

**STOVEC**

## Annual Report

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

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**STOVEC INDUSTRIES LIMITED**

### ***Attention Shareholders***

*Please note that Administrative Office of STOVEC INDUSTRIES LTD. is situate at 7, Evergreen Industrial Estate, (1st Floor), Shakti Mills Lane, Off E. Moses Road, Mahalaxmi, Mumbai - 400 011.*

*Shareholders who want to send any transfer deeds/share certificates etc. may send the same to the Company's Share Transfer Agents, M/s. Consolidated Share Services (Pvt.) Ltd., Shantinagar Cross Road 'A', Near M.I.D.C. Bus Depot, Andheri (East), Mumbai - 400 093 or to Company's Administrative Office at the above Address at Mahalaxmi.*

**STOVEC INDUSTRIES LIMITED**

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**DIRECTORS**

Atul Bhagwati - Chairman  
Gerard de Ruyter (Upto 26.2.1998)  
Gerardus A. Christiaanse  
Adriaan W. Veenman  
Gerard A. Paats (Upto 26.2.1998)  
Alfred J. van Efferen  
Henricus van de Mortel (From 26.2.1998)  
Arvid Manneke (From 26.2.1998)  
Prakash K. Bhagwati - Managing Director  
Ardeshir R. Wadia  
Rustom D. Doongaji  
Girish C. Sheredalal  
Udipi V. Rao  
Jayant C. Vakil (Alternate Director to G. A. Christiaanse)  
Vinod G. Bhansali (Nominee of ICICI)

**COMPANY SECRETARY**

Suresh Thakur Desai

**AUDITORS**

Jayant & Associates  
Chartered Accountants

**REGISTRARS & SHARE TRANSFER AGENTS**

Consolidated Share Services Pvt. Ltd.  
Shantinagar, Cross Road A, Near M.I.D.C. Bus Depot,  
Andheri (East), Mumbai - 400 093.

**LEGAL ADVISORS**

Tyabji Dayabhai

**BANKERS**

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.

**ADMINISTRATIVE OFFICE**

7, Evergreen Industrial Estate (1st Floor)  
Shakti Mills Lane, Off E. Moses Road,  
Mahalaxmi, Mumbai - 400 011.

**STOVEC INDUSTRIES LIMITED****NOTICE**

NOTICE is hereby given that the **TWENTY-FOURTH ANNUAL GENERAL MEETING** of the Members of **STOVEC INDUSTRIES LIMITED** will be held on **WEDNESDAY, the 23rd SEPTEMBER, 1998** at **3.30 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, 1998 and the Report of the Directors and Auditors thereon.
2. To appoint Auditors to hold Office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

3. 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 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 approves the appointment of M/s. A.T.E. Enterprises Ltd., which has substantial beneficial interest in the Company alongwith its Directors and their relatives, as Sole Selling Agents for a period of five years with effect from 1st April, 1998 for the sale of and / or dealing in the items more particularly described hereinbelow on the terms and conditions set up 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.

- a) All types of Offset Printing Plates of Aluminium;
- b) Press Room Chemicals of all types;
- c) Plate Room Chemicals of all types;
- d) Plate Processor Machines of all types and spare parts thereof, i.e. all products or equipment manufactured or traded by STOVEC INDUSTRIES LTD., relating to the Graphic Industry.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to enter into the said Agreement with such modifications thereto as may be required by the Government of India and accepted by the Board of Directors of the Company and A.T.E. Enterprises Limited.”

By Order of the Board

Registered Office :  
43, Dr. V.B. Gandhi Marg  
Fort, Mumbai-400 023.  
Dated: 5th June, 1998.

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.

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.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 16th September, 1998 to Wednesday, the 23rd September, 1998, 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 atleast 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.
7. 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. 45,103.09 which remained unpaid out of the dividend declared for the year 1993-94.

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

#### **Item No. 3**

The Board of Directors of the Company at their Meeting held on 26th February, 1998 have appointed A.T.E. Enterprises Ltd. as the Sole Selling Agents for the products of the Company's Graphics Division namely,

- a) All types of Offset Printing Plates of Aluminium;
- b) Press Room Chemicals of all types;
- c) Plate Room Chemicals of all types;
- d) Plate Processor Machines of all types and spare parts thereof, i.e. all products or equipment manufactured or traded by STOVEC INDUSTRIES LTD., relating to graphic industry.

The appointment is for a period of five years from 1st April, 1998 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 over 57 years experience in the sales and service of all types of Capital Goods and they are also having the expertise in the sale of products relating to the Graphic 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 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 68.36% 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 156943 equity shares, representing 7.52% of the Paid-up Capital of the Company.

Copy of the Draft of the Sole Selling Agency 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.

Registered Office :  
43, Dr. V.B. Gandhi Marg  
Fort, Mumbai-400 023.  
Dated: 5th June, 1998.

By Order of the Board

SURESH THAKUR DESAI  
Company Secretary

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present to you the 24th Annual Report of your Company together with the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1998.

### **FINANCIAL RESULTS**

The results of operations during the year ended 31st March, 1998 were as follows :

	<b>Current Year 31.3.1998 Rs.</b>	<b>Previous Year 31.3.1997 Rs.</b>
Sales and Services	<b>314,127,246</b>	384,443,496
Other Income	<b>10,560,211</b>	13,811,549
Increase/(Decrease) in Stocks	<b>(2,095,561)</b>	3,233,665
	<b>322,591,896</b>	401,488,710
Profit before Interest, Depreciation & Extraordinary items	<b>10,104,195</b>	24,057,545
Less: Interest	<b>27,745,995</b>	47,545,756
Gross Profit/(Loss) before Depreciation	<b>(17,641,800)</b>	(23,488,211)
Less: Depreciation	<b>17,359,480</b>	31,096,942
Net Profit/(Loss) before Extraordinary Items	<b>(35,001,280)</b>	(54,585,153)
Add: Extraordinary Items	<b>5,942,417</b>	5,113,446
Net Profit/(Loss) after Extraordinary Items	<b>(29,058,863)</b>	(49,471,707)
Add: Surplus brought forward from last year	<b>-</b>	2,022,111
(Loss) Adjusted to General Reserve	<b>(29,058,863)</b>	(47,449,596)

### **DIVIDEND**

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

### **COMPANY'S PERFORMANCE**

As may be observed, during the year under report the Company has achieved lower sales turnover at Rs. 314.127 Million as compared to last year. This turnover can not strictly be compared with that of the previous year, since the Company has completely divested two of its Divisions, namely the Electronics Division and the Ferrite Division by the end of that year.

Moreover, due to overall recessionary trend in the Indian economy and in textile sector in particular, sales turnover of all other Divisions was not upto the expectations. Our Customers faced severe liquidity crunch. Consequently, the demand for all our products was severely affected.

## EXPORTS MARKETS

On exports front also the Company could attain only about 75% of the previous year's level of performance. Increase in exports of Screens from Rs. 6.134 Million to Rs. 16.859 Million and in that of IMD products from Rs. 0.345 Million to Rs. 2.380 Million was offset by lower exports of Graphics Division at Rs. 0.821 Million from Rs. 13.363 Million and zero exports of the Electronics Division as against Rs. 6.895 Million last year.

Under the circumstances, as reported last year, because of certain measures of restructuring initiated last year, the Company could arrest the losses. These measures, your Directors feel confident, should help your Company regain its profitability in next one or two years.

Divisionwise performance, as explained in the following paragraphs should provide you a better picture of the Company's operations during the year and also that about the future prospects.

## SCREENS DIVISION

During the year, the Company sold screens, chemicals etc. worth Rs. 130.769 Million as against Rs. 122.737 Million in the previous year, recording a marginal increase of 6.54%. This increase was achieved in spite of recession in the Textile Printing Industry and closure of some user units on account of stricter enforcement of pollution control laws.

## INDUSTRIAL MACHINERY DIVISION

In view of the persistent sluggishness in Indian textile processing industry, your Company decided to rely more on out sourcing components and thereby reduce its fixed overheads. As informed by your Chairman, in his speech at the last annual general meeting, the Company had introduced a voluntary Retirement Scheme for its employees, under which most employees opted for pre-mature retirement. The Company could still attain the turnover of Rs. 33.230 Million which works out to 74% of the last year's turnover.

## GRAPHICS DIVISION (Unit - I)

The sales of P S Plates produced in this division, attained a turnover of Rs. 25.791 Million which works out to 80% of the previous year's level of Rs. 32.021 million.

## GRAPHICS DIVISION - (Coil Plant - Unit II)

The Sales turnover of Plates produced at this Plant at Rs. 124.346 Million failed to cross the last year's level of Rs. 127.610 Million just by 3% only.

As you would observe, subject to your consent and of the Central Government, your Directors have appointed A.T.E. Enterprises Limited as Sole Selling Agents, with effect from April 1, this year. Your Directors hope that this restructuring will help the Company to attain larger share of the P S Plate market also, because as a part of this restructuring, the dealer network is being strengthened to cater to customers of all the segments in all India markets, more effectively and efficiently.

## FUTURE OUTLOOK

The market for Screens is quite steady. Our Collaborators are also trying to help the Company procure more export orders. In the Industrial Machinery Division, as stated earlier, fixed expenses have been cut down significantly. As the prospects of business in local markets are dim, the Company has stepped up its efforts to increase exports with the help of it's Collaborators and if the market improves, this division should also be able to contribute to the profits of the Company. In Graphics division also, all efforts are



**STOVEC INDUSTRIES LIMITED**

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being made to increase the market share of its products. Your Directors are confident that the Company will start making profits very soon.

**SUBSIDIARY**

During the year, Stork Pumps (India) Ltd., (now Johnson Pump (India) Ltd.) has ceased to be the subsidiary of the Company, with divestment of 41% of its shares.

The accounts of Pranay Shares & Securities Ltd. (PS&SL) are enclosed. PS&SL has a new Collaborator, namely Mahindra UGINE Steel Company Ltd., who are well known in the field of automobile products. PS&SL now proposes to manufacture auto components.

**DIRECTORATE**

Mr. Gerard de Ruyter has resigned from the Board effective from 26th February, 1998, on his retirement from the services of Stork. Mr. Gerard de Ruyter, as the members are aware, was associated with the Company since its inception and has provided very valuable contribution in the growth of the business of the Company from time to time. The Board of Directors wish to place on record their appreciation of the valuable guidance rendered by Mr. Gerard de Ruyter.

Mr. Gerard A. Paats, another director nominated by Stork, has also resigned with effect from that date. Stork Screens B.V. have nominated Mr. Arvid Manneke and Mr. Henricus van de Mortel to join the board of your Company.

Since Mr. Arvid Manneke and Mr. Henricus van de Mortel have filled the casual vacancies caused by the resignation of Mr. Gerard de Ruyter and Mr. Gerard A. Paats, they will hold office upto the date on which Mr. Gerard de Ruyter and Mr. Gerard A. Paats respectively, would have held the office pursuant to Section 262 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company.

**AUDITORS**

The Company's Statutory Auditors, M/s, Jayant & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible are recommended for re-appointment. Members are requested to appoint Statutory Auditors for the current year and to fix their remuneration.

**FIXED DEPOSITS**

The total amount of Fixed Deposits held by the Company as on 31.3.1998 was Rs. 9.855 Million. There are no overdue deposits except unclaimed deposits of Rs. 0.236 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.



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**ACKNOWLEDGMENTS**

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 is also thankful to M/s. Polychrome Corporation, U.S.A. for the valuable guidance and technical assistance rendered to your Company.

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

The Board is also grateful to ICICI, IDBI and the Company's bankers State Bank of India 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 helped the Company contain its losses.

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

For and behalf of the Board

MUMBAI

Dated: 5th June, 1998.

ATUL BHAGWATI

Chairman

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## ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ending 31st March, 1998.

### (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 closers, 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.