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***SPS* International Limited**  
**THIRTEENTH ANNUAL REPORT**  
**2005 - 2006**

## **SPS INTERNATIONAL LIMITED**



### **BOARD OF DIRECTORS**

Sh S K Jain, Chairman & Managing Director  
Sh Sudhir Jain, Wholetime Director  
Sh Shreyans Kumar Patni  
Sh Vipin Kumar Gupta  
Sh Anoop Dawar

### **AUDITORS**

M/s Sudhir Chaudhary & Associates  
Chartered Accountants, Faridabad

### **BANKERS**

Corporation Bank, New Delhi  
ICICI 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  
BEETAL HOUSE 99 Madangir  
3<sup>rd</sup> Floor Behind Local Shopping Centre  
Near Dada Harsukhdas Mandir  
New Delhi-110 017  
Phone No (011) 29961281, 29961282  
Fax No (011) 29961284



## SPS INTERNATIONAL LIMITED

## NOTICE

**NOTICE** is hereby given that the Thirteenth Annual General Meeting of the shareholders of the Company will be held at T F-I, Vishnu Palace, Sector-20B, Faridabad on Thursday the 28<sup>th</sup> day of September 2006 at 11 00 a m to transact the following business

**ORDINARY BUSINESS:**

- 1 To consider and adopt the audited Balance Sheet as at 31st March, 2006 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

**SPECIAL BUSINESS:**

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

**"Resolved that** the terms of appointment of Sh S K Jain Chairman and Managing Director including remuneration be and are hereby revised w e f 1st February 2006 as under -

- Remuneration including Basic Salary and other perquisites not exceeding Rs 1 Lac per month
- Provident Fund contribution as per Rules and Regulations of the company in force from time to time

Apart from this he is also entitled to gratuity as per the Gratuity Act, 1965 and any contribution to superannuation fund or any other pension fund as per the Company's Rules and Superannuation Fund Act He is also entitled to Leave Travel Concession for himself his wife and children once in a period of two years for going anywhere in India

He is also entitled to other benefits which are applicable as per the Rules of the Company

His duties shall be the overall supervision of the functioning of the company handling day to day affairs of the company appointment and termination of services of employees operating bank account signing cheques, promissory notes, bills of exchange, regularly reporting to the board on the activities of the company and to perform all other duties that the board may delegate to the Managing Director from time to time and such other duties rights, powers as are specified in the Articles of Association of the Company

**Resolved further that** his term of office as Chairman and Managing Director shall be for five years from 1st February 2002

**Resolved further that** in the absence of profits or inadequacy of profits the above remuneration shall be paid to Mr S K Jain, Chairman and Managing Director as minimum remuneration

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

**"Resolved that the** terms of appointment of Sh Sudhir Jain Wholetime Director including remuneration be and are hereby revised w e f 1st February, 2006 as under -

- Remuneration including Basic Salary and other perquisites not exceeding Rs 1 Lac per month
- Provident Fund contribution as per Rules and Regulations of the company in force from time to time

Apart from this he is also entitled to gratuity as per the Gratuity Act 1965 and any contribution to Superannuation Fund or any other pension fund as per the Company's Rules and Superannuation Fund Act He is also entitled to Leave Travel Concession for himself, his wife and children once in a period of two years for going anywhere in India

He is also entitled to other benefits which are applicable as per the Rules of the Company

**Resolved further that** in the absence of profits or inadequacy of profits the above remuneration shall be paid to Mr. Sudhir Jain, Wholtime Director as minimum remuneration.

**By the order of the Board of Directors**

**Place : Faridabad**

**Dated : 26th July 2006**

**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, 20th September, 2006 to Thursday, 28th September, 2006 (both days inclusive).
- 3 Brief resume of Sh. Vipin Kumar Gupta and Sh. Anoop Dawar are given in the Corporate Governance Report
4. 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.
- 5 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 Beetal House, 99 Madangir, 3rd Floor Behind Local Shopping Centre, Near Dada Harsukhdas Mandir, New Delhi-110 017
- 6 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
- 7 Members/Proxies should bring the attendance slip duly filled in for attending the meeting
- 8 No gifts, coupons, complementaries etc., shall be distributed at the Annual General Meeting
- 9 Ballot papers, if required, for each proposed resolution, will be provided to the members/proxies at the registration counter
- 10 The registration counter shall open at 10.00 a.m. and close at 11.00 a.m. and thereafter no registration will be done
- 11 Members are requested to bring their copy of Annual Report at the AGM

**EXPLANATORY STATEMENT**

(Pursuant to Section 173(2) of the Companies Act, 1956)

**ITEM NO. 5**

Sh. S. K. Jain was appointed as Chairman and Managing Director of the Company for 5 years w.e.f. 1/2/2002 on a salary in the scale of 50,000-6,000-80,000. His salary before the proposed increase was Rs. 74,000/- It is proposed to increase his salary to Rs. 1 lac per month w.e.f. 1/2/2006.

The Board of Directors and Remuneration Committee have recommended the increase in remuneration payable to Sh. S. K. Jain

The remuneration paid to Sh. S. K. Jain are within the limits of Schedule XIII to the Companies Act, 1956. The details of remuneration being paid to Sh. S. K. Jain are as set out in the resolution. In the absence or inadequacy of profits these remuneration will be paid to Sh. S. K. Jain as minimum remuneration.

None of the directors except Sh. S. K. Jain is concerned or interested in the resolution.

**ITEM NO. 6**

Sh. Sudhir Jain is Wholtime Director of the Company. A general increase in his remuneration was done by the Remuneration Committee in its meeting held on 27.1.2006. The increase was effective from 1.2.2006 subject to approval by shareholders in general meeting.

The remuneration paid to Sh. Sudhir Jain are within the limits of Schedule XIII to the Companies Act, 1956. The details of remuneration being paid to Sh. Sudhir Jain are as set out in the resolution. In the absence or inadequacy of profits these remuneration will be paid to Sh. Sudhir Jain as minimum remuneration.

None of the Directors except Sh. Sudhir Jain is concerned or interested in the resolution.

**By the order of the Board**

**Place : Faridabad**

**Dated : 26th July, 2006**

**Sd/-**

**S.K. JAIN**

**(Chairman and Managing Director)**

**SPS INTERNATIONAL LIMITED**  
**DIRECTORS' REPORT**

To  
The Shareholders,  
Your Directors are pleased to present the Thirteenth Annual Report for the year ended 31st March 2006

**FINANCIAL RESULTS**

The financial performance of the Company during the year has been as under

(Rs./Lakh)

PARTICULARS	Year ended on	
	31.03.2006	31.03.2005
<b>Incomes:</b>		
Net Sales/ Income from operations	1139 44	761 93
Other Income	1 87	2 92
<b>Total (A)</b>	<b>1141.31</b>	<b>764.85</b>
<b>Expenditure:</b>		
(Increase)/Decrease in stock in trade	10 93	(48 07)
Consumption of raw material	609 50	462 72
Staff cost	89 03	79 93
Other expenditure	311 74	208 46
Interest	4 99	2 20
Depreciation	56 63	43 71
<b>Total (B)</b>	<b>1082.82</b>	<b>748.95</b>
<b>Profit (+)/ Loss (-) before tax (A-B)</b>	<b>58.49</b>	<b>15.90</b>
Provision for taxation	17 00	8 54
Provision for Fringe Benefit Tax	4 40	0
Provision for deferred tax liability	3 39	0
<b>Net profit (+)/ Loss (-)</b>	<b>33.70</b>	<b>7 36</b>
Paid-up equity shares capital (Face value)	322 59	322 59
Reserves	52 21	24 00
Basic and diluted EPS	1 04	0 23

During the year under review the total income of the Company has increased by 49.22% over the last year. The profits of the Company (before tax) show increase of 267.86% over previous year. The net profits of the company are Rs. 33.70 lac which show an increase of 357.88% over previous year.

**DIVIDEND**

Due to on going expansion programmes, no dividend for the year is being recommended.

**STOCK EXCHANGES**

The shares of the Company are listed at Bombay Stock Exchange Ltd. During the year, the Company has obtained approval from Calcutta Stock Exchange for delisting of its shares from the Calcutta Stock Exchange.

The listing fee for the financial year 2006-2007 has been paid to Bombay Stock Exchange Ltd.

**DIRECTORS**

Sh. Vipin Kumar 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 13<sup>th</sup> Annual General Meeting.

**PROMOTER GROUP**

The promoter group consists of Sh. S.K. Jain, Smt. Sarla Jain, Sh. Ankur Jain, Sh. Madhur Jain, MAJA Merchandise Private Limited (Formerly 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 have 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 have 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 have prepared the annual accounts on a going concern basis

#### AUDITORS 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 22/7/2006 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

Your 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 22/7/2006 from the statutory auditors on compliance with 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.

On behalf of the Board of Directors

Place : Faridabad

Dated : 26<sup>th</sup> July, 2006

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



## 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	
	2004-05	2003-04
OMR Sheets	2.14 Cr	1.97 Cr
OMR Scanners	17	21
Image Scanners	12	8

The demand for the products of the Company has been consistent during the financial year 2005-06 and is expected to increase in future also.

### OPPORTUNITY AND THREATS

With increase in the number of management institutes in private sector, increased enrolment of students in professional courses and more vacancies being created by Governmental bodies, the business opportunities for Company are on increase. In near future, management perceives no threat to growth of business on this count. However, adverse change in Government's policies on education sector and recruitments may affect growth of business.

The management does not perceive any major business threat from competitors except in usual course of business. The Company is able to maintain its leadership position in its business with its infrastructure, experienced staff, quality of service and products, cost effectiveness. However, increased competition may have some impact on the profitability.

### FINANCIAL PERFORMANCE

During the year under review, the total income of the Company has increased by 49.22% over the last year. The profits of the Company (before tax) have 267.86% increased over previous year. The cost of purchases and indirect expenses were stable during the year. However, the management is continuing its efforts for cost management in various areas. 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, particularly in the educational sector. If, in future, due to some political or economic reasons, there is an adverse change in these policies, earnings of the Company may be adversely affected. Awareness about education is on the increase in Indian masses. Government has also been launching campaigns to promote educational awareness. Indian professionals are in great demand in other countries. It has established the significance of education and is attracting more students in every passing year. There is a clear demand-supply gap of resources in the education sector.

The Government may, to promote education and bridge the gap, may take certain promotional measures like removing entrance tests from certain sectors. This may have an adverse effect on business and profitability of the Company. However, these are very remote possibilities and management does not have any worries about such a scenario in the present. The management does not foresee any risk on account of availability of raw material and manpower, as these are available in the market. Also, with vast experience in the field, Company has sufficient back-up to develop manpower for future.

### 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 and ensuring compliance with various statutory provisions. The internal control systems are reviewed at a reasonable period of time by management and statutory auditors. 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. The company is accredited with the ISO 9001-2000 certificate by NQAQSR-JAS ANZ.

**OUTLOOK FOR THE YEAR 2006-2007**

In view of the increased competition the company will try to maintain / increase its growth in all its business areas like sale of OMR Sheets and Scanners and Image Scanners during the financial year 2006-07

**HUMAN RESOURCES DEVELOPMENT/ INDUSTRIAL RELATIONS.**

The Company has a system for development of its employees, whereby the performance and competencies of the individuals are measured. The requirements of the organization are matched with profile of the individuals. In case of any improvement areas on the job training/ special programmes are being provided. This process has helped in career planning and growth of the employees.

The Company has 45 numbers of employees as on 31/3/2006. 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 : 26<sup>th</sup> July, 2006

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 2006, SPS's Board has five Directors, two of whom are Executive Directors while the remaining three are all non-executive independent Directors. The Chairman is Executive Director.

**Composition of the Board as on 31<sup>st</sup> March 2006.**

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

During the year, Sh. Ankur Jain resigned from the Board of Directors of the Company.

# Independent director mean a non-executive director of the company who

- apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director
- is not related to promoters or persons occupying management positions at the board level or at one level below the board;
- has not been an executive of the company in the immediately preceding three financial years,



- d is not a partner or an executive or was not partner or an executive during the preceding three years of any of the following
- i the statutory audit firm or the internal audit firm that is associated with the company, and
  - ii the legal firm(s) and consulting firm(s) that have a material association with the company
- e is not a material supplier, service provider or customer or a lessor or lessee of the company which may affect independence of the director, and
- f is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares

The Company does not have any pecuniary relationship with any of the non-executive directors except the payment of sitting fee for attending the meetings for Board of Directors / Committees

#### Board Meetings

During 2005-06, the Board of Directors met 9 times on 30<sup>th</sup> May 2005, 30<sup>th</sup> July 2005, 12<sup>th</sup> August, 2005, 18<sup>th</sup> October 2005, 29<sup>th</sup> October 2005, 12<sup>th</sup> December, 2005, 27<sup>th</sup> January 2006, 1<sup>st</sup> February 2006 and 1<sup>st</sup> March 2006. The longest gap between any two Board meetings did not exceed 4 months

#### Attendance record of Board of Directors as on 31<sup>st</sup> March, 2006. (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	9	Yes
Sh Ankur Jain *	5	Yes
Sh Shreyans Kumar Patni	8	Yes
Sh Vipin Gupta	8	Yes
Sh Anoop Dawar	8	Yes

\* Sh Ankur Jain resigned from Board of Directors w.e.f. 21/1/2006

#### 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 and any updates
- Capital budgets and any updates
- Quarterly results for the company and its operating divisions or business segments
- Minutes of meetings of audit committee and other committees of the board
- The information on recruitment and remuneration of senior officers just below the board level including appointment or removal of Chief Financial Officer and the Company Secretary
- Show cause, demand, prosecution notices and penalty notices which are materially important
- 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 nonpayment for goods sold by the company
- Any issue, which involves possible public or product liability claims of substantial nature including any judgment 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 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 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