

**STOUEC**

Annual Report

Report  junction.com 2003-2004

**STOUEC INDUSTRIES LIMITED**

### Attention Shareholders

- ❖ If you have kept the shares in single name use the nomination form.
- ❖ Please check the address and inform our Share Transfer Registrars the change of address.
- ❖ Please inform, if you are not getting on time any service from the Company or Registrars and Transfer Agents (Fax No. 2204 1690 / Telephone No. 2287 2245).
- ❖ Please note that our Registrars and Transfer Agents have made special arrangements to receive the mail at Dawar House, 2<sup>nd</sup> Floor, 197, Dr. Dadabhai Naoroji Road, Near Central Camera, Fort, Mumbai 400 001.
- ❖ We have pleasure in informing you that since three years your Company has joined the Depository System operated by National Securities Depository Limited (NSDL) and Central Depository Service (India) Limited (CDSL) to enable you to hold and trade in the shares of the Company in dematerialised electronic form. If you wish to maintain your shareholding in the electronic form by joining Depository system, you will have to open an account with a Depository Participant (DP) and lodge your share certificates, through the DP with the Share Transfer Registrar. After Verification the Company cancels the physical share certificates and an equivalent number of shares will be credited to your account with DP in the electronic form.

ISIN No. of the Company:

INE755D01015

## **DIRECTORS**

Atul Bhagwati- Chairman  
Prakash Bhagwati- Managing Director  
Dirk W. Joustra  
Alfred J. van Efferen  
Henricus van de Mortel  
Ulbe Bijlsma (Resigned from Directorship w.e.f 14/10/2003)  
Arvid Manneke (Resigned from Directorship w.e.f 01/11/2003)  
P.S.K. Iyengar  
Marco Philippus A. Wadia  
Girish C. Sharedalal  
Udipi V. Rao  
Jayant C. Vakil (Alternate Director to Messrs. Dirk W. Joustra, Alfred J. van Efferen)

## **AUDITORS**

N.A. Shah Associates,  
Chartered Accountants

## **REGISTRAR & SHARE TRANSFER AGENTS**

Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound  
L.B.S. Marg  
Bhandup (West)  
Mumbai 400 078  
Investor Relations Centre:  
Intime Spectrum Registry Limited,  
Dawar House, 2<sup>nd</sup> Floor  
197, Dr. D.N. Road, Near Central Camera,  
Fort, Mumbai 400 001

## **LEGAL ADVISORS**

Tyabji Dayabhai

## **BANKERS**

The Karur Vysya Bank Limited

## **WORKS**

Nandolia Industrial Development Corporation,  
Near Lambha Village, Post Narol 382 405, District Ahmedabad

## **REGISTERED OFFICE**

A-19, CTS No. 689, Veera Desai Road, Andheri (West), Mumbai 400 053.

## **NOTICE**

NOTICE is hereby given that the 30<sup>th</sup> ANNUAL GENERAL MEETING of the members of STOVEC INDUSTRIES LIMITED will be held on Thursday, July 29, 2004 at 10.30 a.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 31<sup>st</sup> March, 2004 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.

### **SPECIAL BUSINESS**

4. To consider, and if thought fit, to pass with or without modifications, the following resolution as special Resolution

“Resolved that Article 141 of the Articles of Association be substituted by the following:

The Board may fix amount of fee payable to directors for attending each meeting of the Board or a Committee thereof but such fee shall not exceed the maximum amount notified by the Government from time to time.”

By Order of the Board,

Managing Director

Dated : 29 April, 2004 .

Registered Office :

A-19, CTS No.689, Veera Desai Road

Andheri (West)

Mumbai – 400 053

**NOTES :**

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business under Item No. 4 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. Proxy Forms should be deposited at the Registered Office of the Company not less 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 Thursday, 22 July, 2004 to Thursday, 29 July, 2004, 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 at least 15 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 and the details as per the attached form to enable the Company to remit the dividend through E.C.S. facility, wherever feasible.
8. Members/Proxies should bring their attendance slips duly completed for attending the meeting.
9. As required under Section 205A of the Companies Act, 1956 and Unpaid Dividend Account (Transfer to Central Government) Rules, 1978. The Company has transferred a sum of following which remained unpaid, details given below:

Particulars	Financial year to which the amount relates	Amount
Unpaid out of Dividend declared 1995-96	1995-96	22,556
Matured Deposits with Companies	31/03/1996	6,000
Unpaid out of Dividend declared	1996-97	28,062
Matured Deposits with Companies and accrued interest	31/10/1996	6,196
Matured Deposits with Companies and accrued interest	01/04/1997	1,682
Matured Deposits with Companies	1996-97	5,000

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**

**Item No. 4**

At present as per Article 141 of the Articles of Association, the Directors shall be entitled to sitting fees at such higher amount as shall be permitted by the Companies Act, 1956 of the rules framed thereunder from time to time.

It is therefore suggested to Amend Article 141 of the Articles of Association of the Company to empower the Board to fix lower fee, if the Board deem fit, within the ceiling prescribed under the Rules framed by the Government.

Members are requested to approve the resolution.

All the directors except the Managing Director are deemed to be interested in this resolution as it relates to sitting fees payable to them.

Dated: 29 April, 2004

Registered Office:

A-19, CTS No. 689,

Veera Desai Road,

Andheri (West), Mumbai - 400 053

By Order of the Board,

Managing Director

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting to you the 30<sup>th</sup> Annual Report of your Company together with the audited Balance Sheet and Profit & Loss Account for the year ended March 31, 2004.

### FINANCIAL RESULTS AND DIVIDEND

#### i) Financial Results

The results of operations during the year ended March 31, 2004 were as follows: -

	Current Year 31.3.2004 Rs.	Previous Year 31.3.2003 Rs.
Sales and Services	583,699,435	476,398,500
Other Income	12,564,149	7,207,993
<b>Total Income : (a)</b>	<b>596,263,584</b>	<b>483,606,493</b>
<b>Total Expenditure: (b)</b>	<b>519,611,951</b>	<b>408,819,669</b>
<b>Gross Profit : before Interest &amp; Brokerage, Depreciation : (c) = (a) - (b)</b>	<b>76,651,633</b>	<b>74,786,824</b>
<b>Less: Interest &amp; Brokerage</b>	<b>3,335,468</b>	<b>5,446,403</b>
<b>Gross Profit after Interest &amp; Brokerage but before Depreciation</b>	<b>73,316,165</b>	<b>69,340,421</b>
<b>Less: Depreciation</b>	<b>16,698,069</b>	<b>13,803,778</b>
<b>Gross Profit /(Loss) after Depreciation but before Taxation</b>	<b>56,618,096</b>	<b>55,536,643</b>
Provision for Taxation for the year [current Rs.22,235,165 + wealth tax Rs. 15,000 + deferred tax Rs.(2,695,168)]	<b>19,554,997</b>	<b>13,715,567</b>
<b>Profit after Tax</b>	<b>37,063,099</b>	<b>41,821,076</b>
<b>Add excess provision for taxes for earlier years written back</b>	<b>3,153,083</b>	<b>-</b>
	<b>40,216,182</b>	<b>41,821,076</b>
<b>Add: Surplus brought forward from last year</b>	<b>10,153,055</b>	<b>9,754,152</b>
<b>Profit after taxation available for appropriation, which is appropriated as under :</b>	<b>50,369,237</b>	<b>51,575,228</b>
Dividend on Equity Shares @ 40% (Previous Year - 40%)	<b>8,352,064</b>	<b>8,352,064</b>
Tax on Dividend	<b>1,070,109</b>	<b>1,070,109</b>
Amount transferred to General Reserve	<b>21,000,000</b>	<b>32,000,000</b>
<b>Balance carried to Balance Sheet</b>	<b>19,947,064</b>	<b>10,153,055</b>

#### ii) Dividend

In view of the above results your Directors recommend payment of dividend of Rs.4.00 per share for the year ended March 31, 2004.

## GENERAL REVIEW

### i) Company's overall performance

During the year under review your Company's sales turnover has increased by 22.52% from Rs. 476.398 million to Rs. 583.699 million. However the material costs especially Nickel and Aluminium have increased by more than 28% and after offsetting this increase partly by increase in other income, by way of export incentives and profit on assets disposed off, the operating profit has recorded only a marginal increase of about 2% from Rs. 55.54 million to Rs. 56.62 million in the previous year. The net profit after tax works out to Rs. 37.06 million as against Rs. 41.82 million in the previous year.

### ii) Export

The Company's export earnings during the year were Rs. 35.56 million as against Rs. 10.942 million in the previous year. This was on account of better acceptance of P.S. Plates in export markets.

### iii) Segment-wise Performance

#### a) Screens Segment

Although the user industry viz. textile mills have not improved their financial position, during the year under review your Company sold screens, chemicals, etc., worth Rs. 139.208 million as against Rs. 132.532 million in the previous year, showing an increase of 5.04% compared to the previous year.

#### b) Industrial Machinery Segment

During the year under review this segment registered a turnover of Rs. 77.490 million compared to the previous year's turnover of Rs. 20.472 million. Parent company has decided to outsource rotary printing machine from your Company. Coupled with favourable business climate in domestic market, the machines sold during the year are 11 nos., approximately 3 times higher than average of last 2 – 3 years.

#### c) Graphics Segment

The total turnover of the Graphics Segment increased to Rs. 357.823 million from Rs. 317.584 million in the previous year, registering an increase of around 12.67%. This increase was inspite of fierce competition in the market and pressure to reduce prices.

#### d) Chemical Segment

The total turnover of the Chemicals Segment increased to Rs. 9.178 million from Rs. 5.810 million in the previous year, registering an increase of around 57.97%. This increase was in spite of fierce competition.

### iv) Future Outlook

The overall outlook for the Company's future is positive. The Company continues to concentrate on its core strength and continues to make all the efforts to keep up the tempo of improved performance.

The prices of our main raw material, i.e., nickel in case of Screens and aluminium in P.S. Plate manufacturing have been very high during last year. If this trend continues, it may impact our profitability adversely. Due to globalisation and fierce competition, prices for our products cannot be revised upwards.

The Company also expects to increase its business with the parent company for supply of upgraded printing machines in international markets.

#### **v) Corporate Governance**

Although as per the Schedule of Implementation mentioned by Stock Exchanges of Mumbai and Ahmedabad, the Company does not come under the mandatory requirement of Corporate Governance, the Company has continued complying with the requirements broadly.

#### **vi) Fixed Deposits**

The Fixed Deposits held by the Company as on 31.3.2004 were Rs. 8.15 million. There are no overdue deposits except unclaimed deposits of Rs. 0.089 million. The Company has paid interest to all the deposit holders on due date.

### **DIRECTORS**

During the year under review Mr. Arvid Manneke and Mr. Ulbe Bijlsma have resigned as the directors of the Company. The Board puts on record their sincere appreciation for the services rendered by them during their tenure.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors confirm that

- a) in the preparation of annual accounts, the applicable accounting standards have been followed and there are no 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 the provisions of this 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 a going concern basis.

### **AUDITORS**

The Company's Statutory Auditors, N. A. Shah Associates, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends appointment of N. A. Shah Associates as the statutory auditors of the Company from the conclusion of the 30th 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.

### **PARTICULARS OF EMPLOYEES**

The particulars prescribed under section 217(2A) of the Companies Act, 1956 are furnished in the annexure to 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 of Directors are grateful to Stork Prints B.V. Holland, the Company's collaborators, for their valuable assistance and support. They wish to record their appreciation for the co-operation and support of the Company's Bankers for the credit facilities sanctioned, all employees including the workers, staff and management and all others concerned with the Company's business.

The Board also appreciates the services rendered by A.T.E. Marketing Private Limited as the Sole Selling Agents for the Company's products.

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

For and on behalf of the Board

Mumbai  
Dated : 29 April, 2004

Atul Bhagwati  
Chairman

**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 March 31, 2004.

**(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.
- Energy audit and implementation of recommendations.

**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 processes 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.