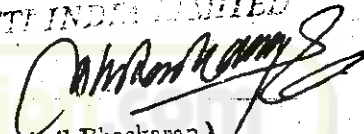


Fourteenth Annual Report 1998-99

~~CERTIFIED TO BE TRUE COPY~~

For STI INDIA LIMITED



(Anil Bhaskaran)

Company Secretary



STI India Limited



NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of STI India Limited will be held at its Registered office at Plot No.1, Sonvay Industrial Area, Rau-Pithampur Link Road, Tehsil- Mhow, Distt. Indore (M.P.) on Wednesday, the 1st September, 1999 at 4.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date together with Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Dr. K. B. Lall, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. A. N. Haksar, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. S. K. Bhatnagar, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. R. C. Jain, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution.
"RESOLVED THAT Dr. Donald Peck who was appointed as an additional Director of the Company with effect from 28th January, 1999 and who in terms of Section 260 of the Companies Act, 1956, holds such office until the date of this meeting and in respect of whom the Company has received notice in writing from a member under section 257 of the above Act, proposing his candidature for the office of Director be and is hereby appointed as Director of the Company subject to retirement by rotation."
8. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution.
"RESOLVED THAT Mr. D. G. Piramal who was appointed as an additional Director of the Company with effect from 28th May, 1999 and who in terms of Section 260 of the Companies Act, 1956, holds such office until the date of this meeting and in respect of whom the Company has received notice in writing from a member under section 257 of the above Act proposing his candidature for the office of Director be and is hereby appointed as Director of the Company subject to retirement by rotation."
9. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution.
"RESOLVED THAT Mr. A. V. Chowgule who was appointed as an additional Director of the Company with effect from 28th May, 1999 and who in terms of Section 260 of the Companies Act, 1956, holds such office until the date of this meeting and in respect of whom the Company has received notice in writing from a member under section 257 of the above Act proposing his candidature for the office of Director be and is hereby appointed as Director of the Company subject to retirement by rotation."

By Order of the Board of Directors
For STI India Limited

Anil Bhaskaran
Company Secretary

Place : Indore
Date : 1st August, 1999

NOTES

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The Proxies to be effective must be lodged with the Company's Registered Office not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, the 25th August, 1999 to Tuesday, the 31st August, 1999 (both days inclusive).
3. The Explanatory Statement as required pursuant to the provisions of Section 173(2) of the Companies Act, 1956, are annexed hereto.
4. The members are requested to send their queries, if any, so as to reach the registered office of the Company atleast seven days in advance of the meeting so that the information can be made available at the meeting.
5. The Share Department of the Company has been shifted from Steel Tube Road, Dewas (M.P.) to the Registered office of the Company at Plot No. 1, Sonvay Industrial Area, Rau-Pithampur Link Road, Tehsil Mhow, Distt. Indore (M.P.)-453331. The members are requested to send all their queries and Mails to the new address of the Share Deptt. only and in future nothing will be entertained from the old address.

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**ANNEXURE TO THE NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING
EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

FOR ITEM NO. 6

Shareholders are already aware that Commonwealth Development Corporation, United Kingdom (CDC) has participated in our Textile Project by way of investment in Equity Shares and Foreign Currency Convertible Bonds. In terms of the Financial tie-ups and Agreements entered into in between CDC and the Company, CDC has nominated their representative on the Board of Directors of the Company from the date of their participation.

During the year, Dr. Donald Peck has been appointed as an additional Director by the Board at their meeting held on 28th January, 1999 in the place of the existing nominee of the CDC, Mr. John Marjoribanks resigned from the Directorship as he was transferred to London. Dr. Donald Peck has completed his Doctorate of Philosophy in Economic History from St. Antony's College affiliated to Oxford University. In the initial stages of his career, he worked for Morgan Grenfell and Lloyds Merchant Bank as a Director for a period of about ten years and thereafter he worked for IFC, Washington as a Senior Investment Officer. In 1991, he worked as Director Financial Markets, London. Currently he is deputed as the Chief Executive of CDC Advisors Pvt. Limited, New Delhi a wholly owned subsidiary of Commonwealth Development Corporation, United Kingdom.

The Board considered his appointment as an Additional Director of the Company w.e.f. 28th January, 1999 subject to cessation of office at the ensuing Annual General Meeting. The Directors of your Company feel that the Company will be benefited by his vast and varied experience in banking and other sectors of the economy, hence his appointment is recommended.

Memorandum of Interest

None of the Directors other than Dr. Donald Peck is interested in the above resolution.

FOR ITEM NO. 7 & 8

During the year, Mr. D. G Piramal and Mr. A. V. Chowgule were appointed as additional Directors of the Company to hold office till the date of ensuing Annual General Meeting.

Mr. Piramal and Mr. Chowgule are well known industrialists of the Country. They were invited to join the Company's Board to take advantage of their vast experience in industry and trade, which they were kind enough to accept and joined the Board as Directors with effect from the 28th May, 1999. Their continued presence on the Board will be beneficial to the Company. Your Directors commend the resolutions for their appointment as Directors subject to retirement by rotation, for the approval of members.

Memorandum of Interest

None of the Directors other than Mr. D. G. Piramal and Mr. A. V. Chowgule are interested in the above resolution.

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By Order of the Board of Directors
For STI India Limited

Place : Indore

Date : 1st August, 1999

Anil Bhaskaran
Company Secretary



DIRECTORS' REPORT

To,
The Members.

Your Directors have pleasure in presenting the Fourteenth Annual Report along with the audited statements of Accounts of the Company for the year ended on 31st March, 1999.

PERFORMANCE DURING THE YEAR :

Your Company's performance during the year 1998-99 was satisfactory under the circumstances and potentially upward looking. The company was able to achieve cash break-even, despite a bad cotton crop and the consequent import of cotton at high prices. The Company's state-of-the-art Plant was inaugurated on September 12, 1998 by Union Finance Minister Hon'ble Mr. Yashwant Sinha with Chief Minister of Madhya Pradesh Hon'ble Mr. Digvijay Singh who presided over the largely attended function.

It is noteworthy that the Company commissioned its full capacity of 67440 spindles and 12 knitting machines during the year. What is more within a short time of just one month after the commissioning of the full capacity, the Company achieved a capacity utilization of 98.5 %.

The predominant export orientation of Company's products has been well sustained with 98 % of its output going to over eighteen important countries around the globe coupled with steadily widening customer base in newer markets. The Company has been judiciously adjusting its product mix both to satisfy its old customers as well as to cater to the needs of the new ones. Thanks to its adherence to international standards of quality and service, the Company has been able to secure substantial orders in hand backed by letters of credit.

FINANCIAL HIGHLIGHTS :

The salient features of the Company's financial highlights during the year are as under :

| | (Rs. in Lacs) | |
|---|---------------|---------|
| | 1998-99 | 1997-98 |
| Sales | 11039.68 | 6564.09 |
| Profit before interest, depreciation and tax | 1612.89 | 1510.17 |
| Less : - Depreciation | 788.86 | 490.47 |
| - Interest | 1610.27 | 1031.26 |
| Less : - Preliminary / Deferred Revenue Expenditure | 4.43 | 2.72 |
| | (790.67) | (14.28) |
| Profit before tax (PBT) | | |
| Tax Provision for previous year | -- | -- |
| Tax Provision written back/refunded. | -- | 3.21 |
| Profit/Loss brought forward from previous year | (51.82) | (40.75) |
| | (842.49) | (51.82) |
| Net Profit/(Loss) | | |
| Cash Profit | 2.62 | 478.90 |
| Appropriation : | | |
| Transfer to General Reserve | -- | -- |
| Proposed Dividend | -- | -- |
| Balance carried to Balance Sheet | (842.49) | (51.82) |
| | (842.49) | (51.82) |

BUSINESS PROSPECTS :

The current economic conditions in the country are similar to those prevailing in the previous year. Your Directors have taken necessary steps commensurate with changes in situation from time to time to optimise the company's performance in the current year.

STI SANOI, THE JOINT VENTURE COMPANY :

The Company has enlarged its market base by successfully catering to the needs of its customers for single and double walled copper coated tubes and other value added products in various segments. With the advent of global players, a lot of changes have taken place in automobile and refrigeration sectors. The company realized the need to meet the changing demand of the quality products required by its multinational customers. Your company has received accolades from Honda Motors Limited adjudging it as their second best vendor.

In spite of recessionary market conditions, the Company has maintained a growth of 12.21 % in refrigeration and 0.51% in automobile sectors; it is expected to further improve its performance during the current financial year by 48 % in refrigeration and 12% in automobile sector.

14th Annual Report 1998-99**DIVIDEND :**

The Directors have considered it prudent to skip the dividend for the year in the absence of adequate profits.

FINANCE/ PLACEMENT OF OPTIONALLY FULLY CONVERTIBLE DEBENTURES :

To raise finance for its textile project as well as to augment its long term resources and strengthen its capital base, your company has received an advance of Rs. 1500 Lacs towards issue of Optionally Fully Convertible Debentures (OFCDs) to Industrial Development Bank of India (IDBI) subject to such terms and conditions as specified in the Subscription Agreement. Your Directors take this opportunity to thank the IDBI for their overwhelming response and its bankers for providing timely assistance for commissioning the unit to its full capacity. Your company has been extended working capital facilities during the year by members banks of consortium led by State Bank of India for its operations.

WORKING OF THE SUBSIDIARY - STI INDIA VIDYUT LIMITED :

You are aware that STI India Vidyut Limited has been promoted as a subsidiary Company to put up facilities to cater the power needs of your Company. For this purpose the subsidiary Company proposes to set up a 25 MW furnace oil based captive power project adjacent to your Company site.

STI India Vidyut have identified a new overseas partner i.e. Rolls- Royce Power Ventures Overseas Limited for this purpose with whom a Memorandum of Understanding (MOU) has been entered into to implement 25 MW captive power project divided in two phases.

Various statutory clearances, including Fuel Linkage from the Ministry of Petroleum & Natural Gas, Government of India have already been obtained and it is expected that barring unforeseen circumstances, phase I of the power project will be commissioned by the end of year 2000.

BOARD OF DIRECTORS :

Pursuant to the provisions of Section 256 of the Companies Act 1956 and the Articles of Association of the Company, Dr. K.B.Lall, Mr. A.N. Haksar, Mr. S.K. Bhatnagar and Mr. R.C. Jain, Directors of your Company retire by rotation at this Annual General meeting and being eligible offer themselves for reappointment.

During the year Dr. N.C.B. Nath resigned from the Board on account of his pre-occupation with other assignments. The Commonwealth Development Corporation (CDC) withdrew the nomination of Mr. John Marjoribanks, their representative on the Board due to his transfer out of India. Your Directors place on record their appreciation of the valuable services rendered by Mr. John Marjoribanks and Dr. N.C.B. Nath during the period they were on the Board.

Dr. Donald Peck, Chief Executive of CDC Advisors Private Limited, New Delhi was appointed as an additional Director in place of Mr. John Marjoribanks with effect from 28th January, 1999. Mr. D. G. Piramal and Mr. A. V. Chowgule were also appointed as additional Directors of the Company with effect from 28th May, 1999 to hold office till the date of ensuing Annual General Meeting. Notices have been received from some shareholders under Section 257 of the Companies Act, 1956 proposing the names of the aforesaid Directors for appointment as Directors subject to retirement by rotation. The resolutions placed before the members for this purpose are commended for their approval.

AUDITORS :

The Statutory Auditors, M/s P.N.Nagar & Co., Chartered Accountants, Indore retire at the conclusion of the ensuing Annual General Meeting. The Company has received certificate from the Auditors to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Members are requested to appoint Statutory Auditors for the current financial year to hold office until the conclusion of the next Annual General Meeting and also to fix their remuneration.

FIXED DEPOSITS :

Your Company has not accepted or invited any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

STATUS OF Y2K PREPAREDNESS :

Your company has taken due steps for Y2K compliance in the Company's operation. The entire computer hardware and software used by the Company in commercial, finance and other areas including third party's software, office automation systems were purchased as Y2K compliant. Most of the process control systems, production equipment and machinery are already Y2K compliant. Your company has also


STI India Limited

received the certificates from all the suppliers of the software to this effect. A few machines in the production department are under upgradation and the same will be completed by August, 1999. Your company has sufficient internal resources to address any unforeseen system disruption due to Y2K.

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

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, particulars of conservation of energy, technology absorption and foreign Exchange earnings and outgo are given in the Annexure- I, which forms part of this Report.

PARTICULARS OF EMPLOYEES :

None of the Employees of the Company during the year are in receipt of remuneration of more than Rs.6.00 Lacs per annum or Rs. 50,000/- per month. Hence, the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, are not applicable to the Company.

INDUSTRIAL RELATIONS :

The relations between your Company and its employees and staff at all levels continued to be cordial during the year enabling the Company to achieve all-round progress. All the Employees worked with enthusiasm to optimize the Company's performance.

APPRECIATION :

Your Directors place on record their appreciation for unstinted and continued support extended by clients, shareholders, Commonwealth Development Corporation, Financial Institutions, Banks, State and Central Governments in achieving the desired levels of performance during the year. The Directors also take this opportunity to express their sincere appreciation of the devoted and dedicated services rendered by all the employees and staff of the Company.

For and on behalf of the Board

Place: New Delhi
Date: 28th May, 1999

Dr. R.B. Baheti
Chairman

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ANNEXURE - I TO THE DIRECTORS' REPORT

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREIN AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 1999.

Form A (See Rule 2)

CONSERVATION OF ENERGY

The Company continues to meet its entire requirement of electrical power through Diesel Generating sets. The energy management efforts continue to give impressive results with regard to optimization of operation and utilization to achieve a very healthy load factor. Because of very steady voltage and frequency the power consumption remains at optimum level. Also wastage of energy is avoided because of absence of frequent restart - ups as there are negligible power tripping.

Considerable amount of electric energy has been saved because of automation of streetlight. Lighting level is controlled by available natural light and pre-set timers switching off excess lights after traffic hours. Electrical heating system in yarn conditioning process has been dispensed with. Instead, an energy efficient hot water generator has been installed, resulting in considerable saving of costlier electrical energy. Operation of humidification plants was optimized from season to season, resulting in considerable saving of electrical energy. The required data with regard to Conservation of Energy as applicable to our industry are furnished below.

| | As at 31-03-1999 | As at 31-03-1998 |
|---|---------------------|---------------------|
| Power & fuel consumption | | |
| Electricity : | | |
| i. Purchased (KWH in Lacs) | Nil | Nil |
| ii. own generated (Units in Lacs) | 344.10 | 177.01 |
| Total amount (Rs in Lacs) | 1212.18 | 597.57 |
| Rate/Unit (in Rs) | 3.52 | 3.38 |
| Consumption of electrical energy per Kg. of production | 3.60 | 3.73 |

Form - B (See Rule 2)

RESEARCH AND DEVELOPMENT (R&D)

- Specific areas in which R&D was carried out;
No specific R & D activity was carried out by the Company.
- Benefits derived as a result of the above R&D;
Not applicable as no R&D efforts were conducted.
- Future plan of action;
Incorporation of latest testing instruments, as and when they are developed to strengthen our Quality Assurance Laboratory.
- Expenditure on Research & Development;
No expenditure has been incurred on Research & Development activities.

(B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION;

- Efforts, in brief, made towards technology absorption, adoption and innovation;

The entire range of plant and machinery is imported and the Company does not have any technical collaboration at all. The Company is managed by qualified and experienced staff in all fields.

- Benefits derived as a result of the above efforts, i.e., product development, import substitution, etc.;

During the current year, the entire capacity has been commissioned and the Company is now in a position to run the plant to its full capacity not only to increase production but also to expand its exports network to other countries in the world.

- In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished;

- | | |
|--|------------------|
| (a) Technology imported | - Not Applicable |
| (b) Year of import | - Not Applicable |
| (c) Has technology fully been absorbed ? | - Not Applicable |
| (d) If not fully absorbed, areas where this has not taken place, reason thereof and future plan of action. | - Not Applicable |

The Company does not have any technical collaboration and hence Technology Absorption and Adoption are not applicable.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

| | (Rs. in lacs) |
|--|---------------|
| Foreign Exchange earnings | 10017.05 |
| Foreign Exchange outgo; | -- |
| CIF value of imported raw material, components and spare parts | 904.70 |
| CIF value of machinery | 2692.87 |
| Others | 688.68 |
| Travelling | 24.15 |

By Order of the Board of Directors

Place: New Delhi
Date: 28th May, 1999

Dr. R.B. Baheti
Chairman


STI India Limited

AUDITORS' REPORT

To,

*The Members of
STI India Limited,*

We have audited the attached Balance Sheet of STI India Limited as at 31st March 1999 and the Profit and Loss Account for the year ended on that date annexed thereto and report that :

1. *As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, our comments on the matters specified in para 4 & 5 of the said order.*
2. *Further to our comments in the Annexure referred to in para (1) above :*
 - (i) *We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;*
 - (ii) *In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;*
 - (iii) *The Balance Sheet and Profit and Loss Account dealt with by the report, are in agreement with the books of Account;*
 - (iv) *In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manners so required and give a true and fair view.*
 - (a) *In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1999; and*
 - (b) *In the case of Profit and Loss Account of the Loss for the year ended on that date.*

For P.N. Nagar & Co.
Chartered Accountants

P. N. Nagar
Partner

Place : Indore

Date : 29th May, 1999