



10<sup>th</sup>

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**ANNUAL REPORT  
2002-2003**

**LIPPI SYSTEMS LIMITED**

AHMEDABAD

TRUE COPY  
For, LIPPI SYSTEMS LTD.

Nandlal S. Aggarwal  
DIRECTOR

# **LIPPI SYSTEMS LIMITED**

## **BOARD OF DIRECTORS**

Shri Nandlal J. Agrawal	Managing Director
Shri Sanjaybhai C. Agrawal	Director
Shri Dineshbhai R. Gupta	Director
Shri Pradipji K. Kejriwal	Director
Shri Minesh C. Shah	Director
Shri Shankar R. Raval	Director

## **BANKERS**

Bank of Baroda  
Bhadra,  
Ahmedabad 380 001.

## **AUDITORS**

Ashok Dhariwal & Co.  
Chartered Accountants  
A/602, Narnarayan Complex,  
Navrangpura,  
Ahmedabad-380 009.

**COMPANY SECRETARY :**  
AJAY PATEL

## **REGISTERED OFFICE**

3rd Floor, Agrawal Chambers,  
Opp. Town Hall,  
Ellisbridge,  
Ahmedabad 380 006.

## **STOCK EXCHANGES**

- (1) The Stock Exchange, Mumbai  
Dalal Street, Mumbai - 400 001.
- (2) The Stock Exchange, Ahmedabad  
Opp. Sahjanand College, Ahmedabad-380 015.

**NOTICE**

Notice is hereby given that 10th Annual General Meeting of the members of the Company will be held on Monday, the 29th September, 2003 at 11.00 a.m. at the registered office of the Company at 3rd Floor, Agrawal Chamber, Opp. Town Hall, Ellisbridge, Ahmedabad-380 006. to transact the following business :-

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2003, Profit and loss account for the year ended on that date together with the directors report and auditors thereon.
2. To appoint Shri Pradip Kejriwal, Director, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors and to fix their remuneration.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT,** Shri Minesh C. Shah who was appointed as an additional director of the company, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company who holds office upto the date of annual general meeting of the company, but being eligible offers himself for reappointment and in respect of whom a notice has been received in writing from the member of the Company, proposing his candidature for the office of a director in accordance with the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as director whose period of office shall be liable to determination by rotation.

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

**"RESOLVED THAT,** Shri Shankar M. Rawal who was appointed as an additional director of the company, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company who holds office upto the date of annual general meeting of the company, but being eligible offers himself for reappointment and in respect of whom a notice has been received in writing from the member of the Company, proposing his candidature for the office of a director in accordance with the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as director whose period of office shall be liable to determination by rotation.

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

**"RESOLVED THAT,** pursuant to the provisions of section 198, 309, 269 including schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the reappointment of Shri Nandlal J. Agrawal, as Managing Director of the Company for a period of five years commencing from 1st October, 2003 on the terms and conditions as set out in the draft agreement to be entered into with the Company and Shri Nandlal J. Agrawal, a copy whereof initialed by the Directors for the

**ANNUAL REPORT 2002-2003**

purpose of identification placed before this meeting.

**"RESOLVED FURTHER THAT,** in the event of loss or inadequacy of profits in any financial year of the company, during the currency of tenure of the Managing Director, the remuneration and perquisite as set out in the aforesaid agreement be paid or granted to Shri Nandlal J. Agrawal, as the minimum remuneration. Provided however that the total remuneration payable shall not exceed the ceiling prescribed in schedule XIII of the Companies Act, 1956 or any amendments thereto.

**"RESOLVED FURTHER THAT,** the Board of Directors be and is hereby authorised to vary the quantum of remuneration and perquisite payable or granted to Shri Nandlal J. Agrawal, provided however that such variation should be within the limits specified in schedule XIII of the Companies Act, 1956 and should be in conformity with any amendments to the relevant provisions of the Companies Act.

**"RESOLVED FURTHER THAT,** pursuant to Article 150 of the Articles of Association of the Company, the Managing Director of the Company shall not be liable to retire by rotation.

**"RESOLVED FURTHER THAT,** Shri Nandlal J. Agrawal be and is hereby authorised, empowered and vested with the substantial powers of management of the Company for carrying out the affairs and activities of the Company subject to superintendence, control and direction of Board of Directors."

**"RESOLVED FURTHER THAT,** for the purpose of giving effect to this resolution, the Board of Directors or any committee thereof be and is hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary in the best interest of the Company."

By Order of the Board Directors

Place : Ahmedabad  
Date : 30th June, 2003

**AJAY K. PATEL**  
Company Secretary

**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 A PROXY NEED NOT BE MEMBER OF COMPANY.
2. The proxies in order to be effective, must be lodged with the company not less than 48 hours before the meeting.
3. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 is also annexed.
4. The Register of Members and Share Transfer Books will remain close from 18th September, 2003 to 29th September, 2003 (both days inclusive).
5. Members are requested to bring to their copies of Annual Report to the meeting. Copies of Annual Report will not be distributed at the meeting.

**EXPLANATORY STATEMENT :****ITEM NO. 4 :**

Shri Minesh C. Shah was appointed as an additional director of the Company by the Board of Directors. The Company has received notice from a member under section 257 of the Companies Act, 1956 proposing to appoint him as a director of the Company alongwith a deposit of Rs.500/-. A brief resume of Shri Minesh C. Shah is provided in the Corporate Governance Report.

No director other than Shri Minesh C. Shah is interested in the resolution.

Your Directors recommends the resolution for your approval.

**ITEM NO. 5 :**

Shri Shankar M. Rawal, was appointed as an additional director of the Company by the Board of Directors. The Company has received notice from a member under section 257 of the Companies Act, 1956 proposing to appoint him as a director of the Company alongwith a deposit of Rs.500/-. A brief resume of Shri Shankar M. Rawal is provided in the Corporate Governance Report.

No director other than Shri Shankar M. Rawal is interested in the resolution.

Your Directors recommends the resolution for your approval.

**ITEM NO. 6 :**

The Board of Directors in its meeting held on 30th June, 2003 decided to propose the appointment of Shri Nandlal J. Agrawal as Managing Director of the Company for a period of five years commencing from 1st October, 2003 on such terms and conditions as set out in the draft agreement, a copy whereof duly initialed by the Director for the purpose of identification and is subject to the approval of members in general meeting. The Board also considered the efforts put by him over a period of time. The terms and conditions governing

the appointment and remuneration has also been approved by the Remuneration Committee of the Company.

As per the provisions of Section 269 of the Companies Act, 1956 approval from the Central Government is not required if the appointment is in accordance with terms and conditions as mentioned in Schedule XIII of the Companies Act, 1956.

The draft agreement referred to in the concerned resolution of the accompanying notice set out the remuneration and other terms and conditions of appointments of Shri Nandlal J. Agrawal, as Managing Director of the Company. The material terms are as under :

1. Salary : Rs.1,00,000/- per month or as may be decided by the Board of Directors, payable from 1st October 2003 till the conclusion of his tenure.
2. Perquisite : Following perquisite shall be in addition to the salary.

**Category A :**

- (i) The Company shall provide equipments and appliances, furniture and fixtures and furnishing at the residence of the Managing Director at the entire cost of the Company and the perquisite on these items shall be valued in accordance with Income Tax Rules, 1962. The expenses of gas, electricity, water etc. shall be reimbursed by the Company on actual basis.
- (ii) Medical expenses for self and family shall be reimbursed by the Company.
- (iii) The Company shall provide for leave travel fare for the Managing Director and his family as per Income Tax Rules, 1962.
- (iv) The Company shall reimburse annual fees for two clubs.
- (v) The Company shall pay personal accident insurance premium upto Rs.10,000/- per annum.

**Category B :** Perquisite under this Category shall not be included in the computation of ceiling of remuneration.

- (i) The Company shall contribute towards provident fund/superannuation/pension/retirement/annuity fund provided that such contribution either singly or put together shall not exceed maximum prescribed exempted limits prescribed under the Income Tax Act, 1961.
- (ii) The Company shall pay gratuity at the rate of half a month's salary for each completed year of service.
- (iii) The Managing Director shall be entitled to encashment of leave, as per the rules of the Company.

**Category C :**

- (i) The Company shall provide a car with driver at the entire cost of the company for

use of company's business. Use of Car for personal use shall be billed by the Company.

- (ii) The Company shall provide telephone and mobile phone for business use of the Company. However personal long distance call shall be treated as perquisite.

**Minimum Remuneration :**

If in financial year the Company has no profit or if the profits are inadequate the Company shall pay minimum remuneration and perquisite to the Managing Director, provided that the total remuneration shall not exceed the limits specified in Schedule XIII of the Companies Act, 1956.

**Sitting Fees :**

As long as he continues to act as Managing Director of the Company he shall not be entitled to any sitting fees for attending Board meeting or any committee thereof.

**Right to Terminate :**

Each party has the right to terminate the Contract by giving three months notice in writing.

Except Shri Nandlal J. Agrawal and Shri Sanjay Agrawal no other director is interested in this resolution.

The Explanatory Statement together with the notice should be treated as an abstract of terms of the draft agreement under Section 302 of the Companies Act, 1956.

The draft agreement referred to in said resolution is open for inspection by members of the company at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on any working day of the Company upto the date of annual general meeting of the Company.

Your Directors recommends the resolution for your approval.

By Order of the Board Directors

Place : Ahmedabad  
Date : 30th June, 2003

**AJAY K. PATEL**  
Company Secretary



**ANNUAL REPORT 2002-2003****DIRECTOR'S REPORT**

To  
The Members of,  
**LIPPI SYSTEMS LIMITED**

Yours Directors have pleasure in presenting their 10th annual report together with the Audited accounts for the year ended 31st March, 2003.

**• FINANCIAL RESULTS**

Particulars	Amt. (Rs. in Lacs)	
	Current Year 2002-2003	Previous Year 2001-2002
Sales	714.60	443.98
Other Income	13.84	24.00
Total Income	728.44	467.98
Manufacturing Expenses	223.93	147.22
Interest	23.27	13.79
Depreciation	102.40	68.27
Income Tax Provision (MAT)	12.77	8.59
Deferred Tax Liability	53.11	7.16
Net Profit	85.37	84.87

**OPERATIONS :**

The Sales of the Company for the year ended on 31st March, 2003 is Rs.714.60 lacs as against the previous year sales of Rs.443.98 lacs. Thus sales of the Company has gone up by approximately 60% (approximately). The manufacturing expenses of the Company has increased from Rs.147.22 lacs to Rs.223.93 lacs while the profit for the year (before providing for taxation) has increased from Rs.100.62 lacs to Rs.151.25 lacs.

**DIVIDEND :**

In order to build up the reserves, your directors do not recommend any dividend for the year.

**CONSIDERATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The particulars in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo, pursuant to Section 217 (1) (e) of the Companies Act read with Companies (Disclosure of particulars in Report of Directors) Rules, 1988 are provided by way of annexure to this Report.

**PARTICULARS OF EMPLOYEES :**

The Company has no employees whose salary exceeds the limits prescribed under Section 217 (2A) of the Companies Act, 1956. Hence the information required to be given under the said section read with Companies (Particulars of Employees) Rules, 1975 do not apply.

**AUDIT COMMITTEE :**

Pursuant to Section 292 A of the Companies Act, 1956 the Board of Directors has constituted an audit committee. The audit committee comprises of Shri Shankar M. Rawal (Chairman), Shri Minesh C. Shah and Shri Dinesh Gupta.

**LISTING FEES :**

The listing fees of both Ahmedabad and Mumbai Stock Exchange have been duly paid.



**DIRECTORS RESPONSIBILITY STATEMENT :**

Your Directors confirm that :

- i) In the preparation of annual accounts, the applicable accounting standards have been followed.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of state of affairs of the company at the end of financial year and of the profit of the company for that period.
- (iii) Your Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors had prepared the annual accounts on a "going concern basis".

**CORPORATE GOVERNANCE :**

A report on Corporate Governance is also enclosed and forms part of the annual report.

**DIRECTORS :**

Shri Pradip Kejariwal retires by rotation and being eligible offers himself for reappointment . Shri Minesh C. Shah and Shri Shankar M. Rawal were appointed as additional director of the Company by the Board of Directors. The Company has received notice under Section 257 of the Companies Act, 1956 proposing has candidature for the office of Director to be elected by the members in the ensuing Annual General Meeting.

**AUDITORS :**

The Auditors M/s. Ashok Dhariwal & Co., Chartered Accountants retire at the ensuing annual general meeting. The Company has received a certificate from the auditors stating that their appointment, if made, will be within the limits prescribed under section 224 (1B) of the Companies Act, 1956. The Board propose to reappoint them.

**ACKNOWLEDGEMENT :**

The Board wish to place record their sincere appreciation and acknowledge with gratitude the efforts put in and co-operation extended by bankers, shareholders, employees at all level and all other associated persons, bodies or agencies for their continued support.

For and on Behalf of Board of Directors

Place : Ahmedabad  
Date : 30th June, 2003

**NANDLAL J. AGRAWAL**  
Managing Director

**ANNUAL REPORT 2002-2003****ANNEXURE - A****(I) CONSERVATION OF ENERGY :****(a) Energy Conservation measures taken :**

During the year no new steps for energy conservation measures were taken.

**(b) Additional Investments and proposal for reduction of consumption :**

There was no additional investments made for reduction of consumption of energy.

**(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods :**

Since no measures were taken for conservation of energy or for investments for reduction of consumption of energy the clause is not applicable.

**(d) Total Energy Consumption per unit of production in prescribed form :****A) POWER AND FUEL CONSUMPTION IN RESPECT OF :**

	Year ended <b>2002-2003</b>	Year ended <b>2001-2002</b>
<b>1. Electricity :</b>		
a) Purchased		
Units Nos.	704348	393444
Total Amt. (Rs.)	3598166	2239420
Rate per Unit (Rs.)	5.11	5.69
b) <b>Own Generation</b>		
(i) Through Diesel Generation Set		
Units	26748	47585
Unit per Litre of Diesel Oil	4.31	4.40
Cost per Unit	4.88	4.59

**B. CONSUMPTION PER UNIT OF PRODUCTION :**

Consumption per square meter of Production	<b>2002-2003</b>	<b>2001-2002</b>
Electricity (No. of Units)	308.007	271.23

**RESEARCH AND DEVELOPMENT :**

The Company has no specific research and development department. However the company has well equipped quality control department to check the quality of its products and effective steps are being taken for its improvement.

**FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The information required to be given in respect of foreign exchange earnings and outgo is provided in the notes forming part of accounts. Members are requested to refer the same.

**CORPORATE GOVERNANCE**

The Company pursuant to the code on Corporate Governance introduced by the Securities and Exchange Board of India [SEBI] furnishes its report as under :

**1) COMPANY PHILOSOPHY ON CODE OF GOVERNANCE :**

Lippi System Limited philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity in all facts of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders. Lippi System Limited believes in enhancing shareholders value, over a period of time.