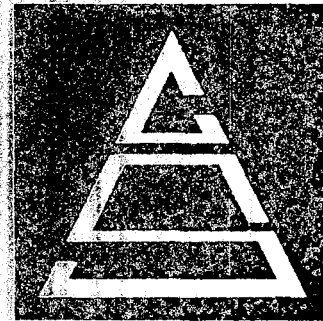


MD	✓			BKC	✓
CS	NA			DPY	NA
RO	✓			DIV	NA
TRA	✓			AC	✓
AGM	✓	✓		SHI	✓
YE	✓	✓	✓		✓



*46th Annual Report
1997-'98*

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COVENTRY SPRING & ENGINEERING CO. LTD.



46TH ANNUAL REPORT

Board of Directors

Sri A. M. Bafna *Managing Director*
 Sri N. M. Bafna *Director*
 Sri P. M. Bafna *Director*
 Sri S. Das *Director*

Registered Office

23, Ganesh Chandra Avenue
 Calcutta - 700 013

Auditors

S. S. Kothari & Company
 Chartered Accountants

Bankers

State Bank of India

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NOTICE

Notice is hereby given that the Forty-sixth Annual General Meeting of the Company will be held on the 23rd September, 1998 at 11 A.M. at Seminar Hall of M. P. Birla Planetarium, 96, J. L. Nehru Road, Calcutta – 700 071 to transact the following business :

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
- 2) To elect a Director in place of Sri N. M. Bafna, who retires by rotation and being eligible, offers himself for re-election.
- 3) To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/S S. S. Khotari & Co., Chartered Accountants, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

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

Resolved that pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval, wherever necessary, of the Central Government in relation to the investments in the shares of any body or bodies Corporate which the Board of Directors of the Company is entitled to make, upto the limits prescribed under Section 372 of the Companies Act, 1956, the Board of Directors of the Company is hereby authorised to further invest in excess of the limits prescribed under Section 372(2) & proviso thereto of the Companies Act, 1956, in the shares of any body or bodies Corporate, as may be decided by the Board of Directors ; provided that the aggregate of the proposed investment and the existing investment should not exceed at any time Rs. 15 Crores.

Further Resolved that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters, and things as it may deem necessary, in order to give effect to this resolution.

- 5) To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :

Resolved that pursuant to Sections 198, 269, 309, Schedule XIII and any other applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of Sri S. Das as whole time Working Director of the Company for a period of five years with effect from 1st September, 1998 upon terms and conditions as set out in the draft Agreement dated 18/08/98 entered into between the Company and Sri S. Das, as placed before this meeting and initialed by the Chairman.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and on a poll, to vote instead of himself and the proxy need not be a Member of the Company. The instrument appointing the Proxy to be valid shall be deposited at the Registered Office of the Company not less than 48 hours before the meeting .
2. Explanatory statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 for item No. 4 and 5 of the notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 17th September, 1998 to Thursday, the 24th September, 1998 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend for the financial year ended 31st March, 1994, have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said year are requested to claim the amount from the Registrar of Companies, West Bengal, Nizam Palace, 234/4, Acharya Jagdish Chandra Bose Road, Calcutta – 700 020.
5. The unclaimed dividend for the year ended 31st March, 1995 is due for transfer to General Revenue Account of the Central Government on 11.02.99.
6. Members are requested to notify any changes in their address to the Company's Registrar & Transfer Agent M/s. ABC Computers Pvt. Ltd. National Council of Education Building, Jadavpur University Campus, Jadavpur, Calcutta – 700 032.

By Order of the Board

Calcutta
18th August, 1998.

A. M. BAFNA
Managing Director

COVENTRY SPRING & ENGINEERING CO. LTD.

Explanatory Statement Pursuant To Provisions Of Section 173(2) Of The Companies Act. 1956.**Item No. 4**

Section 372(2) of the Companies Act. 1956, provides that the Board of Directors of the Company shall be entitled to invest in the shares of any other body Corporate upto 30% of the subscribed capital or the aggregate of the paid up Equity and Preference Share Capital of such other Body Corporate. The proviso to Section 372(2) provides that the aggregate of such investments shall not exceed 30% of the subscribed Capital and free reserves of the investing Company.

In terms of agreement between the Company and Haryana State Industrial Development Corporation Ltd. (HSIDC), copromoters of Coventry Coil-O-Matic (Haryana) Ltd., (CCHL) the Company is legally bound to purchase the entire share holding of HSIDC in the said copromoted company at a price arrived at in terms of such agreement, amounting to 25% of the subscribed for the Capital of CCHL, in addition to its present holding.

However the aggregate of the Companys existing share holding in CCHL and the shares it is required to purchase from HSIDC exceed 30% of the subscribed Capital of CCHL. Hence the Resolution. The Board Commends this resolution for approval of the Members at this meeting.

Memorandum of Interest

None of the Directors of the Company is interested in this resolution except to the extent of their personal Share holding in Coventry Spring & Engg. Co. Ltd. and CCHL.

Besides this, Sri A. M. Bafna and Sri N. M. Bafna are deemed to be interested, by virtue of being Director in Coventry Coil-O-Matic (Haryana) Ltd.

Item No. 5

The Board Directors of the Company at their meeting held on 18th August, 1998 resolved to appoint Sri S. Das as a wholetime director of the Company with effect from 1st September, 1998 upon the following terms and conditions as contained in the agreement dated 18/08/98.

- I. Period of Agreement : Five years from the date of appointment.
- II. Remuneration
 - (i) Salary : Rs 18000 – 1500 –25500.
 - (ii) Commission : One percent of the Net profits of the company as computed in terms with Section 349 of the Companies Act, 1956.

III. Perquisites :**Part – A :**

- 1) Housing – I: The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceilings :

- (a) Bombay, Calcutta, Delhi & Madras – 60% of the salary, over and above 10%, payable by you.
- (b) Other places – 50% of the salary, over and above 10% payable by you.

Housing – II : In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company.

Housing – III : In case no accommodation is provided by the Company, the Wholetime Working Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the Wholetime Working Director.

- 2) Medical Reimbursement : Expenses incurred for the self and the family subject to ceiling of 1 month's salary in a year or 3 month's salary over a period of 3 years.
- 3) Holiday passage for children studying outside India / family staying abroad : Return holiday passage once in a year by economy class or once in two years by first class to children and to the members of the family from their place of study or stay abroad to India, if they are not residing in India. This amount shall not be included in the computation of the ceiling on remuneration as laid down in schedule XIII of the Companies Act, 1956 as amended.
- 4) Leave Travel Concession : Return passage of self and family in accordance with the rules specified by the Company.
- 5) Club Fees : Fees of clubs subject to a maximum of 2 clubs. This will not include admission and life membership fees.
- 6) Personal Accident Insurance : Premium not to exceed Rs. 2000/- per annum.

PART – B :

- 1). Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- 2) Gratuity : Not exceeding half a month's salary for each completed year of service, subject to a ceiling of Rs. 2,50,000/-.

PART – C:

Provision of car for use on Company's business and telephone at residence will not be considered perquisites. Personal long distance calls and use of car for private purposes shall be billed by the company.

The Board commends this resolution for approval of the members at this meeting .

This explanatory statement shall, in addition to being a statement of disclosure of material facts U/S 173 (2), also purport to be an abstract of the terms of contract u/s 302 of the Companies Act, 1956, along with the Memorandum of Interest under the said section as stated below.

Memorandum of Interest

Except Sri. S. Das, no other Director is interested or concerned in the said resolution.

By Order of the Board

Calcutta
18th August, 1998.

A. M. BAFNA
Managing Director

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COVENTRY SPRING & ENGINEERING CO. LTD.

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present the Forty-sixth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1998

FINANCIAL REVIEW :

	Current Year	Previous Year
Gross Turnover	37,21,66,137	44,15,60,457
Profit before Depreciation	1,50,71,178	1,82,74,573
Less: Depreciation	74,05,441	67,34,074
	76,65,737	1,15,40,499
Less: Provision for Taxation	8,00,000	18,00,000
	68,65,737	97,40,499
Add: Prior Period Adjustment (Net)	—	(55,39,463)
	68,65,737	42,01,036
Add: Surplus brought forward from previous year	61,26,588	93,93,192
	1,29,92,325	1,35,94,228
APPROPRIATION:		
Proposed Dividend	NIL	58,79,673
Provision for Dividend Tax	NIL	5,87,967
Transferred to General Reserve	10,00,000	10,00,000
Surplus carried forward to next year	1,19,92,325	61,26,588
	1,29,92,325	1,35,94,228

PERFORMANCE & GENERAL REVIEW :**SALES**

The slowdown in economic activity which started towards the end of 1996 considerably worsened during 1997-98 resulting in a severe downturn of the automobile market. This situation not only adversely effected sales volume but also led to erosion of margins on account of higher inventory cost and special credit schemes to support sales. Under these circumstances the total sale of Rs. 372.16 lacs (including exports) is considered satisfactory.

It is a matter of concern that even in the new financial year 1998-99, there have been no signs so far, of any improvement in the market conditions. Your company is implementing a comprehensive and integrated action plan to ensure viability at such reduced volume.

PROFITABILITY

Profitability suffered severely on account of volumes being significantly lower, coupled with increase in interest on working capital and also additional manpower costs. Very tight material cost control and reduction in overheads helped considerably in achieving the final results.

DIVIDEND :

Your Directors regret their decision in recommending no dividend on equity shares this year due to depressed economic performance and low internal accruals.

MODERNIZATION CUM EXPANSION PROJECT.

As mentioned in our previous reports your Company has already undertaken the programme for increasing the capacity for Manufacturing Coil Springs from 5000 M.T. to 8000 M.T. per annum at its Nagpur Unit with a capital outlay of Rs. 1050 Lacs approximately. This major investment and modernization cum expansion of Nagpur Unit will enhance substantially the existing capacity and will help to meet the particular demands of Export and Domestic majors. The programme is nearing completion.

FUTURE OUTLOOK :

Overall sales have gone down as the major customers of your Company's products have drastically curtailed their offtake as most of the Auto majors are landed with excess stock due to poor market demand. Literally all major expansions has been put on hold. Even the Joint Venture Partners are skeptical about the future operations. Auto major like Peugeot has already pulled out of India.

Apart from this the Company's unit at Jamshedpur has experienced a major setback as TELCO has drastically curtailed its production and the Jamshedpur unit being a 100% ancillary of TELCO has borne the brunt of such decision. Your company had made a judicious move by deciding to sell off this unit before it became redundant and obsolete.

It is fortunate that your Company enjoyed strong relationship with the Indian Railways and major portion this years turnover constitutes sales to the Indian Railways. Also effort have been made to cut down cost at all levels and upgrade the plant productivity to higher levels. Effort is also being made for introducing value engineering to the existing products so that products become competitive in pricing and also the savings can be utilised as development funds. Now looking into the future your Company is optimistic as considerable effort has been made to identify the core competency of your Company and based on that greater effort is being made to concentrate on sales to the Indian Railways and also develop more areas for export of its products. In view of the fluctuating auto market it is prudent at this stage to look into areas for diversification before it becomes too late. Products should be identified with a mind to minimize capital input as infusion of capital at this stage is difficult due to low internal accruals. Now in view of this your Company has already developed agricultural equipments and has already exported some items to European countries and the response is good. This will be a major area for diversification. The Company has also developed piston rods for McPherson struts. This component has good market and already the Company has received sufficient orders for the same. Apart from this effort is being made to develop high tensile industrial fasteners as these items have got considerable demand in the CIS countries. As before your Company is hopeful that it will tide over the present crisis and will be able to present a better financial result next year.

QUALITY :

Today quality does not mean finished goods alone. Quality must start right from the beginning. With international competition coming into India, it is imperative to maintain total quality in all areas of working, so that products can be made with ZERO DEFECT. In this respect the company has taken aggressive steps to obtain the ISO 9002 Certification in all its plants and your Directors are proud to announce that the Andul (Calcutta) unit of the Company has been accredited with ISO 9002 certification. The other plants will follow suit as they are undergoing the various stages of audit procedure conducted by the certification agency.

ENQUIRY BY THE ENFORCEMENT DIRECTORATE :

Pursuant to the investigation by the Enforcement Directorate in respect of your Company's export transactions for alleged contravention of certain provisions of the Foreign Exchange Regulations Act, 1973, the Directorate has served several Show Cause Notices on the Company and some of its Directors, both past and present. The copies of documents relied upon by the Authorities while issuing the Show Cause Notices have not been made available to the concerned persons inspite of repeated reminders. Replies will be made to the Notices as soon as the documents are made available. In the meantime the Company has and is continuously seeking legal advice in the related matter. The Company has extended complete co-operation to the Directorate in its investigation and has provided all documents, records and information as required.

FIXED DEPOSITS :

Fixed Deposits are within the limits prescribed by the Companies (Acceptance of Deposits) Rules, 1975 and all the Deposits which matured during the year have been either paid off or renewed.

EMPLOYEES :

Your Company, from time to time, has made considerable strides in achieving high quality standards in all areas of its operations by imparting proper training to its Supervisory and Managerial Staff.

INDUSTRIAL RELATIONS :

The Company continued to have good industrial relations in all the Units of the Company which enabled it to achieve better results during the year.

INSURANCE :

The Assets of the Company are adequately insured.

DIRECTORS :

Shri R. M. Mehta resigned from the office of Directors of the Company this year. Sri P. Kapoor who was appointed an additional Director during the year also resigned. Your Company would like to place on record its appreciation for valuable guidance and advice rendered by them throughout their tenure. Sri. S. Das has been appointed as a Whole Time director of the Company with effect from 1st September, 1998.

PARTICULARS OF EMPLOYEES :

Information in accordance with the provision of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, have not been given since there were no employees whose particulars are required to be included in the report.

RESEARCH & DEVELOPMENT :

The Company's drive has always been directed towards improvement of existing products. Most modern facilities are used by the Company for research activities. The thrust of the research efforts has been towards process development, process modification,