

13TH

ANNUAL REPORT

1997-98

MD	✓	BKC	✓
CS	NA	DPY	NA
RO	✓	DIV	NA
TRA	NA	AC	✓
AGM	✓	SHH	✓
YE	✓		✓

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DIRECTORS

DR. R.B. BAHETI - EXECUTIVE CHAIRMAN
Mr. K.N. GARG
Mr. C.S. PANI
Mr. P.T. THOMAS
Mr. VIJAY KIYAWAT - EXECUTIVE DIRECTOR

AUDITORS

M/S. BRAHMAYYA & CO.
CHARTERED ACCOUNTANTS
KHIVARAJ MANSIONS
10/2, KASTURBA ROAD
BANGALORE - 560 001

BANKERS

STATE BANK OF INDIA
STATE BANK OF MYSORE

REGISTERED OFFICE

201, SUNRISE CHAMBERS
22, ULSOOR ROAD
BANGALORE - 560 042.

FACTORY

22-24, BANGALORE - PUNE HIGHWAY,
TUMKUR - 572 105,
KARNATAKA



NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of STI GRANITE INDIA LIMITED will be held on 28th September, 1998 at 4.00 p.m. at Ashraya International Hotel, 149, Infantry Road, Bangalore 560 001, to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31.03.98 and the reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Dr. R.B.Baheti who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. K.N.Garg who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

SPECIAL RESOLUTION

To consider, and if thought fit, to pass with or without modification(s), the following as special Resolution:

"RESOLVED THAT the consent of the members be and is hereby accorded to the shifting of the Registered Office of the Company from the City of Bangalore to its Factory at Plot No.22-24, Antharasanahally Industrial Area, Tumkur - 572 105."

By order of the Board
For STI GRANITE INDIA LIMITED

Place : Bangalore
Date : 26th August, 1998.

DR. R.B. BAHETI
Executive Chairman

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member. The proxy form, in order to be effective, must be duly signed and should reach the Company at the Registered Office atleast 48 hours before the time fixed for the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 16.09.98 to 28.09.98 (both days inclusive).



3. Any change of address of the Members may please be notified to the Company quoting their Registered Folio.
4. Members are requested to send their queries, if any, relating to the Annual Accounts and Reports at least one week prior to the date of meeting.

EXPLANATORY STATEMENT

(PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.)

The Company has its Registered Office at Bangalore while the works are at Tumkur. As lot of activities were involved in the implementation of the project, the Company initially co-ordinated having its Registered Office at Bangalore. However, in order to ensure the operations are centralised for a better communication, and co-ordination the Company desires to shift the Registered Office from 201, Sunrise Chambers, 22, Ulsoor Road, Bangalore - 560 042 to the works area at Plot No.22-24, Anthrasanahally Industrial Area, Tumkur - 572 105. None of the Directors of the Company are concerned or interested in the resolution. The resolution is recommended for approval by the shareholders.

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DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the thirteenth Annual Report of the Company with the Audited statement of accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

The Company's performance during the year is summarised below :

	Rs. in lacs <u>31.3.98</u>	Rs in lacs <u>31.3.97</u>
Sales and other Income	819	941
Interest and Finance charges	332	350
Profit before Depreciation and Taxation	-333	-2
Depreciation	126	126
Provision for taxation	—	—
Profit after taxation	-459	-128
Depreciation written back	—	74
Net Profit(+)Loss(-)	-459	-54
Miscellaneous Expenditure written off	—	—
Balance B/F from previous year	145	199
Balance of profit for appropriations	(314)	146

APPROPRIATION

Transfer to General Reserve	—	—
Transfer to Debenture Redemption Reserve	—	—
Balance Carried to Balance Sheet	(314)	146

OPERATIONS

Your Company's performance during the year 1997-98 suffered due to fierce international competition. The devaluation of currencies in the Asian countries had adverse effect on the demand for company's products from the Far Eastern countries. Continuing recession in the Japanese economy led to substantial fall in orders from even the large customers from that country. The price situation in the Middle East countries became further depressed making the exports to those countries highly unremunerative. Coupled with these adverse factors, the availability of good quality rough granite blocks remained difficult as a result of which the deliveries to the customers against confirmed orders suffered. Poor rough block quality also resulted in reduced material yield

during processing, despite a very high degree of process control exercised in the factory.

Your company's management tried to salvage the situation by diversifying into export of rough blocks and a good beginning was made by executing a few orders valuing nearly Rs.109 lacs at attractive contribution margins. Further, substantial savings were achieved in the consumption of rough blocks by enhancing the sq.mtr. area per cbm of block consumption by making improvements in gangsawing operations. During the year the company also negotiated better purchase terms for imports of consumables thereby reducing the cost of processing. The depreciation of Rupee helped the Company to some extent in obtaining better sales realisations but the fall in international price of finished granite and the repayment liability of the foreign currency loan off set the advantage to a large extent.

FUTURE PROSPECTS

Realising that the American economy continues to be upbeat, your company has entered into a 5 year marketing arrangement with a US based granite distributor. The company expects substantially increased sales to the US market under this new marketing arrangement. The company has also identified certain countries in the Far Eastern region where increased marketing focus has started showing encouraging results. The company is also exploiting its relatively advantageous position in terms of being able to execute large quantity cut to size project orders. Also, the efforts to pursue export of rough granite blocks are continuing to improve the sales turnover and the contribution.

The Company's sales performance in the April - June 1998 period has been higher by 98.93%, as compared to the same period of the last year. If the similar trend continues, the company is likely to put up a much better performance in the current year.

PROJECTION VS PERFORMANCE

The Company achieved a capacity utilisation of 35% compared to the projected level of 75%. The actual turnover of Rs. 819 lacs fell short of the projected figures of Rs. 2496 lacs due to the reasons explained above.



DIRECTORS

The Industrial Finance Corporation of India Limited have withdrawn nomination of Mr. Kalyana Sundaram from the Board. Your Directors wish to place on record their sincere appreciation.

Dr. R. B. Baheti, Director of your company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. K.N. Garg, Director of your Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

AUDITORS

M/s. Brahmayya & Co., Auditors of your Company will retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. As required under Section 224 of the companies Act, 1956, the present Auditors have furnished the necessary certificate.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Saving of electrical energy in the factory continues to draw high attention of the management. The power factor is consistently being maintained at a high level of around 0.97 and the DG sets are being well maintained to obtain the maximum economy in self generation of electrical power.

Total energy consumption and energy consumption per unit of production as per prescribed form "A" is not given as the company is not covered under the list of specified industries.

TECHNOLOGY ABSORPTION

Though the technology is indigenous, the company has absorbed fully the state-of-art technology installed in all areas of operations.

RESEARCH AND DEVELOPMENT

As you are aware, your company has been pursuing a project for commercial utilisation of its granite slurry waste with the help of Bharat

Heavy Electricals Limited and the Indian Institute of Science, both at Bangalore. Based on the successful completion of the project by Bharat Heavy Electricals Limited and the initial encouraging progress at the Indian Institute of Science, the company had made an application to the Technology Development Board Government of India for obtaining free grant/low cost funding. The Technology Development Board has given an in principle acceptance to fund the project upto approx. 50% of its cost by giving loan at 6% interest rate. The free grant been denied.

The Company is now waiting for the Indian Institute of Science to complete the project assigned to it. After its successful completion the company will prepare the final feasibility report for submission to the Technology Development Board. If the proposed commercial exploitation of the project shows promising outcome, your company will take suitable measures including various approvals, for its implementation. The company hopes that the successful implementation of the project would place itself in a unique position in the world as according to Company's knowledge no such project has been implemented by any company elsewhere.

ISO CERTIFICATION

As you are aware the company had obtained ISO 9002 from TUV of Germany in the year 1996. Your Company has successfully completed the subsequent surveillance audits.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings and outgo during the year under review are as under:

Amount Rs. in lacs

Earnings

a) FOB value of exports	672.67
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Outgo

a) CIF value of Import of Consumables	111.59
b) Remittance of interest	50.71
c) Foreign Travel Expenses	7.66
d) Commission on Export Sales	—

**PARTICULARS OF EMPLOYEES**

Particulars of employees as required to be given in the Directors Report under Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules 1975, are given in Annexure which forms part of this report.

INDUSTRIAL RELATIONS

Your Company follows highly progressive policies in the factory concerning its employees leading to high degree of employee involvement associated with high quality and low rejection rates. Industrial relations during the year under review were cordial.

FIXED DEPOSITS

The Company has not accepted deposits from the public during the year.

ACKNOWLEDGEMENT

The Directors have pleasure in recording their appreciation of the continued assistance and cooperation extended to the company by the State / Central Government, Banks and Financial Institutions.

The Directors also wish to record their appreciation of the sincere and dedicated services by the employees of the Company at all levels.

For and on behalf of
Board of Directors

Place : Bangalore
Date : 31-07-98

DR.R. B.BAHETI
Executive Chairman

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