

STOVEC

Annual Report

1998-99

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STOVEC INDUSTRIES LIMITED

Attention Shareholders

Shareholders are requested to address correspondence relating to transfer of shares to :

Intime Spectrum Registry (Pvt.) Ltd.,
260, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (W),
Mumbai 400 080

Investor Relations Centre :

Intime Spectrum Registry (Pvt.) Ltd.,
Dawar House, 2nd Floor,
197, D. N. Road, Near Central Camera,
Fort, Mumbai.

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STOVEC INDUSTRIES LIMITED

DIRECTORS

Atul Bhagwati – Chairman
Gerardus A. Christiaanse (Upto 29.1.1999)
Dirk W. Joustra (From 29.1.1999)
Adriaan W. Veenman
Alfred J. van Efferen
Henricus van de Mortel
Arvid Manneke
Prakash K. Bhagwati – Managing Director
Rustom D. Doongaji (Upto 31.7.1998)
P. S. K. Iyengar (From 1.8.1998)
Ardeshir R. Wadia (Upto 20.5.1999)
Marco Philippus A. Wadia (From 21.5.1999)
Girish C. Sharedalal
Udipi V. Rao
Jayant C. Vakil (Alternate Director to Messrs Dirk W. Joustra,
Alfred J. van Efferen & Arvid Manneke)
Vinod G. Bhansali (Nominee of ICICI) (Upto 4.1.1999)

COMPANY SECRETARY

Suresh Thakur Desai

AUDITORS

Jayant & Associates
Chartered Accountants

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Pvt. Ltd.,
260, Shanti Industrial Estate, Sarojini Naidu Road,
Mulund (West), Mumbai - 400 080.

LEGAL ADVISORS

Tyabji Dayabhai

BANKERS

The Karur Vysya Bank Limited
State Bank of India

WORKS

Screens Division, Industrial Machinery Division &
Graphics Division – Unit II:
Nandolia Industrial Development Corporation,
Near Lambha Village, Post Narol 382 405, District Ahmedabad.
Graphics Division – Unit I:
Plot No. 1685, Survey No. 1517, Aslali 382 485, District Ahmedabad.

REGISTERED OFFICE

43, Dr. V. B. Gandhi Marg, Fort, Mumbai - 400 023.

STOVEC INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the TWENTY-FIFTH ANNUAL GENERAL MEETING of the Members of STOVEC INDUSTRIES LIMITED will be held on Wednesday, the 29TH SEPTEMBER, 1999 at 4.00 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, 1999 and the Report of the Directors and Auditors thereon.
2. To Appoint Directors in place of Messrs Atul Bhagwati, Adriaan W. Veenman, Henricus van de Mortel, Arvid Manneke, Girish Shredalal and Udipi Rao, who retire at the 25th Annual General Meeting under Article 132 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.
3. To appoint Messrs N. A. Shah Associates as Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and authorise the board to fix their remuneration.

SPECIAL BUSINESS :

4. To consider, and if thought fit, to pass with or without modifications, the following Resolution as an **Ordinary Resolution** :
"RESOLVED THAT Mr. Dirk W. Joustra be and is hereby appointed as a Director of the Company."
5. To consider, and if thought fit, to pass with or without modifications, the following Resolution as an **Ordinary Resolution** :
"RESOLVED THAT Mr. P. S. K. Iyengar be and is hereby appointed as a Director of the Company."
6. To consider, and if thought fit, to pass with or without modifications, the following Resolution as an **Ordinary Resolution** :
"RESOLVED THAT Mr. Marco Philippus A. Wadia be and is hereby appointed as a Director of the Company."
7. To consider, and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution** :
"RESOLVED THAT in terms of the provisions of Sections 294, 294A 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 and hereby approve the appointment of M/s. A.T.E. Enterprises Ltd., as Sole Selling Agents for a period of five years with effect from 1st January, 2000 for the sale of and/or dealing in the Screens, Screen Printing Rollers, Electroformed Industrial Filters, and other screen printing accessories and all other Products as may be manufactured/dealt with by the Company on the terms and conditions set out in the Draft Agreement placed before the Meeting, duly initialled by the Chairman for the purpose of identification, subject however, to such changes or modifications as may be required by the Government of India while giving its approval.
RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to accept the modifications to the said Agreement as may be required by the Government of India, but subject to the consent of A.T.E. Enterprises Limited."
8. 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 Section 163 of the Companies Act, 1956, the Company hereby approves the Register of Members, the Index of Members, the Register and Index of Debenture holders and copies of Annual Returns prepared under Section 159 of the Companies Act, together with the copies of the Resolution and documents required to be annexed thereto under Section 161 of the Act or any one or more of them, be kept at the office of the Share Transfer Agents, Intime Spectrum Registry Pvt. Ltd. at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080, instead of being kept at the Registered Office of the Company."

Registered Office :

43, Dr. V. B. Gandhi Marg,
Fort, Mumbai 400 023.
Dated : 21st May, 1999

By Order of the Board

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.
3. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday 22nd September, 1999 to Wednesday, the 29th September, 1999, both days inclusive.
5. 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 carry their copies of Annual Report to the Meeting.
6. Members desiring any information as regards the Accounts are requested to write to the Company atleast 7 days before the Annual General Meeting, so as to enable the management to keep the information ready.
7. Members are requested to notify immediately any change of address to the Company.
8. As required under Section 205A of the Companies Act, 1956 and Unpaid Dividend Account (Transfer to General Revenue Account of Central Government) Rules, 1978, the Company has transferred a sum of Rs. 22,556/- which remained unpaid out of the dividend declared for the year 1995-96.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 4 :**

The Board has, at its meeting held on 29th January, 1999, appointed Mr. Dirk W. Joustra as a Director to fill up the casual vacancy caused by the resignation of Mr. G. A. Christiaan. He, therefore, holds office until the conclusion of this Annual General Meeting i.e. the date till which Mr. Christiaan would have held office.

The Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing appointment of Mr. Dirk W. Joustra as a Director of the Company.

Mr. Dirk W. Joustra is incharge of the Marketing & Sales in Stock Screens B.V., Boxmeer (NL) of the Stork Textile Printing Group in the parent Company Stork N. V. The Company would be extremely benefited by the rich experience and guidance of Mr. Dirk W. Joustra. The Board of Directors, therefore, recommend the Shareholders to approve the proposed Ordinary Resolution and appoint him as a Director. If appointed, Mr. Dirk W. Joustra will hold office for the next three years.

Mr. Dirk W. Joustra may be deemed to be considered as interested since the resolution concerns his appointment. None of the other Directors of the Company is interested in the Resolution.

Item No. 5 :

The Board has, at its meeting held on 30th July, 1998, appointed Mr. P.S.K. Iyengar as a Director to fill up the casual vacancy caused by the resignation of Mr. Rustom D. Doongaji. He, therefore, holds office until the conclusion of this Annual General Meeting i.e. the date till which Mr. Rustom D. Doongaji would have held office.

The Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing appointment of Mr. P. S. K. Iyengar as a Director of the Company. If appointed, Mr. P. S. K. Iyengar will hold office for next three years.

The Company would be extremely benefited by the rich experience and guidance of Mr. P. S. K. Iyengar. The Board of Directors, therefore, recommend the Shareholders to approve the proposed Ordinary Resolution and appoint him as a Director.

Mr. P. S. K. Iyengar may be deemed to be considered as interested since the resolution concerns his appointment. None of the other Directors of the Company is interested in the Resolution.

Item No. 6 :

Mr. Marco Philippus A. Wadia was appointed as a Director to fill up the casual vacancy caused by the resignation of Mr. Ardeshir R. Wadia. He, therefore, holds office until the conclusion of this Annual General Meeting i.e. the date on which Mr. Ardeshir R. Wadia would have held office.

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It is now proposed to appoint Mr. Marco Philippus Wadia as a Director to retire by rotation. The Company has received a notice in writing, as required under Section 257 of the Companies Act, 1956, from a member proposing his candidature. If appointed he will hold office for next three years.

The Company would be extremely benefited by the rich experience and guidance of Mr. Marco Philippus Wadia. The Board of Directors, therefore, recommend the Shareholders to approve the proposed Ordinary Resolution and appoint him as a Director.

Mr. Marco Philippus Wadia may be deemed to be considered as interested since the resolution concerns his appointment. None of the other Directors of the Company is interested in the Resolution.

Item No. 7 :

The Board of Directors of the Company at their Meeting held on 21st May, 1999 have appointed M/s. A. T. E. Enterprises Ltd. as the Sole Selling Agents, for the sale of and/or dealing in Screens, Screen Printing Rollers, Electroformed Industrial Filters, and other screen printing accessories and all other Products as may be manufactured/dealt with by the Company's Screens Division on the terms and conditions set out in the Draft Agreement.

The appointment is for a period of five years from 1st January, 2000 and the Company would like to apply to the Government of India for the approval of the appointment of the said Sole Selling Agents on the terms and conditions as per the Draft Agreement which has been approved by the Board of Directors, for which approval of the Government of India as well as the Company in General Meeting by way of Special Resolution is necessary, as the Paid-up Capital of the Company is exceeding Rs. 50,00,000/- and M/s. A. T. E. Enterprises Ltd., have a substantial interest in the Company because they, along with their Directors and relatives, are holding equity shares in the Company which is more than 5% of the total Paid-up Capital of the Company.

M/s. A. T. E. Enterprises Ltd. have 60 years experience in the sales and service of all types of Capital Goods and they also have the expertise in the sale of products relating to the Textile Industry. The Company does not have a sales organization of its own and it is entirely dependent on the Sole Selling Agents who have a wide network of branches all over India.

Mr. Atul Bhagwati and Mr. Prakash Bhagwati shall be deemed to be concerned and/or interested in this Resolution as they are also the Directors and Shareholders of M/s. A. T. E. Enterprises Ltd. The shareholding of Mr. Atul Bhagwati and Mr. Prakash Bhagwati, together with their relatives in M/s. A.T.E. Enterprises Ltd. is 88535 equity shares which represent 68.38% of the Paid-up Share Capital. M/s. A.T.E. Enterprises Ltd.'s shareholding together with its Directors and their relatives in Stovec Industries Ltd. is 176418 equity shares, representing 8.45% of the Paid-up Capital of the Company.

Copy of the Draft of the Sole Selling Agreement to be entered into between the Company and M/s. A.T.E. Enterprises Ltd. is available for inspection at the Registered Office of the Company during business hours on any working day.

Item No. 8 :

The Members are aware that the Company's Share Transfer Agents, M/s. Consolidated Share Services Pvt. Ltd. had their office at Shantinagar, Cross Road A, Near M.I.D.C. Bus Depot, Andheri (East), Mumbai 400 093. They have, however, merged their business with 'Intime Spectrum Registry Pvt. Ltd.' and now the new company will be operating from 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080.

Under Section 163 of the Companies Act certain documents, which are normally required to be kept at the Registered Office of the Company, can be kept at any other place, provided that such other place has been approved by a Special Resolution passed by the Company in General Meeting.

Members are required to approve the Resolution.

No director of the Company is deemed to be concerned or interested in the Resolution.

Registered Office :

43, Dr. V. B. Gandhi Marg,
Fort, Mumbai 400 023.

Dated : 21st May, 1999

By Order of the Board

SURESH THAKUR DESAI
Company Secretary

25TH ANNUAL REPORT 1998-99**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present to you the 25th Annual Report of your Company together with the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1999.

FINANCIAL RESULTS

The results of operations during the year ended 31st March, 1999 were as follows:

	Current Year 31st March, 1999 Rupees	Previous Year 31st March, 1998 Rupees
Sales and Services	329,282,406	314,127,246
Other Income	9,446,849	10,560,211
Increase/Decrease in Stocks	(28,331,876)	(2,095,561)
	310,397,379	322,591,896
Profit before Interest & Brokerage, Depreciation and Extraordinary items	22,052,623	10,104,195
Less: Interest & Brokerage	18,985,838	27,745,995
Gross Profit/(Loss) before Depreciation	3,066,785	(17,641,800)
Less: Depreciation	16,588,026	17,359,480
Net Profit/(Loss) before Extraordinary Items	(13,521,241)	(35,001,280)
Add: Extraordinary Items (Income)	6,365,000	5,942,417
Net Profit/(Loss) after Extraordinary Items	(7,156,241)	(29,058,863)
(Loss) adjusted to General Reserve	(7,156,241)	(29,058,863)

DIVIDEND

In view of the results mentioned above no dividend can be recommended.

COMPANY'S OVERALL PERFORMANCE

During the year under review, the Company had achieved a sales turnover of Rs. 329.282 million against the previous year's sales turnover of Rs. 314.127 million, registering a marginal increase of 4.82%.

During the year under review, the growth rate in the Industrial Sector experienced a downward trend. This affected Company's sales turnover adversely in all divisions. In respect of Screens Division, sales has been below the company's expectations. The Customers were unable to raise additional funds through the capital markets and their margins were also under pressure due to competition. Again on account of lower than expected growth in demand and heavy competition, the price realisation in the products of the Graphics Division has also been less than satisfactory.

DIVISIONWISE PERFORMANCE**SCREENS DIVISION**

During the year under review your Company sold screens, chemicals etc., worth Rs. 120.324 million as against Rs. 130.769 million in the previous year, showing a decrease of 7.99% over the previous year. This decrease is attributable to the deceleration of demand from the Textile Processing Sector.

Export of Screens during the year was almost at the same level at Rs. 16.859 million as against Rs. 16.803 million in the previous year.

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INDUSTRIAL MACHINERY DIVISION

During the year under review this division registered a turnover of Rs.30.061 million as against Rs. 33.220 million in the previous year, registering a decline of 9.51% over the previous year. As a result of overall sluggishness in the economy most of the projects involving modernisation and/or expansion were kept on hold by the user industries.

In an effort to restructure the Industrial Machinery Division your Company reduced the labour force very significantly with the introduction of V.R.S. This Scheme had received good response. The Company has developed good vendor base for getting all its components and your Company will concentrate mainly on assembling and servicing.

GRAPHICS DIVISION (UNIT - I)

The sales of Pre-sensitized Offset Plates have substantially gone down from Rs. 25.791 million in the previous year to Rs. 18.623 million during the year under review.

GRAPHICS DIVISION (UNIT - II)

The Sales turnover of this Division for the year under review was Rs. 160.273 million as compared to Rs. 124.346 million in the previous year, showing an increase of 28.88% over the previous year.

FUTURE OUTLOOK

The Company expects to register better performance and all out efforts are being made to re-structure the business so as to concentrate on its core strength. The Industry outlook appears to be slowly regaining despite political uncertainty at the Centre.

SUBSIDIARY

The accounts of Pranay Shares & Securities Ltd. are enclosed. The Company has not commenced commercial production.

DIRECTORATE

Upon retirement as the Chief Executive of Stork Group, Mr. Gerardus A. Christiaanse has also retired as a member of the Board, effective from 29th January, 1999. Directors request the members to join them in appreciating the very valuable contribution made by Mr. Gerardus A. Christiaanse during his long tenure. Stork Screens B.V. have nominated Mr. Dirk W. Joustra to fill the vacancy arising on retirement of Mr. Gerardus A. Christiaanse.

Another director, Mr. Rustom D. Doongaji having served the Company as a Board member for more than 25 years, has discontinued active association with the corporate governance and therefore has resigned as director of your Company on 31st July, 1998. The vacancy caused by the resignation of Mr. Doongaji has been filled by inviting Mr. P.S.K. Iyengar to join the Board.

The ICICI Limited have withdrawn their nominee director, Mr. Vinod G. Bhansali from the Board of Directors. The Directors wish to place on record their appreciation of the services rendered by Mr. Vinod G. Bhansali.

Mr. Ardeshir R. Wadia resigned from the Board on account of ill health, on 20th May, 1999. Having been associated with the Company since inception, Mr. Wadia has been a very vital source of strength to the Company. Directors request the members to join them in appreciating the very valuable contribution of Mr. Wadia during his long tenure. Mr. Marco Philippus Wadia was appointed as a Director to fill up the vacancy caused by the resignation of Mr. Ardeshir R. Wadia.

Since Mr. Dirk W. Joustra, Mr. P.S.K. Iyengar and Mr. Marco Philippus Wadia were appointed to fill the vacancies caused during the year, pursuant to Section 262 of the Companies Act, 1956 they hold Office upto the ensuing Annual General Meeting when Mr. Gerardus A. Christiaanse, Mr. Rustom D. Doongaji and Mr. Ardeshir R. Wadia would have otherwise retired.

We have received notices from a shareholder nominating Mr. Dirk W. Joustra, Mr. P.S.K. Iyengar and Mr. Marco Philippus Wadia as the Directors to retire by rotation. Separate Resolutions for electing each of them are proposed in the ensuing Annual General Meeting.

Many times the directors nominated by Stork Group are unable to attend the meeting of the Board, therefore Mr. Jayant C. Vakil has been appointed as Alternate Director to attend the meetings on behalf of Mr. Arvid Manneke, Mr. Alfred van Efferen and Mr. Dirk W. Joustra.

AUDITORS

Jayant & Associates, Chartered Accountants, have expressed their desire not to be re-appointed as Auditors of the Company. The Board of Directors put on record their sincere appreciation of the services rendered by the outgoing auditors during their long tenure. The Board recommends appointment of N. A. Shah Associates as the statutory auditors of the Company from the conclusion of the 25th Annual General Meeting until the conclusion of the following Annual General Meeting. Members are requested to appoint them as Statutory Auditors of the Company for the current year and to authorise the Board to fix their remuneration in consultation with the Auditors.

FIXED DEPOSITS

The total amount of Fixed Deposits held by the Company as on 31st March, 1999 was Rs. 17.625 million. There are no overdue deposits except unclaimed deposits of Rs. 0.337 million.

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.

Y2K COMPLIANCE

The Company has been actively working on the year 2000 (Y2K) hardware/software problem and has already made significant progress in this area. The Company has initiated a series of prudent and reasonable steps to minimise the risk of exposure to Y2K problem. The financial impact on the Company has not been and is not anticipated to be material to its financial position or results of operations.

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 appreciates the services rendered by M/s. A.T.E. Enterprises Ltd. and other Agents for marketing its Textile, Graphic and other products.

The Board is also grateful to ICICI, IDBI and the Company's bankers, State Bank of India and The Karur Vysya Bank Ltd. 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 who have contributed to the continued progress of the Company.

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

For and on behalf of the Board

Mumbai
Dated : 21st May, 1999.

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 ending 31st March, 1999.

(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 equipment.
 - 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.
- (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:
 - Re-engineering chemical process so that it can be effectively operated at lower temperature.
 - Installation of automatic power factor correction device.
 - Installation of temperature controllers and recycling of water.
 - Stoppage of leakages and improvement of exhaust system.
- (3) **Impact of the measures at (a) and (b) 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.
- (3) **Future plan of action.**
 - We will continue our R & D efforts to achieve better results at low cost.
 - We will work on the area of cost saving.
- (4) **Details of R & D Expenditure.**

— Capital Expenditure	2,236,393
— Recurring Expenditure	Not separately accounted
— Total Expenditure	2,236,393
— Total R & D Expenditure as a percentage of the Total Turnover.	6.9%