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# *SPS* International Limited

FOURTEENTH ANNUAL REPORT  
2006 - 2007

## 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

### **COMPANY SECRETARY**

Ms. Meenu Kapoor

### **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 Fourteenth Annual General Meeting of the shareholders of the Company will be held at Village Jatola, Tatarpur Road, Teh. Palwal, Distt. Faridabad on Friday, the 28<sup>th</sup> day of September, 2007 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, 2007 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. Shreyans Kumar Patni, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sh. Sudhir Jain, 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, pass with or without modification(s) the following resolution as an Ordinary Resolution.

**"Resolved that** pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, Sh. S. K. Jain be and is hereby re-appointed as Chairman and Managing Director of the Company with effect from February 1, 2007 for a maximum period of five years, not liable to retire by rotation, on the following remuneration and terms and conditions:

- I. Basic Salary : Upto Rs. 2,00,000 per month as may be determined by the Board of Directors or any Committee of the Board or any person authorised by the Board or any Committee of the Board from time to time.
- II. Perquisites/Allowances : Perquisites shall be allowed in addition to salary.
- i. Special Allowance : Upto Rs. 1,00,000 per month as may be decided by the Board of Directors or any Committee of the Board or any person authorised by the Board or any Committee of the Board from time to time.
- ii. Leased accommodation or HRA in lieu thereof and reimbursement of expenditure or allowance in respect of medical expenses and leave travel concession incurred for self and family, soft furnishing, maintenance of furniture & fixtures etc., ex-gratia and education allowance and any other perquisites or allowances etc. : In accordance with the rules of the Company.

In addition to above perquisites/allowances, Sh. S. K. Jain shall also be entitled to following benefits:

- iii. Other entitlements :
  - a) **Contribution to Provident Fund & Superannuation Fund or Annuity Fund** - Contribution to Provident Fund & Superannuation Fund or Annuity Fund to the extent, these either singly or put together are not taxable under the Income Tax Act, 1961, and shall be subject to maximum amount as may be permitted under the Company's rules.
  - b) **Gratuity** - Gratuity payable shall not exceed half a month's salary for each completed year of service and shall be subject to maximum amount as may be permitted under the Gratuity Act.
  - c) **Car and Telephone** - Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Sh. S.K. Jain.

## III. Performance linked Incentive

Such amounts or percentage of net profits as may be decided by the Board of Directors or any Committee of the Board or any person authorised by the Board or any Committee of the Board from time to time.

- A. The aggregate of the Salary, Perquisites/Allowances and other entitlements shall not exceed the limits specified in Section 198 and 309 of the Companies Act, 1956.
  - B. In the absence or inadequacy of Profits in any year, the remuneration by way of salary, perquisites/allowances and other entitlements will be in accordance with and shall not exceed the limits prescribed under the Companies Act, 1956.
  - C. Sh. S. K. Jain shall not be entitled to sitting fees for attending Board Meetings/Committees thereof."
6. To Consider and if thought fit, pass with or without modification(s) the following resolution as an ordinary resolution.

"Resolved that pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, Sh. Sudhir Jain be and is hereby re-appointed as Whole time Director of the Company with effect from October 1, 2007 for a maximum period of three years, liable to retire by rotation, on the following revised remuneration and terms and conditions:

I. Basic Salary : Upto Rs. 1,50,000 per month as may be determined by the Board of Directors or any Committee of the Board or any person authorised by the Board or any Committee of the Board from time to time.

II. Perquisites/Allowances : Perquisites shall be allowed in addition to salary.

i. Special Allowance : Upto Rs. 1,00,000 per month as may be decided by the Board of Directors or any Committee of the Board or any person authorised by the Board or any Committee of the Board from time to time.

ii. Leased accommodation or HRA in lieu thereof and reimbursement of expenditure or allowance in respect of medical expenses and leave travel concession incurred for self and family, soft furnishing, maintenance of furniture & fixtures etc., ex-gratia and education allowance and any other perquisites or allowances etc. : In accordance with the rules of the Company.

In addition to above perquisites/allowances, Sh. Sudhir Jain shall also be entitled to following benefits:

iii. Other entitlements : a) **Contribution to Provident Fund & Superannuation Fund or Annuity Fund** - Contribution to Provident Fund & Superannuation Fund or Annuity Fund to the extent, these either singly or put together are not taxable under the Income Tax Act, 1961, and shall be subject to maximum amount as may be permitted under the Company's rules.

b) **Gratuity** - Gratuity payable shall not exceed half a month's salary for each completed year of service and shall be subject to maximum amount as may be permitted under the Gratuity Act.

c) **Car and Telephone** - Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Sh. Sudhir Jain.

## III. Performance linked Incentive

Such amounts or percentage of net profits as may be decided by the Board of Directors or any Committee of the Board or any person authorised by the Board or any Committee of the Board from time to time:

- A. The aggregate of the Salary, Perquisites/Allowances and other entitlements shall not exceed the limits specified in Section 198 and 309 of the Companies Act, 1956.
- B. In the absence or inadequacy of Profits in any year, the remuneration by way of salary, perquisites/allowances and other entitlements will be in accordance with and shall not exceed the limits prescribed under the Companies Act, 1956.
- C. Sh. Sudhir Jain shall not be entitled to sitting fees for attending Board Meetings/Committees thereof."

**Place : Faridabad**  
**Dated : 30<sup>th</sup> July, 2007**

**By the order of the Board of Directors**  
**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 Friday, 21<sup>st</sup> September, 2007 to Friday, 28th September, 2007 (both days inclusive).
3. Brief resume of Sh. S.K. Jain, Sh. Sudhir Jain and Sh. Shreyans Kumar Patni 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, complimentaries 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.

**Place : Faridabad**  
**Dated : 30<sup>th</sup> July, 2007**

**By the order of the Board**  
**Sd/-**  
**S.K. JAIN**  
**(Chairman and Managing Director)**

**EXPLANATORY STATEMENT**

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

**ITEM NO. 5**

Sh. S.K. Jain was re-appointed as Chairman and Managing Director of the Company for 5 years w.e.f. 1<sup>st</sup> February, 2002 for a period of five years. Accordingly, his term of office had expired on January 31, 2007. Therefore, on the recommendations of the Remuneration Committee, the Board of Directors in their meeting held on January 27, 2007 re-appointed Sh. S.K. Jain as Chairman and Managing Director effective 1st February, 2007, subject to approval by shareholders in general meeting.

The remunerations paid to Sh. S.K. Jain are within the limits of Schedule XIII to the Companies Act, 1956. The details of remuneration proposed to be paid to Sh. S.K. Jain are as set out in the resolution.

The members may treat the details of remunerations as set out in the notice as abstract under section 302 of the Companies Act, 1956.

The proposed resolution is for consideration and approval by the members. None of the Directors except Sh. S. K. Jain is concerned or interested in the resolution.

**ITEM NO. 6**

Sh. Sudhir Jain is Wholetime Director of the Company. Subject to the approval of shareholders, Remuneration Committee had in their meeting held on July 30, 2007, revised the terms of appointment of Sh. Sudhr Jain. The revised terms will be effective from October 1, 2007. The details of revised terms of appointment of Sh. Sudhir Jain are set out in the resolution.

The remunerations being paid to Sh. Sudhir Jain are within the limits of Schedule XIII to the Companies Act, 1956.

The members may treat the details of remunerations as set out in the notice as abstract under section 302 of the Companies Act, 1956.

The resolution is for approval by the members.

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

Place : Faridabad  
Dated : 30th July, 2007

By the order of the Board

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

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## SPS INTERNATIONAL LIMITED

### DIRECTORS' REPORT

To  
The Shareholders,

Your Directors are pleased to present the Fourteenth Annual Report for the year ended 31st March, 2007.

#### FINANCIAL RESULTS

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

(Rs./Lakh)

PARTICULARS	Year ended on	
	31.03.2007	31.03.2006
<b>Incomes:</b>		
Net Sales/ Income from operations	1000.58	1139.44
Other Income	15.22	1.87
<b>Total (A)</b>	<b>1015.80</b>	<b>1141.31</b>
<b>Expenditure:</b>		
(Increase)/Decrease in stock in trade	(19.45)	10.93
Consumption of raw material	549.00	609.50
Staff cost	109.20	89.03
Other expenditure	280.55	311.74
Interest	15.61	4.99
Depreciation	67.23	56.63
<b>Total (B)</b>	<b>1002.14</b>	<b>1082.82</b>
<b>Profit (+)/ Loss (-) before tax (A-B)</b>	<b>13.66</b>	<b>58.49</b>
Provision for taxation	4.60	17.00
Provision for Fringe Benefit Tax	2.33	4.40
Provision for deferred tax liability	8.59	3.39
<b>Net profit (+)/ Loss (-)</b>	<b>(1.86)</b>	<b>33.70</b>
Paid-up equity shares capital (Face value)	322.59	322.59
Reserves	50.35	52.21
Basic and diluted EPS	-	1.04

During the year under review the total income has decreased by 11% from Rs. 1141.31 Lacs in F.Y. 2005-06 to Rs. 1015.80 Lacs in F.Y. 2006-07 due to non allocation of a major job from Kerala Public Service Commission. However, the foregoing performance does not have in any way has major bearing upon the future prospects of the Company. The Company incurred a net loss of Rs. 1.86 lacs in F.Y. 2006-07 as compared to a profit of Rs. 33.70 Lacs in F.Y. 2005-06 due to shortfall in revenue of the Company as stated above and also due to disproportionate increase in the costs particularly travelling, transportation and communication.

#### DIVIDEND

Due to absence of profits in the current year, no dividend for the year is being recommended.

#### STOCK EXCHANGES

The shares of the Company are listed at Bombay Stock Exchange Ltd. The listing fee for the financial year 2007-2008 has been paid to Bombay Stock Exchange Ltd.

#### DIRECTORS

Sh. Shreyans Kumar Patni and Sh. Sudhir Jain 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 14<sup>th</sup> Annual General Meeting.

#### PROMOTER GROUP

The promoter group consists of Sh. S.K. Jain, Smt. Sarla Jain, Sh. Ankur Jain, MAJA Merchandise 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 Sùdhir 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 24/7/2007 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 Bombay Stock Exchange. A Report on the Corporate Governance is enclosed as **Annexure-II**. A certificate dated 23/7/2007 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.

Place : Faridabad

Dated : 30<sup>th</sup> July 2007

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	
	2006-07	2005-06
OMR Sheets	3.16 Cr	3.28 Cr
OMR Scanners	40	42
Image Scanners	2	5

The demand for the products of the Company has been consistent during the financial year 2006-07 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 student 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 do 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 decreased by 11% over the last year. The profits of the Company (before tax) have decreased 75.62% 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 educational sector. If, in future due to some political or economic reasons, there is 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 education sector.

The Government may, to promote the education and bridge the gap may take certain promotional measures like removing entrance test from certain sectors. This may have adverse affect 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 2007-2008

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 2007-08.

### 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 49 numbers of employees as on 31/3/2007. The relationship of management with employees has been very cordial during the period under review.

Place : Faridabad

Dated : 30<sup>th</sup> July 2007

On Behalf of the Board of Directors

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 2007, 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 2007.

Sl No	Name of Director	Category of Director	No. of other Directorships	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 #	-	2	-
4	Sh. Vipin Gupta	Non-executive independent #	-	-	2
5	Sh. Anoop Dawar	Non-executive independent #	-	-	2

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

- a) 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;