

**STOUEC**

Annual Report

Report  junction.com 2002-2003

**STOUEC INDUSTRIES LIMITED**

### Attention Shareholders

- ❖ If you have kept the shares in single name use the nomination form. Please see page 15 for prescribed form.
- ❖ Please check the address and inform our Share Transfer Registrars the change of address.
- ❖ Please inform the Company Secretary, if you are not getting on time any service from the Company or Registrars and Transfer Agents at (Fax No. 22041690 / Telephone No. 2287 2245) (e\_mail: [s\\_y\\_thakurdesai@ateindia.com](mailto:s_y_thakurdesai@ateindia.com))
- ❖ Please note that our Registrars and Transfer Agents have made a 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 two 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

Dirk W. Joustra

Adriaan W. Veenman (Resigned from Directorship w.e.f  
23<sup>rd</sup> October, 2002)

Ulbe Bijlsma (appointed in Casual Vacancy caused by resignation of  
Dr. Adriaan W. Veenman w.e.f 23<sup>rd</sup> October, 2002)

Alfred J. van Efferen

Henricus van de Mortel

Arvid Manneke

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

**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.

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## **NOTICE**

NOTICE is hereby given that the TWENTY-NINETH ANNUAL GENERAL MEETING of the members of STOVEC INDUSTRIES LIMITED will be held on Wednesday, the 30<sup>th</sup> JULY, 2003 at 4.00 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 31<sup>st</sup> March, 2003 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 a **Special Resolution**

“Resolved That pursuant to the provisions of Section 163 of the Companies Act, 1956, the Company hereby approves the keeping of the Register of Members, the Index of Members, the Register and Index of Debenture holders and copies of Annual Returns prepared under Section 159 of the Companies Act 1956, together with the copies of the Resolution and documents required to be annexed thereto under Section 161 of the Act, or any one or more of them, at the office of the Share Transfer Agents, Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West) Mumbai 400 078, instead of being kept at the Registered Office of the Company.”

By Order of the Board,

Suresh Thakur Desai  
Company Secretary

Dated : 2<sup>nd</sup> May, 2003

Registered Office :

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

Andheri (West)

Mumbai – 400 053

**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 23<sup>rd</sup> July, 2003 to 30<sup>th</sup> July, 2003, 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 form given at the end 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. 4**

The Members are aware that the Company's Share Transfer Agents, M/s. Intime Spectrum Registry Limited had their office at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080. Share Transfer Agents have moved its office to new premises at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West) Mumbai 400 078, where better infrastructural facilities are available. It is proposed that the records be kept at the new venue.

Under Section 163 of the Companies Act, 1956 certain documents, which are normally required to be kept at the Registered Office of the Company, can be kept at any other place, provided that such other place has been approved by a Special Resolution passed by the Company in the General meeting. Advance copy of this proposed Special Resolution has been sent to Registrar of Companies, Maharashtra, Mumbai. Members are required to approve the Resolution.

No Director of the Company is deemed to be concerned or interested in the Resolution.

Dated: 2<sup>nd</sup> May, 2003.

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

By Order of the Board,  
Stovec Industries Limited

S.Y. Thakur Desai  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting to you the 29<sup>th</sup> Annual Report of your Company together with the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2003.

## FINANCIAL RESULTS

The results of operations during the year ended 31<sup>st</sup> March, 2003 were as follows: -

	Current Year 31.3.2003 Rs.	Previous Year 31.3.2002 Rs.
Sales and Services	476,398,500	439,951,362
Other Income	7,231,255	7,359,006
<b>Total Income : (a)</b>	<b>483,629,755</b>	<b>447,310,368</b>
<b>Expenditure :</b>	<b>420,184,413</b>	<b>389,818,359</b>
(Increase)/Decrease in Stocks	(11,341,482)	10,363,057
<b>Total Expenditure: (b)</b>	<b>408,842,931</b>	<b>400,181,416</b>
<b>Gross Profit : before Interest &amp; Brokerage,</b>		
Depreciation : (c) = (a) - (b)	74,786,824	47,128,952
Less: Interest & Brokerage	5,446,403	9,786,400
<b>Gross Profit after Interest &amp; Brokerage but before Depreciation</b>	<b>69,340,421</b>	<b>37,342,552</b>
Less: Depreciation	13,803,778	13,648,764
<b>Gross Profit /(Loss) after Depreciation but before Taxation</b>	<b>55,536,643</b>	<b>23,693,788</b>
Provision for Taxation for the year [current Rs.14,376,125+ wealth tax Rs. 15,000 + deferred tax Rs.(675,558)]	13,715,567	9,267,180
<b>Profit after Tax</b>	<b>41,821,076</b>	<b>14,426,608</b>
<b>Add: Surplus brought forward from last year</b>	<b>9,754,152</b>	<b>10,338,783</b>
<b>PROFIT AFTER TAXATION AVAILABLE FOR APPROPRIATION, WHICH IS APPROPRIATED AS UNDER :</b>	<b>51,575,228</b>	<b>24,765,391</b>
Dividend on Equity Shares @ 40% (Previous Year - 24%)	8,352,064	5,011,239
Tax on Distributed Profits	1,070,109	Nil
Amount transferred to General Reserve	32,000,000	10,000,000
<b>BALANCE CARRIED TO BALANCE SHEET</b>	<b>10,153,055</b>	<b>9,754,152</b>

## Dividend

In view of the above results the Board of Directors recommend payment of dividend @ Rs.4.00 per share (previous year Rs.2.40 per share).

## Company's overall performance

In spite of the prevalent market conditions, during the year under review your Company's sales turnover has increased by 8.28% from Rs. 439.951 million to **Rs. 476.398 million**. Selling and distribution

expenses were **Rs. 53.560 million** as against Rs. 50.761 million. Thus the increase in selling and distribution expenses was less than the rate of increase in the sales. In order to reduce the cost of production, the Company had introduced the Voluntary Retirement Scheme as reported in our previous report. The Company has written off fully the compensation of **Rs. 0.692 million** paid under VRS. The Company has recorded a profit before tax of **Rs. 55.536 million** as against Rs. 23.693 million in the previous year. Further, in view of the requirement of the Accounting Standard relating to deferred tax, the Company had to make a provision of **Rs. (0.675) million** for deferred taxes. The net profit works out to **Rs. 41.821 million** as against Rs. 14.426 million in the previous year.

As a result of sluggish demand from the foreign importers, the Company's export earnings during the year were **Rs. 10.942 million** as against Rs. 14.593 million in the previous year and Commission earnings in foreign exchange were **Rs. 0.112 million** (previous year Nil)

### **Segment—wise Performance**

#### **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. 132.532 million** as against Rs. 124.779 million in the previous year, showing an increase of **6.21%** compared to the previous year.

#### **Industrial Machinery Segment**

During the year under review this segment registered lower turnover of **Rs. 20.472 million** compared to the previous year's turnover of Rs. 27.135 million. This represents a decrease of **24.56%**.

#### **Graphics Segment**

The total turnover of the Graphics Segment increased to **Rs. 317.584 million** from Rs. 288.037 million in the previous year, registering an increase of around **10.26%**. This increase was inspite of fierce competition.

#### **Chemical Segment**

The Company was hitherto purchasing Engraving Chemicals and Press Room Chemicals required for Textiles and Graphics Industry. Now the Company has started its own facilities. The Current year turnover is Rs. 5.810 million.

#### **Other Activity**

Your Company, at the behest of Stork N.V., had entered into contract for providing services in connection with the refinery project at Pennar in South India. During the year under report, contract for the import of machinery has been cancelled. The Company had accordingly discontinued the services of a sub-contractor. The Company has entered into settlement agreement with the sub-contractor. The Company had received a post dated cheque of Rs 44.082 million from Nagarjuna Oil Corporation Limited as a part of the settlement agreement. However, their cheque was dishonoured. Your Company has filed a criminal complaint in Mumbai against the said company and its directors. The Company has also filed a winding up petition against them in Madras High Court at Chennai. Your company has received a liberal loan of Rs 40 million from the collaborators Stork Prints B.V. (formerly known as Stork Screens B.V.) for making payment to the Sub-Contractor as per the settlement agreement. Further, Stork N.V. have given to your Company a back-to-back guarantee. Hence under no circumstances any financial burden is expected on your Company.

#### **Future Outlook**

The Company is now concentrating on its core strength. The company continues to make all efforts to keep up the tempo of improved performance. If the economic reform measures initiated by the Government of India bear fruit and the condition of the Textile industry improves, we will be able to post still improved results.



**Directorate**

At the 28<sup>th</sup> Annual General Meeting all the Directors except Mr. Prakash Bhagwati, who is non-retiring Director retired under Article 132 of the Articles of Association of the Company and being eligible they offered re-appointment and were re-appointed as directors. However, during the year under review Dr. A.W. Veenman resigned as a director of the Company. The Board puts on record their sincere appreciation for the services rendered by him during his tenure. Mr. Ulbe Bijlsma was appointed as a Director to fill up the casual vacancy caused by the resignation of Dr. Veenman.

**Corporate Governance**

The Stock Exchanges of Mumbai and Ahmedabad have both adopted the Report of the Committee on Corporate Governance and amended Clause 49 of the Listing Agreement. Although as per the Schedule of Implementation mentioned by both these Exchanges, the Company does not come under the mandatory requirement of Corporate Governance, the Company is broadly complying with the requirements.

The Company is holding regular meetings of the Board of Directors and the gap between two meetings is normally not more than three months. All important decisions are taken at these meetings. There are no shareholders complaints pending.

**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 29th 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.

**Fixed Deposits**

The Fixed Deposits held by the Company as on 31.3.2003 were **Rs. 14.085 million**. There are no overdue deposits except unclaimed deposits of **Rs. 0.076 million**. The Company has paid interest to all the deposit holders on due date.

**Directors Responsibility Statement**

It is hereby stated that:

- a) in the preparation of annual accounts, the applicable accounting standards had 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 provisions of this Act, for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the Directors had prepared the annual accounts on going concern basis.

**Employees**

None of the employees of the Company are drawing a salary in excess of limit prescribed by the Central Government under section 217(2A) of the Companies Act, 1956.



**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 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 Prints B.V. Holland, their Directors and staff.

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

The Board is also grateful to The Karur Vysya Bank Ltd. for the credit facilities sanctioned.

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 contributed to the continued progress of the Company.

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

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For and on behalf of the Board

Mumbai  
Dated : 2<sup>nd</sup> May, 2003

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 31st March, 2003.

### **(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.