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STOVEC

# Annual Report

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2005-2006

# STOVEC INDUSTRIES LIMITED

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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, 2nd Floor, 197, Dr. Dadabhai Naoroji Road, Near Central Camera, Fort, Mumbai 400 001.
- We have pleasure in informing you that since five 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 dematerialized 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



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## DIRECTORS

| | |
|---|---|
| **Atul Bhagwati** | - Chairman |
| **Prakash Bhagwati** | - Managing Director |
| **Dirk W. Joustra** | |
| **Henricus van de Mortel** | |
| **Marco Philippus A. Wadia** | |
| **Girish C. Sharedalal** | |
| **Udipi V. Rao** | |
| **K.M. Thanawalla** | |
| **Aschwin N.R.M. Hollander** | |
| **Joost Willem Smits** | (from January 30, 2006) |
| **Brand Gerhardus Marcellinus** | (upto December 01, 2005) |
| **Jayant C. Vakil** | (Alternate Director to Mr. Henricus van de Mortel) |

## 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, 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

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



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# NOTICE

NOTICE is hereby given that the 32nd ANNUAL GENERAL MEETING of the members of **STOVEC INDUSTRIES LIMITED** will be held on July 28, 2006 at 11 a.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, 2006 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.

By Order of the Board,

Sarita Ahuja
Company Secretary

**Registered Office:**
43, Dr. V. B. Gandhi Marg,
Fort, Mumbai 400 023
Dated: April 28, 2006

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## 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 July 21, 2006 to July 28, 2006 both days inclusive.
4. 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.
5. Members are requested to notify immediately any change of address to enable the Company to remit the dividend.
6. 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



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Protection Fund established by the Central Government. The unclaimed dividend/matured deposits with the Companies and accrued interest for the financial year ended March 31, 1999 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.

By Order of the Board,

Sarita Ahuja
Company Secretary

**Registered Office:**
43, Dr. V.B. Gandhi Marg,
Fort, Mumbai 400 023
Dated: April 28, 2006



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# DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting to you the 32nd Annual Report of your Company together with the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March 2006.

## FINANCIAL RESULTS AND DIVIDEND

### i. Financial Results

The results of operations during the year ended March 31, 2006 were as follows:

| | Current Year 31.3.2006 Rs. | Previous Year 31.3.2005 Rs. |
|---|---|---|
| Sales and Services | **595,132,245** | 584,393,553 |
| Other Income | **14,964,351** | 10,092,350 |
| **Total Income : (a)** | **610,096,596** | 594,485,903 |
| **Total Expenditure: (b)** | **555,640,679** | 532,543,136 |
| **Gross Profit** : before Interest & Brokerage and Depreciation : **(c) = (a) – (b)** | **54,455,917** | 61,942,767 |
| **Less**: Interest & Brokerage | **3,209,507** | 2,725,604 |
| **Gross Profit after Interest & Brokerage but before Depreciation** | **51,246,410** | 59,217,163 |
| **Less:** Depreciation | **25,693,171** | 28,352,733 |
| **Profit /(Loss) before taxation** | **25,553,239** | 30,864,430 |
| **Less :** Current Tax | **12,962,031** | 17,675,437 |
| Deferred Tax | **(4,388,764)** | (7,434,780) |
| Wealth Tax | **12,390** | 20,000 |
| Fringe Benefit Tax | **861,453** | - |
| **Profit after Tax** | **16,106,129** | 20,603,773 |
| **Add : Prior Year Income (net of tax)** | **707,570** | - |
| **Add :** Excess provision for taxes for earlier years written back | **691,198** | 465,439 |
| **Add:** Surplus brought forward from last year | **28,873,695** | 19,947,064 |
| **Profit available for appropriation:** | **46,378,592** | 41,016,276 |
| Dividend on Equity Shares @ 25% (Previous Year–30%) | **5,220,040** | 6,264,048 |
| Tax on Distributed Profits | **732,111** | 878,533 |
| Amount transferred to General Reserve | **6,000,000** | 5,000,000 |
| **Balance carried to Balance Sheet** | **34,426,441** | 28,873,695 |

### ii. Dividend

In view of the above results, the Board recommends payment of dividend of Rs. 2.50 on a share of Rs. 10/- each (previous year Rs. 3.00 per share).



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# GENERAL REVIEW

i) **Company's Overall Performance**

During the year under review, your Company's sales turnover has marginally increased from Rs. 584.394 million to Rs. 595.132 million. On account of erosion in value addition for Screens and P.S. Plates and due to steep increase in input prices of nickel and aluminium respectively, the net profit after tax is reduced to Rs. 16.106 million from Rs. 20.604 million.

The volume of P.S. Plates business has also gone down in view of new generation CtP becoming more popular with graphic printers. Your Company has not been able to add this important product in the product portfolio due to non-availability of related technology. Due to continuous erosion in sales of P.S. Plates, the Company proposes to sell and transfer its plant and machinery and certain inventories and other current assets together with goodwill, explicitly excluding the intellectual and industrial property rights received by the Company from Polychrome Corporation, at the best available price, not being less than Rs. 90 million.

ii) **Exports**

The Company's export earnings during the year were Rs. 78.474 million against Rs. 64.315 million in the previous year. RD 8 printing machine got better acceptance in countries of Central Europe and Far East Asia. Your Company was able to sell 6 printing machines during the year.

iii) **Segment wise Performance**

**a) Screens**

The Company was able to increase its sales to Rs. 172.610 million from Rs. 160.482 million in the year 2005-06. The increase was achieved through better product mix and marginal increase in sales volume in numbers. We have been able to maintain an average realisation in screens at the last year level inspite of stiff competition from local and Chinese suppliers. In view of volatile price movements noticed in the London Metal Exchange (LME) revision in sales price has become imminent.

**b) IMD**

The growth in sale of printing machine, drier and accessories both in export and domestic markets has contributed to increase the sales value at Rs. 112.696 million during the year as compared to Rs. 94.394 million of last year.

We expect the demand for our printing machine in export and domestic markets to grow in next year.

**c) Graphics**

As reported above, sales declined to Rs. 296.364 million from Rs. 318.228 million due to product obsolescence.

**d) Chemicals**

There is improvement in the sale of chemicals. Our engraving chemicals for textile printing are being well received in the market and have contributed in the growth of sales.



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iv) **Future Outlook**

The Textile Industry in India is poised for rapid growth. Modernisation of textile industry shall enable industry to reduce costs, at the same time increase exports of textile considerably. In view of this possible growth scenario, your Company has potential to grow in sales volume for textile equipments and consumables.

v) **Corporate Governance**

As per the Schedule of Implementation mentioned by Stock Exchanges of Mumbai and Ahmedabad, the Company does not come under the mandatory requirements of Corporate Governance. However, the Company has continued complying with the requirements broadly.

**Result of Postals Ballot**

The Board of Directors of the Company at its meeting held on 28th March 2006 had appointed Mrs. Parul Sheth as theScrutinizer for Postal Ballot Resolution for passing of Ordinary Resolution underSection 293(1)(a) for the sale of its assets relating to Offset PrintingPlates and related chemicals. Theresult of postal ballot was declared on 9th May 2006 at 5.00 p.m. at the Registered Office of the Company. The Summary of the votes cast is as under.

| Particulars | Ballot | Vote | % |
|---|---|---|---|
| In Favour | 352 | 1,409,254 | 99.16 |
| Not in Favour | 11 | 1,483 | 0.10 |
| Invalid | 77 | 10,488 | 0.74 |
| **Total** | **440** | **1,421,225** | **100** |

vi) **Fixed Deposit**

The fixed deposit held by the Company as on March 31, 2006 were Rs. 3.538 million. There are no overdue deposits, except unclaimed deposits of Rs. 35,000. The Company has paid interest to all the deposit holders on due date.

vii) **Auditors' Report**

As regards the observations made by the Auditors at para 6 of their Report, your Directors have to state that the matter has been adequately dealt with in notes to the accounts referred therein.

## DIRECTORS

During the year under review Mr. Brand Gerhardus Marcellinus has resigned as Director. The Board puts on record the sincere appreciation for the services rendered by him during his tenure. During the year, Mr. Joost Smits was appointed in the casual vacancy caused on account of the resignation of Mr. Brand.

## DIRECTORS RESPONSIBILITY STATEMENT

The Board of 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 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.



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c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the 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.

## 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 32nd Annual General Meeting until the conclusion of the following Annual General Meeting.

Members are requested to appoint them as Statutory Auditors of the Company to hold the office till next Annual General Meeting. Members are also requested to please authorise the Board to fix their remuneration.

## PARTICULARS OF EMPLOYEES

The particulars prescribed under Section 217(2A) of the Companies Act, 1956 are furnished in the annexure to 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.

## ACKNOWLEDGEMENTS

The Board of Directors are grateful to Stork Prints B.V. Holland, the Company's collaborators, for their valuable assistance and support. They wish to record their appreciation for the co-operation and support of the Company's Bankers for the credit facilities sanctioned, all employees including the workers, staff and management and all others concerned with the Company's business.

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

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

For and on behalf of the Board

Atul Bhagwati
Chairman

Mumbai
Dated: April 28, 2006



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## 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 ended 31st March 2006.

### (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 L.C.D. and voltage stabilizers to avoid any major damage.
   - Better quality of fuel (L.D.O.) is used in place of furnace oil. This reduces air pollution, maintenance and break-down of equipment and increase overall efficiency and effectiveness.
   - Energy audit and implementation of recommendations.
2. **Additional investments and proposals, if any, being implemented for reduction of consumption of energy and other raw materials.**

   The following are the proposed measures to be implemented for reduction of consumption of energy.
   - Maximum recycling of water.
   - Installation of temperature controllers.
   - Cleaning of scrubber and 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.
   - L.D.O. and furnace oil consumption has been reduced.
   - Some of the utilities have been used during non peak hours (night time) where the unit cost is lower as per the new announcement by Torrent Power AEC Ltd.

### (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.
   - Better quality of raw materials will improve quality of our product.
   - Latest Q.C. equipment has been installed.
2. **Benefits derived as a result of the above R & D**
   - R & D has helped us to reduce costs. Alternative materials and certain chemicals are tried and replaced.
   - Reliable Quality Control testing equipment has improved the quality and reliability of our various products. Customer satisfaction level has improved.
   - Delivery time to customer has been reduced.



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