

# **New Standard Engineering Company Limited**



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*Fortieth Annual Report 1998-99*

**NEW STANDARD ENGG.****FORTIETH ANNUAL REPORT 1998-99**

**Board of Directors** : Mr. Sumant J. Patel *Chairman & Mg. Director*  
 Dr. R. S. Tameja  
 Mr. P. R. Latey  
 Mr. G. P. Sangal  
 Mrs. Sudha S. Patel *Jt. Mg. Director*  
 Mr. Mohan Parikh *Executive Director*

**Company Secretary** : Mr. Jasmin Bhavsar

**Bankers** : Bank of India  
 Dena Bank

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**Auditors** : Shah & Company  
 Chartered Accountants

**Registered Office** : NSE Estate, Goregaon East,  
 Mumbai - 400 063.

## NOTICE

NOTICE is hereby given that the Fortieth Annual General Meeting of the Shareholders of New Standard Engineering Company Limited will be held on Wednesday, the 29th December 1999 at 10.30 a.m at Sri Sitaram & Lady Shantabai PATKAR CONVOCATION HALL, S. N. D. T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020 to transact the following business :-

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March, 1999 and the Profit and Loss Account for the year ended on that date together with the Report of the Auditors' and Directors' thereon.
2. To appoint a Director in place of Dr. R.S. Tarneja, who retires by rotation and, being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Mohan Parikh, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 approval be and is hereby given for the appointment of Mr. Mohan Parikh as the Executive Director of the Company for a period of one year with effect from 1st July, 1999 on terms and conditions as set out in the Explanatory Statement annexed to this notice".

"RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to extend or vary the terms and conditions of appointment subject to limit laid down in Schedule XIII to the Companies Act, 1956".

6. To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the members be and is hereby accorded to the appointment of Mrs. Sudha S. Patel as Joint Managing Director of the Company. (notwithstanding that she is related to Mr. Sumant Patel, Managing Director of the Company) for a period of five years with effect from 1st May, 1999 on terms and conditions, inter alia, including the remuneration payable to her in case of absence or inadequacy of profit in any year, as set out in the draft agreement placed before this meeting and for the purpose of identification initialed by the Chairman hereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to execute the Agreement, in terms of the said draft and to increase, augment, alter, change and/or vary the remuneration payable to Mrs. Sudha S. Patel provided that the said remuneration as increased, augmented, altered, changed or varied shall be in accordance with the limits prescribed thereof under Schedule XIII of the Act for the time being and from time to time in force."

7. To consider and, if thought fit, to pass with or without modification(s) the following as a Special Resolution :

"RESOLVED THAT pursuant to provisions of Section 17 of the Companies Act, 1956 the Memorandum of Association of the Company be altered by the incorporation of the following new objects b) to d) after sub-clause 1(a) under Clause III thereof."



- b) To carry out on business of organizing national and international trade fairs, exhibitions and conferences in India or abroad, either alone or jointly with any person, company, institution or association from India or abroad, offering consultancy and other services such as for project report, market research, advertising sales and marketing, mailing lists, manpower selection and supply, training, security, exhibition and conference management, exhibition stand construction and decoration etc., to any person, company, institution or association in India or abroad; and printing and publishing of books, directories and periodicals related to exhibitions and conferences, trade and industries or any other field.
- c) To deal in property, development of property, purchase/sale/lease of lands, buildings, infrastructure facilities for exhibitions, trade fairs, events, film shootings, television serials, offices, factories, warehousing, service centres, retail trade, shopping malls and other allied activities of the said nature.
- d) To purchase, sell, import, export, develop or otherwise deal in, with or without alterations, additions and/or modifications, Computer Software and Hardware including Programs, Systems Data and other facilities, relating to computer operations and data processing equipment of all kinds; to establish and run data processing and Computer training center and to offer consulting data processing and other services that are normally offered by individuals, corporates, business organizations and other types of customers in India and abroad including CAD/CAM; to provide various software related services like answering machines, electronic mail, telephonic system, fax mail, internet and other related services which are operated through computer and information technology related matter.

Registered Office :

NSE Estate,  
Goregaon East,  
Mumbai-400 063.

Dated : 28 October, 1999.

By Order of the Board of Directors

**J Bhavsar**  
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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument of proxy, duly completed, should be lodged at the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting.
3. The relative Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item No. 5, 6 & 7 set out above, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 16th December, 1999 to Monday, 20th December, 1999 (both days inclusive).

**ANNEXURE TO THE NOTICE**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

**Item No. 5 :**

The Shareholders of the Company, at the 39th Annual General Meeting had accorded their consent for the appointment of Mr. Mohan Parikh for a period of one year as a Wholetime Director of the Company. Subsequently, Mr. Mohan Parikh was re-designated as Executive Director by the Board.

The Board, at its meeting held on 24th April, 1999 re-appointment Mr. Mohan Parikh for a further period of one year, with effect from 1st July, 1999 as Executive Director, on the following terms and conditions :-

- a). Salary : Rs. 2,40,000/- p.a.
- b) Perquisites : LTA and medical allowance as per the Company's rules.
- c) The Company shall provide Motor Car and driver to the Executive Director.
- d) In addition to the above, the Executive Director will be entitled to incentives as may be deem fit by the Board of Directors from time to time.

The Board recommends the passing of the resolution set out under item no. 5.

None of the Directors is interested or concerned in the resolution, except Mr. Mohan Parikh.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

**Item No. 6 :**

Mrs. Sudha S. Patel has a Masters of Science degree from an American University and has wide experience in exports and in Industry. The Board felt that her knowledge and experience will be of benefit and value to the Company and therefore, recommends to the Shareholders for their approval to her appointment as Jt. Managing Director.

Mrs. Sudha S. Patel was appointed as Jt. Managing Director for a period of five years with effect from 1st May, 1999 by the Board of the Company on the following terms.

- a) Mrs. Sudha S. Patel shall be entitled for commission not exceeding 5% of the Net Profit of the Company, computed in the manner provided under Sec 198 of the Companies Act, 1956
- b) The Jt. Managing Director will be provided with a chauffeur driven motor car for official use and a telephone at the residence. However, the Jt. Managing Director shall be billed by the Company for personal use of motor car and personal longdistance telephone calls.

None of the Directors except Mr. Sumant Patel and Mrs. Sudha S. Patel are concerned or interested in the above resolution, as Mr. Sumant Patel and Mrs. Sudha S. Patel are related to each other.

The copy of agreement of employment is available for inspection at the Registered Office of the Company on working days between 11.00 a.m. and 1.00 p.m.

The above statements may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

**Item No. 7 :**

The Board of Directors has considered various ongoing developments in the industry globally as well as in India, and the areas which should be of main focus for the Company in the new Millennium. Since 1991, the Company has established an exhibition centre which has filled up an important vacuum in the Bombay

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City. The Company has also been engaged in leasing of its infrastructure facilities for offices/ factories / warehouses, as also for film shootings, television serials and other events. Both these diversification have been successful and profitable; it is proposed to strengthen & expand these activities.

The Board also feels that the Company should consider going in for :

- (i) Organising / Conducting exhibitions, trade fairs & events; and,
- (ii) Information Technology (IT) and Computer Hardware/Software business besides its existing activities of manufacture of engineering equipments, exhibition centre, and leasing of infrastructure. This will enable the Company to diversify its activities, make it more stronger to face business cycles and ensure long term growth.

The Board propose the amendment of Memorandum of Association of the Company as set out under Item No. 7 of the Notice.

The shareholders may pass the enabling resolution to amend the Memorandum of Association of the Company.

A copy of the Memorandum of Association of the Company is available for inspection at the Registered Office of the Company between 11 a.m. and 1 p.m. on any working day.

None of the Directors is concerned or interested in this resolution.

Registered Office :

NSE Estate,  
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Dated : 28 October, 1999.

By Order of the Board of Directors

**J Bhavsar**  
Company Secretary

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## Directors' Report

To  
The Shareholders,

Your Directors present herewith the Company's 40th Annual Report together with Audited Statement of accounts for the year ended 31 March, 1999 :

### 1. OVERVIEW AND FINANCIAL RESULTS :

- i) 1998-99 was one of the most difficult period for the Company. The prolonged and severe economic slowdown affected most segments of the industry in the country. Political instability continued throughout the year, with Government unable to take any major decisions. The share market continued to be depressed with hardly any new issues coming up. There was thus no significant new investment.

The textile sector was one of the worst affected, with a large number of mills losing or closing down. This situation, coupled with large scale import of new & secondhand machinery affected very adversely demand of Indian machinery. Under these circumstances, the Company's Manufacturing Group's capacities remained largely unutilized resulting into reduced turnover and heavy losses.

- ii) Due to the overall economic slowdown, a number of exhibitions got deferred or cancelled, with the result, the income of the Exhibition Centre & Realty declined from Rs. 921 Lacs to Rs. 506 Lacs. However, the Company's Exhibition Centre & Realty Group were profitable.
- iii) So far the Company was showing its income on receipt basis. Due to the amendment under the Companies Act, this year we had to revise our working and reverse an amount of Rs. 415 Lacs which though received during the year pertained to subsequent years. Had the same practice been followed, we would have shown a profit of Rs. 146 Lacs instead of a loss of Rs. 269 Lacs.
- iv) During the year, the Company has earned total income from Sales, Service and others Rs. 1205 Lacs during 1998-99 (Rs. 2032 Lacs), Profit/Loss before providing for interest and depreciation (Rs. 17 Lacs) (Rs. 91 Lacs); interest Rs. 193 Lacs (Rs. 152 Lacs), and depreciation Rs. 59 Lacs (Rs. 67 Lacs); resulting in profits / losses for the year (Rs. 269 Lacs) (Rs. 128 Lacs loss).  
These financial results have to be viewed in light of the above background.
- v) During the current year the situation is showing improvement. The Company has orders on hand worth Rs. 10 crores, with positive indications of larger orders coming in. Your Directors expect that the negative trend of last 2 years will be recessed and working will increase from 1999 - 2000.

### 2. RESTRUCTURING OF BUSINESS OPERATIONS :

Your Directors have been seriously considering and implementing strategies to make the Manufacturing Group profitable at the earliest. It is now implementing a series of measures for restructuring, consolidation & downsizing of the Manufacturing Group, some of which are briefly described below.

- (i) The Manufacturing Group is reducing its dependence on textile machinery product line. Instead it is placing increasing emphasis on its other two lines of Metal Forming Equipment and Oil Recovery Equipment both for the domestic & export markets.

The Manufacturing activities are being consolidated instead of their being spread out over too large an area in different buildings as at present.

During the recent past the Manufacturing Group has reduced its work force by about 200 employees through VRS Schemes, which involved financial outlay of about Rs. 500 lakhs. After some further reduction, the Manufacturing Group should soon become right size, and hopefully, profitable.

- (ii) The Company is taking steps to increase space utilization in its Exhibition Centre and Realty Group. It expects significant increase in its revenues.

The Directors are confident with the above steps the Company would achieve good growth and profitability.

### 3. DIVERSIFICATION :

Your Company has already diversified its activities by entering into the field of property development, buying, selling and leasing of office / residential spaces, dealing in real estates and providing infrastructure for exhibitions, trade fairs and other connected events. Now it proposes to diversify into organising / conducting of exhibitions, trade fairs and events.

### 4. QUALITY SYSTEMS :

The Manufacturing Group continued to enjoy ISO-9002 and American Petroleum Institute API - IIE Certification for Textile Machinery and Oil Recovery Equipments product lines.

### 5. Y2K COMPLIANCE:

The Computer hardware and software of your Company are Y2K Compliant and the cost involved for making them Y2K compliant was insignificant.

### 6. FINANCE :

- i) Your Directors are unable to recommend dividend for the financial year ended 31st March, 1999 in view of the losses.
- ii) Total borrowings increased to Rs.123.32 million (Rs. 95.17 million), Rs.2.81 million increase reflecting additional working capital requirements.
- iii) Fixed assets of the Company were valued at Rs.283.02 million as against 282.31 million in the previous year; net block at the same time is 129.81 million as against Rs.135.18 million after depreciation. Assets of your Company have been adequately insured.
- iv) During 1998-99, your Company has not accepted any fixed deposits.
- v) Debts & Advances :

As regards debts and advances due for over three years amounting to Rs.3.91 million (Rs.4.14 million), no provision has been made in the accounts as according to your Directors the same are recoverable.

- vi) Stock Exchange Listing :

The Company's shares are listed in Mumbai Stock Exchange and the listing fees for the year 1999-2000 has been paid by the Company.

- vii) The Company has obtained extension of time from Registrar of Companies, Maharashtra, vide letter dated 25 October, 99, for holding Annual General Meeting.

### 7. AUDITORS' REPORT :

With reference to the comments in annexure to para 1 of the Auditors' Report, attention is drawn to the accounting policies and other notes to the accounts, which are self explanatory. Necessary steps are being taken to strengthen the internal audit system, as also clearing outstanding dues.



**8. DIRECTORS :**

- i) Your Directors, Dr.R.S.Tarneja and Mr Mohan Parikh retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.
- ii) Mr. Mohan Parikh has been re-appointed as Executive Director for a period of one year with effect from 1st July, 1999.
- iii) Mrs. Sudha S. Patel has been appointed as Joint Managing Director for a period of 5 years with effect from 1st May, 1999.

The ICICI Ltd., has withdrawn the nomination of Mr. M.Y. Ranade with effect from 21st July, 1999 Mr. M.T. Challawala, Whole time Director has resigned office of the Director with effect from 31st Jan, 1999. Your Board of Directors place on record their appreciation for the valuable services and guidance given to the Company by Mr. Ranade and Mr. Challawala during their tenure as Directors.

**9. PARTICULARS OF EMPLOYEES :**

None of the employees of the Company is in receipt of remuneration of more than Rs. 50,000/- per month or more than Rs. 6,00,000/- per annum during the period under review. Hence, the provisions of Section 217(2A) of the Companies Act, 1956 are not applicable.

During the year under review, industrial relations with the employees were cordial.

**10. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:**

Information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with Companies (disclosures of particulars in the report of Board of Directors) Rules 1988, regarding conservation of energy, technology absorption and foreign exchange earning & outgo is given in the annexure forming part of this report.

**11. AUDITORS :**

M/s. Shah & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from M/s. Shah & Co. to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956. Accordingly, the Board recommends that the said Auditors be appointed as Auditors of the ensuing Annual General Meeting.

**12. ACKNOWLEDGEMENT :**

Your Directors would like to express their appreciation for the assistance and cooperation received from Bank of India, Dena Bank, ICICI, shareholders and employees of the Company.

Registered Office :  
NSE Estate,  
Goregaon East,  
Mumbai-400 063.  
Dated : 28 October, 1999.

For and on behalf of the Board of Directors,

**Sumant Patel**  
Chairman & Mg. Director

**Annexure I to Directors' Report**

(Under Section 217 (1) (e) of the Companies Act, 1956)

**A. CONSERVATION OF ENERGY**

The Company has taken adequate steps to conserve energy by the following measures:

The Company has been able to bring down its maximum demand in Manufacturing Group by proper restructuring resulting in maximum demand deduction to 1000 KVA from 2500 KVA and corresponding power bills are reduced by about 50%

**B. TECHNOLOGY ABSORPTION :**

The Company keep abreast with technology development carried out by the industry and its Technology Group has succeeded in developing new technology for Tup Hammers. Recently, the Company has received orders of about Rs. 300 lakhs for Tup Hammers.

**C. FOREIGN EXCHANGE EARNING AND OUTGO :**

The information on foreign exchange earnings and outgo is contained in schedule 13 Item 22 (b) (c) and (d). Company have earned foreign exchange of Rs.0.12 million as against Rs. 27.61 million in previous year.

The outgo of foreign exchange for export commission, legal charges and others and towards travelling abroad aggregates to Rs.1.03 million . Thus, net foreign exchange outgo comes to Rs.0.91 million during the year 1998-99.

For and on behalf of the Board of Directors,

Mumbai  
Dated : 28 October, 1999

**Sumant Patel**  
*Chairman & Mg. Director*