



53rd Annual Report
2004-2005

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COVENTRY SPRING & ENGINEERING CO. LTD.

53rd Annual Report

Board of Directors

Sri A. M. Bafna	<i>Director</i>
Sri N. M. Bafna	<i>Director</i>
Sri P. M. Bafna	<i>Director</i>
Sri S. Das	<i>Director</i>

Registered Office

23, Ganesh Chandra Avenue
Kolkata - 700 013

Works

N.H. 6 Alampur, Andul, Howrah

D-2, MIDC

Nagpur - 440 028

Auditors

S. S. Kothari & Company
Chartered Accountants
Kolkata

Bankers

State Bank of India

Registrar & Share transfer Agents

MCS Limited
77/2A, Hazra Road
3rd & 5th Floor,
Kolkata - 700 029

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE 53RD ANNUAL GENERAL MEETING OF THE MEMBERS OF COVENTRY SPRING & ENGINEERING COMPANY LIMITED WILL BE HELD ON SATURDAY, DECEMBER 31, 2005 AT 11:00 A.M. AT THE 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, 2005 and the Profit and Loss Account for the year ended on that date and the Report of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S.Das who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration. M/s. S. S. Kothari & 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 198,269,309, Schedule XIII and any other applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of Shri A.M.Bafna as Wholetime Working Director of the Company for a period of five years with effect from 1st July, 2005, upon terms and conditions as set out in the agreement entered into between the Company and Shri A.M.Bafna.
5. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:
Resolved that pursuant to section 198,269,309, Schedule XIII and any other applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of Shri N.M. Bafna as Wholetime Working Director of the Company for a period of five years with effect from 1st July, 2005, upon terms and conditions as set out in the agreement entered into between the Company and Shri N.M. Bafna.

Kolkata,
October 29, 2005

By Order of the Board of Directors
For **COVENTRY SPRING & ENGG. CO. LTD.**

Registered Office :
23, Ganesh Chandra Avenue,
Kolkata - 700 013.

A.M.BAFNA
DIRECTOR

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective, must be received at the Registered office of the Company not less than 48 hrs before the commencement of the meeting.
3. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956, for item nos.4 & 5 of the notice is annexed hereto.
4. Pursuant to Section 205A (as amended) of the Companies Act, 1956, all unclaimed dividend upto the Financial year ended March 31, 1997 have been transferred to the General Reserve Account of the Central Government. Members who have not encashed the Dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal, Nizam Palace, 234/4, Acharya Jagdish Chandra Bose Road, Kolkata 700 020.
5. The register of Members and the Share Transfer Books of the Company will remain closed from Thursday, December 22, 2005 to Saturday, December 31, 2005 (both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item no. 4.**

The Board of Directors of the company resolved to reappoint Shri A.M.Bafna as Whole time Working Director of the Company with effect from 1st July, 2005 upon the following terms and conditions:

- | | | |
|------------------------|---|---|
| I. Period of Agreement | : | Five years from the date of appointment. |
| II. Remuneration | | |
| Salary | : | 30000-1500-36000 |
| Commission | : | One percent of the Net Profit 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) Mumbai, Kolkata, Delhi&Chennai, -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.

COVENTRY SPRING & ENGINEERING CO. LTD.

Housing- III : In case no accommodation is provided by the Company, the Whole Time 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 Whole time 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. Leave Travel Concession: Return passage of self and the family in accordance with the rules specified by the Company.
4. Club Fees: Fees of Clubs subject to a maximum of 2 clubs. This will not include admission and life membership fees.
5. 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. 3,50,000/- as per the ceiling of Income Tax (As amended).

Part - C :

Provision of car 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.

Memorandum of Interest:

Shri A.M. Bafna may be deemed to be interested in his appointment.

Also Shri P.M. Bafna and Shri N.M. Bafna, Directors of the company may be deemed to be interested in the aforesaid appointment by virtue of being relatives of Shri A.M. Bafna.

Item no.5.

The Board of Directors of the company resolved to reappoint Shri N. M. Bafna as Whole time Working Director of the Company with effect from 1st July, 2005 upon the following terms and conditions:

- | | | |
|------------------------|---|---|
| I. Period of Agreement | : | Five years from the date of appointment. |
| II. Remuneration | | |
| Salary | : | 30000-1500-36000 |
| Commission | : | One percent of the Net Profit 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) Mumbai, Kolkata, Delhi&Chennai, -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 Whole Time 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 Whole time 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. Leave Travel Concession: Return passage of self and the family in accordance with the rules specified by the Company.
4. Club Fees: Fees of Clubs subject to a maximum of 2 clubs. This will not include admission and life membership fees.
5. 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. 3,50,000/- as per the ceiling of Income Tax (As amended)

Part - C :

Provision of car 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.

Memorandum of Interest:

Shri N.M. Bafna may be deemed to be interested in his appointment.

Also Shri A.M. Bafna and Shri P.M. Bafna, Directors of the company may be deemed to be interested in the aforesaid appointment by virtue of being relatives of Shri N.M. Bafna.

Brief particulars of Directors appointed /re-appointed as required under clause 49 of the Listing Agreement :

1. Shri A.M.Bafna, Wholetime Working Director of the company is 61 years old, holding a Engineering Degree. He has more than 30 years of experience in Manufacturing Industry and has been involved with your company for more than 30 years.
2. Shri N.M.Bafna, Wholetime Working Director of the company is 59 years old, holding a Engineering Degree . He has more than 25 years of experience in the Manufacturing Industry and has been involved with your company for more than 25 years.

All the resolutions are placed before the members for their approval.

Kolkata
October 29, 2005

By Order of the Board of Directors
For **COVENTRY SPRING & ENGG. CO. LTD.**

Registered Office :
23, Ganesh Chandra Avenue,
Kolkata - 700 013.

A.M.BAFNA
DIRECTOR

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COVENTRY SPRING & ENGINEERING CO. LTD.**DIRECTORS' REPORT**

Your Directors present the 53rd Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS.

	Current year (12 months) (Rs.)	Previous year (6 months) (Rs.)
Gross Turnover	14,11,75,825	5,73,98,348
Gross Profit/(Loss) before Depreciation and Tax	(2,71,95,464)	(2,95,81,350)
Less : Depreciation on Fixed Assets	53,93,414	28,06,233
Net Profit/(Loss)	<u>(3,25,88,878)</u>	<u>(3,23,87,583)</u>
APPROPRIATION :		
Balance Loss Carried Forward	<u>13,15,89,108</u>	<u>9,90,00,229</u>

YEAR IN RETROSPECT :

As reported in last Annual Report the company is in grave financial crisis. The crisis has further deepened due to absolute non-cooperation of our bank and other financial institutions. The Company in spite of having orders to the tune of 20 Crores is unable to fulfill them as it does not have the funds to procure raw materials for the purpose of production. Further the company's domestic as well as export turnover has gone down during the year under review.

The Company in order to implement certain restructuring measures were forced to extend the Financial Year 2002-2003 by Six Months for which approval was taken from Registrar of Companies and hence the Annual Report and the Audited Accounts of the company were presented for 18 Month Ended 30th September, 2003. The AGM of that period was held on 31st March 2004 for which approval was taken from Registrar of Companies. In order to revert back to the earlier accounting period of April to March, the Company has presented its Annual Report and the Audited Accounts of the Company for the Financial Year 2003-2004 for Six Month Ended 31st March, 2004.

The 51st and 52nd Annual General Meeting of the Company was adjourned Sine die by the Chairman after adoption of the Audited Balance Sheet of the Company and the Profit & Loss Account for the year ended 30.09.2003 and 31.03.2004 respectively and the Report of Board of Directors and Auditors thereon.

Although the Company has developed new parties and products over the years, lack of adequate Cash Reserves due to continued losses and denial of further Cash Assistance by Banks and Financial Institutions hampered the Company's prospect of posting a higher turnover and consequent improvement of its profitability. Cost control measures continued unabated as can be reflected in the enclosed financial statements, but were of little help in the light of the Company's falling turnover.

FUTURE OUTLOOK :

The Company has been incurring losses continuously for the last five years and the financial position of the company is going from bad to worse. The Company has received takeover notice u/s 29 of State Financial Corporation Act from SICOM Ltd and recall notice from State Bank of India as the Company could not pay their dues on time. Further the Company is finding it difficult to service the high rate of the interest being charged by SICOM and State Bank of India. In view of the above it was decided to sell off the Nagpur unit along with goodwill as a going concern and appropriate the proceeds so received to pay off the dues of SICOM and State Bank of India. It was also been decided to sell the surplus land at Howrah to augment to working capital requirement of the Company. The Board is satisfied that it would be in the interest of the Company and its shareholders to sell the said undertakings as mentioned above and had proceeded accordingly by passing an ordinary resolution through Postal Ballot, for approval of the shareholders, the results of which were declared in the Extra-Ordinary General Meeting held on 15th December, 2003. The Company could not proceed with the above mentioned sale as certain legal proceedings are pending before the Honorable High Court in Kolkata. The matter is being pursued to reach an early solution. On the other the Company is all geared to take on recession, and has Orders in hand worth Rs.20 Crores approximately and stands a good chance to turn around, but needs a life line in the form of additional finance from banks and institutions. The Company has taken up the matter with the authorities concerned and is confident of posting a better performance provided adequate finance are made available on a urgent basis.

REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

The Company, had, become potentially sick and applied to the Board for Industrial and Financial Reconstruction in Form 'C' as per the Provision of section 23(1)(a)(i) of the Sick Industrial Companies (Special Provision) Act, 1985 and also as per the Provision of Rule 36(1)(i) of the Board for Industrial and Financial Reconstruction Regulation, 1987, on 27.05.2004. And since now as per the Audited Accounts of the Company for the year ended 31.03.2005, the Company's book shows accumulated losses of Rs. 13,15,89,108/-, thereby eroding the entire NETWORTH of your company and it has thus now become mandatory to make a reference to Board for Industrial and Financial Reconstruction (BIFR) for determination of the measures which shall be adopted with respect to the Company as per the provisions of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985.

CORPORATE GOVERNANCE REPORT:

The Corporate Governance Report and Management Discussion & Analysis is enclosed herewith and forms a part of this report duly certified by the Auditors as required under clause 49 of the Listing Agreement.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm the following in respect of the Audited annual accounts for the year ended 31st March, 2005 :

- i) that in preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- ii) that such accounting policies as mentioned in the Schedules to the Accounts have been selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company for the year ended 31st March, 2005 and of the Loss of the Company for that period.
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities.
- iv) that the annual accounts have been prepared on a going concern basis.

LISTING :

The Company is listed with the Stock Exchanges at Ahmedabad, Delhi, Kolkata and Mumbai.

FIXED DEPOSITS :

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

PERSONNEL & INDUSTRIAL RELATIONS :

Your Company continues to accord top priority to Human Resources Development, by imparting proper training to its Supervisory and Managerial Staff. The staff and managers are encouraged to attend seminars and training workshops organised by Trade Bodies and Institutes.

The Company maintained good industrial relations in all the units of the Company.

INSURANCE :

The Assets of the Company are adequately insured.

DIRECTORS :

Sri S.Das retires by rotation and is eligible for reappointment.

STATUTORY INFORMATION :

Information in accordance with Sub-Section (2A) of Section 217 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.

Information pursuant to Sub-Section 1(e) of Section 217 of the Companies act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure '1' to this report.

AUDITORS :

The observations made by the Auditors in their Report are self-explanatory. There are, therefore, no further comments necessary under Section 217A(3) of the Companies Act, 1956.

M/s. S. S. Kothari & Co., Chartered Accountants, the retiring Auditors of the Company, being eligible offer themselves for reappointment.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their grateful thanks to the Staff & Employees, Customers, Suppliers & various Government Agencies for their valuable assistance and for the trust and confidence reposed in the Company by the Shareholders.

For & On behalf of the board

A. M. BAFNA
DIRECTOR

S. Das
DIRECTOR

Place : Kolkata

Dated : October 29, 2005

COVENTRY SPRING & ENGINEERING CO. LTD.**ANNEXURE "1" TO DIRECTORS' REPORT :**

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' report for the year ended 31st March, 2005.

A. CONSERVATION OF ENERGY

The company has been giving utmost emphasis and high priority to energy conservation. Optimum use of energy is ensured by close monitoring of energy consuming equipments, optimum use of power and close liaison between energy centre and consuming points and also through constant development of furnace design and replacing inefficient ones with energy efficient designs, in addition to

- 1) Reduced idle running of equipments.
- 2) Using a suitable blend of HSD & LDO for Diesel Generating Sets.
- 3) Replacement of Electric Driven machine with Pneumatic devices.
- 4) Realigning of existing machines to ensure proper flow of work.

The Company shall continue with its efforts to reduction of energy consumption.

Particulars of total energy consumption and energy consumption per unit of production as per Form "A" :

	2004-2005	2003-2004
(A) POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a) Purchased		
Units (Kwh) (In lacs)	18.90	9.10
Total Amount (Rs. lacs)*	87.47	42.55
Rate per unit (Rs.)	4.63	4.68
b) Own Generation (D.G.Sets)		
Units (Kwh) (In lacs)	0.33	0.15
Total Amount (Rs. lacs)	5.15	2.06
Rate per unit (Rs.)	15.61	13.73
2. COAL		
Total Tonnes	-	-
Total Cost (Rs.)	-	-
Average Tonnes	-	-
3. FURNACE OIL AND OTHER OIL		
Quantity (KL)	782.621	432.060
Total Cost (Rs.lacs)	121.16	59.32
Average / Kilo Ltrs. (Rs.)	15481.70	13729.57
4. OTHERS / INTERNAL GENERATION		
Quantity (Tonnes)	-	-
Total Cost (Rs. lacs)	-	-
Average / Tonnes (Rs.)	-	-
(B) CONSUMPTION PER UNIT OF PRODUCTION		
(I) PRODUCT (Spring & Piston Rods)		
Electricity Units	1.28	2.46
Coal Kgs.	-	-
Furnace & Other Oil (Lts.)	0.52	1.14

* Including Demand Charges

B. TECHNOLOGY ABSORPTION :

(Disclosure of particulars with respect to Technology Absorption, Research & Development)

RESEARCH AND DEVELOPMENT (R & D) :

1. Specific areas in which R&D carried out by the Company :

- Development of new products / designs / processes / methods / tools, improvement of systems in existing products/ process.
- Testing & Certification of existing products for conformity to new Indian/International standards.
- Development of components in conjunction with OEM's.

2. Benefits derived as a result of above R & D :

- Indigenisation / Import substitution
- Cost reduction / Improved utilisation of material & energy.
- Technological upgradation.
- Enhancement in quality and service to the customers.
- Development of new designs in products and processes.
- Maintaining market leadership / Preparedness to counter competition in the changed liberalised environment.
- Reducing machine breakdown time.
- Reduction in environmental pollution.

3. Future Plan of Action :

- Continuation of the present work in R&D for introduction of new products and processes, improvement in the existing products and processes in various areas in which the Company is operating.
- Faster introduction of new products and processes.
- Strengthening infrastructure for R&D.
- Improving interaction with research / educational institutions.

4. Expenditure on R & D (Amount in Rupees) :

	2004-05	2003-04
(a) Capital		
(b) Recurring	554928	290501
(c) Total	554928	290501
(d) Total R&D Expenditure as a percentage of total turnover	0.39%	0.51%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts in brief, made towards technology absorption, adaptation and Innovation :

- Training of personnel for exposure to the latest products/designs & manufacturing technologies.
- Participating in national/International conferences, seminars and exhibitions.
- Evaluation/adaptation/modification of imported designs/technologies to suit indigenous requirements, alternative materials/ components.
- Analysing feedback from users to improve products & services.

2. Benefits derived as a result of the above efforts :

- Improvement in existing processes and product quality, performance, productivity, safety, product reliability and serviceability.
- Cost reduction.
- Import substitution
- Introduction of new products with indigenous know-how.
- Saving in Foreign Exchange.

3. The Company has not hitherto imported any technology. The Company has entered into a Technical Agreement with Rejna SpA, Italy to keep abreast with the latest innovations and upgrade technology to improve its competitive edge in India as well as in the export markets. No induction of technology from the technical partner has been made as yet.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- The company is continuously exploring avenues to increase exports. Efforts are being made to develop new market and consolidate the existing ones by developing products conforming to international standards.
- Total Foreign Exchange earned and used :
 - Used : Rs. 65554
 - Earned : Rs. 8471319