

**STOUEC**

Annual Report

Report  Junction.com 2004-2005

**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 Navroji Road, Near Central Camera, Fort, Mumbai 400 001.
- ❖ We have pleasure in informing you that since four 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**

<b>Atul Bhagwati</b>	-Chairman
<b>Prakash Bhagwati</b>	-Managing Director
<b>Dirk W. Joustra</b>	
<b>Henricus van de Mortel</b>	
<b>Marco Philippus A. Wadia</b>	
<b>Girish C. Sheredalal</b>	
<b>U. V. Rao</b>	
<b>Brand Gerhardus Marcellinus</b>	(from July 29, 2004)
<b>P.S.K. Iyengar</b>	(upto January 28, 2005)
<b>K.M. Thanawalla</b>	(from January 28, 2005)
<b>Alfred J. van Efferen</b>	(upto March 31, 2005)
<b>Aschwin N.R.M. Hollander</b>	(from April 26, 2005)
<b>Jayant C. Vakil</b>	(Alternate Director to Messrs. Dirk W. Joustra and Brand Gerhardus Marcellinus)

**COMPANY SECRETARY**

**Sarita Ahuja**

**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**

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

## **NOTICE**

NOTICE is hereby given that the 31<sup>st</sup> ANNUAL GENERAL MEETING of the members of **STOVEC INDUSTRIES LIMITED** will be held on July 28, 2005 at 12 noon 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, 2005 and the Report of the Directors and Auditors thereon.
2. To appoint Directors in place of Messrs. Atul Bhagwati, Dirk W. Joustra, Henricus van de Mortel, Brand Gerhardus Marcellinus, Girish C. Sharedalal, Marco A. Wadia, U. V. Rao, K.M. Thanawalla and A.N.R.M. Hollander who retire at the 31<sup>st</sup> Annual General Meeting under Article 132 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.
3. To declare dividend on equity shares.
4. 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**

5. To consider, and if thought fit, to pass with or without modifications, 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 and Schedule XIII to the said Act, the Company hereby approves the appointment of Mr. Prakash Bhagwati as the Managing Director of the Company for a period of two years with effect from March 1, 2005 in accordance with the terms and conditions set out in the agreement submitted to this Meeting, which Agreement is specifically approved and ratified with liberty to the Board of Directors of the Company to alter and vary the terms and conditions of re-appointment and/or agreement in such manner as may be deemed fit by the Board of Directors and acceptable to Mr. Prakash Bhagwati, provided however, that the remuneration payable to Mr. Prakash Bhagwati shall be within the limits set out in Schedule XIII to the Companies Act, 1956, and/or laws/guidelines in force from time to time.”

“Further Resolved That in the event of any loss, absence or inadequacy of profit in any financial year of the Company during Mr. Prakash Bhagwati's term of office as Managing Director, the remuneration payable shall be in accordance with the provisions of Section II of Part II of Schedule XIII of the Companies Act, 1956.”

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

“Resolved That, the following payments be and are hereby approved as minimum remuneration to the Managing Director, Mr. Prakash Bhagwati, namely

- (a) the amount payable under the agreement executed by the Company on January 27, 2000 for the tenure of 11 months commencing April 1, 2004 and
- (b) the amount payable under the agreement executed by the Company on June 2, 2005 for next two years commencing March 1, 2005.”

By Order of the Board,

Sarita Ahuja  
Company Secretary

**Registered Office:**

43, Dr. V. B. Gandhi Marg,  
Fort, Mumbai 400 023  
Dated: April 26, 2005

**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. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from July 21, 2005 to July 28, 2005 both days inclusive.
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 enable the Company to remit the dividend.
7. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, as amended and with the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund established by the Central Government. The unclaimed dividend/ Matured Deposits with Companies and accrued interest for the financial year ended March 31, 1998 has been transferred to the Investor Education and Protection Fund and no claim shall lie against the said Fund of the Company for the amount of dividend/matured deposits with companies and accrued interest so transferred.

## Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

### Item No. 5

Mr. Prakash Bhagwati has been the Managing Director of the Company since March 1, 1990. His last renewal was valid till February 28, 2005. The Board of Directors at their meeting held on January 28, 2005, has re-appointed Mr. Prakash Bhagwati as the Managing Director of the Company for a period of two years w.e.f. March 1, 2005, subject to the approval of the Members in General Meeting.

Mr. Prakash Bhagwati is a M.E., M.S. (Mech.). His experience and knowledge has helped the Company to a great extent and his re-appointment will further contribute to the progress and prosperity of the Company.

The terms of the remuneration payable to Mr. Prakash Bhagwati are as follows:-

1. Salary: Basic of Rs.128,500 per month.
2. House Rent Allowance: 50% of the salary.

In addition the Managing Director shall be entitled to the following benefits:

1. Company's contribution to the Provident Fund as per the Rules of the Employees Provident Fund Act, 1952.
2. Company's contribution towards the Superannuation Fund as per the Rules of the Company, which together with P.F. contribution shall not exceed 27% of the salary or such other percentage as may be laid down from time to time under the Income Tax Act, 1961 and the Rules framed thereunder.
3. Gratuity at the rate of one half month's salary for every completed year of service in the Company including the past services.
4. Leave Travel Assistance: Leave Travel Assistance for self and family once a year up to one month's salary incurred in accordance with the rules of the Company.
5. Medical reimbursement of actual expenses for himself and his family including hospitalisation, nursing home and surgical charges incurred in India or abroad.
6. Medical check-up fees reimbursement at actuals.
7. The Managing Director shall be provided with a car with driver. Expenses for any private use shall be borne by the Managing Director and free use of telephone at the residence provided that charges for long distance personal calls, shall be borne by the Managing Director.
8. Personal Accident Insurance: Premium not to exceed Rs.4,000 per annum.
9. The Managing Director will be entitled to all leave benefits as applicable to the Senior Executives of the Company, including accumulation and encashment of unavailed leave.
10. The above remuneration shall not exceed five percent of the net profits, which shall be determined in accordance with the provisions of Sections 198 and 309 of the Companies Act. In the event of

absence or inadequacy of profits, the above remuneration shall be payable as minimum remuneration upto the limits permissible under Section II of Part II of Schedule XIII of the Companies Act, 1956.

11. Compensation: If at any time the office of the Managing Director is determined before the expiry of his term of office the Managing Director shall be entitled to compensation for loss of office in accordance with and subject to the restrictions laid down in Section 318 of the Companies Act, 1956.
12. He shall not be liable to retire by rotation so long as he continues to hold office as Managing Director.

A copy of the agreement entered with the Managing Director is available for inspection by the members of the Company at the Registered Office of the Company on any working day between 3.00 p.m. to 5.00 p.m.

None of the Directors of the Company is interested in this Resolution except Mr. Prakash Bhagwati so far as it pertains to his re-appointment and Mr. Atul Bhagwati may be regarded as concerned or interested in the appointment since he is the brother of Mr. Prakash Bhagwati.

#### **Item No. 6**

The Managing Director's remuneration during the year 2004-05 has exceeded the ceiling of 5% of profits as prescribed under Section I of part II of Schedule XIII of the Companies Act, 1956.

The Department of Company Affairs has by notification in the Official Gazette dated January 16, 2002 amended the Schedule XIII permitting Companies to pay higher remuneration subject to the approval of the Remuneration Committee and members by a special resolution.

The Remuneration Committee, constituted by the Board, has considered the matter and subject to the approval of the members of the Company, approved the following payments as minimum remuneration to the Managing Director, Mr. Prakash Bhagwati, namely

- a) the amount payable under the agreement executed by the Company on January 27, 2000 for the tenure of 11 months commencing April 1, 2004 and
- b) the amount payable under the agreement executed by the Company on June 2, 2005 for two years commencing March 1, 2005.

Your directors recommend the resolution as embodied in the notice to be passed with or without modifications as a Special Resolution.

None of the Directors of the Company is interested in this Resolution, except Mr. Prakash Bhagwati so far as it pertains to the remuneration payable to him and Mr. Atul Bhagwati may be regarded as concerned or interested since he is the brother of Mr. Prakash Bhagwati.

#### **Statement as required under the notification GSR 36(E), dated 16<sup>th</sup> January, 2002**

##### **I. General Information:**

- (1) Nature of Industry : Textile Machinery and Offset Plates Industry
- (2) The commercial production has already begun in respect of all the items.
- (3) The Company is not a new company.



(4) Financial Performance

(Rs. In Million)

<b>PARTICULARS</b>	<b>Year ended (Audited) 31-03-2003</b>	<b>Year ended (Audited) 31-03-2004</b>	<b>Year ended (Audited) 31-03-2005</b>
1. Net Sales/Income from Operations	476.398	583.699	584.393
2. Other Income	7.231	12.564	10.092
3. Total Expenditure	408.842	519.612	532.543
a) Increase/decrease in stock in trade	(11.341)	(3.998)	(10.412)
b) Consumption of raw materials	292.172	371.540	385.991
c) Staff Cost	35.168	40.739	45.440
d) Other Expenditure	92.843	111.331	111.524
4. Interest	5.446	3.335	2.725
5. Depreciation	13.804	16.698	28.353
6. Profit (+)/Loss(-) (1+2-3-4-5)	55.537	56.618	30.865
7. Provision for Taxation (including deferred tax)	13.716	19.555	10.261
8. Net Profit (+)/Loss(-) (6-7)	41.821	37.063	20.604
9. Paid up Equity Share Capital @ Rs.10 face value	20.880	20.880	20.880
10. Reserves excluding revaluation reserves	150.222	181.016	194.943
11. Basic & Diluted earning per Share	20.03	19.26	10.09

- (5) The Company's export earnings during the financial year 2004-05 was Rs.65.09 million. The Company also proposes a dividend of Rs. 6.26 million in the year.
- (6) The Company is a subsidiary of M/s. Stork Screens B.V., Netherlands. The Foreign Collaborator holds 1,064,889 Equity Shares i.e. 51% of the Equity Capital of the Company.

**II. Information about the appointee:**

- (1) Background Details: Mr. Prakash Bhagwati is a M.E., M.S. (Mech.). He has been the Managing Director of the Company since March 1, 1990 and has shouldered the responsibilities of managing the affairs of the Company.
- (2) Past Remuneration: In the year 2003-04 Mr. Prakash Bhagwati was paid a remuneration of Rs.2,840,542.
- (3) Recognition or awards : The Company has received ISO 9002 recognition.
- (4) Job profile and his suitability: Mr. Prakash Bhagwati has substantially the whole of the powers for the management of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company from time to time. His experience and knowledge has helped the Company to a great extent and his reappointment will further contribute to the progress and prosperity of the Company.



- (5) Remuneration Proposed: Approval is required for the remuneration of Rs. 2,752,683 paid to Mr. Prakash Bhagwati during the financial year 2004-05.
- (6) There are no companies of the same size in the industry, as such there is no statistics available of comparative remuneration profiles.
- (7) Mr. Prakash Bhagwati along with his relatives holds 105,421 Equity Shares of the Company. He is not related to any managerial personnel in the Company.

### **III. Other Information:**

- (1) Reasons of loss or inadequate profits: Increase in the material costs especially Nickel with pressure on the selling prices of the products, the profits of the Company have been affected.
- (2) The Company has taken a series of steps under the guidance of Mr. Prakash Bhagwati for improvement. The stagnant sales has resulted in the Company concentrating on cost reduction measures; these include introduction of VRS, introduction of an ERP system in the Factory and other measures to reduce inventory and other costs.
- (3) The steps taken by the Company to reduce costs has started yielding results. There has been falling employees and inventory costs, the Company proposes to continue such measures to make it more cost competitive.

### **Disclosures**

- (1) Remuneration Package:

The remuneration package of Mr. Prakash Bhagwati is given below:-

1. **Salary:** in the scale of 75,000 – 5,000 – 100,000 upto February 28, 2005. Revised to Rs. 128,500 p.m. w.e.f March 1, 2005.
2. **House Rent Allowance:** 50% of the salary.

The Managing Director is entitled to the other benefits as are enumerated in explanation to Item No. 5. For the sake of brevity, it has not been reproduced once again.

By Order of the Board,

Sarita Ahuja  
Company Secretary

### **Registered Office:**

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

Dated : April 26, 2005

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting to you the 31st Annual Report of your Company together with the audited Balance Sheet and Profit & Loss Account for the year ended 31st March 2005.

### FINANCIAL RESULTS AND DIVIDEND

#### i) Financial Results:

The results of operations during the year ended March 31, 2005 were as follows: -

	<b>Current Year 31.3.2005 Rs.</b>	<b>Previous Year 31.3.2004 Rs.</b>
Sales and Services	584,393,553	583,699,435
Other Income	10,092,350	12,564,149
<b>Total Income : (a)</b>	<b>594,485,903</b>	<b>596,263,584</b>
<b>Total Expenditure: (b)</b>	<b>532,543,136</b>	<b>519,611,951</b>
<b>Gross Profit:</b> before Interest & Brokerage and Depreciation : (c) = (a) - (b)	<b>61,942,767</b>	<b>76,651,633</b>
<b>Less: Interest &amp; Brokerage</b>	<b>2,725,604</b>	<b>3,335,468</b>
<b>Gross Profit after Interest &amp; Brokerage but before Depreciation</b>	<b>59,217,163</b>	<b>73,316,165</b>
<b>Less: Depreciation</b>	<b>28,352,733</b>	<b>16,698,069</b>
<b>Profit /(Loss) before taxation</b>	<b>30,864,430</b>	<b>56,618,096</b>
<b>Less : Current Tax</b>	<b>17,675,437</b>	<b>22,235,165</b>
Deferred Tax	(7,434,780)	(2,695,168)
Wealth Tax	20,000	15,000
<b>Profit after Tax</b>	<b>20,603,773</b>	<b>37,063,099</b>
<b>Add: Excess provision for taxes for earlier years written back</b>	<b>465,439</b>	<b>3,153,083</b>
<b>Add: Surplus brought forward from last year</b>	<b>19,947,064</b>	<b>10,153,055</b>
<b>Profit available for appropriation:</b>	<b>41,016,276</b>	<b>50,369,237</b>
Dividend on Equity Shares @ 30% (Previous Year-40%)	6,264,048	8,352,064
Tax on Distributed Profits	878,533	1,070,109
Amount transferred to General Reserve	5,000,000	21,000,000
<b>Balance carried to Balance Sheet</b>	<b>28,873,695</b>	<b>19,947,064</b>

#### ii) Dividend

In view of the above results the Board of Directors recommend payment of dividend @ Rs.3 per share on a share of Rs.10/- each (previous year Rs. 4.00 per share).