

38TH ANNUAL REPORT 2011

STOVEC
INDUSTRIES LIMITED

COMPANY PROFILE

Core Activities

- Development and Production of Consumables for their use in Textile and Graphic Printing Industry.
- Printing Machines-Supply, Installation and after Sales Support

Core Competencies

- System and Application know-how in Printing for the Textile and Graphic Industries.
- Manufacturing and application know-how in Textile Consumables and Rotary Printing Machines

Technologies

- Metal Coating / Plating
- Electroforming

Products

- Rotary Printing Machines for Textiles
- Rotary Screens and Chemicals for Textile Printing
- Anilox and Screens for Graphic Printing
- Digital Ink
- Sugar Screens

Market/Customers

- Textile Printing and Processor
- Packaging and Label Printers and Converters
- Industrial/Security Printers
- Sugar Mills

Market Position

- Technology and Market Leadership in Rotary Screen and Printing Machinery



▲ Rotary Printing Machine for Textiles



▲ Rotary Screens and Consumables for Textile Printing



▲ Anilox and Screens for Graphic Printing



▲ Sugar Screens



▲ Digital Textile Printing Ink

BOARD OF DIRECTORS

Mr. K. M. Thanawalla	Chairman
Mr. Dirk W. Joustra	
Mr. Aschwin N.R.M. Hollander	
Mr. Joost Smits	
CA. Girish C. Sharedalal	
Mr. Marco Philippus A. Wadia	
Mr. Ashish Kaul	Managing Director

COMPANY SECRETARY

Ms. Varsha Adhikari

AUDITORS

Price Waterhouse
Chartered Accountants

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
(Formerly Intime Spectrum Registry Ltd.)
211, Sudarshan Complex,
Nr. Mithakhali Under Bridge,
Navrangpura,
Ahmedabad - 380 009.

BANKERS

The Axis Bank Limited
The Karur Vysya Bank Limited

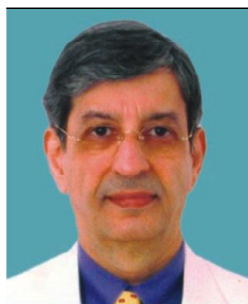
REGISTERED OFFICE AND FACTORY

N.I.D.C., Near Lambha Village,
Post Narol,
Ahmedabad - 382 405,
Gujarat, India.

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LETTER FROM THE CHAIRMAN



Dear Shareholders,

It gives me pleasure to present the 38th Annual Report of your Company for the year ended December 31, 2011.

The Indian economy registered a growth of 6.9 % for the fiscal year 2011-12, which is much lower compared to the last few years. While the slowdown of Indian economy is largely attributed to global factors, domestic factors also played an important role. The economic forecast expectation is that with inflation moderating, monetary policy easing off and reforms picking up, the Indian economy would grow about 7.6 % in the financial year 2012-13.

During the year under review, revenues have been flat and the Company registered a turnover of Rs. 598.34 million. The profits for the year have been negatively impacted largely on account of high volatility in the prices of Nickel- a key raw material for the company.

In general, the Company's business physicals and market penetration during the year remained strong and robust, basis which going forward we expect improvements in the profitability.

I thank all our stakeholders for partnering in our growth trajectory. We look forward to your continued support and patronage.

With warm regards,

K.M. Thanawalla

Chairman

Date : March 30, 2012

Place : Mumbai

NOTICE

NOTICE is hereby given that the THIRTY EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF STOVEC INDUSTRIES LIMITED will be held on Wednesday, the 2nd day of May, 2012 at 2 p.m. at the Registered Office of the company at N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad, Gujarat, India, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended December 31, 2011 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. K.M. Thanawalla, who retires by rotation and being eligible offer himself for re-appointment.
4. To appoint a Director in place of Mr. Aschwin Hollander, who retires by rotation and being eligible offer himself for re-appointment.
5. To appoint auditors to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
The Instrument appointing Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than **FORTY EIGHT HOURS** before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc., must be supported by appropriate resolution/authority letter, as applicable, issued by the member organization.
2. Pursuant to sections 205A (5) and 205C of the Companies Act, 1956, 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 Investor Education and Protection Fund established by the Central Government. The company during the year has transferred a sum of Rs. 186,028/- being unclaimed dividend amount for the financial year 2003-04 to the Investor Education and Protection Fund of the Central Government. Share holders who have not claimed their dividend for the financial year 2004-05 are requested to claim their unclaimed dividend before August 10, 2012. The Company shall thereafter as mentioned above transfer the unclaimed amount to the Investor Education and Protection Fund and no claim shall lie against the Company for the said amount of unclaimed dividend so transferred.
3. Register of Members and Share Transfer Book shall remain closed from April 26, 2012 to May 2, 2012 (both days inclusive). If the dividend on equity shares, as recommended by the Board of Directors is declared at the Annual General Meeting, payment of such dividend will be paid on or after May 5, 2012 as under:
 - i. To all Members in respect of shares held in physical form, after giving effect to valid transfer in respect of transfer request lodged with the Registrar and Transfer Agent on or before the close of business hours on April 25, 2012.
 - ii. To all Beneficial Owners in respect of shares held in electronic form, whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as at the close of business hours on April 25, 2012.
4. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
5. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the National Electronic Clearing System (NECS). NECS essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions. The NECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agent.

6. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to their Depository Participant. However, members holding shares in physical mode are required to notify any change pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to Registrar and Share Transfer Agent i.e. **M/s. Link Intime India Private Limited** (Formerly known as Intime Spectrum Registry Limited), 211, Sudarshan Complex, Nr.Mithakhali Underbridge, Navrangpura, Ahmedabad – 380 009.
7. Pursuant to clause 49 of the listing agreement, the particulars of Directors seeking re-appointment at the meeting are annexed.
8. As per Securities and Exchange Board of India (SEBI) Circular, submission of Permanent Account Number (PAN) is compulsorily required for participating in the securities market, deletion of name of deceased shareholder or transmission/transposition of shares. Members holding shares in dematerialized mode are requested to submit the PAN details to their Depository Participant, whereas Members holding shares in physical form are requested to submit the PAN details to the Company's Registrar and Transfer Agents.
9. **In case the mailing address on this Annual Report is without the PINCODE, Members are requested to kindly inform the Registrar & Share Transfer Agents about their PINCODE immediately.**
10. Non-resident Indian Shareholders are requested to inform the Share Transfer Agents immediately about :
 - (a) any change in their residential status upon return to India for permanent settlement.
 - (b) particulars of NRI Account with a Bank in India, if not furnished earlier.
11. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days except Saturdays and Sundays between 11.00 a.m. to 1.00 p.m.
12. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.
13. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the meeting so that the information required may be made available at the meeting.
14. The Company has connectivity from the CDSL & NSDL and equity shares of the Company may also be held in the electronic form with any Depository Participant (DP) with whom the members/investors are having their depository account. The ISIN No. for the Equity Shares of the Company is INE755D01015. In case of any query/difficulty in any matter relating thereto the same may be addressed to the Share Transfer Agents.
15. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B as prescribed is attached herewith.
16. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

Regd. Office:

N.I.D.C. Nr. Lambha Village,
Post: Narol,
Ahmedabad – 382 405,
Gujarat, INDIA.

By Order of the Board of Directors

Date : February 28, 2012
Place : Mumbai

Varsha Adhikari
Company Secretary

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the company (Pursuant to Clause 49 of the listing agreement with the Stock Exchanges)

Name of Director	Mr. K.M. Thanawalla	Mr. Aschwin Hollander
Date of Birth	24.12.1942	19.06.1968
Date of Appointment	28.01.2005	26.04.2005
Expertise in specific functional areas	Marketing and General Management	Finance and General Management
Qualifications	He is a commerce graduate from the Bombay University. He is a Fellow of The Institute of Chartered Secretaries & Administrators, London. He is also an Associate of The Textile Institute, U.K. and of The British Institute of Management.	He holds a degree in Business Economics from Erasmus University, Rotterdam, after which he followed Post Graduate education as Controller.
Details of shares held in the company	Nil	Nil
List of companies in which outside directorship held as on 31.12.2011 (excluding Private Companies & Foreign Companies)	Mandhana Industries Ltd Varun Shipping Company Ltd Varun Gas Infrastructure Ltd	Nil
Chairman / Member of the * Committees of other companies as on 31.12.2011	Mandhana Industries Ltd	Nil

* The Committee includes the Audit Committee and the Investor Grievance Committee only.

DIRECTOR'S REPORT

TO THE MEMBERS

Your Directors are pleased to present the Thirty Eighth Annual Report and the Audited Statement of Accounts of the company for the year ended December 31, 2011.

1. FINANCIAL RESULTS:

Particulars	Current Year 31.12.2011 Amt. in Rs.	Previous Year 31.12.2010 Amt. in Rs.
Sales & Services (Net)	598,339,072	591,527,796
Other Income	<u>29,598,379</u>	<u>20,307,916</u>
(a) Total Income:	627,937,451	611,835,712
(b) Total Expenditure:	<u>544,068,281</u>	<u>492,358,535</u>
(c) Gross Profit:		
Before Interest, Depreciation & Amortisation Charges: (c) = (a) – (b)	83,869,170	119,477,177
Less: Interest	<u>294,367</u>	<u>716,343</u>
Gross Profit after Interest but before Depreciation and Amortisation Charges	83,574,803	118,760,834
Less: Depreciation & Amortisation Charges.	<u>14,879,259</u>	<u>10,846,854</u>
Operational Profit/Profit Before Tax	68,695,544	107,913,980
Less: Current Tax	20,014,987	22,774,447
Deferred tax	1,684,195	13,186,815
(Excess)/Short provision for taxes for earlier years (Net of Deferred Tax).	<u>(438,676)</u>	<u>(197,433)</u>
Profit After Tax	47,435,038	72,150,151
Add: Profit brought forward from previous year	128,939,576	89,251,031
Profit available for appropriation	176,374,614	161,401,182
Dividend on equity shares	14,302,910	21,506,565
Tax on Dividend	2,320,290	3,655,041
Amount transferred to General Reserves.	<u>4,800,000</u>	<u>7,300,000</u>
Profit carried forward to Balance Sheet	<u>154,951,414</u>	<u>128,939,576</u>

2. DIVIDEND:

Considering the company's financial performance, the Directors have recommended payment of dividend of Rs. 6.85/- per share for the year ended on December 31, 2011.

3. PERFORMANCE OVERVIEW:

During the year under review, your company has registered the turnover of Rs. 598.34 Million against the turnover of Rs. 591.53 Million of previous year. The overall increase in cost and high volatility in prices of Nickel has impacted the profitability. The Profit before Tax for the current year is Rs. 68.7 Million as against Rs. 107.91 Million of previous year.

4. SOLE SELLING AGENT:

During the year under review, the Company and its Sole Selling Agent-ATE Enterprises Pvt. Ltd., have mutually decided to terminate the Sole Selling Agency Agreement w.e.f 1st January 2012.

M/s A.T.E. Enterprises Pvt. Ltd. has had a long association with the Company. The Board would like to record appreciation for their contribution in the growth and success of the company.

5. IN HOUSE RESEARCH & DEVELOPMENT CENTRE:

The company has made application to the Department of Scientific & Industrial Research, Ministry of Science & Technology, New Delhi for getting recognition of in house Research & Development Centre.

6. GO GREEN INITIATIVE:

The Ministry of Corporate Affairs ("MCA") has taken a green initiative in the Corporate Governance by allowing paperless compliance by companies vide its Circular No. 17/2011 dated: April 21, 2011 and Circular No. 18/2011 dated: April 29, 2011; wherein, companies are now permitted to send notices/documents including Annual Reports to the shareholders through electronic mode. Your company would like to participate in this green initiative of Ministry of Corporate Affairs and urge all the shareholders to Join in. The separate letter addressed to all the shareholders is enclosed with a request to participate in this green initiative of the company.

7. AUDITORS REPORT:

The observation made in the Auditors report are self explanatory and therefore need not require any comments under section 217(3) of the Companies Act, 1956.

8. FIXED DEPOSITS:

For the year ending December 31, 2011, the Company has not accepted any deposits from the public falling within the purview of section 58A & 58AA of the Companies Act, 1956 and rules made there under.

9. CORPORATE GOVERNANCE:

A separate report on Corporate Governance Compliance and a Management Discussion and Analysis Report as stipulated by Clause 49 of the listing agreement forms part of the Annual Report along with the required Certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement.

10. DIRECTORS:

During the year there has been no change in the Board of Directors of the Company. However pursuant to Section 255 and 256 of the Companies Act, 1956, Mr. K.M. Thanawalla and Mr. Aschwin Nicolai Hollander, retires by rotation in the forthcoming Annual General Meeting of the company and being eligible offer themselves for re-appointment.

11. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of sub-section 2AA of Section 217 of the Companies Act, 1956, your 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 accounting policies selected had been applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and the Profit or Loss of the company for that period;
- c) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- d) the annual accounts had been prepared on a going concern basis.

12. AUDITORS:

The Company's Statutory Auditors M/s. Price Waterhouse, Chartered Accountants, (Firm Registration No. 301112E) retires at the forthcoming Annual General Meeting and has shown their willingness to continue as statutory auditors of the company. The Board recommends appointment of M/s. Price Waterhouse as the Statutory Auditors of the Company from the conclusion of the 38th Annual General Meeting until the conclusion of the next Annual General Meeting of the company.

Members are requested to please re-appoint M/s. Price Waterhouse, Chartered Accountants and authorize the Board to fix their remuneration.

13. PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY ETC.:

The particulars prescribed under 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 as Annexure I and forms part of this Report.

14. PARTICULARS OF EMPLOYEES:

The particulars prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Annual Report as Annexure II.

15. ACKNOWLEDGEMENT:

We wish to place on record our gratitude for the contributions, co-operation and confidence reposed in the Board of Directors by Stork Prints B.V. and other shareholders, our valued employees and customers, our bankers, suppliers and other stakeholders.

For and on behalf of the Board of Directors

Place : Mumbai
Date : February 28, 2012

K.M.Thanawalla
Chairman

Annexure - I

Annexure to the Director's 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 December, 2011.

(I) Conservation of energy:

a) Energy conservation is an on-going process. The following steps are taken by the Company in this direction:

1. Some Low efficiency rectifiers have been replaced by new high efficient electronic rectifiers.
2. Continuously maintaining power factor of 0.99.
3. Efficient maintenance of Hot water generator. Fuel switched over to PNG from LDO.
4. Metal halide lamps replaced by Mercury lamps and conventional tube lights replaced by CFL/T5 series for power saving.
5. Energy audit and implementation of recommendations.
6. Installation of PLC & VFD for better control at various process equipments.
7. Better utilization of production equipments.
8. Increased production bath efficiency by reducing its operating voltage.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy and other raw materials

The company has made the following investments:

- i. High Efficiency rectifiers.(Electronic rectifiers)
- ii. VFD
- iii. PNG

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

1. Power consumption along with overall cost of production has been reduced
2. L.D.O. replaced by PNG (lower rate and lower Carbon emission)
3. Planned usage of utilities during non-peak hours (Lower tariff rates).

(II) Environment Health & Safety:

- 1) Revamping of roller making department cranes with better controlling equipments and use of DSL shrouded bus bars instead of overhead live conductors to improve safety level.
- 2) Waste chemicals storage area improved.
- 3) Continuous training program.

(III) Technology Absorption:

The efforts made in technology absorption are mentioned below in Form-B: