

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

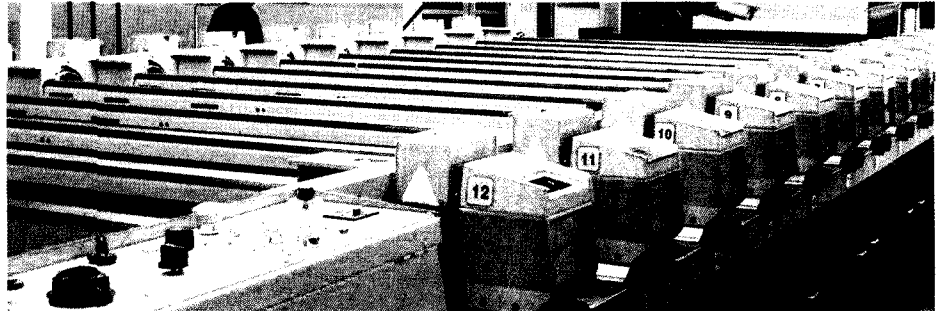
Metal Coating / Plating
Electroforming

Rotary Printing Machines
for Textile

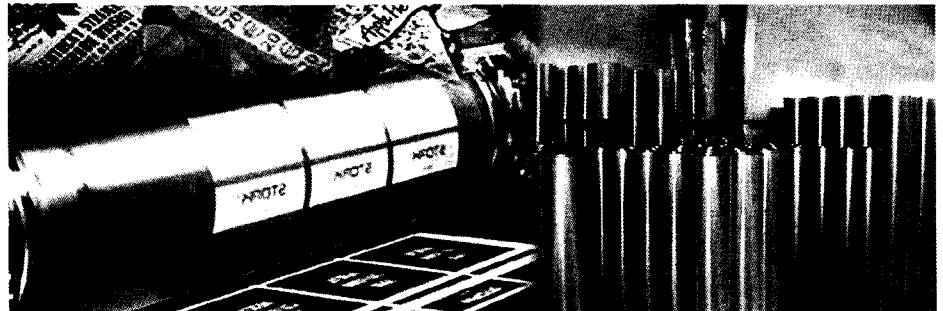
Rotary Screen and Chemicals
for Textile Printing
Anilox and Screens
for Graphic Printing

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

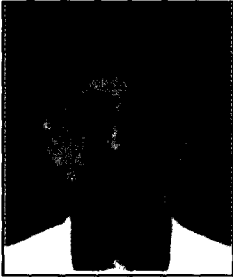
The Axis Bank Limited
The Karur Vysya Bank Limited

REGISTERED OFFICE AND FACTORY

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

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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

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.

"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.

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.

- 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
 - a) Stork Screens B.V., The Netherlands are the Promoters of the company holding 71% of the equity share capital.
 - b) 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.

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.

DIRECTOR'S REPORT

Your Directors are pleased to present the Thirty Sixth Annual Report and the Audited Accounts of the Company for the period ended 31st December, 2009.

1. Financial results:

Particulars	Current Year 31.12.2009 Amt. in Rs.	Previous Year 31.12.2008 Amt. in Rs.
Sales & Services	464,222,314	461,217,603
Other Income	58,159,856	23,052,080
(a) Total Income:	522,382,170	484,269,683
(b) Total Expenditure:	407,409,185	425,082,620
(c) Gross Profit:		
Before Interest, Depreciation, Amortisation & Impairment		
Charges: (c) = (a) - (b)	114,972,985	59,187,063
Less: Interest	814,717	215,821
Gross Profit after Interest but before Depreciation and Amortisation	114,158,268	58,971,242
Less: Depreciation & Amortisation Charges.	16,762,497	12,220,097
Operational Profit	97,395,711	46,751,145
Profit on sale of Land & Building	-	47,613,807
Total Profit before tax		94,364,952
Less: Current Tax	43,983,822	23,724,445
Deferred tax	(12,710,363)	3,712,669
Wealth Tax	10,000	-
Fringe Benefit Tax	193,006	948,296
Excess provision for taxes for earlier years (Net of deferred tax).	412,607	31,889,072
	(188,773)	28,196,637
Profit after tax	65,506,669	66,168,315
Add: Surplus brought forward from last year	55,994,513	45,683,685
Profit available for appropriation	121,501,212	111,852,000
Dividend on equity shares	21,924,168	41,760,320
Tax on Distributed Profits	3,726,013	7,097,167
Amount transferred to General Reserves.	6,600,000	7,000,000
Balance carried to Balance Sheet	89,251,031	55,994,513

2. Dividend:

In view of the above results your Directors recommend payment of dividend of Rs.10.50 per share for the year ended on December 31, 2009.

3. Performance Overview:

Stovec has had successful year and achieved a PBT of Rs.97.39 million despite flat revenues. On comparison of 2008 PBT (excluding onetime operating profit on sale of land and Building) with 2009 PBT there is a remarkable jump of 108%. Improved profitability was driven through enhanced Operating efficiencies, margin expansion and improved product mix.

4. Corporate Governance:

A separate Report on Corporate Governance compliance and a management Discussion and Analysis Report as stipulated by the Clause 49 of the Listing Agreement forms part of the Annual Report along with the required Certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement.

5. Directors:

During the year there has been no change in the Board of Directors of the Company.

6. Directors Responsibility Statement:

Pursuant to the provisions of Sub-section 2AA of Section 217 of the Companies Act, 1956, your 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 accounting policies selected had been applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the Profit or Loss of the Company for that period;
- c) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the annual accounts had been prepared on a going concern basis.

7. Auditors:

The Company's Statutory Auditors N.A.Shah Associates retires at the ensuing Annual General Meeting. They have advised the Board that they do not wish to be considered for re-appointment as Auditors of the Company. The Board recommends appointment of PriceWaterhouse, Chartered Accountants as the Statutory Auditors of the Company from the conclusion of the 36th Annual General Meeting until the conclusion of the following Annual General Meeting.

Members are also requested to authorize the Board to fix their remuneration.

8. Particulars with respect to conservation of energy etc.

The particulars prescribed under 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 as Annexure I and forms part of this Report.

9. Particulars of Employees:

The particulars prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Annual Report as Annexure II.

10. Acknowledgement:

We wish to place on record our gratitude for the contributions, cooperation and confidence reposed in the Board of Directors by Stork Prints B.V. and other shareholders, our valued employees and customers, our bankers, suppliers and other stakeholders.

M/s N.A. Shah Associates, the retiring Auditors, have had a long association with the Company. Board would like to record deep appreciation for their valuable services rendered by them during their period of association as Auditors.

For and on behalf of the Board

Mumbai
5th February 2010

K.M.Thanawalla
Chairman

Annexure to the Director's 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 December, 2009.

(I) Conservation of energy:**A. Energy conservation is an on-going process. The following are steps taken by the Company in this direction:**

1. Some Low efficient rectifiers have been replaced by new high efficiency rectifiers in production.
2. Continuously maintaining power factor of 0.99.
3. Efficient maintenance of Hot water generator & chiller turned in to fuel efficiency.
4. Metal halide lamps replaced by Mercury lamps and conventional tube lights replaced by CFL/T5 series for power saving.
5. Energy audit and implementation of recommendations.
6. Installation of PLC & VFD for better control at various process equipments.
7. Better utilization of production equipments.

B. Impact of the measures

1. Power consumption has been reduced as well as the production cost.
2. LDO consumption has been reduced.

C. Additional investments and proposals, if any, being implemented for reduction of consumption of energy and other raw materials.

The company has made the following investments:

- i. High Efficiency rectifiers.
- ii. VFD

D. Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods.

1. Power consumption has been reduced
2. L.D.O. and furnace oil consumption has been reduced.
3. Planned usage of utilities during non peak hours (Lower tariff rates).

(II) Environment Health & Safety:

1. Revamping of production cranes with better controlling equipments and DSL shrouded bus bars instead of overhead live conductors to improve safety level.
2. Waste chemicals storage area improved.
3. Continuous training program.

Form - B**Technology Absorption****1. Specific areas in which (R&D) carried out by the Company.**

Process improvements are carried out on a continued basis

2. Benefits derived as a result of the above R & D.

Cost of Poor Quality (COPQ) has improved

3. Future plan of action.

Process improvements are expected to continue

4. Details of R & D Expenditure.

1. Capital Expenditure	NIL
2. Recurring Expenditure	Not separately accounted
3. Total Expenditure	NIL
4. Total R&D Expenditure as a percentage of the total Turnover.	NIL

5. Technology absorption, adaptation and innovation.

- (a) Efforts, in brief, made towards technology absorption, adaptation and innovation: N.A.
 (b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. : N.A.
 (c) Details of Technology imported (during the last 5 years).

The Company imported technology for manufacturing new model of printing machines.

6. Has the technology been fully absorbed?

The above technology has been fully absorbed.

7. If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.

Not applicable.

8. Foreign exchange earning and outgo.

1. Activities relating to exports:

The Company has exported Rotary printing machines, spare parts and nickel screens.

2. Total foreign exchange used and earned.

- | | |
|--|-------------------------|
| i. Earnings in foreign exchange on account of goods and Services exported (Jan'09 – Dec'09). | Rs. 7,30,21,594 |
| ii. Value of imports of raw materials, components, stores, spares, commission, technical know-how fees, royalty etc. (Jan'09 – Dec'09) | Rs. 13,09,26,114 |

Annexure - II

Statement of particulars under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended on December 31, 2009.

A. Employed throughout the accounting year under review and were in receipt of remuneration for the accounting year in aggregate of not less than Rs.24,00,000/-

Sr. No.	Name & Age	Designation / Nature of Duties	Remuneration & Perquisites (in Rs.)	Qualification & Experience (in years)	Date of commencement of employment	Last employment held
1.	Mr.Ashish Kaul (41 yrs.)	Managing Director w.e.f. 01.03.2007, management of the whole of the Company.	Rs.33,28,532/- (Rs.4,22,360/- towards contribution to P.F. and other Retirement Benefits)	B.E. (Electronics) & M.B.A. (Finance)	31.07.2006	with Carrier India.

Note: Remuneration as shown above includes salary, house rent allowance, Company's contribution to Provident fund, Superannuation and Group Gratuity Fund. It also includes reimbursement of expenses incurred by the employees on leave travel and medical treatment, where ever applicable and to the extent admissible under the Rules of the Company.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company is proactive in following the principles and practices of Good Governance. The company strives to uphold sound corporate governance standards and business conduct. The value creation and sustainability of all the stakeholders is of great significance to the Company. Stovec has established systems and procedures to ensure that it remains fully complied with all mandated regulations. We believe in achieving business excellence with a high degree of transparency.

The Company has a professional Board, which provides strong oversight and strategic counsel to the operational management. The Board, being representative of the shareholders of the Company, is a bridge between them and the executive management.

2. BOARD OF DIRECTORS

The composition of the Board with reference to the number of Executive and Non-executive directors meets the requirement of Code of Corporate Governance. The Company has an optimum combination of Independent and Non-executive Directors.

The strength of the Board of Director is Seven Directors. The Board Comprises of Non-executive / Independent Chairman, Executive Director (M.D.), Three Non-executive Directors & Two other Non-executive/ independent Directors.

Name of Director	Executive/Non-Executive/ Independent	No. of Outside Directorship	No. of outside Committee position held	
			Member	Chairman
Mr. K.M. Thanawalla	Non-Executive / Independent (Chairman)	4	4	2
Mr. Girish Sharedalal	Non-Executive / Independent	3	1	2
Mr. Marco Wadia	Non-Executive / Independent	9	4	3
Mr. Dirk Joustra	Non-Executive Director	-		
Mr. Aschwin Hollander	Non-Executive Director	-	-	
Mr. Joost Smits	Non-Executive Director	-	-	-
Mr. Ashish Kaul	Executive (Managing Director)	-	-	-

The Board met 4 times during the year i.e. 30th January, 2009; 22nd April, 2009; 28th July, 2009 and 30th October, 2009.

The following table gives the attendance record of the Directors at the Board as well as Annual General Meeting.

DETAILS ABOUT THE BOARD MEETING

DIRECTORS	No of Board Meetings held	No of Meeting attended	Attendance at the AGM
Mr. K.M. Thanawalla	04	04	Yes
Mr. Girish Sharedalal	04	04	Yes
Mr. Marco Wadia	04	04	Yes
Mr. Dirk Joustra	04	01	No
Mr. Aschwin Hollander	04	02	No
Mr. Joost Smits	04	02	Yes
Mr. Ashish Kaul	04	04	Yes

Notes

- None of the Directors are related to any other director.
- None of the Directors holds Directorship in more than 15 Public Limited Companies nor is a member of more than 10 Committees and Chairman of more than 5 Committees across all Companies in which he is a Director.
- Outside directorship do not include alternate directorship, directorship of Private Ltd. Companies and of Companies incorporated outside India. The Number of outside Committee position held includes Audit Committee, Remuneration Committee and Investor Grievance Committee only.

Share – Holding of Non-Executive Director

The share holding of Non-executive Directors in the company are as follows:

DIRECTORS	No of Shares Held	% of Total Shares of the Company
Mr. K.M. Thanawalla	Nil	Nil
Mr. Girish Sharedalal	24	0.00115
Mr. Marco Wadia	2150	0.10297
Mr. Dirk Joustra	Nil	Nil
Mr. Aschwin Hollander	Nil	Nil
Mr. Joost Smits	Nil	Nil

Appointment / Re-appointment of Directors

The Board at their meeting held on February 5, 2010 has reappointed Mr. Ashish Kaul as Managing Director for further period of three years with effect from 1st March, 2010 subject to the approval of the Shareholders in General Meeting. The terms of appointment and information about Mr. Ashish Kaul are already mentioned in the Explanatory Statement to the Notice.

3. COMMITTEES OF THE BOARD

The Committees of the Board is Constituted as per the Code of corporate Governance. The role and the responsibilities of each of the Committee are well defined. The Board has constituted the following Committees:

3.1 AUDIT COMMITTEE:

The terms of reference of Audit Committee are as per the guidelines set out in the listing agreement with the stock exchanges read with section 292A of the companies act 1956 and includes such other functions as may be assigned to it by the board from time to time.

The Composition of the Audit Committee and details of meetings attended by the members of the Audit Committee are given below:

Directors	Position Held In Committee	Executive / Non-Executive Director	No of Committee Meetings held	No of Meeting attended
Mr. K.M. Thanawalla	Chairman	Independent Non-Executive Director	04	04
Mr. Marco Wadia	Member	Independent Non-Executive Director	04	04
Mr. Girish Sharedalal	Member	Independent Non-Executive Director	04	04
Mr. Ashish Kaul	Member	Executive Director	04	04

The Committee met 4 times during the year i.e. 30th January, 2009; 22nd April, 2009; 28th July, 2009 and 30th October, 2009.

3.2 REMUNERATION COMMITTEE:

The Remuneration Committee comprises of the following members:

Directors	Position Held In Committee	Executive / Non-Executive Director
Mr. Girish Sharedalal	Chairman	Independent Non-Executive Director
Mr. Marco Wadia	Member	Independent Non-Executive Director
Mr. K.M. Thanawalla	Member	Independent Non-Executive Director

The Remuneration Committee of the Company is empowered to review the remuneration of the Managing Director and the Executive Directors, retirement benefits to be paid to them and deal with matters pertaining to Employees' Stock Option Scheme.

During the year under report, there was no meeting held of the Remuneration Committee.

The Directors' remuneration and sitting fees paid/payable in respect of the Financial Year 2009 are given below:-

(A) Non-Executive Directors:

The Company pays Rs.18,000/- (Increased from Rs.10,000/- w.e.f. 30/10/2009) as sitting fees to all the directors except Mr. Ashish Kaul, the Managing Director, for each board meeting attended.

The Details of the sitting fees paid for the year 2009 to the Non-Executive Directors and Foreign Directors are as follows:

DIRECTORS	Amount of Sitting Fees Paid (in Rs.)
Mr. K.M. Thanawalla	48,000
Mr. Girish Sharedalal	48,000
Mr. Marco Wadia	48,000
Mr. Dirk Joustra	18,000
Mr. Aschwin Hollander	28,000
Mr. Joost Smits	20,000

Besides above, the Company does not pay any other commission or remuneration to its Non-Executive Directors and Foreign Directors.

(B) Executive / Whole-time Directors:

The details of remuneration paid to Executive / Whole-time Director are as follows:

DIRECTORS	(in Rs.)			
	Salary	Perquisites & Allowances	Retirement Benefits	Total
Mr. Ashish Kaul	26,48,000	2,57,182	4,22,360	33,28,532

3.3 INVESTOR GRIEVANCE COMMITTEE:

The composition of the Committee is as under:

Directors	Position Held In Committee	Executive / Non-Executive Director
Mr. K.M. Thanawalla	Chairman	Independent Non-Executive Director
Mr. Marco Wadia	Member	Independent Non-Executive Director
Mr. Ashish Kaul	Member	Executive Director

During the year under report the Committee met One time and all the members were present at the meeting.

Compliance Officer:

Ms. Varsha Adhikari, Company Secretary, who is the Compliance Officer, can be contacted at:-
 Stovec Industries Limited,
 N.I.D.C., Nr. Lambha Village, Post: Narol,
 Ahmedabad - 382 405, India.
 Tel : +91 79 3041 2300
 Fax : +91 79 2571 0406
 Email : investorawareness@stovec.com

Complaints or queries relating to the shares can be forwarded to the Company's Registrar and Transfer Agents 'M/s Link Intime India Private Limited' at ahmedabad@linkintime.co.in.

The Compliance officer has been regularly interacting with the Share Transfer Agents to ensure that the complaints of the investors are attended to without undue delay and where deemed expedient the complaints are referred to the Committee or discussed at the meetings.

The status on the total number of complaints received during the FY 2009, is as follows:-

	Equity Shares
Complaints regarding non-receipt of dividend/interest, shares lodged for transfer	4
Complaints received from the shareholders through SEBI and other Statutory Bodies	4
Complaints redressed out of the above	8
Pending complaints as on 31.12.2009	Nil

All the complaints received by the Company have generally been disposed off within 21 days of the receipt of the same.

4. CODE OF CONDUCT:

4.1 CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING:

The Company has adopted a code of conduct for Prevention of Insider Trading in the Shares of pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.

4.2 CODE OF BUSINESS CONDUCT AND ETHICS:

The Company has in place, a code of business conduct and ethics for its Board Members and the Senior Management. The Board and the Senior Management affirm compliance with the code, annually.

5. GENERAL BODY MEETINGS' DISCLOSURES:

Location and time of General Meetings in the past 3 years:

Year	Type	Location	Date	Time
2008	Annual	Stovec Industries Limited	April 22, 2009	11.00 am
2007	General Meeting	N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad - 382405.	June 5, 2008	10.00 am
2006-07			July 27, 2007	3:30 pm

The following are the Special Resolutions passed at General Meetings held in the past 3 years:

Date of Meeting	Summary
April 22, 2009	Nil
June 5, 2008	1. Appointment of Sole Selling Agents. 2. Increase in Ceiling Limits of the Remuneration of the Managing Director.
July 27, 2007	1. Appointment of Managing Director of the Company. 2. Change in place of keeping registers / records.

6. DISCLOSURE:

6.1 Besides the transactions mentioned elsewhere in the Annual Report, there were no other materially significant related party transactions that may have potential conflict with the interests of the Company at large.

6.2 The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets during the last 3 years. No penalties or strictures have been imposed by them on the Company.

7. MEANS OF COMMUNICATION

The Company has published quarterly, half yearly as well as annual results in the following News Papers:

Type of Result	Date on which Published	Daily News Paper (English)	Daily News Paper (Gujarati)
Quarterly of March 31, 2009	April 24, 2009	Economic Times	Economic Times
Quarterly of June 30, 2009	July 30, 2009	Business Standard	Loksatta Jansatta
Quarterly of September 30, 2009	October 31, 2009	Business Standard	Loksatta Jansatta
Annual as on December 31, 2009	February 06, 2010	Business Standard	Loksatta Jansatta

The Annual Report, Quarterly Results and Shareholding Pattern of the Company are filed with the Stock Exchanges.

8. GENERAL INFORMATION FOR MEMBERS:

8.1 Annual General Meeting:

Date and Time	30 th day of March, 2010 at 2.00 p.m.
Venue	Stovec Industries Limited N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad - 382405.

8.2 Financial Calendar:

Financial Year	Ending December 31
Date of Book Closure	March 24, 2010 to March 30, 2010 (both days inclusive)
Dividend Payment Date	Amount of Dividend will be deposited with the bank within 5 days of approval by the Shareholders in the forthcoming AGM and its payment will be made within 30 days of its declaration.

8.3 Listing:

The Company's shares are listed on the Bombay Stock Exchange Limited (BSE) and Ahmedabad Stock Exchange Limited (ASE).

8.4 The following are the listing details of the Company's Shares:

Type of Shares	ISIN No.	Stock Code	
		BSE	ASE
Ordinary Share	INE755D01015	504959	57410

8.5 Market Information:

Market price data - monthly high/low and trading volumes on BSE depicting liquidity of the Company's Shares on the said exchange is given hereunder:-

Month	Bombay Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	No. of Share
January '09	74.60	65.00	2919
February '09	112.00	76.05	7708
March '09	181.70	103.00	49357
April '09	219.90	139.00	40263
May '09	173.00	122.00	15022
June '09	184.00	139.05	8730
July '09	174.35	130.00	6101
August '09	193.00	155.00	8466
September '09	192.00	167.00	16099
October '09	250.00	180.15	64916
November '09	245.00	190.00	31513
December '09	292.00	228.00	40021

*source: www.bseindia.com

8.6 Registrar and Transfer Agents:-

For transfer lodgement, delivery and correspondence related to Shares, Members are requested to correspond with the Company's Registrar and Share Transfer Agents - M/s Link Intime India Private Limited quoting their folio no. at the following address:-

M/s Link Intime India Private Limited,
211, Sudarshan Complex, Nr. Mithakhali Under Bridge,
Navrangpura, Ahmedabad - 380 009.
Tel: 079 - 2646 5179 Fax: 079 - 2646 5179

8.7 Share Transfer System:

Shares lodged for transfer at the Registrar's address are normally processed within 26 days from the date of lodgement, if the documents are clear in all respects. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 21 days. Shareholders Committee has empowered Senior Executives of the Company to approve transfer of shares and other investor related matters. Grievances received from investors and other miscellaneous correspondence on change of address, mandates, etc. are processed by the Registrars within 15 days of the receipt of the same.

8.8 Secretarial Audit:

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.

A qualified Practicing Company Secretary carried out a Secretarial Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with NSDL and CDSL).

8.9 Shareholding Pattern of Shares of the Company:

Category	As on 31.12.09		As on 31.12.08		Variance 09 v/s 08
	No. of Shares	%	No. of Shares	%	
Promoters & Promoter Group	1,482,493	71.00	1,482,493	71.00	-
Mutual Funds/UTI	200	0.01	200	0.01	-
Financial Institutions/Banks	3,851	0.18	3,851	0.18	-
Trusts	318	0.02	-	-	0.02
Bodies Corporate	48,907	2.34	44,558	2.13	0.21
NRIs	14,498	0.69	2,932	0.14	0.55
Clearing Members	7,074	0.34	1,383	0.07	0.27
Directors & their Relatives	6,178	0.30	5,654	0.27	0.03
Individuals	524,497	25.12	546,945	26.20	(1.08)
Total	2,088,016	100.00	2,088,016	100.00	-

8.10 Distribution of shareholding as on December 31, 2009:

RANGE OF SHARES	NUMBER OF SHAREHOLDERS	% AGE OF TOTAL	NUMBER OF SHARES	%AGE OF TOTAL
1 - 500	6573	97.725	373736	17.8990
501 - 1000	87	1.2930	63540	3.0430
1001 - 2000	36	0.5350	51074	2.4460
2001 - 3000	9	0.1340	22393	1.0720
3001 - 4000	10	0.1490	35184	1.6850
4001 - 5000	2	0.0300	9292	0.4450
5001 - 10000	6	0.0890	50304	2.4090
10001 - 9999999999	3	0.0450	1482493	71.0010
TOTAL	6726	100.00	2088016	100.00

8.11 Top shareholders (holding in excess of 1% of capital) as on December 31, 2009:

Name of Shareholder	No. of Shares held	% age of Capital
Stork Prints B.V.	14,82,493	71.00

8.12 Dematerialisation of shares:

The electronic holding of the shares through NSDL and CDSL are as follows:-

Particulars	NSDL		CDSL	
	As on 31 st December		As on 31 st December	
	2009	2008	2009	2008
Ordinary Shares	15.14 %	15.07 %	23.51 %	22.67 %

8.13 Address for correspondence:

Stovec Industries Limited
N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad - 382 405.

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT:

The company is in the business segment of Industrial machinery Products and consumables for rotary printing. Product Lines include rotary printing machines for Textiles, Rotary screens & chemicals for Textile printing, Anilox rollers and Screens for Graphic printing.

The consumables (Screens) are marketed domestically whereas the machinery products are sold domestically and also exported. The domestic markets are in the West (Surat, Ahmedabad, Mumbai), South (Bangalore, Tirupur, Erode) and in North (Delhi NCR, Amritsar). The international markets are widely spread although we are witnessing improved activity in Latin American markets.

The company has market and technology leadership in the segments it operates.

COMPANY PERFORMANCE:

Stovec Industries Limited continues to be a leading rotary screen producer in India and a reliable partner in business. During the years we have developed extensive application know-how in the rotary screen printing technology. In the context of the current year we have had a record production and sales of consumables. The company pursues continuous process improvements to ensure that all screens comply to "best in class" standards of quality confirming to high standards of Environmental health and safety. We have continued to demonstrate high customer focus and with our strong localized support we play an important role in our customer's value chain.

The company has demonstrated consistent financial performance and strong cash reserves. 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.

OUTLOOK & OPPORTUNITIES:

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. With improvement in the economic situation in the international markets, exports of machinery may improve. This should help the company maintain or improve its current market and financial position.

RISKS AND CONCERNS:

The overall economic climate and in particular the health of Textile processing industry will have direct impact on the company's business plans. The company continues to take suitable steps to minimize these risks and their impact on Company's overall performance.

INTERNAL CONTROL SYSTEM:

Adequate internal control procedures are in place across the company. The company has implemented a new ERP platform. The internal control mechanisms have been integrated into this.

HUMAN RESOURCE MANAGEMENT:

The company has focused on creating performance based culture within the organization and Employee training is an important focus area for the company.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,
The Members,
Stovec Industries Ltd.
Ahmedabad.

I have examined all relevant records of *Stovec Industries Limited* for the purpose of certifying compliance of conditions of Corporate Governance under clause 49 of the listing agreement with Bombay Stock Exchange for the accounting year ended on 31st December 2009. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of my examination of the records produced, explanation and information furnished, I certify that the Company has complied with;

- a) all the mandatory conditions of the said clause 49 of the listing agreement;
- b) the following non-mandatory requirements of the said Clause 49;
 - i) The Company has set up Remuneration Committee to determine remuneration package of executive director.

Sandip Sheth
Practising Company Secretaries

Date : 5th February 2010
Place : Ahmedabad

FCS No. : 5467
COP No. : 4354

CERTIFICATION BY MANAGING DIRECTOR AND VICE-PRESIDENT (FINANCE)

We, Ashish Kaul, Managing Director and Girish Deshpande, Vice-President (Finance) of Stovec Industries Ltd., to the best of our knowledge and belief certify that:

- a. We have reviewed the financial statements and Cash Flow Statement for the year ended 31st December, 2009 and to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. We also certify that to the best of our knowledge and belief, there are no transactions entered into by Stovec Industries Ltd., during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
 - i. Significant Changes, if any, in Internal controls during the year.
 - ii. Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the Notes to the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.
- e. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any)
- f. We further declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the current year.

Place : Ahmedabad
Date : 5th February 2010

Ashish Kaul
Managing Director

Girish Deshpande
Vice-President (Finance)

AUDITORS' REPORT**To the members of
STOVEC INDUSTRIES LIMITED**

We have audited the attached Balance Sheet of **Stovec Industries Limited** (the company) as at 31st December, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date (together referred as 'financial statements'), annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the order') issued by the Central Government in terms of sub - section 4(A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. We further report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from examination of those books;
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Companies (Accounting Standard) Rule, 2006, issued by the Central Government, read together with sub-section (3C) of section 211 of the Companies Act, 1956;
5. On the basis of the written representation received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. Reference is invited to Note 4 of schedule 'T' part II regarding change in the useful life of new generation technical know how. On account of revised estimate of useful life, depreciation for the year is higher by Rs. 6,034,635/- and profit for the year and net block of the asset as on 31st December 2009 is lower by equivalent amount.
7. In our opinion, and to the best of our information and explanation given to us, the said accounts read with note 6 above and read together with the notes to accounts and significant accounting policies, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st December, 2009;
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of Cash Flow Statements, of the cash flows for the year ended on that date.

For N. A. Shah Associates
Chartered Accountants

Sandeep Shah
Partner

Place : Mumbai
Date : 5th February 2010

Membership No: 100-37381
Firm Membership No: 116560-W

Annexure to the Auditors' Report
(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The fixed assets are being verified under a phased programme by the management at reasonable intervals. In our opinion the frequency of verification is reasonable having regard to size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
(c) Fixed assets disposed off during the year were not substantial to affect the going concern assumption.
2. (a) The inventories have been physically verified by the management during the year. In case of stock lying at third parties, certificates confirming the stocks held have been received from majority of the parties. The frequency of the physical verification is reasonable.
(b) The procedures for the physical verification of the inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company has maintained proper records of inventories. The discrepancies noticed on verification between physical inventories and book records have been properly dealt with in the books of account.
3. As informed, the Company has not granted / taken any loans, secured or unsecured to / from the parties listed in the register maintained under section 301 of the Companies Act, 1956.
Accordingly, clause 4(iii) (b), (c), (d), (e), (f) and (g) of the Order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
5. (a) Based on the information and explanation given to us, there are no transactions pertaining to contracts and arrangements that need to be entered in pursuance to section 301 of the Companies Act, 1956.
(b) In view of para (a) above, our comment in respect of clause 4 (v)(b) of the Order is not applicable / required.
6. As the Company has not accepted or renewed any deposits from the public, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA and the rules framed there under are not applicable. As informed to us, no order under the aforesaid Sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for any of the products of the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in payment of Income Tax Deducted at Source and regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Value Added Tax (VAT), Wealth Tax, Income Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other dues as applicable to the company during the year with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable were in arrears, as at 31st December, 2009 for a period of more than six months from the date they became payable.

- (b) According to the records of the Company and information and explanations given to us, the following disputed dues have not been deposited since the matters are pending with the relevant forum.

Name of the Statute	Nature of Dues	Amount (in Rs)	Period to which it relates	Forum where dispute is pending
Income Tax Act ¹	Tax liability	3,470,195 1,773,944 7,180,164	Various assessment years	ITAT High court ACIT
Gujarat Sales Tax ²	Tax including interest & penalty	25,233,222	2005-2006	Deputy Commissioner Sales Tax Appeal

¹ Includes cases where the department has preferred an appeal.

² Appeal filed by the company.

10. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the current financial year covered by our audit and in the immediately preceding financial year.
11. Based on our audit procedures and the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to bank during the year. As informed to us, there are no borrowings from financial institutions or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and accordingly clause 4(xii) of the Order is not applicable to the company.
13. The Company is not a chit fund / nidhi / mutual / benefit fund / society. Accordingly clause 4(xiii) of the Order is not applicable to the Company.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, clause 4(xiv) of the Order is not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. As no term loans were outstanding at the beginning of the year and no term loans were taken during the year, clause 4(xvi) of the Order is not applicable to the company.
17. On the basis of our examination of the Cash Flow statement the funds raised on short-term basis have not been used for long-term investments, as they have been financed out of internal accruals.
18. The Company during the year has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures and accordingly, no securities / charge were required to be created.
20. The Company has not raised any money by public issue.
21. During the course of our examination of the books of account, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any incidence of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

For N. A. Shah Associates
Chartered Accountants

Sandeep Shah
Partner

Place : Mumbai
Date : 5th February 2010

Membership No: 100-37381
Firm Membership No: 116560-W

BALANCE SHEET AS AT 31ST DECEMBER 2009

	Schedule	As At 31st December 2009 Rupees	As At 31st Dec., 2008 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	20,880,160	20,880,160
Reserves and Surplus	B	288,420,064	248,563,546
		309,300,224	269,443,706
Deferred Tax Liability (Net)	C	-	3,994,112
TOTAL		309,300,224	273,437,818
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	174,122,348	162,600,778
Less: Depreciation		98,724,201	84,265,765
Net Block		75,398,147	78,335,013
Capital work-in-progress (including capital advance)		1,644,124	233,620
		77,042,271	78,568,633
Investments	E	5,008,075	8,075
Deferred Tax Asset (Net)	C	8,716,252	-
Current Assets, Loans & Advances			
Inventories	F	59,070,589	84,572,982
Sundry Debtors	G	122,924,346	127,027,095
Cash and Bank Balances	H	166,038,227	150,216,538
Other Current Assets	I	29,484,348	23,316,108
Loans and Advances	J	16,519,669	11,694,459
		394,037,178	396,827,182
Less:			
Current Liabilities	K	113,019,670	133,710,852
Provisions	K	62,483,883	68,255,220
Net Current Assets		218,533,626	194,861,110
TOTAL		309,300,224	273,437,818
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	T		

As per our report of even date attached
For N.A.SHAH ASSOCIATES
Chartered Accountants

Sandeep Shah
Partner
Membership No: 100-37381
Firm No. : 116560-W

Place : Mumbai
Dated : 5th February 2010

The above Balance Sheet including Schedules A to K and
the Notes relevant thereto are hereby authenticated by us.

For and on behalf of the Board of Directors

K.M. Thanawalla Chairman
Ashish Kaul Managing Director
Varsha Adhikari Company Secretary

Place : Mumbai
Dated : 5th February 2010

STOVEC INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED ON 31ST DECEMBER 2009

Schedule	For the year ended 31st December 2009		For the year ended 31st December 2008	
	Rupees	Rupees	Rupees	Rupees
INCOME :				
Sales and Services (Gross)		492,125,862		512,772,200
Less: Excise Duty		<u>27,903,548</u>		<u>42,957,069</u>
Sales and Services (Net)	S	464,222,314		469,815,131
Profit on Sale of Land & Building		-		47,613,807
Other Income / Items	L	58,159,856		23,052,080
			<u>522,382,170</u>	<u>540,481,018</u>
EXPENDITURE :				
Materials Consumed	M	227,127,269		284,481,132
Personnel Costs	N	49,624,266		48,532,435
Manufacturing and Other Expenses	O	100,264,877		67,958,477
Selling and Distribution Expenses	P	21,204,712		21,086,735
Interest	Q	814,717		215,821
Depreciation and Amortisation	D	16,762,497		12,220,097
(Refer note 4 and 7 of Schedule 'T' Part II) (Increase) / Decrease in Inventory	R	9,188,061		11,621,369
			<u>424,986,399</u>	<u>446,116,066</u>
PROFIT/(LOSS) BEFORE TAX			97,395,771	94,364,952
PROVISION FOR TAX				
- Current Tax (Refer note 14 of Schedule 'T' Part II)		43,983,822		23,724,445
- Deferred Tax		(12,710,363)		3,712,669
- Wealth Tax		10,000		-
- Fringe Benefit Tax		193,006		948,296
- (Excess)/Short provision for taxes for earlier years (net of deferred tax)		412,607		(188,773)
			<u>31,889,072</u>	<u>28,196,637</u>
NET PROFIT AFTER TAX			65,506,699	66,168,315
Add: Surplus brought forward from last year			<u>55,994,513</u>	<u>45,683,685</u>
AMOUNT AVAILABLE FOR APPROPRIATION			121,501,212	111,852,000
DIVIDEND ON EQUITY SHARES				
Proposed Dividend		21,924,168		41,760,320
Tax on Dividend		3,726,013		7,097,167
		<u>25,650,181</u>		<u>48,857,487</u>
TRANSFER TO GENERAL RESERVE		6,600,000		7,000,000
			<u>32,250,181</u>	<u>55,857,487</u>
BALANCE CARRIED TO BALANCE SHEET			89,251,031	55,994,513
Earning per Share (Face Value of Rs.10/- each)				
Basic			31.37	31.69
Diluted			31.37	31.69
Net Profit after tax				
Basic			65,506,699	66,168,315
Diluted			65,506,699	66,168,315
Average No.of shares				
Basic			2,088,016	2,088,016
Diluted			2,088,016	2,088,016
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	T			

As per our report of even date attached
For N.A.SHAH ASSOCIATES
Chartered Accountants

The above Profit and Loss Account including Schedules D, L to S and the Notes relevant thereto are hereby authenticated by us.

Sandeep Shah
Partner
Membership No: 100-37381
Firm No. : 116560-W

For and on behalf of the Board of Directors

K.M. Thanawalla Chairman
Ashish Kaul Managing Director
Varsha Adhikari Company Secretary

Place : Mumbai
Dated : 5th February 2010

Place : Mumbai
Dated : 5th February 2010

CASH FLOW FOR THE YEAR ENDED 31st DECEMBER, 2009

(Pursuant to the Listing Agreement with Stock Exchange)

	31st December 2009		31st December 2008	
	Rupees	Rupees	Rupees	Rupees
A. Cash Flow From Operating Activities				
(Loss)/Net Profit Before Tax		97395771		94364952
Adjustment For:				
Depreciation	16762497		12220097	
(Profit)/Loss On Sale Of Land & Building (Net)	-		(47613807)	
(Profit)/Loss On Sale Of Other Fixed Assets (Net)	(6066489)		(6151722)	
Foreign Exchange (Gain) / Loss	2643110		(2517024)	
Investment Income	(12550004)		(2507635)	
Interest Charged	797687		164717	
Provision For Doubtful Debts	1318238		4202155	
Provision For Obsolescence of Inventory (net)	20731604		(2692568)	
Interest On Income Tax Paid	17030		51104	
Excess Provision Written Back	(30406000)		(4174621)	
		(6752327)		(49019304)
Operating Profit before Working Capital Changes		90643445		45345648
Changes in:				
Trade and Other Receivable	(14025299)		(2611247)	
Inventories	4770789		19481860	
Trade Payable	22090764		(10462568)	
		12836255		6408045
Cash Generated from Operations		103479700		51753693
Direct Taxes Paid (Including FBT)	(37322312)		(25953217)	
		(37322312)		(25953217)
Net Cash Flow From Operating Activities (A)		66157387		25800476
B. Cash Flow From Investing Activities				
Purchase Of Fixed Assets (including CWIP)	(16389630)		(8466746)	
Sale Of Fixed Assets	7219984		59079203	
Interest Received	8317667		3366178	
Purchase of Investment	(5000000)		-	
Sales of Investment	-		381500	
Net Cash Inflow from Investing Activities (B)		(5851979)		54360135
C. Cash Flow From Financing Activities				
Re-Payments Of Borrowings	-		-	
Interest Paid	(458483)		(164717)	
Dividend Paid	(40966431)		(6658043)	
Tax On Dividend	(7097167)		(1135547)	
Net Cash Inflow from Financing Activities (C)		(48522081)		(7958307)
Net Changes In Cash & Cash Equivalent (A+B+C)		11783328		72202304
Cash & Cash Equivalent Opening Balance		149312743		77110439
Cash & Cash Equivalent Closing Balance (Refer note 2)		161096071		149312743
Add : Accrued Interest on Fixed Deposits		4942156		903795
		166038227		150216538

Notes:

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in AS-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India
- Cash and Cash Equivalents includes
 - Rs. 1,925,153/- (Previous Year Rs.1,131,264/-) are earmarked funds and are not available for general use by the Company (Refer Schedule H to Financial Statements).
 - Fixed Deposit of Rs. 2,448,000/- (Previous Year Nil) given against Bank Guarantee (Refer Schedule H to Financial Statements).

As per our report of even date attached

For N.A.SHAH ASSOCIATES

Chartered Accountants

Sandeep Shah

Partner

Membership No: 100-37381

Firm No. : 116560-W

Place : Mumbai

Dated : 5th February 2010

For and on behalf of the Board

For and on behalf of the Board of Directors**K.M. Thanawalla**

Chairman

Ashish Kaul

Managing Director

Varsha Adhikari

Company Secretary

Place : Mumbai

Dated : 5th February 2010

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As At 31st December 2009 Rupees	As At 31st Dec., 2008 Rupees
SCHEDULE 'A' : SHARE CAPITAL		
AUTHORISED :		
2,900,000 (Previous year 2,900,000) Equity Shares of Rs.10/- each	29,000,000	29,000,000
10,000 (Previous year 10,000) Preference Shares of Rs.100/- each	1,000,000	1,000,000
TOTAL	<u>30,000,000</u>	<u>30,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP:		
2,088,016 (Previous year 2,088,016) Equity Shares of Rs.10/- each fully paid-up	20,880,160	20,880,160
TOTAL	<u>20,880,160</u>	<u>20,880,160</u>
Issued,Subscribed and Paid-up Capital includes:-----		
1,482,493 (Previous year 1,482,493) shares. i.e. 71% (Previous year 71%) held by Storks Prints B.V. (the holding company)		
108,089 (Previous year 108,089) shares are allotted as fully paid-up for consideration other than cash		
450,000 (Previous year 450,000) shares allotted as fully paid-up as Bonus Shares by capitalisation from General Reserve Account		
SCHEDULE 'B' : RESERVES AND SURPLUS		
(A) CAPITAL RESERVE :		
Balance as per last Balance Sheet	346,115	346,115
(B) CAPITAL REDEMPTION RESERVE:		
Balance as per last Balance Sheet	350,000	350,000
(C) SECURITIES PREMIUM ACCOUNT:		
Balance as per last Balance Sheet	79,618,502	79,618,502
(D) GENERAL RESERVE:		
Balance as per last Balance Sheet	112,254,416	105,254,416
Add: Transferred from Profit and Loss Account	6,600,000	7,000,000
	118,854,416	112,254,416
(E) SURPLUS IN PROFIT AND LOSS ACCOUNT		
	89,251,031	55,994,513
TOTAL	<u>288,420,064</u>	<u>248,563,546</u>
SCHEDULE 'C' : DEFERRED TAX		
Deferred Tax Asset		
Arising on account of timing difference in :		
Provision for doubtful debts	3,873,976	3,425,907
Amortisation of voluntary retirement costs	917,781	1,540,202
Provision for retirement benefits	1,535,916	1,723,740
Other items	17,108,319	6,037,357
	23,435,992	12,727,206
Deferred Tax Liability		
Arising on account of timing difference in :		
Depreciation / Amortization	14,719,740	16,721,318
	14,719,740	16,721,318
TOTAL DEFERRED TAX ASSET / (LIABILITY)	<u>8,716,252</u>	<u>(3,994,112)</u>

SCHEDULE 'D' : FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	Cost as at 01/01/2009	Additions	Deductions	Cost as at 31/12/2009	As at 01/01/2009	For the year	Deduction	As at 31/12/2009	As at 31/12/2009	As at 31/12/2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land- Freehold	469,060	-	-	469,060	-	-	-	-	469,060	469,060
Buildings	45,714,285	-	1,053,039	44,661,246	14,335,508	1,324,934	245,024	15,415,418	29,245,828	31,378,777
Plant & Machinery	65,795,564	6,112,697	6,666	71,901,595	40,731,809	3,792,306	382	44,523,733	27,377,862	25,063,755
Computer	6,562,525	1,713,625	750,722	7,525,428	5,049,380	1,506,898	713,189	5,843,089	1,682,339	1,513,145
Furniture Fixtures & Fittings	12,278,498	522,717	1,379,336	11,421,879	3,247,709	880,848	1,161,544	2,967,013	8,454,866	9,030,790
Office Equipments, Air conditioners & cooler etc.	3,165,541	658,482	267,793	3,556,230	1,834,602	263,913	183,923	1,914,592	1,641,637	1,330,939
Vehicles	1,883,374	2,067,234	-	3,950,608	907,190	221,541	-	1,128,731	2,821,877	976,184
Intangible Asset										
Technical/Commercial know-how	25,105,036	-	-	25,105,036	16,720,081	8,384,955	-	25,105,036	-	8,384,955
Computer Software	1,626,895	3,904,371	-	5,531,266	1,439,486	387,102	-	1,826,588	3,704,678	187,409
TOTAL CURRENT YEAR	162,600,778	14,979,126	3,457,556	174,122,348	84,265,765	16,762,497	2,304,061	98,724,201	75,398,147	78,335,013
TOTAL PREVIOUS YEAR	(150,857,437)	(33,996,741)	(22,253,400)	(162,600,778)	(88,985,394)	(12,220,097)	(16,939,726)	(84,265,765)	(78,335,013)	

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Notes: 1. Freehold Land includes Rs.10,000/- being face value of 100 shares of Gujarat Vepari Mahamadal Sahakari Audyogik Vasahat Ltd.

2. Assets given on lease :
- Land includes 17,238 Sq. Mt costing Rs.165,737/- given on Operating Lease.
 - The lessee has the option to buy the building at the end of lease period.
 - The detail of Building given on Operating Lease are as follows:

Particulars	Cost as at 01/01/2009	Accumulated Depreciation as at 01/01/09	Depreciation for the year	Net WDV as on 31st December 2009
Building	19,520,044	8,460,240	500,975	10,558,829
TOTAL CURRENT YEAR	19,520,044	8,460,240	500,975	10,558,829
TOTAL PREVIOUS YEAR	(19,520,044)	(7,857,558)	(602,682)	(11,059,804)

CAPITAL WORK IN PROGRESS

Particulars	As At 31st December 2009 Rupees	As At 31st December 2008 Rupees
Assets under construction/erection/installation	1,644,124	233,620
TOTAL	1,644,124	233,620

STOVEC INDUSTRIES LIMITED

	As At 31st December 2009 Rupees	As At 31st Dec., 2008 Rupees
SCHEDULE 'E' : INVESTMENTS		
LONG TERM NON TRADE :		
(1) IN GOVERNMENT AND TRUST SECURITIES		
UNQUOTED		
Rural Electrification Corporation Limited 500 (Previous Year Nil) Capital gains tax exemption bonds of Rs.10,000 each.	<u>5,000,000</u>	-
	5,000,000	-
(2) OTHER INVESTMENTS		
UNQUOTED		
203 (Previous Year 203) Equity Shares of Rs.25/- each fully paid up of Textile Traders Co-op. Bank Ltd.	<u>5,075</u>	5,075
30 (Previous Year 30) Shares of Rs.100/- each fully paid up of Gujarat Vepari Mahamandal Sahakari Audyogik Vasahat Ltd.	<u>3,000</u>	3,000
	8,075	8,075
TOTAL	<u>5,008,075</u>	<u>8,075</u>
Note:1. Aggregate value of unquoted investments at Book Value		
SCHEDULE 'F' : INVENTORIES		
(As taken, valued and certified by Management)		
Raw Materials [Includes Goods in transit Rs.150,929/- (Previous Year Rs. 849,091/-)]	<u>35,948,088</u>	51,802,084
Packing Material, Stores, Spares and Tools	<u>2,726,504</u>	3,286,232
Work -in-Process	<u>4,233,876</u>	22,472,212
Finished Goods	<u>16,162,121</u>	7,012,454
TOTAL	<u>59,070,589</u>	<u>84,572,982</u>
SCHEDULE 'G' : SUNDRY DEBTORS		
(Unsecured)		
Debts exceeding six months:		
Good	<u>8,941,571</u>	21,877,334
Doubtful	<u>11,230,519</u>	9,435,060
	20,172,090	31,312,394
Less:		
Provision for doubtful debts	<u>11,230,519</u>	9,435,060
	8,941,571	21,877,334
Other Debts:		
Good	<u>113,982,775</u>	105,149,761
Doubtful	<u>166,881</u>	644,101
	114,149,656	105,793,862
Less:		
Provision for doubtful debts	<u>166,881</u>	644,101
TOTAL	<u>113,982,775</u>	<u>105,149,761</u>
	<u>122,924,346</u>	<u>127,027,095</u>

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	As At 31st December 2009 Rupees	As At 31st Dec., 2008 Rupees
SCHEDULE 'H' : CASH & BANK BALANCES		
Cash and Cheques on hand	1,336,788	1,628,730
Balance With Scheduled Banks:		
Current Accounts	37,829,130	36,547,749
Fixed Deposits [Refer Note 1 (c) of Schedule 'T' Part II]	120,005,000	110,005,000
Accrued interest on Fixed Deposits	4,942,156	903,795
Unclaimed Dividend Accounts	1,925,153	1,131,264
	164,701,439	148,587,808
TOTAL	166,038,227	150,216,538
 SCHEDULE 'I' : OTHER CURRENT ASSETS (Unsecured considered good, unless otherwise stated)		
Advance to Suppliers	10,335,407	1,832,849
Sundry Deposits	5,291,795	3,225,538
Other Receivables	13,857,146	18,257,721
TOTAL	29,484,348	23,316,108
 SCHEDULE 'J' : LOANS AND ADVANCES (Unsecured considered good, unless stated otherwise)		
Loans and Advances to Staff	521,336	468,405
Advances recoverable in cash or in kind or for value to be received.	7,955,245	8,370,770
Intercorporate Deposit		
LIC Housing Finance Ltd.	7,500,000	
Add : Interest accrued	193,976	
	7,693,976	-
Balance with Central Excise Authorities	5,572	1,572
Income Tax (Net of provision)	-	2,780,086
Fringe Benefit Tax (Net of provision)	343,540	73,626
TOTAL	16,519,669	11,694,459

STOVEC INDUSTRIES LIMITED

	As At 31st December 2009 Rupees	As At 31st Dec., 2008 Rupees
SCHEDULE 'K' : CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES:		
Sundry Creditors :		
Micro, Small and Medium Enterprises (Refer note 12 of Schedule 'T' Part II)	3,387,836	5,600,724
Others	91,891,395	111,010,230
	95,279,231	116,610,954
Advances from Customers	10,964,989	7,077,177
Security Deposits	582,477	487,908
Unpaid Dividend (Refer note 18 of Schedule 'T' Part II)	1,925,153	1,131,264
Unpaid Fixed Deposits	-	5,000
	1,925,153	1,136,264
Other Liabilities	4,267,819	8,398,549
	113,019,670	133,710,852
(B) PROVISIONS:		
Retirement/ Employee Benefits (Refer note 11 of Schedule 'T' Part-II)	9,104,031	9,682,004
Warranties (Refer note 3 of Schedule 'T' Part II)	5,835,656	3,885,738
Contingencies (Refer note 3 of Schedule 'T' Part II)	17,110,035	5,829,991
Income Tax (Net of Advances)	4,783,980	-
Proposed Dividend	21,924,168	41,760,320
Tax on proposed dividend	3,726,013	7,097,167
	62,483,883	68,255,220
TOTAL	175,503,552	201,966,072

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	For the year ended 31st December 2009	For the year ended 31st December 2008
	Rupees	Rupees
SCHEDULE 'L' : OTHER INCOME / ITEM		
Interest (Gross) on :		
Fixed Deposits with banks [Tax deducted at source Rs.1,270,869 /- (Previous year Rs.565,644/-)]	12,041,722	2,496,922
Loans to Staff	1,384	2,132
Others [Tax deducted at source Rs.Nil (Previous year Rs.Nil)]	506,898	8,580
	12,550,004	2,507,634
Commission [Tax deducted at source Rs. Nil (Previous year Rs. Nil)]	4,565,863	2,049,405
Provision no longer necessary, written back (Refer note 6 of Schedule 'T' Part II)	30,406,000	4,174,621
Rent [Tax deducted at source Rs.733,746/- (Previous year Rs.887,588/-)]	3,399,996	3,510,656
Foreign Exchange Rate Difference (Net)	-	1,986,352
Profit on sale of other fixed assets	6,066,489	6,151,722
Miscellaneous Income	1,171,504	2,671,690
TOTAL	58,159,856	23,052,080
SCHEDULE 'M' : MATERIALS CONSUMED		
Raw Materials and Components consumed [Includes Rs.218,196/- (Previous year Rs.7,248,116/-) for warranty claims] (Refer note 8 and 13 of Schedule 'T' Part II)	195,529,292	266,520,479
Packing Materials consumed	8,852,548	9,313,925
Trading Purchases	18,526,065	2,119,547
Stores and Maintenance Spares consumed	4,219,364	6,527,181
TOTAL	227,127,269	284,481,132
SCHEDULE 'N' : PERSONNEL COSTS		
Salaries and Wages	42,056,783	41,525,318
Provident Fund and other funds	1,857,181	2,228,041
Gratuity (Refer note 11 of Schedule 'T' Part II)	500,129	915,435
Welfare Expenses	4,696,122	3,116,001
Service Charges	514,051	747,640
TOTAL	49,624,266	48,532,435

STOVEC INDUSTRIES LIMITED

	For the year ended 31st December 2009		For the year ended 31st December 2008
	Rupees	Rupees	Rupees
SCHEDULE 'O' : MANUFACTURING AND OTHER EXPENSES			
Erection & Commissioning charges		442,364	10,843,845
Power and Fuel		24,492,418	22,192,698
Rent		840,000	668,585
Rates and Taxes		346,328	314,231
Repairs To :			
Buildings	4,046,438		4,179,109
Plant and Machinery	1,568,791		2,536,312
Other Assets	1,819,578		774,402
		7,434,807	7,489,823
Insurance		542,834	492,446
Bank charges		630,237	929,258
Vehicle Expenses		2,890,058	1,546,663
Travelling and Conveyance		5,156,740	5,738,562
Printing and Stationery		644,491	722,664
Communication Expenses		2,162,427	2,340,964
Miscellaneous Expenses		5,592,539	3,622,729
Legal and Professional Fees		5,797,054	3,933,260
Auditors' Remuneration for :			
Audit Fees	712,500		530,000
Other Services (Including out of pocket Expenses)	608,186		541,766
Tax Audit Fees	95,000		80,000
		1,415,686	1,151,766
Directors' Meeting Fees		210,000	210,000
Foreign Exchange Rate Difference (Net)		1,948,346	-
Bad Debts Written off	4,438,744		-
Provision/(Write Back) for Doubtful Debts (Net)	1,318,238		4,202,155
		5,756,983	4,202,155
Provision for Obsolescence of Inventory		20,731,604	(2,692,568)
Provision for Warranty Expenses (Refer note 3 of Schedule 'T' Part II)		1,882,838	2,708,998
Provision for Contingencies (Refer note 3 of Schedule 'T' Part II)		11,347,124	1,542,398
TOTAL		100,264,877	67,958,477
SCHEDULE 'P' : SELLING AND DISTRIBUTION EXPENSES			
Commission / Service charges to sole selling agent	3,628,148		6,975,614
Commission / Service charges to other agent	10,581,659		5,149,769
		14,209,807	12,125,383
Freight and Forwarding		2,052,250	5,031,257
Sales Promotion Expenses		4,942,655	3,930,095
TOTAL		21,204,712	21,086,735

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	For the year ended 31st December 2009		For the year ended 31st December 2008
	Rupees	Rupees	Rupees
SCHEDULE 'Q' : INTEREST			
To Banks on Cash Credit/Overdrafts		255,966	164,717
To Others (Refer note 12 of Schedule 'T' Part II)		558,751	51,104
TOTAL		814,717	215,821
SCHEDULE 'R' : (INCREASE) / DECREASE IN STOCKS			
OPENING STOCKS:			
Work-in-process	22,472,212		30,252,980
Finished Goods	7,012,454		12,944,525
		29,484,666	43,197,505
Less:			
CLOSING STOCKS:			
Work-in-process	4,233,876		22,472,212
Finished Goods	16,162,121		7,012,454
		20,395,997	29,484,666
(INCREASE) / DECREASE IN STOCKS		9,088,669	13,712,839
INCREASE/ (DECREASE) IN EXCISE DUTY ON FINISHED GOODS/COMPONENTS (Refer note 8 of Schedule 'T' Part II)		99,392	(2,091,470)
TOTAL		9,188,061	11,621,369

SCHEDULE 'S' : ADDITIONAL INFORMATION

1. Quantitative Information in respect of Sales, Production & Stocks

ITEMS	Unit of Measurement	Prod./Purchase		Opening Stock		Closing Stock		Sales & Services	
		Qty.	Value(Rs.)	Qty.	Value(Rs.)	Qty.	Value(Rs.)	Qty.	Value(Rs.)
(a) GOODS MANUFACTURED:									
1. Perforated Rotary/ Engraved Cylindrical Screens	Meters	220,356 (173,667)	-	6,012 (8,396)	5,537,492 (10,560,315)	7,358 (6,012)	4,607,252 (5,537,492)	219,010 (176,051)	236,631,667 (221,118,529)
2. Copper Rollers or Photo Engraved Rollers for printing (including engraving of party's rollers)	Nos.	892 (777)	-	-	-	11	113,635	881 (777)	17,640,091 (14,224,263)
3. Automatic Rotary Screen Printing Machines	Nos.	17 (15)	-	-	-	1	4,016,202	16 (15)	155,177,541 (182,991,193)
4. Component for Machine	Nos.	-	-	-	-	-	27,889	-	12,895,444 (22,162,096)
5. Engraving & Press Room Chemicals	Kgs.	126,627 (122,339)	-	2,587 (9,387)	188,412 (388,303)	3,650 (2,587)	313,419 (188,412)	125,564 (129,139)	13,985,422 (12,709,099)
6. Sleeves for Label Printing	Nos.	-	-	11 (11)	28,015 (28,015)	-	-	11	-
7. Rotamesh screens for label printing (Incl. engraving of party's Rota Screens)	Nos.	215 (73)	-	-	-	2	90,261	213 (73)	4,707,220 (3,607,043)
8. Other Manufacturing Scrap		-	-	-	-	-	426,764	-	7,799,559 (8,597,528)
(b) GOODS TRADED:									
1. Special Chemicals	Kgs.	50 (100)	120,525 (144,391)	145 (192)	126,782 (118,086)	95 (145)	255,211 (126,782)	100 (147)	122,000 (361,294)
2. Digital Ink	Kgs./ Ltrs	1,700	8,607,166	-	-	896	3,406,317	804	3,660,580
3. Perforated Rotary Screens	Nos.	2,860 (500)	9,447,299 (1,824,204)	286 (257)	824,936 (914,517)	851 (286)	2,522,455 (824,936)	2,295 (471)	10,651,472 (2,645,614)
4. Others		-	351,075 (150,952)	-	306,817 (935,289)	-	382,714 (306,817)	-	714,872 (247,526)
(c) SERVICE CHARGES									236,447 (1,150,946)
TOTAL		18,526,065 (2,119,547)		7,012,454 (12,944,525)		16,162,121 (7,012,454)		464,222,314 (469,815,131)	

Notes: 1. Sales quantity includes adjustments on account of shortages and captive consumption.
2. Figures in brackets are of previous year.

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2. CAPACITY

	Unit of Measurement	31st December 2009 Installed capacity per annum	31st December 2008 Installed capacity per annum
a) Perforated Rotary Screens	Meters	300,000	210,000
b) Engraved Cylindrical Screens	Meters	-	-
c) Copper Rollers or Photo-Engraved Rollers for Printing (including engraving of Party's rollers)	Nos.	3,000	3,000
d) Automatic Rotary Screen Printing Machines	Nos.	24	24
e) Engraving chemicals	Kgs.	504,000	504,000
f) Sleeves for Label Printing	Nos.	3,000	3,000
g) Rotamesh screens for label printing	Nos.	2,000	2,000

Notes: Installed capacity is as certified by the Management and accepted by the Auditors.

3. RAW MATERIALS & COMPONENTS CONSUMED

	Unit of Measurement	For the year ended 31st December 2009		For the year ended 31st December 2008	
		Qty.	Value Rupees	Qty.	Value Rupees
Nickel	Kgs.	107,341	71,081,153	84,790	93,769,700
Components and Hardware items			110,664,472		152,572,384
Others			13,783,667		20,178,395
TOTAL			195,529,292		266,520,479

Note - The consumption figures shown above are after adjusting unserviceable items and excess and shortage ascertained on physical count.

	%	Rupees	%	Rupees
(a) Indigenous	47	91,606,549	46	121,727,781
(b) Imported	53	103,922,743	54	144,792,698
TOTAL	100	195,529,292	100	266,520,479

4. STORES, TOOLS & SPARES CONSUMED

(a) Indigenous	89	3,756,390	80	5,250,930
(b) Imported	11	462,974	20	1,276,251
TOTAL	100	4,219,364	100	6,527,181

5. CIF VALUE OF IMPORTS

Raw Materials	103,917,102	146,779,018
Components Stores & Spares	949,430	353,369
Capital Goods	2,887,017	879,165
Others/Resale	14,961,126	1,599,315

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	For the year ended 31st December 2009 Rupees	For the year ended 31st December 2008 Rupees
6. EXPENDITURE IN FOREIGN CURRENCY		
Membership subscription	102,630	118,195
Commission	-	4,787,261
Erection and Commissioning charges	3,292,818	10,843,845
Exhibition Expenses	2,554,560	1,103,600
Professional Expenses	1,583,059	609,860
Warranty Spares	558,317	6,110,890
Others	120,055	1,346,350
7. EARNING IN FOREIGN CURRENCY		
F.O.B. Value of goods and services exported	68,455,731	146,842,082
Commision	4,565,863	2,049,405
8. REMITTANCE OF DIVIDEND TO NON-RESIDENT SHAREHOLDERS		
Number of Non-resident Shareholders	1	1
Dividend remitted for the accounting year	2008	2007
Number of Shares on which dividend were due	1,482,493	1,064,889
Amount of dividend remitted (Net of Tax)	29,649,860	3,407,645

SCHEDULE 'T'

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR 1ST JANUARY 2009 TO 31ST DECEMBER, 2009

I STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. METHOD OF ACCOUNTING

1.1 Basis of Preparation of Financial Statements

These financial statements have been prepared under the historical cost convention from the books of account maintained on accrual basis which is in conformity with accounting principles generally accepted in India, relevant provision of the Companies Act, 1956 and the mandatory Accounting Standards as specified in the (Accounting Standards) Rules, 2006, prescribed by the Central Government.

1.2 Use of estimates

The preparation of financial statements are in conformity with Generally Accepted Accounting Policy (GAAP) which requires the management to make estimates and assumptions that affect the reported amount of assets & liabilities and disclosures of contingent assets and liabilities as at the date of financial statements and reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the current and future periods.

2. FIXED ASSETS

2.1 All tangible/intangible assets are stated at cost less depreciation.

2.2 Self constructed assets are stated at cost of construction relating directly to the specific asset and other costs attributable to the construction activity.

3. DEPRECIATION/AMORTIZATION

3.1 Depreciation has been provided under the "Straight-Line Method (SLM)" in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956.

3.2 Depreciation on all assets acquired before 2nd April, 1987 is provided at SLM rates of depreciation corresponding to the rates as per Income-tax Rules prevalent at the time of acquisition of the assets in accordance with Circular No.1 of 1986 (1/1/86-CI-V) dated 21st May, 1986 of the Company Law Board.

3.3 Depreciation on all assets acquired on or after 2nd April, 1987 is provided at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of the following (such rates not being lower than the rates prescribed under Schedule XIV):-

3.3.1 Plant and Machinery relating to Graphics Segment are depreciated over the useful life of the same as determined by the management.

3.3.2 Assets acquired after 1st April 2004, costing more than Rs 5,000 and upto EURO 5,000 (equivalent Rs 318,500/- @ Rs 63.70 per EURO) are depreciated pro-rata over the period of 12 months

3.3.3 Patterns are written off over a period of three years.

3.3.4 Cost of Computer Software is amortised over a period of three years.

3.3.5 With effect from 1st October 2009, the 'New Generation Technical Know-How' is amortised over revised period of 2 years as estimated by the management. (Also refer note 4 to part II of Schedule T)

3.4 Extra Shift depreciation is provided on "Segment" basis.

4. IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. In assessing the value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using pre tax discount rate that reflects the current market assessments of time value of money and the risks specific to the assets.

5. INVESTMENTS

Long term investments are stated at cost less diminution in value which is other than temporary.

6. INVENTORIES

- 6.1 Raw & packing materials and stores, spares & tools are valued at cost or net realisable value whichever is less. Cost is computed on a weighted average basis, after providing for the cost of obsolescence.
- 6.2 The work in progress/finished goods inventories are valued at lower of cost and net realisable value.
- 6.3 The work in progress/finished goods are determined on average cost basis considering material, labour and related factory overheads.

7. FOREIGN CURRENCY TRANSACTIONS

- 7.1 Transactions in foreign currency are recorded at the respective exchange rate prevailing on the date of transactions. Assets/liabilities denominated in foreign currency are restated using the closing rate.
- 7.2 Exchange differences arising on year end conversion or actual realisation/payment are recognized as income or expense in the period in which they arise, including the exchange difference related to acquisition of fixed assets from a country outside India.

8. REVENUE RECOGNITION

- 8.1 Sales are recognised on dispatch of goods and are recorded net of trade discount, rebates and sales tax.
- 8.2 In respect of sale transaction involving installation/commissioning services, the composite revenue is recognised based on dispatch of machinery. Necessary provision based on management estimates are made for the cost to be incurred for the installation and commissioning service.
- 8.3 Service income is recognised on completed service contract method when complete services are rendered and are recorded net of service tax. Cost incurred during the pendency of the contract is carried forward as job in progress.
- 8.4 Other income is accounted on accrual basis except where receipt of income is uncertain.
- 8.5 Commission income is booked on the basis of confirmation received.

9. EMPLOYEE BENEFITS

- 9.1 Company is having Group Gratuity cum-Life Insurance Scheme with Life Insurance Corporation of India (LIC of India), for future payment of Gratuity to retiring employees. Additional provision is made for shortfall between liability as per actuarial valuation and the amount funded with LIC of India.
- 9.2 Liability for leave encashment is actuarially determined and provided on accrual basis.
- 9.3 Employee benefits in the form Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to Profit and Loss Account of the year when the contributions to the respective funds accrue.

10. BORROWING COST

Borrowing cost attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of that assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

11. OPERATING LEASE

11.1 Lease Income

Lease rentals in respect of Operating Lease arrangements are recognised in Profit & Loss Account in accordance with AS – 19 "Leases". Costs, including depreciation, incurred in earning the lease income are recognised as expenses.

11.2 Lease Expense

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as Operating Leases. Operating Lease payments are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease period.

12. TAXATION

- 12.1 Provision for Current Tax has been determined on the basis of relief and deduction available under the Income Tax Act, 1961.

12.2 The deferred tax for timing difference between the books and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax asset other than on unabsorbed losses are realized only when there is reasonable certainty of their realization. Deferred tax asset on unabsorbed tax losses and unabsorbed tax depreciation and carried forward losses are recognized only when there is virtual certainty that this would be realized in future.

13. EXCISE / CUSTOM DUTY ON UNCLEARED GOODS

13.1 Excise duty on manufactured goods lying in the factory premises as at year end are provided for in the accounts and corresponding amount is included in the valuation of inventories.

13.2 Customs duty in respect of goods lying in customs bonded warehouse is accounted at the time of clearance of goods.

14. SEGMENT REPORTING

Segments have been identified taking into account the nature of the products, geographical locations, the differing risk and returns, the organisation structure and internal reporting system. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

15. PROVISIONS AND CONTINGENT LIABILITIES

15.1 Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

15.2 Contingent liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a cash outflow will not be required to settle the obligation.

16. DEFERRED REVENUE EXPENDITURE

Compensation to employees under Voluntary Retirement Schedule/Retrenchment is written off in the year of payment.

II. NOTES FORMING PART OF THE ACCOUNTS

1. CONTINGENT LIABILITIES

Contingent liabilities are determined / disclosed on the basis of available information and auditors have relied upon the same.

Contingent liabilities not provided for in respect of: -

- a. Claims against the Company not acknowledged as debts Rs. 9,049,264/- (Previous year Rs. 10,297,714/-).
 - b. Disputed claims made by workers for re-instatement estimated at Rs. 6,682,662/- (Previous year Rs. 6,683,960/-)
 - c. Disputed Sales Tax liability including of interest and penalty aggregating to Rs. 17,933,222/- (Previous year Nil). The company has issued Bank Guarantee of Rs. 24,480,000/- favouring sales tax department against disputed liability (Previous year Rs. Nil).
 - d. Disputed income tax liability (net of provision) Rs. 6,690,488/- (Previous year Rs. Nil)
 - e. Bonds executed by the Company in favour of Central Excise/Custom authorities for clearance of imported raw materials and components at concessional rate of import duty Rs. 8,457,500/- (Previous year Rs. 8,457,500/-). The corresponding obligation is fulfilled and the bond is submitted for cancellation in earlier years, however the clearance from excise / custom authorities is awaited since long.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance paid) Rs.9,329,541/- (Previous year Rs. 2,487,300/-).

3. Disclosure in movement of Provisions as required by AS - 29 "Provisions, Contingent Liabilities and Contingent Assets"

Particulars	Warranty	Others	Total
Opening Balance	3,885,738 (1,500,484)	5,829,991 (4,890,492)	9,715,729 (6,390,946)
Additional Provision made (* including Rs. 67,080 regrouped from Other items)	*3,552,470 (2,708,998)	11,347,124 (1,542,398)	14,899,594 (4,251,396)
Amount utilized / Provision written back	1,602,552 (323,714)	*67,080 (602,899)	1,669,632 (926,613)
Closing Balance	5,835,656 (3,885,738)	17,110,035 (5,829,991)	22,945,691 (9,715,729)

Note: Previous year figures are given in bracket

The above warranty amount utilised excludes Rs. 218,196/- (Previous year Rs. 7,248,116/-) directly debited to Raw Material Consumption account representing additional / unusual warranty claims received in excess of normal provision.

Notes:

Warranty

Represents estimate made for probable liabilities for product warranty provided to the customers. The timing for outflow does not coincide with customer's complaints and hence the company is not able to reasonably ascertain the timing of the outflow.

Others

Represents estimates made for probable liabilities / claims arising out of transactions. The timing of the outflow is dependent on conclusion of negotiation which is in progress in respect of the claims received. Further information required by AS - 29 "Provision, Contingent liabilities and Contingent Assets" is not disclosed since the same can be prejudicial to the interest of the company.

4. Effective from 1st October 2009, based on the review of useful life of 'New Generation Technical Know- How', management has determined that the original estimate of useful life of these assets requires a revision. Accordingly the useful life was revised to two years as against five years estimated in earlier years. The unamortised depreciation is charged over the remaining useful life of these assets. Consequently depreciation is higher by Rs. 6,034,635/- (Previous year Nil) for the year ended 31st December, 2009 and net block of new generation technical know how is lower by the corresponding amount.
5. The profit on sale of land and building of Rs. Nil (Previous year Rs. 47,613,807/-) represents sale of surplus commercial land and building of the Industrial Machinery Division for a net sale consideration of Rs. Nil (Previous year Rs. 51,750,000/-).
6. Provision no longer required written back includes :
 - (a) Rs. 6,250,000 (Previous year Nil) representing provision made in earlier year in relation to the transaction of sale of land and building of Industrial Machinery Division. No further cost in relation to the transaction is likely to be incurred.
 - (b) Rs. 21,735,268 (Previous year Nil) representing write-back of old outstanding credit balances against which the company has not received any claim and are time barred as per Limitation Act.
7. Depreciation includes additional depreciation of Rs. 2,527,850/- (Previous year Rs. 3,012,241/-) in respect of assets costing more than Rs.5,000/- and upto EURO 5,000 which are depreciated pro-rata over the period of 12 months.
8. During the current year the company has migrated to new ERP package and regrouped certain items of Work-in-process and Finished Goods to raw material. As a result Increased/Decreased in stock is higher by Rs. 9,812,254/- (Previous year Nil) and consumption is lower by equivalent amount. There is no impact on profit for the year due to above regrouping.

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9. Details of future lease rental receivable/obligation payable is as under-

a. As Lessee:

- Leased Assets: Godown premises
- Future lease rental are determined on the basis of monthly lease payment as per the agreement.

(Amount in Rs.)

Particulars	Year 2009	Year 2008
Not later than one year	210,000	840,000
Later than one year and not later than five years	Nil	210,000
Later than five years	Nil	Nil

b. As Lessor:

- Leased Assets: Land and Factory premises
- Future lease rental are determined on the basis of monthly lease receivable as per the agreement.

(Amount in Rs.)

Particulars	Year 2009	Year 2008
Not later than one year	3,399,996	3,399,996
Later than one year and not later than five years	1,699,998	5,099,994
Later than five years	Nil	Nil

Note: The above figures are net of Service Tax.

10. Managerial remuneration under Section 198 of the Companies Act, 1956 paid or payable during the financial year to the Managing Director is as under:

(Amount in Rs.)

Particulars	Year 2009	Year 2008
Salary allowances & Gratuity (Excluding Leave Encashment)	2,697,760	2,814,346
Perquisites and benefits	258,172	247,835
Contribution towards Provident and other funds	372,600	372,600
Total	3,328,532	3,434,781

11. Employee Benefits :

❖ **Gratuity**

Reconciliation on Change in Benefit Obligation	(Amount in Rs.)
Liability at the beginning of the Year	9,182,951
	(8,092,396)
Interest Cost	502,802
	(647,392)
Current Service Cost	688,721
	(511,851)
Benefit Paid	(889,092)
	(-435,275)
Actuarial (gain) / loss on obligations	(532,741)
	(366,584)
Liability at the end of the year	8,952,641
	(9,182,948)

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Reconciliation of Fair value of Plan Assets		(Amount in Rs.)
Fair Value of Asset at the beginning of the Year		4,111,631
		(3,354,537)
Expected Return on Plan Assets		399,697
		(325,649)
Extinguishment of Liability (Amount Received from LIC)		115,557
		(-)
Contribution		450,657
		(546,926)
Benefit Paid		(374,805)
		(-400,224)
Actuarial Gain / (Loss) to be recognized		(268,825)
		(284,743)
Fair Value of Plan Assets at the end of the year		4,433,912
		(4,111,631)
Amount Recognised in the Balance Sheet		(Amount in Rs.)
Liability at the end of the Year		8,952,641
		(9,182,948)
Fair value of Plan Assets		4,433,912
		(4,111,631)
Liability in the Balance Sheet		4,518,729
		(5,071,317)
Amount Recognised in Income Statement		(Amount in Rs.)
Current Service Cost		502,802
		(511,851)
Interest Cost		688,721
		(647,392)
Expected Return on Plan Assets		(399,697)
		(-325,649)
Net Actuarial (gain) / loss on obligations		(263,916)
		(81,841)
Extinguishment of Liability (Amount Received from LIC)		(115,557)
		(-)
Optra Premium and other taxes		87,776
		(-)
Expenses Recognized in profit & Loss Account		500,129
		(915,435)
Assumption		(Amount in Rs.)
Discount Rate		7.50%
		(8.00%)
Expected rate of return on plan Assets		9.50%
		(9.50%)
Expected rate of salary increase		6.00%
		(6.00%)
Mortality Pre-retirement	LIC (1994-96) ultimate table of rates	
Turnover Rate	5%(5%) at younger age and reducing to 1% (1%) at older age according to graduated scale	
❖ Leave Entitlements		
Other Employee Benefit (Liability)		(Amount in Rs.)
Privilege Leave as per Actuary as on 31 st December 2009		3,270,506
		(3,304,400)
Sick Leave Liability as per Actuary as on 31 st December 2009		1,039,513
		(1,022,284)
Short Term Casual Leave Liability (Arithmetical) as on 31 st December 2009		275,283
		(284,003)

Note: Previous year figures are in bracket.

12. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 as tabled below;

(Amount in Rs.)	
Particulars	Year 2009 *
Principal Amount due to supplier as at end of accounting year	3,048,632
Interest payable at the end of accounting year, (provided in books)	339,204
Interest paid to the Supplier	-
Interest accrued and unpaid to supplier at end of accounting year	339,204

(*Previous year figure for Year 2008 are not available, since in earlier year the company was under the process of compiling the relevant information).

This information as required to be disclosed in pursuance of the said act has been determined to the extent such parties have been identified on the basis of information given by the suppliers to the company.

13. Raw Material consumed include tools, jigs, fixtures etc. consumed of Rs. 151,356/- (Previous year Rs. 316,927/-)
14. Computation for provision for taxes is on the basis of income computed under the Income Tax Act, 1961. The tax year for the company is 1st April 2009 to 31st March, 2010. The ultimate liability for which shall be determined on the basis of figures for the period 1st April 2009 to 31st March, 2010.
15. Segmental information for the year ended 31st December 2009

- a) Information of Segments:

The Company has disclosed Business Segment as primary segment and Geographical segment as secondary segment. Segments have been identified taking into account the nature of the products, geographical locations, the differing risk and returns, the organisation structure and internal reporting system.

Segmental Revenue, Segmental Results, Segmental Assets and Segmental Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

- b) Unallocated items:

The net expenses, which are not attributable to the Business Segment, are shown as unallocated corporate cost. Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated corporate assets and liabilities respectively.

- c) Information about primary business segments

(Amount in Rs.)

Particulars	Screens	Industrial Machinery	Graphics Product	Chemicals	Unallocated	Total
Revenue						
External	258,862,569 (234,947,589)	180,033,365 (265,880,319)	45,625,784 (18,878,372)	14,063,930 (13,523,037)	23,796,522 (7,251,701)	522,382,170 (540,481,018)
Total Revenue	258,862,569 (234,947,589)	180,033,365 (265,880,319)	45,625,784 (18,878,372)	14,063,930 (13,523,037)	23,796,522 (7,251,701)	522,382,170 (540,481,018)
Results						
Segment result	94,311,412 (65,842,837)	881,309 (44,927,068)	30,857,947 (7,152,768)	3,476,868 (3,896,690)	- (-)	129,527,536 (121,819,363)
Unallocated expenditure net of unallocated income	- (-)	- (-)	- (-)	- (-)	-43,867,052 (-29,735,513)	-43,867,052 (-29,735,513)
Interest expenses	- (-)	- (-)	- (-)	- (-)	-814,717 (215,821)	-814,717 (215,821)
Interest Income	- (-)	- (-)	- (-)	- (-)	12,550,004 (2,507,634)	12,550,004 (2,507,634)
Profit before tax	94,311,412 (65,842,837)	881,309 (44,927,068)	30,857,947 (7,152,768)	3,476,868 (3,896,690)	-32,131,765 (-27,454,411)	97,395,771 (94,364,952)
Provision for tax on above	- (-)	- (-)	- (-)	- (-)	- (-)	-31,889,072 (-28,196,637)
Net profit/(loss) after tax	- (-)	- (-)	- (-)	- (-)	- (-)	65,506,699 (66,168,315)

STOVEC INDUSTRIES LIMITED

Other Information						
Segment Assets	158,189,700 (127,639,152)	82,519,492 (158,669,897)	12,240,989 (7,485,086)	1,786,382 (1,229,787)	230,067,213 (181,777,502)	484,803,777 (468,298,928)
Segment Liabilities	40,273,701 (34,432,183)	59,335,811 (69,819,784)	5,344,688 (26,023,841)	3,640,749 (3,932,066)	66,908,604 (60,653,236)	175,503,553 (19,4861,110)
Capital Expenditure	3 596,572 (3,294,769)	111,735 (29,304,410)	2,404,390 (120,000)	- (10,000)	8,866,429 (1,267,562)	14,979,126 (33,996,741)
Depreciation	2,513,519 (2,802,850)	10,303,220 (5,678,147)	794,773 (749,130)	148,380 (50,808)	3,002,605 (2,939,162)	16,762,497 (12,220,097)
Non cash expense other than depreciation (Provision for Doubtful Debts)	50,202 (3,304,139)	1,494,086 (671,722)	-226,050 (226,294)	- (-)	- (-)	1,318,238 (4,202,155)

d) Information of Geographical Segments:

(Amount in Rs.)

Particulars	For the Year ended 31st December 2009	For the Year ended 31st December 2008
Segment Revenue		
Export market	68,455,731	146,842,082
Local Market	395,766,583	322,973,049
Total	464,222,314	469,815,131
Segment Assets		
Export Debtors	18,258,761	37,148,295
Local Debtors	104,665,585	89,878,800
Total	122,924,346	127,027,095

16. RELATED PARTY DISCLOSURES

Related party disclosures, as required by AS-18, 'Related Party Disclosures' , are given below:

1 RELATIONSHIPS:

I Parties where control exists

Stork Prints B.V. Holding Company
(Formerly known as Stork Screens B.V.)

Stork Prints Group B.V. Holding Company of Stork Prints B.V.

II Other related parties with whom transactions have taken place during the year

a) **Fellow subsidiaries**

Stork Print Pakistan Pvt Ltd.
Stork Textile Systems Wuxi Co Ltd.
Stork Print Brasil Ltda.
Stork Prints (Indonesia) P.T.
Stork MBK GMBH
Stork Print Austria GMBH
Stork Prints America INC
Stork Digital Imaging B.V.
Stork Veco B.V.

b) **Other related parties**

Pramol Traders Holding Private Limited (ceased to be a director w.e.f. 4th July 2008)
Inspiron Engineering Private Limited (ceased to be a director w.e.f. 4th July 2008)
Tyabji Dayabhai (ceased to be a related party w.e.f. 5th June 2008)

c) **Directors of the Company**

Mr. Ashish Kaul (Managing Director)
Mr. Dirk W Joustra
Mr. Aschwin Hollander
Mr. Joost Willem Pieter Smits
Mr. Khurshed M. Thanawalla
Mr. Marco Philippus A Wadia
Mr. Girish C. Sharedalal

- d) **Relatives of the Directors**
 Mr. Ardeshir Ruttonji Wadia
 Ms. Ingrid M Wadia
 Mrs. Pragnya Girish Sharedalal

2 The following transactions were carried out with the related parties in the ordinary course of business:

I. Details relating to the parties referred to in the items 1(I) and (II) (a)

(Amount in Rs.)

	Holding Companies	Fellow subsidiaries	Other related parties
PURCHASES:			
Purchase of materials / finished goods	29,616,029 (35,715,892)	7,595,823 (2,632,225)	- (1,745,442)
Purchase of Services	1,902,989 (10,643,752)	122,434 (770,945)	- (-)
Purchase of Fixed Assets (including Intangible Assets)	2,887,017 (787,788)	- (-)	- (-)
SALES:			
Sale of finished goods (net of returns)	68,716,587 (77,710,725)	- (418,806)	- (-)
EXPENSES:			
Expenses Recovered from other companies	97,516 (3,173,406)	- (1,353,200)	- (-)
Expenses charged by other companies	1,676,750 (2,456,800)	- (-)	- (-)
Balances written off	- (-)	- (54,182)	- (-)
Commission paid (including compensation for loss of office)	- (629,262)	- (1,673,010)	- (-)
INCOME:			
Commission Received	1,093,399 (893,109)	3,262,595 (1,156,296)	- (-)
OUTSTANDING:			
Payable	3,061,336 (20,955,865)	1,847,908 (2,364,987)	- (45,173)
Receivable	18,496,276 (45,404,770)	269,522 (1,451,530)	- (-)
DIVIDEND PAID (Gross):	29,649,860 (3,407,645)	- (-)	- (728,947)

II. Details relating to persons referred to in item 1(II) (c) and (d)

(Amount in Rs.)

Remuneration to Managing Director	3,328,532 (3,434,781)
Director Sitting Fees	210,000 (210,000)
Dividend paid (Gross)	127,760 (264,310)

STOVEC INDUSTRIES LIMITED

III Disclosure of related party transaction, the amount of which is in excess of 10% of total related parties transactions of the same type:

Nature of transaction	Name of the related party	Amount in Rs.
PURCHASES:		
Purchase of materials / finished goods	Stork Prints B.V.	29,616,029 (35,715,892)
	Stork Digital Imaging B.V.	6,474,739 (-)
Purchase of Fixed Assets (including Intangible Assets)	Stork Prints B.V.	2,887,017 (787,788)
Purchase of Services	Stork Prints B.V.	1,902,989 (10,643,752)
SALES:		
Sale of finished goods (net of returns)	Stork Prints B.V.	68,716,587 (77,710,725)
EXPENSES:		
Expenses charged to other companies	Stork Prints B.V.	97,516 (3,173,406)
	Stork Print Austria GMBH	- (1,353,200)
Expenses charged by other companies	Stork Prints B.V.	1,676,750 (2,456,800)
Commission Paid	Stork Print Brasil Ltda.	- (1,673,010)
	Stork Prints B.V.	- (629,262)
Balances written off	Stork Prints (Indonesia) P.T.	- (24,197)
	Stork MBK GMBH	- (16,107)
	Stork Digital Imaging B.V.	- (9,696)
INCOME:		
Commission Received	Stork Prints B.V.	1,093,399 (893,109)
	Stork Print Austria GMBH	3,262,595 (840,931)
Dividend Paid :		
	Stork Prints B.V.	29,649,860 (3,407,645)
	Pramol Traders Holding Private Limited	- (728,947)

Note: Previous year figures are given in brackets

17. Disclosure in respect of Derivative Instruments as at year end.
a. Foreign Currency exposure that are hedge by Derivative Instrument: NIL
b. Foreign Currency Exposure that are not hedged by Derivative Instruments.

Particulars	EURO		USD		CHF	
	Foreign Currency	Amount in Rs.	Foreign Currency	Amount in Rs.	Foreign Currency	Amount in Rs.
Debtors	279,791 (588,155)	18,765,584 (39,794,563)	2,643 (-)	123,357 (-)	- (-)	- (-)
Loans and Advance	1,643 (128,569)	110,185 (8,698,969)	195,305 (-)	9,116,818 (-)	1,000 (6,070)	45,530 (275,578)
Creditors	80,384 (331,836)	5,391,384 (22,873,430)	(-) (-)	(-) (-)	(-) (-)	- (-)
Other Liabilities	63,453 (-)	4,255,807 (-)	13,500 (-)	630,180 (-)	- (-)	- (-)

c. Previous year figures are given in brackets.

18. There is no amount due and outstanding to be credited to Investor Education and Protection Fund.
19. Previous year figures have been rearranged, regrouped and restated wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

I. Registration Details

Registration No. - State Code

Balance Sheet Date - -

Date Month Year

II. Capital Raised during the period (Amount in Rs. Thousand)

Public Issue Right Issue

Bonus Issue Private Placement

III. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities * Total Assets

(* Includes Shareholders Funds)

Source of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Deferred Tax Assets (Net) Misc. Expenditure

Net Current Assets Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue) Total Expenditure

Profit/Loss Before Tax Profit/Loss After Tax

(Please tick Appropriate box + for Profit - for Loss)

Earning per Share in Rs. (Basic & Diluted) Dividend Rate %

V. Generic Name of three Principal Products/Service of Company (as per monetary terms)

Item Code No.(ITC Code)

Product Description

Item Code No.(ITC Code)

Product Description

STOVEC INDUSTRIES LIMITED

ATTENDANCE SLIP

(To be presented at the entrance)
36th Annual General Meeting on Tuesday 30th March, 2010 at 2.00 p.m.

at the Registered Office
of the Company at, N.I.D.C. Near Lambha Village, Post Narol, Ahmedabad - 382 405, Gujarat.

Folio No.: DP ID No. Client A/c No.

Name of the Shareholder :

Signature of the Shareholder:
(only shareholders/proxies are allowed to attend the meeting.)

STOVEC INDUSTRIES LIMITED

PROXY FORM

I/We of being a member(s) of **Stovec Industries Limited** hereby appoint of in the district of as my/our proxy to attend and vote for me/us and on my/our behalf at the 36th Annual General Meeting of Stovec Industries Limited to be held on Tuesday 30th March, 2010 at 2.00 p.m. and at any adjournment thereof.

Folio No.: DP ID No. Client A/c No.



Signed this day of 2010 (Signature across Revenue Stamp)

BANK ACCOUNT PARTICULARS / ECS MANDATE FORM

I/We do hereby authorise **Stovec Industries Limited** to :

- Print the following details on my/our dividend warrant.
- Credit my dividend amount directly to my Bank account by ECS.
- (Strike out whichever is not applicable)

My/our Folio No.

Particulars of Bank Account :

DP ID No. Client A/c No.

- A. Bank Name
- B. Branch Name, Address (for Mandate only)
- C. 9 DIGIT Code number of the Bank & Branch as appearing on the MICR cheque
- D. Account Type (Saving/Current)
- E. Account No. as appearing on the cheque book
- F. STD Code & Telephone No.

I/We shall not hold the Bank responsible if the ECS could not be implemented or the Bank discontinue(s) the ECS, for any reason.

Mail to :
Link Intime India Pvt. Ltd.
211, Sudarshan Complex, Nr. Mithakhali Under Bridge,
Navrangpura, Ahmedabad - 380 009.

.....
(Signature of the Shareholder)

Please attach the photocopy of a cheque or a blank cancelled cheque issues by your Bank relating to your above account for verifying the accuracy of the 9 digit code number.

In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account particulars/ECS mandate.

FORM 2B
NOMINATION FORM

(To be filled in by individual applying singly or jointly)

I/We,.....the holder(s) of Shares/Debentures/Deposit Receipt bearing Folio Number..... of M/s..... wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and / or amount payable in respect of Shares / Debentures / Deposit Receipt shall vest in the event of my / our death.

Name and Address of Nominee :

Name :.....

Address :.....

*Date of Birth :.....
(*To be furnished in case the nominee is minor)

Signature of Nominee :

**The nominee is a minor whose Guardian is
Name and Address of Guardian :

(** To be deleted if not applicable)

Date :.....
Signature :.....
Name :.....
Address :.....

Date :.....
Signature :.....
Name :.....
Address :.....

Signature of Two Witnesses :

Name and Address Signature with Date

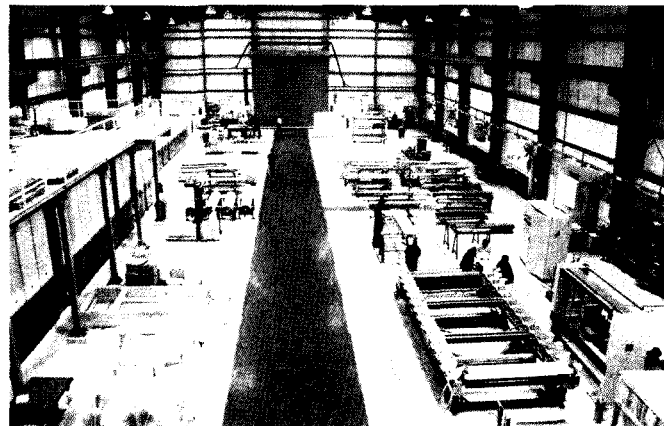
- 1.
2.

Instructions :

- 1. The Nomination can be made only by Individuals applying/holding shares/debentures/deposits on their own behalf singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindi Undivided Family, holder of Power of attorney cannot nominate. If the securities are held jointly, all joint holders will sign the Nomination Form. Space is provided as a specimen, if there are more joint holders, more sheet can be added for signatures of holders of shares/debentures/deposits and witness.
2. A minor can be nominated by holder(s) of shares / debentures / deposits and in that event the name and address of the Guardian shall be given by the holder(s).
3. The nominee shall not be a Trust, Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a nominee on repriable basis.
4. Nomination shall stand rescinded upon transfer of shares.
5. Transfer of shares / debentures in favour of a nominee and repayment of amount of deposit to nominee shall be valid discharge by a Company against the legal heir.
6. The intimation regarding Nomination / Nomination Form shall be filed in duplicate with the Company Registrar and Share Transfer Agents of the Company who will return one copy thereof to the shareholders.

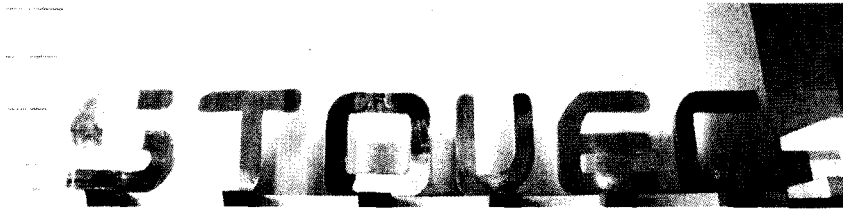
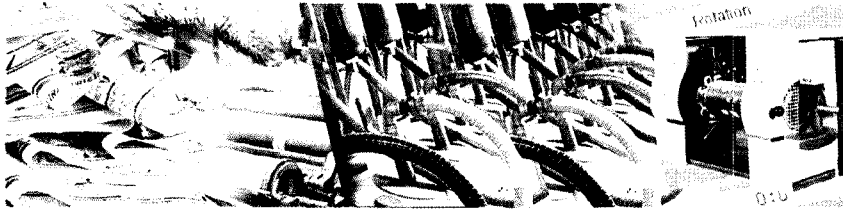
STOUEC

INDUSTRIES LIMITED



Stovec has a proven capability for producing world class products at excellent price performance ratios

Ashish Kaul, Managing Director



STOVEC
INDUSTRIES LIMITED

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Gujarat, INDIA • Email : investorawareness@stovec.com