale of Fixed Assets	<b>6,500,000</b>	—
Interest & Other Income	<b>672,317</b>	2,287,854
Interest Paid	<b>(12,079,568)</b>	—
	<b>(24,653,945)</b>	(4,392,426)
	<b>320,620</b>	(3,437,549)

**CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE ACCOUNTING YEAR ENDED 31<sup>ST</sup> MARCH, 2008 (Contd.)**

Particulars	31.3.2008	30.9.2006
	Rupees	Rupees
<b>C. Cash Flow From Financial Activities</b>		
Public Deposit	—	—
Secured Loans from Financial Institution	(19,965,136)	—
Secured Loans from Scheduled Banks	83,678,925	—
Sales Tax Deferment Loan (SICOM)	(126,876)	—
Increase in Cash Credit	(271,346,789)	(6,933,825)
Increase in Secured Loans	195,933,000	—
Equity Shares (Preferential Issue)	—	—
Reduction in Capital	27,690,000	—
	<b>15,863,124</b>	(6,933,825)
Net Increase in Cash and Cash Equivalents	<b>16,183,744</b>	(10,371,374)
Cash and Cash Equivalents at the end of the Accounting year	<b>23,237,434</b>	7,053,689
Cash and Cash Equivalents at the beginning of the Accounting year	<b>7,053,689</b>	17,425,063
	<b>16,183,744</b>	(10,371,374)

**Notes:**

Cash Flow Statement has been prepared following the Indirect Method except in case of Purchase and Sale of Investments and Taxes Paid which have been considered on the basis of actual movement of cash with necessary adjustments in corresponding Assets and Liabilities.

Proceeds from Long term & Other borrowings are shown net of Repayments

Cash and Cash Equivalents represent Cash and Bank Balances only

Subject to our Report of even date

For and on behalf of the Board

For and on behalf of

Chokshi & Chokshi  
Chartered Accountants

K. P. Singh  
Chairman

K. S. Chokshi  
(Partner)  
Membership No. 100/17085

Purushothaman R.  
Chief Financial Officer

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Director

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Company Secretary

P. S. Chopde  
Executive Director

Place : Mumbai  
Date : 8<sup>th</sup> May, 2008

Place : Mumbai  
Date : 8<sup>th</sup> May, 2008

