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***SPS* International Limited**
ELEVENTH ANNUAL REPORT
2003 - 2004

SPS INTERNATIONAL LIMITED

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BOARD OF DIRECTORS

Sh. S.K. Jain, Chairman & Managing Director

Sh. Sudhir Jain, Wholetime Director

Sh. Ankur Jain

Sh. Shreyans Kumar Patni

Sh. Vipin Kumar Gupta

Sh. Anoop Dawar

COMPANY SECRETARY

Sh. Akhil Agarwal

AUDITORS

M/s Sudhir Chaudhary & Associates,
Chartered Accountants, Faridabad

BANKERS

ICICI Bank, New Delhi
Syndicate Bank, Faridabad
Corporation Bank, New Delhi

REGISTERED OFFICE

FF-8, Vishnu Palace, Sector-20B
Faridabad-121 003

CORPORATE OFFICE

302-B, Sant Nagar, East of Kailash
New Delhi- 110 065

SHARE TRANSFER AGENTS

For physical and Demat Shares

Beetal Financial & Computer Services Pvt. Ltd.
321-S, Chirag Delhi, Near Shahid Bhagat Singh
College, New Delhi-110 017
Phone No. (011) 29250390
Fax No. (011) 29252146

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SPS INTERNATIONAL LIMITED

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the shareholders of the Company will be held at Lions Bhawan, 1143, Sector-14, Faridabad-121 002 on Wednesday the 29th day of September, 2004 at 10.30 a.m. to transact the following business:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account of the Company as on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sh. Vipin Kumar Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sh. Anoop Dawar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s Sudhir Chaudhary & Associates, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By the order of the Board of Directors

Place : Faridabad
Dated : 10th August 2004

Sd/-
S.K. JAIN
(Chairman and Managing 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. Proxies in order to be valid must be deposited at the registered office of the company not less than 48 hours before the meeting.***
2. The Register of Members and Share Transfer Books shall remain closed from Wednesday, 22nd September, 2004 to Wednesday, 29th September, 2004 (both days inclusive).
3. For any information or clarification with regard to accounts, written requests should be made at least 7 days before the Annual General Meeting at the Corporate Office address, so as to enable the management to keep ready the information or clarifications, as the case may be.
4. For any correspondence/ query regarding De-materialisation or physical transfer of shares, please write to Registrar and Share Transfer Agent of the Company M/s Beetal Financial and Computer Services Pvt. Ltd., at 321-S, Chirag Delhi, Near Shahid Bhagat Singh College, New Delhi-110 017.
5. Members holding shares in physical form may write to the Registrar and Share Transfer Agent for any change in their address. However, members holding shares in Electronic Form may write to their DP directly.
6. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
7. No gifts, coupons, complimentaries etc., shall be distributed at the Annual General Meeting.
8. Ballot papers, if required, for each proposed resolution, will be provided to the members/proxies at the registration counter.
9. The registration counter shall open at 9.30 a.m. and close at 10.30 a.m. and thereafter no registration will be done.
10. Members are requested to bring their copy of Annual Report at the AGM.

SPS INTERNATIONAL LIMITED

DIRECTORS' REPORT

To
The Shareholders,

Your Directors are pleased to present the Eleventh Annual Report for the year ended 31st March, 2004.

FINANCIAL RESULTS

The financial performance of the company during the year has been as under :

(Rs./Lakh)

PARTICULARS	Year ended on	
	31.03.2004	31.03.2003
Incomes:		
Net Sales/ Income from operations	717.41	574.98
Export sales	-	2.27
Other Income	2.47	8.33
Total (A)	719.88	585.58
Expenditure:		
(Increase)/Decrease in stock in trade	(4.43)	0.73
Consumption of raw material	412.12	330.70
Staff cost	67.00	57.86
Other expenditure	179.88	135.98
Interest	4.20	4.29
Depreciation	41.24	44.75
Total (B)	700.01	574.31
Profit (+)/ Loss (-) before tax (A-B)	19.87	11.27
Provision for taxation	10.00	6.00
Net profit (+)/ Loss (-) (6-7)	9.87	5.27
Paid-up equity shares capital (Face value)	322.59	322.59
Reserves	24.00	24.00
Basic and diluted EPS	0.33	0.16

During the year under review the total income of the Company has increased by 23.85% over the last year. The net profits of the Company (before tax) show an increase of 76.41% over precious year.

DIVIDEND

Due to inadequacy of profits, no dividend for the year is being recommended.

STOCK EXCHANGES

The shares of the Company were listed at Delhi, Mumbai, Ahmedabad and Kolkata Stock Exchanges. During the year, the Company got its shares de-listed from Delhi and Ahmedabad Stock Exchanges and the application for de-listing is pending with Kolkata Stock Exchange and the approval is expected shortly.

Thus the shares of Company are presently listed at Mumbai and Kolkata Stock Exchanges. The listing fee for the financial year 2004-2005 has been paid to these Stock Exchanges.

DIRECTORS

Sh. Vipin Gupta and Sh. Anoop Dawar are retiring at the ensuing Annual General Meeting and have offered themselves for re-appointment. Proposal for their re-appointment is being included in the Notice convening 11th Annual General Meeting.

PROMOTER GROUP

The promoter group consists of Sh. S.K. Jain, Smt. Sarla Jain, Sh. Ankur Jain, Sh. Madhur Jain, SPS Overseas Private Limited and Tender Leasing and Finance Ltd.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, we report that:

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profits of the Company for that period;
- iii) the 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 the Company and for preventing and detecting fraud and other irregularities;
- iv) the directors had prepared the annual accounts on a going concern basis.

AUDITOR AND AUDITORS' REPORT

M/s Sudhir Chaudhary & Associates, Chartered Accountants the Statutory Auditors of the Company are retiring at the ensuing Annual General Meeting. The Company has received from them a letter dated 19/7/2004 to the effect that they are eligible and willing to be re-appointed as auditors of the Company and their re-appointment, if made, would be within the limits prescribed under section 224 (1-B) of the Companies Act, 1956. Accordingly, the resolution for appointment of the said auditors has been included in the Notice convening next Annual General Meeting.

There are no comments or qualification in the Auditors' Report requiring an explanation or comments by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and Analysis Forms part of the Directors' Report and is annexed as **Annexure-I**.

CORPORATE GOVERNANCE

The Company is complying with all the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges. A Report on the Corporate Governance is enclosed as **Annexure-II**. A certificate dated 10/8/2004 from the statutory auditors M/s Sudhir Chaudhary & Associates on compliance of the requirements of clause 49 of the listing agreement is annexed to the Directors' Report and forms part of the Corporate Governance Report.

FIXED DEPOSITS

During the year under review, your Company has not accepted any deposits from public within the meaning of section 58-A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The report required to be made pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as **Annexure-III** and forms part of this report.

PARTICULARS OF EMPLOYEES

There are no employees in the Company, drawing remuneration exceeding the limits prescribed in section 217(2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGEMENTS

Your Directors express their deep sense of appreciation for the assistance and co-operation received from the Banks, Auditors and other authorities during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the devoted and sincere services of all the executives, staff and workers of the Company.

Place : Faridabad
Dated : 10th August, 2004

On behalf of the Board of Directors

Sd/-
S.K. JAIN
(Chairman and Managing Director)

ANNEXURE-1**MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE AND DEVELOPMENT**

The Company is primarily involved in the business of OMR Sheets, Scanners, Image Scanners, and Service Bureau. The Company holds the major share of the market in its business operations.

The comparison of the sales of the products of the Company over the previous year is as under:

Particulars	Sale Quantity	
	2003-04	2002-03
OMR Sheets	1.97 Cr.	1.86 Cr.
OMR Scanners	21	11
Image Scanners	8	1

The demand for the product of the Company has been on increase during the last year. It is expected that the demand will continue to increase.

OPPORTUNITY AND THREATS

With the phenomenal increase in the number of students for professional courses, new vacancies created by the Central, State, Local Govt. Bodies, the volume of competitive/ entrance tests as well as participants thereof is bound to increase, thereby creating opportunities for the Company's business. Apparently there seems to be no threat to the business on this count. However, due to extreme unpredictable situations wherein the Govt. puts a ban on recruitment or put complete halt on educational institutions, the business may be affected. A minor threat may be felt from the competitors. However, in view of the infrastructure, old business relations, cost effectiveness, best of the quality, extreme customer satisfaction and a very reliable work force of the Company, these threats will not have any significant impact upon the business prospects of the Company.

FINANCIAL PERFORMANCE

During the year under review the total income of the Company has increased by 23.85% over the last year. The net profits of the Company (before tax) show an increase of 76.41% over previous year. The Company is engaged in only one product segment as defined in Accounting Standard on Segmental Reporting.

RISKS AND CONCERNS

The business of Company largely depends upon the Govt. policies. Presently, the Govt. is filling its vacancies. If, in future due to some political or economic reasons, this process is disturbed; it may adversely effect the earnings of the Company. Similarly, a growing population of the country is becoming more conscious towards education. The thrust of the Govt. is also to provide education to the maximum of its population. As a result the demand of educational seats is higher than its supply. However, if due to change in Govt. policy this situation changes then there will be no requirements of entrance test and as such the earnings of the Company may be affected adversely. The Company is however, not concerned very much about these two reasons because these are the very highly imaginative situations. In a progressive country this thing do not happen and if these happen than the growth of the country would be stopped. As far as, the availability of raw material or manpower concerned both the ingredients are available in plenty and there is no risk to the Company in this regard. Moreover, the Company was established ten years ago and has a very sound goodwill amongst its customers. The Company does not feel any major risks in its future business.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established internal control systems, which provide reasonable assurance with regard to safeguarding of the company's assets, promoting operational efficiency an ensuring compliance with various statutory provisions. The internal control systems are reviewed at a reasonable period of time. The Report on the internal control systems is also placed before the Audit Committee regularly. The Statutory Auditors also review the findings with the Senior Management and Audit Committee.

OUTLOOK FOR THE YEAR 2004-2005

The Company expects to maintain a growth of around 20% in its turnover during the financial year 2004-05.

HUMAN RESOURCES DEVELOPMENT/ INDUSTRIAL RELATIONS.

The Company has a system of executive development by which the performance and competency of the individuals are taken note of. The requirements of the organization are matched with profile of the individuals. This process has helped in career planning of the people.

The Company has 42 numbers of employees as on 31/3/2004. The relationship of management with employees has been very cordial during the period under review.

On behalf of the Board of Directors

Place: Faridabad

Dated: 10th August, 2004

Sd/-

S.K. JAIN

(Chairman and Managing Director)

ANNEXURE -II**REPORT ON CORPORATE GOVERNANCE****COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

SPS believes in adopting best practices in the area of Corporate Governance and follows the principles of full transparency and accountability, thereby protecting the interests of all its stakeholders.

SPS has been practicing the broad principles of Corporate Governance. In addition to the basic governance issues, your Company lay strong emphasis on trusteeship, transparency, accountability and integrity in all facets of its operations and in all its interactions with shareholders, employees, Government and its customers.

SPS believes that all its operations and actions must serve the underlying goal of enhancing over all shareholders value over a sustained period of time.

BOARD OF DIRECTORS**COMPOSITION OF THE BOARD**

As on 31 March 2004, SPS's Board has six Directors, two of whom are Executive Directors, one non-executive non-independent Director, while the remaining three are all non-executive independent Directors. The Chairman is Executive Director.

COMPOSITION OF THE BOARD AS ON 31ST MARCH, 2004.

Sl. No.	Name of Director	Category Of Director	No. of other Directors hips	No. of Committees chairpersonship/ membership held	
				Chairperson	Member
1	Sh. S.K. Jain	Executive	-	-	1
2	Sh. Sudhir Jain	Executive	-	-	-
3	Sh. Ankur Jain*	Non-executive Non-independent	-	-	-
4	Sh. Shreyans Kumar Patni	Non-executive independent #	-	3	-
5	Sh. Vipin Gupta	Non-executive independent #	-	-	3
6	Sh. Anoop Dawar	Non-executive independent #	1	-	3

* Sh. Ankur Jain was co-opted as a non-executive non-independent director w.e.f. 2nd May, 2003 and was later appointed by members as a regular director liable to retire by rotation in the 10th AGM.

Independent Director means a Director who, apart from receiving Director's remuneration, does not have any other material pecuniary relationship or transactions with the company, its promoters or its management, which in the judgement of the Board may affect the independence of judgement of the Director.

The Company does not have any pecuniary relationship with any of the non-executive directors.

BOARD MEETINGS

During 2003-04, the Board of Directors met 9 times on 24th April 2003, 2nd May 2003, 2nd June 2003, 28th July 2003, 25th August 2003, 18th October 2003, 17th November 2003, 22nd January 2004 and 18th March 2004. The longest gap between any two Board meetings did not exceed 4 months.

Attendance record of Board of Directors as on 31st March 2004. (Total Meetings held -9)

Name of Director	No of Board meetings attended	Whether attended last AGM
Sh. S.K. Jain	9	Yes
Sh. Sudhir Jain	7	Yes
Sh. Ankur Jain *	8	Yes
Sh. Shreyans Kumar Patni	8	Yes
Sh. Vipin Gupta	8	Yes
Sh. Anoop Dawar	8	Yes

* Co-opted as Additional Director with effect from 2nd May 2003

Information supplied to the Board

The Board of the Company is presented with the information listed below, wherever and whenever applicable and materially significant.

- Annual operating plans and budgets including capital budgets and any update thereof.
- Quarterly/Annual results of the Company.
- Minutes of the meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any Judgement or Order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any Joint Venture or Collaboration Agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front like signing of wage agreement, implementation of voluntary Retirement Scheme etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

These items are submitted either as a part of the agenda papers well in advance of the Board meetings or tabled in the course of the Board Meeting.

Remuneration of Directors

Details of the remuneration package of Directors for 2003-04 are as under

(Rs.)

Name of Directors	Salary	Sitting fees	Perquisites	Deferred Benefits (PF and superannuation)	Commission	Terminal Benefits	Total
Sh. S.K. Jain	6,84,000	-	-	82,080	-	-	7,66,080
Sh. Sudhir Jain	5,40,000	-	2,16,000	64,800	-	-	8,20,800
Smt. Sarla Jain *	-	500	-	-	-	-	500
Sh Ankur Jain	-	9,500	-	-	-	-	9,500
Sh. Shreyans Kumar Patni	-	12,000	-	-	-	-	12,000
Sh. Vipin Gupta	-	12,000	-	-	-	-	12,000
Sh. Anoop Dawar	-	12,000	-	-	-	-	12,000
Total	12,24,000	46,000	2,16,000	1,46,880	-	-	16,32,880

* Ceased to be director w.e.f. 2nd May, 2003