

STOUEC

Annual Report

2001-2002



STOUEC INDUSTRIES LIMITED

STOVEC 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 the Company Secretary, if you have not been getting on time any service from the Company or Registrars and Transfer Agents (Fax No. 2041690/Tel. 287 2245) (e.mail: s_y_thakurdesai@co.ateel.com)
- * Please note that our Registrars and Transfer Agents have made special arrangements to receive the mail at Dawar House, 2nd Floor, 197, Dr. Dadabhai Naoroji Road, Near Central Camera, Fort, Mumbai 400 001.
- * We have pleasure in informing you that since last year your Company has joined the Depository System operated by National Securities Depository Limited (NSDL) and Central Depository Services (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
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 Limited,
260, Shanti Industrial Estate, Sarojini Naidu Road,
Mulund (West), Mumbai - 400 080.

Investor Relations Centre:

Intime Spectrum Registry Limited,
Dawar House, 2nd 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.

STOVEC INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the TWENTY-EIGHTH ANNUAL GENERAL MEETING of the members of STOVEC INDUSTRIES LIMITED will be held on Wednesday, the 14th August, 2002 at 3.30 p.m. at the 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, 2002 and the Report of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint Directors in place of Messers Atul Bhagwati, Adriaan W. Veenman, Arvid Manneke, Henricus van de Mortel, Alfred J. van Efferen, Drik W. Joustra, Girish C. Sheredalal, Macro A. Wadia, Udipi V. Rao and P.S.K. Iyengar, who retire at the 28th Annual General Meeting under Article 132 of the Articles of Association of the Company and being eligible offer themselves for re-appointment.
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 a **Special Resolution**.

“Resolved That the payment of remuneration as per agreement entered into between the Company and Mr. Prakash Bhagwati, the Managing Director of the Company on 27th January, 2000 be and is hereby approved as a minimum remuneration, in case of absence or inadequacy of profits in any financial year including the year ended on 31st March, 2002, till the present tenure expires on 29th February, 2004.”

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

“Resolved That in terms of the provisions of Sections 294, 294A and 294AA as also other applicable provisions of the Companies Act, 1956, if any, and subject to the approval of the Central Government, the Company do hereby approve the appointment of A.T.E. Marketing Private Limited as the Sole Selling Agents for a period of five years effective from 28th November, 2002 for the sale of and/or dealing in products manufactured or dealt with by the Company on the terms and conditions set out 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.

“Resolved Further That the Board of Directors of the Company be and is hereby authorised to accept the modifications to the said Agreement as may be required by the Government of India, but subject to the consent of A.T.E. Marketing Private Limited.”

Registered Office :

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

Dated : 30th May, 2002

By Order of the Board,

(Suresh Thakur Desai)
Company Secretary

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 Wednesday, 7th August 2002 to Wednesday, 14th August, 2002, 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 and the details as per the attached form to enable the Company to remit the dividend through E.C.S. facility, wherever feasible.
7. 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 Rs 22,556, which remained Unpaid out of the Dividend declared for the year 1995-96.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**Item No.2**

All the Directors of the Company, except the Managing Director, Mr. Prakash K. Bhagwati who is a non-rotational director, are retiring as per Article 132 of the Articles of Association, and being eligible they offer themselves for re-appointment. The brief particulars of the Directors are given below.

Mr. Atul Bhagwati is a qualified Engineer and has a very rich experience of Industry in general, and of Textile Machinery Industry in particular. He is the director of (1) A.T.E. Enterprises Private Limited, (2) A.T.E. Manufacturing Company Private Limited, (3) A.T.E. Marketing Private Limited, (4) A.T.E. Services Limited, (5) Apurva Containers Private Limited, (6) Capetown Investments Private Limited, (7) Eltromat (India) Private Limited, (8) Erhardt + Leimer (India) Private Limited, (9) Heiwa Finlease and Investments Private Limited, (10) Huyasu Investments Private Limited, (11) Ithaca Holdings Private Limited, (12) Johnson Pump (India) Limited, (13) Küsters Calico Machinery Limited (14) Matcon Export Enterprises Limited, (15) Motex Engineering Company Private Limited, (16) Petrotec-Retail Petroleum Equipment (India) Private Limited, (17) Pranava Industrial Services Private Limited, (18) The Bombay Licensed Measurers Limited, (19) Trumac Engineering Company Private Limited and (20) Vivita Limited.

He is also the Chairman of the Development Council for Textile Machinery Industry appointed by the Government of India, Ministry of Industry, Department of Industrial Development.

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Mr. Adriaan W. Veenman is an engineer and has 32 years of experience. He is CEO of Stork N. V. Holland.

Mr. Arvid Manneke holds Master degrees in Pharmacy and Business Administration. He has 17 years of experience and is President of Stork Textile Printing Group.

Mr. Henricus van de Mortel has 33 years of experience and is a Plant Manager consumables of Stork Textile Printing Group, Holland.

Mr. Alfred J. van Efferen holds Master degrees in Economics and Accountancy. He has 30 years of experience and is presently the Group Financial Controller of Stork Textile Printing Group, Holland.

Mr. Dirk W. Joustra holds a Master degree in Business Administration and has 19 years of experience. He is currently Vice President, Marketing and Sales of Stork Textile Printing Group, Holland.

Mr. Girish C. Shredalal is a Chartered Accountant by profession and is a partner in Enterprise Securities. He is also a Director of (1) FDC Limited, (2) Kaji & Maulik Securities Pvt. Ltd., (3) Kotak Mahindra Trustee Co. Ltd., (4) Maulik & Kaji Financial Services Pvt. Ltd. (5) Ratan Trading Pvt. Ltd., (6) Stellar Asset Management Pvt. Ltd., (7) The Ruby Mills Limited and (8) Trumac Engineering Co. Pvt. Ltd.

Mr. Marco Philippus A. Wadia is an Advocate by profession and is a partner of the leading firm of Solicitors viz. Crawford Bayley & Co. He is also the Director of (1) Amphenol Interconnect India Private Ltd., (2) Chambal Fertilizers & Chemicals Ltd., (3) GMAC - TCFC Finance Ltd., (4) Jost's Engineering Co. Ltd., (5) Telemechanique & Controls (India) Ltd., (6) Trumac Engineering Co. Pvt. Ltd., (7) UEC-SAIL Information Technologies Ltd. and (8) Zuari Industries Limited.

Mr. Udipi V. Rao was the Managing Director of one of the topmost Engineering Companies in India, namely Larsen & Toubro upto 1994. He is a qualified Engineer and has vast experience. He is also the Director of (1) Indfos Industries Limited, (2) John Fowler (India) Limited, (3) Raymond Limited, (4) TIL Limited and (5) Usha Beltron Limited.

Mr. P. S. K. Iyengar is a Textile Engineer, who has worked in various capacities in the A.T.E. Group of Companies. He is currently a Director of (1) Erhardt + Leimer (India) Pvt. Ltd. and (2) Holtex Engineering Co. Pvt. Ltd.

Item No.5

The Company at its Annual General Meeting held on 14th September, 2000 had approved the appointment and remuneration of Mr. Prakash K. Bhagwati for a period of 5 years w.e.f. 1st March, 2000. The Company has since not been earning adequate profits to pay the approved remuneration, and therefore the Managing Director has been paid lower remuneration as prescribed under Schedule XIII of the Companies Act, 1956.

The Department of Company Affairs has vide its Notification in the Official Gazette dated 16th January, 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 Company now proposes to pay the remuneration as per the terms of the Agreement approved by the Shareholders as aforesaid.

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The Remuneration Committee was constituted by the Board to approve this remuneration as required under Paragraph I (B) of Part II of Section II of Schedule XIII. The Committee has considered the matter and approved the payment of remuneration approved by shareholders as a minimum remuneration for the remaining tenure of the Managing Director. The Committee has noted that the Company has not made any default in repayment of any of its debts including public deposits and interest thereon.

The payment of this remuneration also requires approval of the members by Special Resolution. 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 K. Bhagwati in so far as it pertains to his remuneration; and Mr. Atul Bhagwati may be regarded concerned or interested in the remuneration since he is the brother of Mr. Prakash K. Bhagwati.

Statement as required under the notification GSR 36(E), dated 16th 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. Million)

PARTICULARS	Year ended (Audited) 31-03-2000	Year ended (Audited) 31-03-2001	12 Months Ended (Audited) 31-03-2002
1. Net Sales/Income from Operations	405.327	440.764	453.199
2. Other Income	6.390	7.150	7.359
3. Total Expenditure	350.831	391.043	413.429
a) Increase/decrease in stock in trade.	(1.999)	(3.934)	10.363
b) Consumption of raw materials	197.086	232.136	234.645
c) Staff Cost	40.538	41.415	46.830
d) Other Expenditure	115.206	121.426	121.591
4. Interest	13.725	13.745	9.786
5. Depreciation	16.608	12.834	13.649
6. Profit (+)/Loss(-) (1+2-3-4-5)	30.553	30.292	23.694
7. Provision for Taxation (including deferred tax)	3.534	2.575	9.267
8. Net Profit (+)/Loss(-) (6-7)	27.019	27.717	14.427
9. Paid up Equity Share Capital @ Rs.10 face value	20.880	20.880	20.880
10. Reserves excluding revaluation reserves	109.713	130.527	117.823
11. Basic & Diluted earning per Share	Rs. 12.94	Rs.13.27	Rs. 6.91

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- (5) The Company's export earnings during the financial year 2001-02 was Rs.14.593 million. The Company also remitted a dividend of Rs.3.195 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 K. Bhagwati is a M.E., M.S. (Mech.). He has been the Managing Director of the Company since 1st March, 1990 and has shouldered the responsibilities of managing the affairs of the Company.
- (2) Past Remuneration: In the year 2001-02 Mr. Prakash Bhagwati was paid a remuneration of Rs.1,785,715/-.
- (3) Recognition or awards : The Company has received ISO 9002 recognition.
- (4) Job profile and his suitability: Managing Director is responsible for managing the Company subject to the superintendence, control and direction of the Board of Directors. His experience and knowledge has helped the Company to a great extent. It is under his guidance that the Company has made a turnaround and been able to pay consistent dividend of 25% and 30% in the year 1999-2000 and 2000-01 respectively and hopes to continue its existing performance. This year the dividend proposed is 24%.
- (5) Remuneration Proposed: As per the terms of the Agreement dated 27th January, 2000, the Company proposes to pay remuneration under the scale of 75,000 – 5,000 – 100,000 for the next three years provided that the total monthly remuneration shall in no case exceed Rs.250,000/- per month or Rs.3,000,000 per annum.
- (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 342,224 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: The recession being faced by the textile industry and fall in demand in the end user industry has affected the profitability of the Company. The Company has turned the corner, but losses in past years have to be deducted for arriving at payment of minimum remuneration.
- (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 twice in the previous 3 years, 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.

IV. Disclosures

(1) Remuneration Package:

As per the Agreement dated 27th January, 2000 between the Company and Mr. Prakash Bhagwati, the terms of appointment are as follows :

The term of office is for a period of five years with effect from 1st March, 2000. He is entitled to the following remuneration, benefits/perquisites.

1. **Salary:** Rs.75,000 per month in the scale of 75,000 – 5,000 – 100,000. Within this, the Board of Directors may fix the administrative ceiling.
2. **Commission :** 1.5% of the net profits of the Company subject to the maximum of Rupees One Million in any one year.
3. **House Rent Allowance:** 50% of the salary.
4. **Gas, Electricity & Fuel :** At Actuals. Perquisite to be valued as per Income Tax Rules.

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 Rules framed thereunder.
3. Gratuity at the rate of one half month's salary for every completed year of service.
4. **Leave Travel Assistance:** Leave Travel Assistance for self and family once a year upto 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. **Club Fees:** Fees of maximum two clubs excluding admission and life membership fees.
9. **Personal Accident Insurance:** Premium not to exceed Rs.4,000 per annum.

He will be entitled to all leave benefits as applicable to the Senior Executives of the Company, including accumulation and encashment of unavailed leave.

The above remuneration shall not exceed five percent of the net profits and 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 a minimum remuneration upto the limits permissible under Section II of Part II of Schedule XIII of the Companies Act, 1956.

STOVEC INDUSTRIES LIMITED**10. 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.

He shall not be liable to retire by rotation so long as he continues to hold office as Managing Director.

The copy of Agreement with Managing Director is available for inspection at the Registered Office during 11.00 am to 1.00 pm.

Item No.6

The Company has appointed A.T.E. Enterprises Limited [now known as A.T.E. Enterprises Private Limited (ATEEPL)] as the Sole Selling Agents with the consent of the Company in General Meeting and with the approval of Central Government. Separate agreements for the three divisions of the Company viz., Screens, Industrial Machinery and Graphics, were entered into on various dates as per details given below:-

Stovec's Divisions	Agreement date	Validity period upto	Clause assigning its Rights
Screens	4 th May, 2000	31/12/2004	17(a)
Industrial Machinery	17 th April, 1998	27/11/2002	16(a)
Graphics	26 th April, 1999	31/03/2003	18

These agreements do permit the assignment of rights.

As a part of internal restructuring, ATEEPL has set up a wholly-owned subsidiary, A.T.E. Marketing Private Limited (ATEMPL), which will undertake its marketing activity with concentrated efforts as its sole purpose. ATEEPL has assigned its rights to ATEMPL and transferred its experienced employees and necessary assets required by the Marketing Company.

Members may approve the appointment of A.T.E. Marketing Private Limited as Sole Selling Agents in General Meeting, subject to the approval of Central Government as required under the Companies Act, 1956. A.T.E. Marketing Private Limited does not hold any shares in Stovec Industries Limited. However, the directors of A.T.E. Marketing Private Limited together with their relatives hold 69,526 shares amounting to 3.329% of the total paid up capital of the company.

Mr. Atul Bhagwati and Mr. Prakash Bhagwati being the directors of A.T.E. Marketing Private Limited may be deemed to be concerned or interested in the Resolution to that extent. They do not hold any shares in ATEMPL.

The copy of the proposed draft agreement with sole selling agent will be available for inspection at the Registered Office of the Company on any working day during 11.00 am to 1.00 pm.

Place: A-19, CTS No. 689
Veera Desai Road
Andheri (West)
Mumbai - 400 053
Dated: 30th May, 2002

By Order of the Board,
Stovec Industries Limited

S.Y.Thakur Desai
Company Secretary