

STOVEC

Annual Report

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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1996-97

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STOVEC INDUSTRIES LIMITED



STOVEC INDUSTRIES LIMITED

DIRECTORS

Atul Bhagwati — Chairman
Gerard de Ruijter
Gerardus A. Christiaanse
Adriaan W. Veenman
Gerard A. Paats
Alfred J. Van Efferen
Prakash K. Bhagwati — Managing Director
Ardeshir R. Wadia
Rustom D. Doongaji
Girish C. Sheredalal
Udipi V. Rao
Jayant C. Vakil (Alternate Director to G. A. Christiaanse)
Kirtikumar H. Desai (Nominee of ICICI upto 15.3.1997)
Vinod G. Bhansali (Nominee of ICICI from 15.3.1997)

COMPANY SECRETARY

Suresh Thakur Desai

AUDITORS

Jayant & Associates
Chartered Accountants

REGISTRARS & SHARE TRANSFER AGENTS

Consolidated Share Services Pvt. Ltd.
Shantinagar, Cross Road A, Near MIDC Bus Depot,
Andheri (East), Mumbai - 400 093.

LEGAL ADVISORS

Tyabji Dayabhai

BANKERS

State Bank of India

WORKS

1. Nandolia Industrial Development Corporation,
Near Lambha Village, Post Narol, District Ahmedabad - 382 405.
2. Plot No. 1685, Survey No. 1517,
Aslali - 382 485, District Ahmedabad.

REGISTERED OFFICE

27, Nariman Bhavan, Nariman Point,
Mumbai - 400 021.

STOVEC INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the TWENTY-THIRD ANNUAL GENERAL MEETING of the Members of STOVEC INDUSTRIES LIMITED will be held on FRIDAY, the 12TH SEPTEMBER, 1997 at 3.30 P.M. at M.C. GHIA HALL, 18/20, KAIKHUSHRU DUBASH MARG, MUMBAI - 400 001 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1997 and the Report of the Directors and Auditors thereon.
2. To appoint Auditors to hold Office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

3. To consider, and if thought fit, to pass with or without modifications the following Resolution as a **Special Resolution** :

“RESOLVED THAT pursuant to the provisions of Sections 294 and 294AA, as also all other applicable provisions of the Companies Act, 1956, if any, and subject to the approval of the Government of India, the Company do approve and hereby approves the re-appointment of A.T.E. Enterprises Ltd., which along with its Directors and their relatives have a substantial interest in the Company by virtue of their holding shares in the Company in excess of five per cent of the paid-up share capital of the Company, as the Sole Selling Agents of the Company for a further period of five years from 28th November, 1997 or such other date as may be approved by the Government of India for the sale of Automatic Rotary Screen Printing Machines, High Pressure Continuous Loop Steamer, Impregnating Plants for Textile & Paper for the production of Industrial & Decorative Laminates, Rotary Screen Coating Lines/Machines, Dairy Equipment, Splicer Machines, Sizing Machines, their accessories, components and spare parts and all other products as may be manufactured during the period of their continuing as sole Selling Agents, for the territory of India on the terms and conditions embodied in the draft of the Agreement proposed to be entered into with them, or as may be modified by the Government of India and the Board of Directors, be and is hereby authorised to enter into the said Agreement with such modifications thereof as may be approved by the Government of India and accepted by the Board and A.T.E. Enterprises Ltd.”

By Order of the Board

Registered Office :
27, Nariman Bhavan,
Nariman Point, Mumbai - 400 021
Dated : 25th June, 1997

SURESH THAKUR DESAI
Company Secretary

NOTES :

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. 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.

Instruments of Proxy for use at the above Meeting must be lodged at the Registered Office of the Company not later than 48 hours before the time fixed for the Meeting.

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3. The Register of Members and Share Transfer Books of the Company will remain closed from 2nd September, 1997 to 12th September, 1997 both days inclusive.
4. The practice of distribution of copies of Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. Members are, therefore, requested to bring their copies of Annual Report with them to the Meeting.
5. Members desiring any information as regards the Accounts are requested to write to the Company at least 7 days before the Annual General Meeting, so as to enable the management to keep the information ready.
6. Members are requested to notify immediately any change of address to the Company.
7. Members are requested to note that the Company has transferred a sum of Rs. 36,935.50 to Central Government which remained unpaid from the dividend declared for the year 1992-93, as required under Section 205A of the Companies Act, 1956 and Unpaid Dividend Account (Transfer to General Revenue Account of Central Government) Rules, 1978.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 3 :**

A.T.E. Enterprises Ltd. have been appointed the Sole Selling Agents of our Company for the sale of Automatic Rotary Screen Printing Machines, High Pressure Continuous Loop Steamer, Impregnating Plants for Textile & Paper for the production of Industrial & Decorative Laminates, Rotary Screen Coating Lines/Machines, Dairy Equipment, Splicer Machines, Sizing Machines, their accessories, components and spare parts and all other products, under the Agreement dated 27th August, 1993 as approved by the Government of India, and have been successfully marketing the same and the said Agreement which was renewed from 28th November, 1992 will expire on 27th November, 1997. Hence it has been proposed to re-appoint them for a period of five years. The approval of the Central Government and the Company in General Meeting by a Special Resolution are necessary to re-appoint them as Sole Selling Agents for the territory of India in respect of the items mentioned in the proposed Resolution as well as for other products manufactured at the Industrial Machinery Division during the said period.

Sarvashri Atul Bhagwati and Prakash K. Bhagwati, Directors of the Company shall be deemed to be concerned or interested in this Resolution to the extent that they are also the Directors of A.T.E. Enterprises Ltd., which along with its Directors and Relatives is holding more than 5% of the Share Capital of this Company.

Further, Sarvashri Atul Bhagwati and Prakash K. Bhagwati together with their family members hold 55.9% of the paid-up share capital of A.T.E. Enterprises Ltd.

Copies of the proposed Agreement containing the terms and conditions of the appointment are available for inspection at the Registered Office of the Company during business hours on any working day.

By Order of the Board

Registered Office :
27, Nariman Bhavan,
Nariman Point, Mumbai - 400 021
Dated : 25th June, 1997

SURESH THAKUR DESAI
Company Secretary

STOVEC INDUSTRIES LIMITED**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present to you the 23rd Annual Report of your Company together with the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1997.

FINANCIAL RESULTS

The results of operations during the year ended 31st March, 1997 were as follows:

	Current Year 31st March, 1997 Rupees	Previous Year 31st March, 1996 Rupees
Sales and Services	384,443,496	459,206,626
Other Income	13,811,549	56,837,043
Increase/(Decrease) in Stocks	3,233,665	1,312,091
	401,488,710	517,355,760
Profit before Interest, Depreciation & Extraordinary items	24,057,545	91,512,023
Less: Interest	47,545,756	57,764,324
Gross Profit/(Loss) before Depreciation	(23,488,211)	33,747,699
Less: Depreciation	31,096,942	30,073,923
Net Profit/(Loss) before Extraordinary Items	(54,585,153)	3,673,776
Add: Extraordinary Items	5,113,446	Nil
Net Profit/(Loss) after Extraordinary Items	(49,471,707)	3,673,776
Add: Surplus brought forward from last year	2,022,111	436,351
Balance:	(47,449,596)	4,110,127
Add: Transferred from General Reserve	47,449,596	Nil
Balance available for appropriation, which is appropriated as under:	Nil	4,110,127
Dividend: On Equity Shares Nil (Previous Year 10%)	Nil	2,088,016
Balance Carried forward to Balance Sheet	Nil	2,022,111

DIVIDEND

In view of substantial loss incurred by your Company during the year, Your Directors regret their inability to recommend any dividend for the year ended 31st March, 1997.

COMPANY PERFORMANCE

During the year under review, the total income of your Company has been Rs.401.489 million which is lower by about 22.40% than Rs.517.356 million achieved during the previous financial year.

The decline in this turnover is mainly due to the severe liquidity crunch experienced by all our customers and their inability to raise additional funds through the stock market. The profit of all our customers has also been under severe pressure.

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The demand for the screens, therefore, was lower than the previous year in the domestic market. The international market had also been passing through demand recession so your company's exports in the Screen Division were also lower.

Due to the difficult situation through which the textile printing and processing units passed, the demand for equipment of your Industrial Machinery Division was also severely affected.

The performance of your Graphics Division has improved but the growth has not been in line with our plans on account of general slackness in the demand for all industries. The products of this division are now becoming very popular on account of the best quality and the wide variety that your company is able to offer to the Graphics Printing Industry. A small beginning has also been made in the exports of the products of this division and your directors are hopeful that the same will pick up further during the year.

As reported last year, your company had decided to sell the Electronics Division. On account of changed market scenario, due to imports of printed circuit boards at very low rate of duty, it was very difficult to find a buyer for this unit. However, your directors are happy that business of this division could be sold in January this year but at a price much lower than expected by your directors.

Further, while the unit was in operation till January, 1997, your management could get orders only at very low prices which were not remunerative and hence resulted in considerable loss.

The Ferrite & Sintered Products Division at Nasik has been closed since April, 1996 and the workers were paid negotiated compensation for the closure of the unit. Part of the equipment has been sold. Attempts are being made to sell the balance equipment during the current year. The closure and re-organisation has also resulted in considerable losses for your company.

Some of the assets of your company including land and building have been transferred to a subsidiary company named Pranay Shares & Securities Ltd. during this year.

On account of the bunching of several adverse factors in almost all the divisions, your Company has incurred a loss of Rs.49 million for the first time in the history of its many years of existence. With the re-organisation and restructuring being carried out, your directors are confident that the working of the Company in the coming years will again improve and your company will regain its past profitable levels.

SCREENS DIVISION

During the year under review your Company sold screens, chemicals etc., worth Rs.122.737 million as against Rs.153.751 million in the previous year, showing a decrease of 20.17%.

Export of Screens during the year was at Rs.6.155 million as against Rs.14.358 million in the previous year.

INDUSTRIAL MACHINERY DIVISION

During the year under review this division registered a turnover of Rs.44.685 million as against Rs.65.489 million in the previous year.

ELECTRONICS DIVISION

In the case of Electronics Division, the sales were Rs.57.345 million upto 29th January, 1997, when the Company sold the business of this Division. The Company has repaid the loans of all the Financial Institutions and Banks in respect of this Division.

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GRAPHICS DIVISION (Unit-I)

The sales of Pre-sensitized Offset Plates have gone up from Rs.28.883 million in the previous year to Rs.32.021 million during the year under review.

GRAPHICS DIVISION (Unit-II)

The sales turnover in the year under review was Rs.127.610 million as compared to Rs.94.180 million for the previous year showing an increase of about 35.49% over the previous year.

FERRITE DIVISION

As stated in the last year's Report the Company had discontinued operations of this Division with effect from 1st April, 1996. The Company has paid off the dues of Workers, Secured Creditors and Banks. The land and building is transferred to the wholly owned Subsidiary, Pranay Shares & Securities Limited.

FUTURE OUTLOOK

The present Order Book position in the Screens Division is reasonably satisfactory. In respect of the Industrial Machinery Division, the Company is discussing re-structuring plans with the Collaborators, so that the capacity could be used fully. In respect of Graphics Division, as projected in the last year's Report, the turnover has substantially improved during 1996-97. During the current year, with the technical support of the collaborator, turnover and performance of this Division is expected to improve further.

SUBSIDIARY COMPANIES

The income of Stork Pumps (India) Ltd. during the year under review has increased from Rs.63.847 million to Rs.72.056 million, registering an increase of 12.85%. The gross profit before depreciation was Rs.9.800 million (previous year Rs.7.370 million) and net profit during the year was Rs.7.040 million as against Rs.6.713 million in the previous year.

Pranay Shares & Securities Limited have become a wholly owned subsidiary of your Company during the year. This company has not undertaken any manufacturing activity during the year. However, it is expected to start manufacture in the current year for which it is scouting for a suitable Collaborator.

DIRECTORATE

The ICICI has nominated Mr. Vinod G. Bhansali, as a Director in place of Mr. K. H. Desai with effect from 15th March, 1997. Your Directors wish to place on record their gratitude and appreciation of the help and advice given by Mr. K. H. Desai during his tenure as a Director.

AUDITORS

The Company's Statutory Auditors, M/s. Jayant & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Members are requested to appoint Statutory Auditors for the Company.

FIXED DEPOSITS

The total amount of Fixed Deposits held by the Company as on 31st March, 1997 was Rs.9.079 million. There are no overdue deposits except unclaimed deposits of Rs.0.136 million.

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EMPLOYEES

The information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto forming part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

The information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its appreciation of the valuable guidance and technical assistance rendered to your Company by its foreign collaborators, M/s. Stork Screens B. V. and M/s. Stork Brabant B. V., Holland, their Directors and Staff.

The Board is also thankful to M/s. Polychrome Corporation, U.S.A. for the valuable guidance and technical assistance rendered to your Company.

The Board appreciates the services rendered by M/s. A.T.E. Enterprises Ltd. and other Agents for marketing Company's Textile and Electronic products.

The Board is also grateful to ICICI, IDBI and the Company's bankers State Bank of India and Bank of Maharashtra for the financial assistance and special line of credit offered to our customers.

The Board wishes to place on record their sincere appreciation of the devoted services of the workers, staff and executives of the Company.

Finally, the Directors acknowledge with gratitude the confidence which the shareholders have reposed in them.

For and on behalf of the Board

MUMBAI

Dated : 25th June, 1997

ATUL BHAGWATI
Chairman

STOVEC INDUSTRIES LIMITED**ANNEXURE TO THE DIRECTORS' REPORT**

Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1997.

(A) CONSERVATION OF ENERGY**(1) Energy conservation is an on-going process. The following are the steps taken by the Company in the conservation of energy :**

- Continuously maintaining power factor of 0.99.
- Providing better quality of insulation, lowering ceiling heights, installing door closures, double door system to prevent air leakage.
- All controls are equipped with display panels and voltage stabilizers to avoid any major damage.
- Calibrating all tools and testing equipments.
- We have revised our maximum demand in line with business. We have reduced the maximum demand whereby we can reduce fixed charges.
- Better quality of furnace oil (L.D.O.) is used in place of R.F.O. This reduces air pollution, maintenance and break-down of equipment.
- Due to severe power shortage, our Industrial Machinery Division and Graphics Division (Units I & II) have to remain closed for two additional days besides the normal weekly off.

(2) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

The following are the proposed measures to be implemented for reduction of consumption of energy:

- Installation of new efficient hot water generator.
- Installation of automatic power factor correction device.
- Installation of temperature controllers and recycling of water.

(3) Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- Power consumption has been reduced which has its impact on the cost of production.
- Diesel and furnace oil consumption has been reduced.
- By availing the incentives given by The Ahmedabad Electricity Company, the Company has been able to increase its production.

(B) TECHNOLOGY ABSORPTION**FORM - B****(1) Specific areas in which (R & D) carried out by the Company**

- Alternative routes to achieve same result so as to curb cost.
- Import substitution.
- Better quality of raw materials with favourable terms of payments.

(2) Benefits derived as a result of the above R & D

- R & D has helped us to reduce costs, alternative materials and certain corrosive chemicals are tried and replaced.
- Reliable Quality Control testing equipment has improved the quality of our various products. Customer satisfaction level has improved.
- Sub-contract work to reduce cost.
- Response time to customer has been reduced.