

36TH ANNUAL REPORT 2009

STOVEC
INDUSTRIES.LIMITED

STOUEC INDUSTRIES LIMITED

COMPANY PROFILE

Development and Production of Consumables for their use in textile and Graphic Printing Industry

Printing Machines-Supply Installation and after Sale Support

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

Metal Coating / Plating
Electroforming

Rotary Printing Machines for Textile

Rotary Screen and Chemicals for Textile Printing
Anilox and Screens for Graphic Printing

Textile Printing and Processor
Packaging and Label Printers and Converters
Industrial / Security Printers

Technology and Market Leadership in Rotary Screen and Printing Machinery



Rotary Printing Machine for Textile



Rotary Screens and Consumables for Textile Printing



Anilox and Screens for Graphic Printing

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Ms. Varsha Adhikari

AUDITORS

N. A. Shah Associates
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

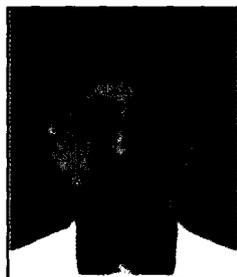
REGISTERED OFFICE AND FACTORY

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

Report  Junction.com

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LETTER FROM THE CHAIRMAN

Dear Shareholders,

It gives me great pleasure to present the 36th Annual Report of your Company for the year ending December 31, 2009.

The Economic slowdown that started in second half of 2008 shaped into an economic downturn in 2009. This impacted economies across all major markets and industries. Proactive Economic measures were taken by governments across US and Europe and also here in India. These interventions did boost up things and get some positive sentiment into business. In the Indian context, business with international exposure did have a setback as against domestic demand which was relatively less impacted during the year.

Your Company has had a successful year and achieved a PBT of Rs.97.397 million despite flat revenues. Improved profitability was driven through margin expansion and improved product mix. During the year the company re-engineered its key business processes and successfully migrated to a new ERP platform.

The general outlook for the economy in 2010 is expected to improve. Your Company's management team continues to focus on efficient execution of various programs initiated and also plans to add new product lines from our parent companies portfolio of products. This should help the company maintain and improve its current market and financial position.

I thank all stakeholders, corporate partners and friends for their continued support. We look forward to your continued support and patronage.

With warm regards,

K.M.Thanawalla
Chairman

36TH ANNUAL REPORT 2009**NOTICE**

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of the Members of Stovec Industries Limited will be held on Tuesday, the 30th day of March, 2010 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 Balance Sheet as at 31st December, 2009, the Profit and Loss Account for the period ended on that date and the Directors' and Auditors' Report thereon.
2. To declare dividend on equity shares.
3. To consider and if thought fit, pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, PriceWaterhouse, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors, N.A. Shah Associates, Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2010, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:**4. Re-appointment of Managing Director:**

To consider, and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII of the said Act, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the Authorities in granting such approvals, permissions and sanctions the Company hereby approves the reappointment of and the remuneration payable to Mr. Ashish Kaul as the Managing Director of the Company for a period of three years with effect from 1st March, 2010 in accordance with the terms and conditions set out in the agreement submitted to this Meeting and for the purpose of identification, signed by the Chairman, thereof, which Agreement is specifically approved and ratified with liberty to the Board of Directors of the Company to alter and vary the terms and conditions of re-appointment and/or agreement in such manner as may be deemed fit by the Board of Directors and acceptable to Mr. Ashish Kaul"

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in schedule XIII and other applicable provisions, if any, of the Act as amended from time to time and also to apply for Central Government's approval for remuneration beyond the specified limits,"

"FURTHER RESOLVED THAT the remuneration as agreed upon is within the limit as approved by Central Government which is valid till 31st December 2011, and beyond this date the Company may pay to the Managing Director the above remuneration as the minimum remuneration by way of salary subject to receipt of the requisite approvals, if any."

5. Alteration of Articles of Association:

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and are hereby substituted by a new set of Articles of Association, a draft of which has been initialed by the Chairman and made available for inspection by the shareholders at the registered office of the Company, be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the Articles hereof.

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"RESOLVED FURTHER THAT Mr. Ashish Kaul, Managing Director, and Ms. Varsha Adhikari, Company Secretary of the Company, be and are hereby jointly and severally authorized by the Company to undertake such acts, deed and matters, as they may in their absolute discretion deem necessary, proper or desirable, including any amendment or modification to the proposed Articles of Association as per the suggestion / direction of the Regulatory Authorities and settle any question, difficulty or doubt that may arise in this regard, including but not limited to making requisite filings with the Registrar of Companies and the stock exchanges, that may be required to give effect to the alteration of the Articles of Association in accordance with this resolution."

Regd. Office:

N.I.D.C. Nr.Village Lambha,
Post. Narol,
Ahmedabad, Gujarat
Date: 5th February 2010

By Order of the Board

Varsha Adhikari
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. Proxy Form (enclosed herewith) appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting.
3. Register of Members and Share Transfer Book shall remain closed from March 24, 2010 to March 30, 2010 (both days inclusive).
4. Pursuant to the provisions of section 205A (5) of the Companies Act, 1956, and Section 205C as amended 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 Investor Education and Protection Fund established by the Central Government. Share holders who have not claimed their dividend warrants for the financial year 2002-03 are requested to claim their unclaimed dividend before **August 10, 2010**. 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.
5. The dividend, if declared, will be paid on or after March 31, 2010 to the members so entitled, whose names appear in the register of members as on March 30, 2010, being the date of Annual General Meeting of the Company. In respect of shares held in electronic form, the dividend will be paid to those beneficial owners whose names appear in the statement furnished by the depositories for the purpose.
 - (a) **Members are requested to notify immediately any change of address:**
 - (i) to their Depository Participants (DPs) in respect of their electronic share accounts; and
 - (ii) to Link Intime India Pvt. Ltd.(Formerly Intime Spectrum Registry Ltd.) 211, Sudarshan Complex, Nr.Mithakhali Underbridge, Navrangpura, Ahmedabad - 380 009, being the Share Transfer Agents of the Company in respect of their physical share folios.
 - (b) **In case the mailing address on this Annual Report is without the PINCODE, Members are requested to kindly inform the Share Transfer Agents about their PINCODE immediately as above.**
6. 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.
7. 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.
8. 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.

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9. 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.
10. 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.
11. 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.
12. 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.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956:

As required by section 173 of the companies Act 1956(the Act), the following Explanatory Statement sets out all material facts relating to the Business mentioned under item 3,4 and 5 of the accompanying Notice dated 5th February 2010

Item No. 3

M/s N.A. Shah Associates, Chartered Accountants, Statutory Auditors of the Company, have informed the Company that they are not seeking re-appointment as Statutory Auditors of the Company. In view of the above, and based on the recommendation of the Audit committee, the Board of Directors has at its meeting held on 5th February proposed the appointment of PriceWaterhouse, Chartered Accountants as the Statutory Auditors for the year 2010.

The Company has received a special notice from a Member of the Company, in terms of the provision of the Act signifying his intention to propose the appointment of PriceWaterhouse, as the Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. PriceWaterhouse, Chartered Accountants have expressed their willingness to act as auditors of the Company if appointed, and have further confirmed that the said appointment would be in conformity with the provision of the Act.

The Members approval is being sought for the appointment of PriceWaterhouse as the Statutory Auditors and to authorize the board to determine the remuneration payable to Auditors.

Item No.4

Mr. Ashish Kaul has been the Managing Director of the Company since March 1, 2007. His experience and knowledge has helped the Company to a great extent and his re-appointment will further contribute to the progress and prosperity of the Company. The Board at their meeting held on February 5, 2010 has reappointed him for a further period of three years with effect from 1st March, 2010 subject to the approval of the Shareholders in General Meeting. In the Annual General Meeting held on 5th June, 2008, approval of members was accorded to increase the overall ceiling of the remuneration payable to the Managing Director not exceeding Rs.9 Millions per annum (Calendar Year). Subsequent to which the Central Governments permission was also received for such enhancement. The reappointment terms are within the above referred limit.

ABSTRACT OF THE TERMS OF APPOINTMENT AND REMUNERATION OF MR. ASHISH KAUL AS MANAGING DIRECTOR OF THE COMPANY:

1. **Salary:** Basic of Rs. 200,000/- per month. The Board of Directors shall have the power to give annual increment subject to the ceiling prescribed under schedule XIII to the Companies Act, 1956.
2. **House Rent Allowance:** 50% of the basic salary per month.
3. **Supplementary Allowance :** Rs. 109,715 per month

In addition the Managing Director shall be entitled to the following benefits:

- a) **Provident Fund and Gratuity** as per the Statutory Provisions.
- b) **Leave Travel Assistance:** Leave Travel Assistance for self and family once a year up to two month's basic salary incurred in accordance with the rules of the Company.

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- c) **Medical Benefit** upto Rs. 60000/- per annum
- d) **Transport allowance** of Rs. 450,000 will be paid per annum.
- e) **Attire Allowance:** Rs. 120,000 per annum.
- f) He will be entitled to all leave benefits as applicable to the Senior Executives of the Company, including accumulation and encashment of unavailed leave.
- g) Variable pay : Gross Bonus upto a maximum of 52.5% of annual fixed salary would be applicable (as per the group bonus Scheme)
- h) 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.

Additional information relevant for the approval of the remuneration payable to Mr. Ashish Kaul, as per Notification dated 16th January 2002 issued by the Department of Company Affairs.

I. General Information:

- 1) Nature of Industry Manufacturing of Nickel Perforated Rotary Screens and Machinery for Textile printings, at its factory situated at N.I.D.C. Nr.Lambha Village, Post: Narol, Ahmedabad, Gujarat.
- 2) Date of Commencement of commercial production N.A.
- 3) Financial Performance
- | | | | |
|---|-----------------------|---|-------------------|
| For the financial year ended 31.12.2009 | Turnover | : | Rs. 464.222 mill. |
| | Operating Profit | : | Rs. 56.813 mill. |
| | Net Profit Before Tax | : | Rs. 97.396 mill. |
| | Current Ratio | : | 2.245 |
| | Net Worth | : | Rs. 309.300 mill. |
- 4) Export Performance For the year ended 31.12.2009, the Company has achieved export turnover FOB value of Rs.68.456 million.
- 5) Foreign Investment or Collaboration
- Stork Screens B.V., The Netherlands are the Promoters of the company holding 71% of the equity share capital.
 - The Plant was established in technical collaboration with, the holding company as above.

II. Information about the appointee:**1. Background details :**

- ❖ Mr. Ashish Kaul has over 18 yrs of management experience in Operations, General Management, Supply Chain Management and in Sales. He has also been on various Executive Committees and Board.
- ❖ Mr. Ashish Kaul holds a degree of B.E. (Electronics) from Bangalore University and also holds degree in M.B.A. (Finance) from MDI, Gurgaon.

2. Past Remuneration:

Mr. Ashish Kaul has been paid remuneration under the terms of Schedule XIII of the Companies Act, 1956 as under:

For the period	Remuneration and perquisites paid*
01.01.2009 to 31.12.2009	Rs. 3.33 million

*Remuneration includes contribution to P.F. and other funds.

36TH ANNUAL REPORT 2009**3. Recognition or Awards:**

Amongst other achievements, Mr. Ashish Kaul is also the recipient of the "Pioneer in e-sourcing Award" from Freemarkets India and "Udyog Ratan Award" from Institute of Economic Studies.

4. Job Profile and his suitability:

As a Managing Director, Mr. Ashish Kaul is responsible for the day to day management of the Company and assisted by Senior Executives of the Company. He would be working under the superintendence and control of the Board of Directors.

5. Remuneration proposed:

As mentioned in the abstract of remuneration given in the preceding paras.

6. Comparative Remuneration, profile with respect of industry:

The proposed remuneration is commensurate with the level of remuneration prevailing in similar industry and having regard to the size of the company.

7. Pecuniary Relationship:

Mr. Ashish Kaul is not related to any Director or promoter of the Company.

III. Other Information:**Reason for inadequacy of Profits :**

The future outlook of the Company is to focus on improved product mix and increase its market share. The knowledge and experience of Mr. Ashish Kaul has helped the Company to a great extent in achieving good results and his reappointment will further contribute to the progress of the Company. Profits of the Company are in line with the current industrial scenario and are reasonable, but since the remuneration to Mr. Ashish Kaul, as mentioned here above do not fulfill the terms of the provisions of section 198, 269 & 309 of the Companies Act, 1956, and are exceeding the limits prescribed there-under, the Company has taken the necessary approval from the Central Government, which is valid till 31st December, 2011.

IV. Disclosures:**Remuneration Package:**

The Remuneration package of Mr. Ashish Kaul has been disclosed above. A copy of the agreement entered with the Managing Director is available for inspection by the members of the Company at the Registered Office of the Company on any working day except Saturdays & Sundays between 11.00 am to 1.00 p.m.

These explanations together with the accompanying notice may also be regarded as abstracts of the agreements under section 302 of the Companies Act.

Pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Act, the approval of the members in General Meeting is required to be obtained for the re-appointment and the terms of remuneration of Mr. Ashish Kaul as the Managing Director and as set out in items Nos.4 of the Notice.

None of the Directors except Mr. Ashish Kaul is interested or concerned in this resolution.

The Board is of the opinion that it is in the interest of the Company to receive the benefit of Mr. Ashish Kaul's services and accordingly the Directors recommend the Resolutions at items no.4 for approval by the members.

Item No. 5

Articles of Association of the Company contains certain clauses and provisions which has now become redundant and requires amendments. In view of creating a charter, having relevant provisions which can be made applicable between the Company and its shareholders, it is proposed to revise Articles of Association of the Company by removal of such redundant clauses and provisions and making relevant changes. Since number of changes are quite large in number, it is proposed to adopt a new set of articles which has been approved by the Board in their Board Meeting held on 5th February 2010.

None of the Directors are interested in the resolution. Directors recommend the resolution for the approval of the Shareholders.