

STOVEC

Annual Report

2000-2001



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.

Report  Junction.com

DIRECTORS

Atul Bhagwati — Chairman
Dirk W. Joustra
Adriaan W. Veenman
Alfred J. van Efferen
Henricus van de Mortel
Arvid Manneke
Prakash K. Bhagwati — Managing Director
P. S. K. Iyengar
Marco Philippus A. Wadia
Girish C. Sheredalal
Udipi V. Rao
**Jayant C. Vakil (Alternate Director to Messrs Dirk W. Joustra,
Alfred J. van Efferen & Arvid Manneke)**

COMPANY SECRETARY

Suresh Thakur Desai

AUDITORS

N. A. Shah 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

WORKS

Screens Division, Industrial Machinery Division &
Graphics Division
Nandolia Industrial Development Corporation,
Near Lambha Village, Post Narol 382 405, District Ahmedabad.

REGISTERED OFFICE

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

NOTICE

NOTICE is hereby given that the TWENTY SEVENTH ANNUAL GENERAL MEETING of the members of STOVEC INDUSTRIES LIMITED will be held on Tuesday, 31st July, 2001 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 as at 31st March, 2001 and Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint Auditors to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board,

Suresh Thakur Desai
Company Secretary

Registered Office :
43, Dr. V. B. Gandhi Marg,
Fort, Mumbai - 400 023.
Dated : 10th May, 2001

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.
2. Instrument 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 24th July, 2001 to Tuesday, the 31st July, 2001, 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 carry their copies of Annual Report 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.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting to you the 27th Annual Report of your Company together with the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2001.

FINANCIAL RESULTS

The results of operations during the year ended 31st March, 2001 were as follows :-

	Current Year 31.3.2001 Rs.	Previous Year 31.3.2000 Rs.
Sales and Services	440,764,338	405,327,474
Other Income	7,152,337	6,389,799
Total Income : (a)	447,916,675	411,717,273
Expenditure :	394,978,493	352,829,795
Less: Increase in Stocks	3,933,830	1,998,565
Total Expenditure: (b)	391,044,663	350,831,230
Gross Profit : before Interest, Brokerage & Depreciation : (c) = (a) - (b)	56,872,012	60,886,043
Less: Interest & Brokerage	13,744,904	13,725,278
Gross Profit after Interest & Brokerage but before Depreciation	43,127,108	47,160,765
Less: Depreciation	12,834,987	16,608,038
Gross Profit /(Loss) after Depreciation but before Taxation	30,292,121	30,552,727
Provision for Taxation for the year	2,575,000	3,533,840
Profit after Tax	27,717,121	27,018,887
Add: Surplus brought forward from last year	9,024,643	-
PROFIT AFTER TAXATION AVAILABLE FOR APPROPRIATION, WHICH IS APPROPRIATED AS UNDER :	36,741,764	27,018,887
Dividend on Equity Shares @ 30 % (Previous Year Interim Dividend @ 25%)	6,264,048	5,220,040
Tax on Distributed Profits	638,933	574,204
Amount transferred to General Reserve	19,500,000	12,200,000
BALANCE CARRIED TO BALANCE SHEET	10,338,783	9,024,643

Dividend

In view of the above results the Board of Directors recommend payment of dividend @ Rs.3.00 (Rupees three) per share of nominal value of Rs. 10.00 (Rupees ten) each (previous year interim dividend paid Rs.2.50 per share).

Company's overall performance

During the year under review the Company's sales turnover has increased by 8.74% from Rs.405.327 million to Rs.440.764 million.

STOVEC INDUSTRIES LIMITED

As a result of the increase in selling and distribution expenses due to fierce competition, the Company has recorded profit before tax of Rs.30.292 million as against Rs.30.553 million in the previous year in spite of increase of sales. Net profit after tax is Rs.27.717 million as against Rs.27.019 million of the previous year.

The Company's export earnings during the year were Rs.22.959 million.

DIVISION-WISE PERFORMANCE**Screens Division**

During the year under review your Company sold screens, chemicals, etc., worth Rs.141.034 million as against Rs.123.273 in the previous year, showing a marginal increase of 14.41%.

Industrial Machinery Division

During the year under review this division registered a turnover of Rs.18.998 million recording a substantial decrease compared to the previous year's turnover of Rs.39.788 million. This was mainly due to the substantial slow down of the industrial growth. Many of the companies have put on hold their projects for expansion, diversification or modernisation.

Graphics Division

The total turnover of the Graphics Divisions increased to Rs.280.732 million from Rs.242.267 million in the previous year, registering an increase of around 15.88%. The graphic plates produced by your company are getting increased acceptance from the customers.

Other Activity

Your company, at the behest of Stork N.V., had entered into contract for providing services in connection with the refinery project at Cuddalore in South India. During the year under report, contract for the import of machinery has been cancelled. The Company had accordingly discontinued the services of the sub-contractor. The sub-contractor has raised a demand. This demand is not tenable. Further, Stork N.V. have given to your Company a back-to-back guarantee. Hence under no circumstances any financial burden is expected on your Company.

Future Outlook

The Company expects to register better performance during the ensuing year. The Company is now concentrating on its core strength. If the economic reform measures initiated by the Government of India bear fruit and the industrial climate improves, we will be able to post still improved results.

Directorate

There have been no changes in the directorate of your Company.

Corporate Governance

The Stock Exchanges of Mumbai and Ahmedabad have both adopted the report of the Committee on Corporate Governance and amended Clause 49 of the Listing Agreement. Although as per the Schedule of Implementation mentioned by both these Exchanges, the Company does not come under the mandatory requirement of Corporate Governance, the Company is however, broadly complying with the requirements. The Company is holding regular meetings of the Board of Directors and the gap between two meetings is normally not more than three months. All important decisions are taken at these meetings. Except the Managing Director, all the Directors are non-executive independent directors. There are no shareholders complaints pending. The remuneration to the Managing Director is approved by the Company in general meeting.

Auditors

The Company's Statutory Auditors, M/s. N. A. Shah Associates hold the office till the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends appointment of M/s. N. A. Shah Associates as the statutory auditors of the Company from the conclusion of the 27th Annual General Meeting until the conclusion of the following Annual General Meeting.

Members are requested to appoint them as Statutory Auditors of the Company as aforesaid and to authorise the Board to fix their remuneration in consultation with the Auditors.

Fixed Deposits

The Fixed Deposits held by the Company as on 31.3.2001 were Rs.25.703 million. There are no overdue deposits except unclaimed deposits of Rs.0.247 million. The Company has paid interest to all the deposit holders on due date.

Directors Responsibility Statement

It is hereby stated that:

- a) in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b) the directors 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 state of affairs of the Company at the end of financial year and of the Profit or Loss of the Company for that period.
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, for safe guarding the Assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the Directors had prepared the annual accounts on going concern basis.

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 and forms part of the 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 also appreciates the services rendered by M/s. A.T.E. Enterprises Private Limited as the Sole Selling Agents for the Company's products.

The Board is also grateful to The Karur Vysya Bank Ltd. for the credit facilities sanctioned.

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

Atul Bhagwati
Chairman

Mumbai

Dated : 10th May, 2001

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, 2001

(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 processss 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 (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.
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. Rs. NIL
 - Recurring Expenditure Not separately accounted
 - Total Expenditure
 - Total R & D Expenditure as a percentage of the Total Turnover.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.
3. Details of Technology imported (during the last 5 years)
 - NIL - The Company has not imported any technology during the last five years and no technical collaboration is subsisting.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports :
 - The Company has increased the export market of its products with the help of its Export Selling Agents. The products are being exported directly or indirectly to Holland, Ghana, Taiwan, Iraq, Sri Lanka, Bangladesh, Iran, Egypt and U.K.
2. Total foreign exchange used and earned :
 - Earnings in foreign exchange on account of goods exported Rs. 22.959 million
 - Value of imports of raw materials, components, stores, spares, commission, technical know-how fees, royalty, etc. Rs. 47.025 million

Statement of particulars under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2001

Sr.No.	Name & Age	Designation/ Nature of Duties	Remuneration & Perquisites (Rupees)	Qualifications & Experience (in years)	Date of commencement of employment	Last employment held
(A) Employed throughout the financial year under review and were in receipt of remuneration for the financial year in aggregate of not less than Rs.1,200,000/-						
1.	Mr. Bhagwati P. K. (56 years)	Managing Director Management of the whole of the Company.	1,789,574	M.E., M.S.(Mech.)USA (30 years)	01.03.1990	Technical Director A.T.E Enterprises Limited
(B) Employed for the part of the financial year under review and whose monthly remuneration was not less than Rs.100,000/-						
2.	Mr. Panchal K. V. (65 years)	Corporate Finance Manager Corporate Financial Management	840,486	B.Com (38 years)	01.05.1974	Accounts Assistant Sarabhai Technological Development Syndicate Pvt. Ltd.

NOTES:

- Remuneration as shown above includes salary, house rent allowance, Company's contribution to Provident Fund, Superannuation and Group Gratuity Fund. It also includes reimbursement of expenses incurred by the employees on leave travel and medical treatment, wherever applicable, and to the extent admissible under the Rules of the Company.
- Mr. P.K. Bhagwati is the brother of Mr. Atul Bhagwati. The other above named employee is not related to any of the Directors of the Company. Conditions of employment are governed by the individual terms and conditions of service and provide for termination of service by either party on giving one/three months notice as the case may be.