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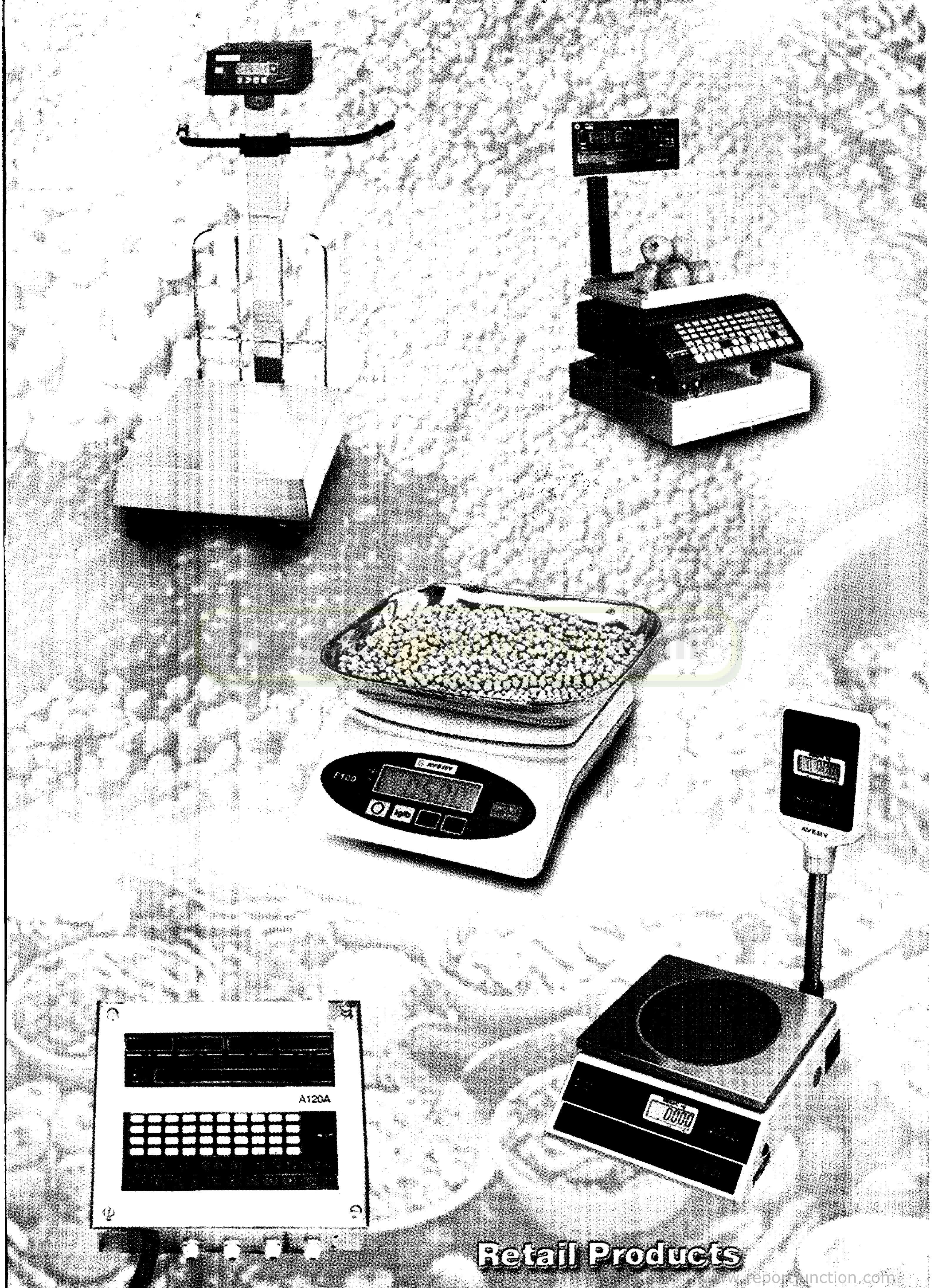
AVERY

Annual Report 1999-2000


AVERY
F100
AVERY
A120A
Retail Products

BOARD OF DIRECTORS

MR. A. S. MITRA
Chairman

MR. N. NATH
Managing Director

MR. R. D. GODDARD

MR. T. J. COOPER

MR. M. M. SABHARWAL

MR. J. SENGUPTA

MR. S. GHOSH

SECRETARY
MR. A. MATHUR

SOLICITORS
SANDERSONS & MORGANS

AUDITORS
DELOITTE HASKINS & SELLS

REGISTRARS
CB MANAGEMENT SERVICES LTD.
P-22, Bondel Road, Calcutta 700 019
Phone : 2806692-93-94
Fax : 2470263

REGISTERED OFFICE
'AVERY HOUSE' 28/2 Waterloo Street,
Calcutta 700 069
Phone : 2488121-3
Fax : 2485675

WORKS
51, Hide Road Extension,
Calcutta - 700 088
Phone : 4394608
Fax : 4398617

Plot Nos. 50-59, Sector - 25
Ballabgarh - 121 004 (Haryana)
Phone : 5234625-632
Fax : 5232557

An ISO 9001 Company
ISO 9001 Registered company
Certificate No. 97060, 97061

CONTENTS

REPORT OF THE DIRECTORS

The Directors of Avery India Limited present their Report together with the Audited Accounts of the Company for the year ended 31st March 2000.

FINANCIAL RESULTS

(Rs. in Lakhs)

	For the year ended 31st March 2000	31st March 1999
Profit for the year is	162.47	468.81
Provision for Taxation absorbs	(100.00)	(180.00)
Leaving a balance of Profit of	62.47	288.81
Balance brought forward from previous year	99.99	99.99
Transfer from/(to) Bad Debt Reserve	(51.28)	(23.14)
	111.18	365.66
To which is added adjustment in respect of previous year -Income Tax	39.96	-
	151.14	365.66
Which is proposed to be appropriated as follows:		
General Reserve	28.00	59.82
Proposed Dividend @ Rs 0.75 per Equity Share	77.27	185.45
Income Tax on Dividend	17.00	20.40
Balance carried forward	28.87	99.99
	151.14	365.66

DIVIDEND

The Directors are pleased to recommend a dividend of Rs.0.75 per Equity Share for the year ended 31st March, 2000.

OPERATIONS

With a stable Government now installed at the centre there has been some improvement in the economy except in the capital goods sector. Notwithstanding the difficult economic conditions in this sector, your Company has recorded an increase of 8.5% in Turnover at Rs.90.63 Crores over the last year. However, under difficult conditions prevailing in our type of industry, profits continued to be under pressure. To maintain the market share and to overcome the competitive environment under the adverse scenario, in many of the negotiations, discounts had to be offered to secure the orders. The increase in cost of manufacture further eroded the profitability of your Company.

Due to acute liquidity problems, collection of debts was difficult, which not only reduced the Bank Balances but also warranted provisions in the accounts. Cash crunch with our customers also forced them to postpone taking deliveries of the machines against their orders, resulting in higher inventory. Besides these operational difficulties, your Company had to accommodate the additional financial burden of -

1. Rs.49.74 lakhs on account of Voluntary Retirement Scheme offered to employees during the month of December 1999 and January 2000.
2. Rs.39 lakhs towards Interim Wage Settlement with the Federation of Unions as indicated below.

Your Company is hoping that with the improvement in the economy, demand for capital goods will also pick up. This is likely to result in higher sales & profits in the coming year.

During the year, your Company has received Advanced Technology from GEC Avery Limited, U.K. to develop and further improve its product range. The production of a new range of Digitizers and Load Cells has already commenced and development on the other products is under progress. Simultaneously, indigenous development of Products is being carried out in our Research and Development Division which is recognized by the Government of India. This will supplement Product Development under Technology Transfer which should give added competitive advantage.

The thrust area has been the Retail Scales, which registered a growth of 39% in turnover compared to last year. New Models have been introduced to tap the retail market and in the coming year, your Company is expected to add Price Computing and higher resolution Counter and Platform Scales. A dealer network has been established and is being enlarged to complement the direct sales efforts in the Retail market.

The Fuel Dispensing Division of the Company has developed improved versions of regular, Dual and Oil Mix Pumps. Satisfactory field performance reports have been received from the Oil Companies, which will go a long way in improving our market share in this segment of Business. Under the Distributor Agreement with Marconi Commerce Systems Inc., U.S.A. (formerly Gilbarco Inc.) your Company successfully negotiated a tender on their behalf for supply of large Nos. of Multi-product Dispensers (valued at Rs.10 Crores approx.) to one of the Oil

Companies. Though the order was directly placed on Marconi Commerce Systems Inc., as per the tender requirement, this will generate income for your Company by way of commission, installation and after-sales-service revenue.

Lack of potential for Mechanical Weighing Machines in the overseas market adversely affected our Exports. It is expected that the loss of business for Mechanical Weighers will be more than compensated by the export of new products during the coming years such as Fuel Dispensing Units, Load Cells and Process Weighing equipment.

Service Sales have maintained a steady growth. With the possible opportunity to service Multi-Product Dispensers imported from Marconi Commerce Systems Inc., U.S.A and the Fuel Dispensers indigenously manufactured, we should see a continued growth in the Service revenue.

Under Marconi's global restructuring scheme the Weighing and Food Processing Equipment business carried on by the Avery Berkel Group is to be sold to Weigh-Tronix. U.S.A.. GEC Avery International Limited, U.K. is one of the group companies forming part of the Avery Berkel Group and holds substantial shares in your Company. The Board of Directors feel this is very positive news for both Avery Berkel Group and Weigh-Tronix in that it will consolidate their position in the industry and provides an excellent platform for future growth.

ASSOCIATE COMPANY

During the year, Schenck Avery Limited shifted to its new factory built at NOIDA. They have also changed their Accounting year from Financial Year ending 31st March to Calendar Year.

The economic condition of India, in the year under review did not support the Machine Tool Industry which has adversely affected the order booking of Schenck Avery Limited. However, they have executed a prestigious order for L&T John Deere for Special Test Stands involving Dynamometers. This was the first time that such a system has been successfully commissioned by Schenck Avery Limited. They also executed a special project for Kirloskar Toyota Motors in Bangalore. Orders have also been obtained for large number of Vibration Monitoring Units from M/s. Tata Honeywell. Customers such as MRF / J.K. Industries continue to place repeat orders for Tyre Balancing Machines on Schenck Avery Limited.

M/s. Durr AG, Germany, having five business units; Paint Systems, Automation, Environmental, Power-train & Services, has acquired a majority stake of 76.4% in Carl Schenck AG, the holding Company of Schenck Avery Limited. This should also help your Associate Company to grow further in India.

DIRECTORS

Mr. R. D. Goddard and Mr. T. J. Cooper retire from the Board of Directors by rotation in accordance with the provisions of the Articles of Association of the Company and being eligible, offer themselves for reappointment.

Mr. S. Ghosh, General Manager of General Insurance Corporation of India, was appointed as Additional Director of the Company at the Board Meeting held on 22nd October, 1999.

Mr. S. K. Poddar resigned from the Board of the Company. The Board takes this opportunity to place on record its appreciation for the guidance, cooperation and unstinted support given by Mr. Poddar during his long association as Chairman of the Company.

Mr. S. Hare, Mr. W. B. Korb, Mr. U. P. Majumder and Mr. A. K. Khosla have also resigned from the Board. The Board takes this opportunity to express its appreciation for the valuable guidance and support given by them during their tenure as Directors of the Company.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants retire as Auditors at forthcoming Annual General Meeting and have indicated their willingness to be reappointed as Auditors.

EMPLOYEES

The Industrial Relations remained cordial during the year. Last three years agreement with Federation of Union expired on 31st March, 1999. During the year interim settlement was arrived at whereby all the unionized employees have been given an interim relief of Rs. 250/- per month w.e.f. 1st April, 1999. Further negotiations on the Charter of Demands shall commence from June 2000. The Directors record their appreciation for the efforts of the Company's Employees at all levels.

A Statement of Particulars of Employees in accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is annexed. Also annexed are particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

By Order of the Board

New Delhi
9th May, 2000

A. S. MITRA
Chairman

ANNEXURE TO THE BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS

Information in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended 31st March, 2000.

A. CONSERVATION OF ENERGY

a) Measures taken to conserve energy.
– The manufacturing processes of the Company are not very energy intensive. However regular maintenance of Generator sets, Central Air-conditioning plants, sub-station equipment, etc. ensure that high efficiency is maintained. Energy efficient lighting and general awareness to conserve energy has ensured conservation in energy.

b) Additional investment and Proposals, if any, being Implemented for reduction of consumption of energy.
– No major investments and Proposals are envisaged.

c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
– Efficient processes and use of energy has ensured reduction in manufacturing cost of the products.

B. TECHNOLOGY ABSORPTION

Research & Development

1. Specific areas in which R&D carried out by the Company.
   a) Research & Development has been directed towards Feature enhancement, quality improvement and cost reduction of products. As a result of the execution of Technology Transfer agreement with GEC Avery Ltd., U.K., Industrial Weighing Indicator having Surface-mounted devices, has been successfully introduced. Indigenous Cost-effective Weighbridge designs have been started. Low-end Retail Scale introduction has been completed.
   b) A comprehensive software package for weighbridge applications has been introduced. Dual hose electronic pump designed by our R&D has been supplied to oil companies.

2. Benefits derived as a result of the above R&D.
   – Saving in foreign exchange due to indigenisation and import substitution.
   – Enhanced features & MIS reports for Customers.
   – Improved reliability due to better designs & manufacturing process.

3. Future plan of Action
   – Industrial loadcells, Jewellery Balances, Retail scales and New models of Fuel Dispensing pumps.

4. Expenditure on R&D
   a) Capital – Rs. 6.45 lacs
   b) Recurring – Rs. 35.93 lacs
   c) Total – Rs. 42.38 lacs
   d) Total R&D Expenditure as a percentage of total turnover. – Rs. 0.5 %

5. Technology Absorption, Adaptation & Innovation :
   1) Efforts in brief made towards technology absorption, adaptation and innovation.
   – Our R&D Engineers were deputed to Avery Berkel for joint development of Top-end range of Retail machines. This product has now been successfully launched in Europe.
   Under Technology Transfer agreement, Products have been successfully manufactured in India by having regular flow of Technology and training of our Engineers at Avery Berkel's design & manufacturing centres.
   2) Benefits derived as a result of the above efforts.
   – Product introduction with enhanced features for the customers & use of latest components & manufacturing processes.
   3) Imported Technology
      a) Technology Imported
      Technology for:
      – Industrial Indicator.
      – New version of Loadcell for Industrial application.
      – Weighbridge applications software.
      b) Year of Import – 2000

c) Has Technology been Fully absorbed.	– Technology for Industrial Indicator, Loadcells and software has been absorbed as per our technology transfer agreement.
d) If not fully absorbed, areas where this has not taken place and reasons thereof and future plan of Action.	– Development work and technology transfer is in progress for new Indicators and Loadcells. This will be done as per our product introduction plans along with suitable training, etc.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to Exports	– The Company has planned to export new products such as Fuel Dispensing Units, Load Cells and Process Weighing Equipment in the coming years, which should compensate the loss of business of Mechanical Weighing Machines, demand for which continued to remain sluggish during the year.
2. Total Foreign Exchange	
used	: Rs. 965.97 Lacs.
earned	: Rs. 159.98 Lacs.

By Order of the Board

New Delhi
9th May, 2000

A. S. MITRA
Chairman

ANNEXURE TO THE BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31st March, 2000.

Name	Designation of the Employee	Remuneration Received** Rs.	Qualification and Experience of the Employee	Date of Commencement of Employment	Age	Details of Previous Employment	Period of Previous Employment
Chopra V. K.	Sr.Vice President (Technical)	635,371	B.E.(Electronics) 29 Years	9th November 1985	54	Project Manager M/s. Modi Steels	July 1985 to October 1985
Ghosh R. N.	Sr. Vice President (Finance)	733,988	B.Com, F.C.A 33 Years	1st July 1968	57	Qualified Assistant M/s. Ford Rhodes, Park & Co.	October 1966 to June 1968
Khanna J.	Sr.Vice President (Commercial)	680,739	B.A., A.M.I.M.A. 38 Years	9th September 1970	58	Liaison Officer M/s. Kalinga Airlines Pvt Ltd	July 1965 to June 1970
Nath N.	Managing Director	1,719,410	B.E.E(Melb.) A.M.P (Harvard) F.I.E.E (London) Ch. Engr.,F.I.E.(India) M.I.E.E.E (U.S.A.) 43 Years	18th June 1984	64	Director, The English Electric Co. of India Ltd	April 1962 to May 1984

Notes: 1. All Appointments are contractual.
2. None of the employees named above is a relative of any Director of this Company. No Director is related to any other Director.
3. **Remuneration received includes value of perquisites and leave passages.

By Order of the Board

New Delhi
9th May, 2000

A. S. MITRA
Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Avery India Limited as at March 31, 2000, and the annexed Profit and Loss Account for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of the audit, we report that:

1. With the exception of the items of fixed assets charged off to revenue up to December 31, 1979, in accordance with the accounting policies of the company at that time, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company were physically verified by the management during the year ended March 31, 2000, and no material discrepancies were noted.

2. The fixed assets of the Company have not been revalued during the year.

3. The stocks of raw materials, components & other materials, stores & spares, work in process and finished goods except raw materials/finished goods in transit/customs and with third parties have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable and adequate in relation to the size of the Company and nature of its business.

4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

5. The discrepancies between the physical and book stocks were not material and have been properly dealt with in the books of account.

6. In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials including components has been fair and proper in accordance with the normally accepted accounting principles and read with Note 8, Schedule 14, in respect of change in the basis of valuation of inventory of finished goods, is on the same basis as in the preceding year.

7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. By virtue of the Companies (Amendment) Act, 1998, the provisions of Section 370(1B) of the Companies Act, 1956, are no longer applicable.

8. The Company has not granted any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. By virtue of the Companies (Amendment) Act, 1998, the provisions of Section 370(1B) of the Companies Act, 1956 are no longer applicable.

9. In respect of loans or advances in the nature of loans given to employees and other parties, the principal and interest amounts are being repaid as stipulated. Interest free advances given by the Company to other parties are generally being recovered/adjusted in the ordinary course of business.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for purchase of raw materials, including components, stores & spares, plant and machinery, equipment and other assets, and for sale of goods.

11. In our opinion and according to the information and explanations given to us, in respect of purchase of stores, spares and raw materials, and sale of finished goods and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating Rs. 50,000 or more in value, the prices are not comparable to that of other parties, since as explained to us, the items are proprietary in nature.

12. As explained to us, the Company has a system of technical review of obsolete, unserviceable and damaged stores and spares, raw materials and finished goods. Adequate provision has been made in the accounts for loss arising on the items so determined.

13. The Company has not accepted any deposits from the public, within the meaning of Section 58A of the Companies Act, 1956, and the rules framed thereunder.

14. As explained to us, the manufacturing process of the Company does not generate any realisable by-products. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap.

15. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.

16. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the products of the Company.