

Fifteenth Annual Report 1999-2000

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STI India Limited

Manufacturers of quality Cotton Yarn & Cotton Knitted Fabric



Dear Shareholder,

Re. : Compulsory Dematerialisation of shares under Electric Depository.

As you are aware that shares of STI India Limited (STIL) are now tradeable on Stock Exchanges only in dematerialised form. The Company is in the process of signing the necessary agreements with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CSDL).

SEBI vide its circular No. SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000 has made it compulsory for all the investors to trade (i.e. buy and sell) the shares of STI India Limited in the dematerialised form w.e.f. 26th December, 2000.

In view of the above, trading of STIL shares shall be compulsorily be in the dematerialised form on the Stock Exchanges from the said date and no physical share certificates will be permitted for trading. All the investors whether selling or buying the shares will now have to dematerialise the share certificates before undertaking any trade.

In order to dematerialise your share certificate(s) you would be required to take the following steps:

1. Open a Demat account with any of the depository participants and surrender the physical share certificate along with dematerialisation request form to the depository participants.
2. Depository participants after intimating the request to NSDL/ CSDL will send the certificates to the Company at the address mentioned below.
3. After the necessary process of verification of the certificates and signatures, the Company would dematerialise the certificates, update its accounts within 15 days of the receipt of the request and inform NSDL/ CSDL.
4. NSDL / CSDL will then inform the depository participant who in turn update its accounts, inform the investor and issue a receipt for the same.

If you need any specific clarifications in this regard, please feel free to speak / write to us at the following address :

Company Secretary
STI India Limited
 Plot No.1, Sonvay Industrial Area,
 Rau-Pithampur Link Road, Post.Rau,
 Tehsil - Mhow, District Indore (M.P.) - 453 331
 Tel. : 91-0731-220000/220017
 Fax : 91-0731-220011; e-mail : cs@stitextile.com

We request you to kindly avail of this facility at the earliest.

Yours sincerely,
For STI India Limited

Anil Bhaskaran
 Company Secretary

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Fifteenth Annual Report 1999-2000**BOARD OF DIRECTORS**

(As on 10th August, 2000)

DR. R.B. BAHETI	Chairman and Managing Director
DR. K.B. LALL	Director
MR. A.N. HAKSAR	Director
MR. B.M. LALL MUNJAL	Director
MR. M.R. SHROFF	Director
MR. S.K. BHATNAGAR	Director
MR. D.G. PIRAMAL	Director
MR. R.K. SABOO	Director
MR. R.C. JAIN	Director
DR. DONALD PECK	Director
MR. K.N. GARG	Director
MR. R.K. GUPTA	Director (IDBI Nominee)

COMPANY SECRETARY

MR. ANIL BHASKARAN

FINANCIAL INSTITUTIONS & BANKERS

Industrial Development Bank of India
State Bank of India
State Bank of Indore
Canara Bank
IndusInd Bank Limited

AUDITORS

M/s P.N. NAGAR & CO.
Chartered Accountants,
1st floor, Silver Arc Plaza,
20/1, New Palasia,
Indore (M.P.) 452 001

REGD. OFFICE, WORKS & SHARE DEPARTMENT

Plot.No.1, Sonvay Industrial Area,
Rau-Pithampur Link Road, Tehsil-Mhow,
Distt. Indore (M.P.) - 453 331
Tel.: +91-0731-220000 / 10 / 17
Fax : +91-0731-220011
Email : admn@stitextile.com

ADMINISTRATIVE OFFICE

Badgara House, 13/1, New Palasia,
Indore (M.P.) 452 001
Tel. : +91-0731-265848, 270848
Fax : +91-0731- 430221

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FIFTEENTH ANNUAL GENERAL MEETING

of the Company to be held on Friday, the 29th Sept., 2000 at the Regd. Off. of the Company at 3.00 p.m.



NOTICE OF THE FIFTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifteenth 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 Friday, the 29th September, 2000 at 3.00 P.M. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2000 and also 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. R.B. Baheti, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. B.M. Lal Munjal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. R.K. Saboo, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. K.N. Garg, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS :

7. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as Special Resolution.

"RESOLVED that Mr. M.R. Shroff, who was appointed as an Additional Director of the Company with effect from 30th July, 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 a notice in writing from a member under Section 257 of the 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 Special Resolution.

"RESOLVED that in accordance with the revised provisions of Schedule XIII of the Companies Act, 1956 and such other approval as may be required, the minimum remuneration payable to Dr. R.B. Baheti, Chairman and Managing Director of the Company be and is hereby increased from Rs. 87,500/- per month to Rs. 1,25,000/- per month or Rs. 10.50 Lacs per annum to Rs. 15.00 Lacs per annum respectively effective from the 1st April, 2000 for the remaining period of his appointment as Chairman and Managing Director i.e. upto 31st October, 2004 and that the Agreement executed on 28th

October, 1999 with him regarding the terms and conditions of appointment of Dr. Baheti be altered accordingly."

9. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as Special Resolution.

Amendments to Articles of Association in connection with the Dematerialisation of the Company's Shares for trading on the Stock Exchanges:

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended by inserting the following headings and Article as Article 31A after Article 31:

31A "Dematerialization of Securities"

1. Definitions : For the purpose of this Article :

"Beneficial Owner" means a person whose name is recorded as such with a Depository.

"Depository" means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992.

"Registered Owner" means a Depository whose name is entered as such on the records of the Company.

"Security" means such security as may be specified by the Securities and Exchange Board of India from time to time.

2. Dematerialization / Rematerialization of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize/rematerialise its securities and to offer securities in the dematerialized form pursuant to the Depositories Act.

3. Securities in fungible form

All securities held by a Depository shall be dematerialized and shall be in fungible form. No Certificate shall be issued for the securities held by the Depository.

4. Transfer of Securities

Nothing contained in these Articles shall apply to transfer of securities held in Depository.

5. Allotment of Securities

Where the securities are dealt with in a Depository, the Company shall intimate the details of allotment of relevant securities to the Depository on allotment of such securities.

6. Register and Index of Beneficial Owners

The Register and Index of Beneficial Owners maintained by a Depository under the Depository Act shall be deemed to be a Register and Index of members and other security holders.

7. Right of Depository and Beneficial Owners

As a registered owner, Depository shall not have any voting rights or any other rights in respect of the securities held by it.

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Every person whose name is entered as the beneficial owner of shares in the records of the Depository shall be deemed to be a member of the Company. Every beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by the Depository."

10. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as Special Resolution.

"**RESOLVED** that pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals, permissions and sanctions of the Ministry of Finance, Financial Institutions, the Securities and Exchange Board of India (SEBI), Reserve Bank of India and such other authorities as may be required and subject to such conditions and modifications, as may be prescribed by such authorities while granting such approvals and which may be agreed to by the Board of Directors or any Committee duly constituted and authorised by the Board for the purpose (hereinafter referred to as "the Committee"), the consent of the Company be and is hereby accorded to the Board of Directors to issue out of the unissued share capital of the Company such number of shares as may be decided but not exceeding 35,00,000 Equity shares of Rs.10/- each and offer the same for cash at a premium of Rs.27/- per share on private placement basis to M/s. Rolls Royce Power Ventures Overseas Limited of Singapore (RRPVOL) for an aggregate value not exceeding Rs.1320 lacs."

"**RESOLVED FURTHER** that for the purpose of giving effect to the above resolution, the Board of Directors or the Committee thereof be and is hereby authorised to do all such acts, deeds, matters and things as may be required or considered necessary or incidental thereto and to settle any question or difficulty or doubt that may arise in connection therewith in the manner it may consider fit and appropriate."

11. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution.

"**RESOLVED** that the consent of the Company under the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the contribution made by way of Charity and donation of the following funds viz.

1. Rs.1,00,000/- to Army Central Welfare Fund (Kargill Relief);
2. Rs.1,00,000/- to Madhya Pradesh Van Samiti, Bhopal;
3. Rs.25,000/- to Sathya Sai Central Trust, New Delhi".

By Order of the Board of Directors
For STI India Limited

Place : Indore
Date: 25th August, 2000

Anil Bhaskaran
Company Secretary

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 Explanatory Statements as required pursuant to the provisions of Section 173(2) of the Companies Act, 1956, are annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 22nd September, 2000 to 28th September, 2000 (both days inclusive).
4. All documents referred to in the accompanying notice and the explanatory statement are open for inspection at the Registered office of the Company during office hours on all working days up to the date of the Annual General Meeting.

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

For item No. 7.

During the year, Mr.M.R.Shroff was appointed as an additional Director of the Company to hold office till the date of ensuing Annual General Meeting.

Mr. Shroff completed his graduation in Science from Bombay University. He is also a Fellow member of the Institute of Cost & Management Accountants, London, Institute of Directors, London and also The Institute of Cost & Works Accountants of India. He has also participated various International Conferences & Seminars conducted by the University of Cambridge, Business International, USA, ILO, and Financial Times, London etc.

He is a consultant in financial and economic matters associated with many leading industrial companies for more than 25 years. Presently, he is a Vice Chairman of Raymond Limited and Chairman and Directors for more than fifteen leading Companies in India. Mr. Shroff is well known financial consultant of the Country and was invited to join the Company's Board to take advantage of his vast experience in the field of Corporate Finance, which he have to accepted and joined the Board as an Additional Director with effect from 30th July, 1999. Pursuant to Section 260 of the Companies Act, 1956 read with Article 125 of the Company's Articles of Association, Mr. M.R.Shroff will hold office only up to the date of forthcoming Annual General meeting of the Company. The Company has received notice in writing from some members under Section 257 of the above Act, signifying their intention to propose Mr. Shroff for the office of Director. Your Directors recommend the resolution for his appointment as Director subject to retirement by rotation, for the approval of members.

None of the Directors other than Mr.M.R.Shroff is interested in the above resolution.

**For item No. 8.**

In the Extra-ordinary General meeting of the Company held on 5th February, 2000, Dr. R.B. Baheti was appointed and designated as Chairman and Managing Director of the Company as per the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956. Dr. Baheti was eligible only for minimum remuneration as permitted under Part-II, Section II (1) of Schedule XIII due to the Company, not having any profits which was restricted to Rs.87,500/- per month or Rs.10.50 Lacs per annum computed on the basis of the effective capital of the Company.

Recently, the Ministry of Law, Justice & Company Affairs (Department of Company Affairs) vide Notification No. GSR 215 (E) dated 2nd March, 2000 have revised the provisions of Schedule XIII (Part II Section II) regarding the minimum remuneration payable to managerial personnel in the event of absence or inadequacy of net profits of the Company during the financial year, depending upon the effective capital of the Company. According to the revised scales, Dr. Baheti would be eligible for minimum remuneration of Rs.1,25,000/- per month or 15.00 Lacs per annum inclusive of perquisites. Dr. Baheti has been actively associated with the Company right from the conception of the project and its subsequent implementation. It is proposed to raise the remuneration payable to him up to the permitted ceilings described above.

None of the Directors other than Dr. R.B. Baheti is interested in the above resolution.

For item No. 9.

Consequent upon the setting up of Depository System and the introduction of Depository Act, 1996 there have been significant amendments in the provisions of the Companies Act, 1956 relating to issue, holding and transfer of securities in dematerialized form. The equity shares of the Company can be dematerialized under the Depository system operated by the National Securities Depository Limited and Central Depository Services Ltd. effective.

The Company's shares has been included in the compulsory demat category with effect from 26th December, 2000 as per SEBI Circular No. SMDRP/POLICY/CIR -23/2000 dated 29th May, 2000. It is therefore proposed to suitably amend the Articles of the Company as set out in the resolution in order to bring the provisions of the Articles of Association in consonance with the provisions of the Companies Act, 1956. Hence, the above resolution is recommended for approval of the shareholders. None of the Directors is interested in the said resolution.

For item No. 10.

As a 100% Export Oriented Unit (EOU) your Company is entitled for import of various duty free capital goods, raw materials, spares etc. and also fuel oil for DG sets required for setting up of a power plant and its operations. Your Company proposes to take up the implementation of Power Project which was earlier planned to be set up by the Company's wholly owned subsidiary, STI India Vidyut Limited (STIVL). Merger of both subsidiary and holding Company is continue which facilitate the automatic transfer of the approvals, allotments, sanctions etc. received from various

Government and local authorities for the Power project without any major effort..

Over the setting up of the Power project the Company has been discussing with M/s Rolls-Royce Power Venture Overseas Limited (RRPVOL), an internationally reputed company known for the manufacture of gas turbines and other power plant equipments, for a joint venture project. The proposed arrangement covers both technical and financial collaboration. In the first stage it is proposed to set up a 9 MW project at an estimated cost of Rs.30.00 Crores. As part of the arrangement with RRPVOL have agreed to invest US\$ 3 Million equivalent to Indian Rupees 1320 Lacs towards the share capital of the Company subscribing Equity shares not exceeding 35,00,000 equity shares of Rs.10/- (Rupees Ten only) each for cash at a premium not exceeding Rs.27/- (Rupees Twenty seven) per share aggregating Rs.1320 Lacs.

The Equity shares will be issued and allotted to RRPVOL on private placement basis subject to compliance with Securities and Exchange Board of India (SEBI) guidelines for Preferential allotment of shares. In terms of Section 81(1A) of the Companies Act, 1956, further issue of shares on private placement basis requires approval of the existing shareholders. The Shareholders have already accorded their approval to this proposal in the Extra-Ordinary General meeting of the Company held on 5th February, 2000. However, as per SEBI Guidelines the allotment procedure could not be completed in time due to procedural delays and hence resolution at item No.10 is placed again before the members, for approval of the Company. The Board of Directors recommend passing of the resolution.

None of the Directors is interested in the said resolution.

For item No. 11.

During the year the Company has made contribution by way of charity and donations a sum of Rs.2,25,000/- in the aggregate to viz. Army Central Welfare Fund (Kargill Relief) New Delhi, Madhya Pradesh Van Samiti, Bhopal and Sathya Sai Central Trust, New Delhi for rural welfare. These contributions are towards the rural welfare measures and national cause.

According to Section 293(1)(e) of the Companies Act, 1956, the power of the Board of Directors to contribute to any charitable and other funds or general charities during any financial year is limited to Rs.50,000/- only. Contribution in excess of the aforesaid ceiling will require approval of members in general meeting. Accordingly ex-factor approval of members is sought for the payment made during the year as above. Necessary resolution placed before the meeting is recommended for their approval.

None of the Directors is interested in the said resolution.

By Order of the Board of Directors
For STI India Limited

Place : Indore
Date : 25th August, 2000

Anil Bhaskaran
Company Secretary

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DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report along with the audited Statements of Accounts of the Company for the year ended the 31st March, 2000.

PERFORMANCE :

Your Company's performance during the year 1999-2000 was encouraging on all the three fronts of production, sales and exports. Annual sales turnover increased by 47.90 % from Rs.110.39 Crores in the previous year to Rs.163.27Crores despite depressed situation in the global market.

The predominant export orientation has been well sustained and the Company has been converted into a 100% Export Oriented Unit (EOU) from August 1,1999.Exports recorded an increase of 52.26% reaching a level of Rs.152.66 crores. The Company gained the status of "Trading House" thus graduating from its earlier status of "Export House". The Company is exporting to about 35 countries including highly developed countries in all the six continents. The marketing net work has been widened through its newly opened office at Mauritius.

Targetted production levels were achieved and production of cotton yarn has gone up from 9561.75 metric tons to 13565.02 metric tones and of knitted fabrics from 778.47 metric tones to 1391.52 metric tones. Continuing improvements in these three key fronts will have a positive impact on the core financials of the Company.

FINANCIAL HIGHLIGHTS :

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

	(Rs.in Lacs)	
	1999-2000	1998-1999
Sales	16326.90	11039.68
Profit before interest, depreciation and tax	2113.26	1612.90
Less : Depreciation	994.36	788.86
Interest	2016.69	1610.28
Preliminary/ Deferred Revenue Expenditure	22.68	4.43
Profit before tax (PBT)	(920.47)	(790.67)
Tax Provision for previous year	-	-
Tax Provision written back/refunded	-	-
Profit/Loss brought forward from previous year	(842.49)	(51.82)
Net Profit / (Loss)	(1762.96)	(842.49)
Cash Profit	96.57	02.62
Appropriation :		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Balance carried to Balance Sheet	(1762.96)	(842.49)
	(1762.96)	(842.49)

BUSINESS PROSPECTS :

Your Company has proposed to take up the implementation of 9 MW furnace oil based Captive Power Project this year jointly with M/s Rolls-Royce Power Venture Overseas Limited, (RRPVOL) an internationally reputed company known for the manufacture of gas turbines, Furnace oil based DG sets and other power plant equipments. The project consists of 3 DG sets of 3 MW each (one set of 3 MW as standby) at an estimated cost of Rs.30.00 Crores which would be met by both Equity and Loans from Financial Institutions. An MOU has already been signed with RRPVOL.

Your Company has been converted into a 100% Export Oriented Unit (EOU) with effect from the 1st August,1999 and by virtue of deriving this status, the Company is entitled for import of various duty free capital goods, raw materials, spares etc. and also fuel oil for DG sets required for setting up of a power plant and its operations.

There is no perceptible change in the overall economic situation of the country over the previous year. However, your Directors have taken all necessary steps commensurate with the changes in situation from time to time to optimize the company's performance in the current year.

STI SANOH, THE JOINT VENTURE COMPANY :

STI Sanoh India Limited, a joint venture Company was promoted by Sanoh Industrial Company, Japan and your Company had as a consequence to hive off erstwhile STI- Biplus division. In addition to the facility at Gurgaon and Dewas, the Company has also started Satellite plant at Chennai in the financial year 1999-2000 to cater to the southern markets. The Company has further enlarged its market share by catering to the high potential players in refrigeration and auto sectors.

Despite recessionary conditions during the Financial year 1999-2000, the Company has posted a growth of 57% and 21% in refrigeration and auto sector respectively and maintained its position of market leader. The Company is expected to grow at the rate of 25% and 8% in the said sectors respectively in the financial year 2000-2001.

DIVIDEND :

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

MERGER OF STI INDIA VIDYUT LIMITED WITH STI INDIA LIMITED :

Keeping the long term perspective in view, your Company has proposed to take up the implementation of Power Project which was earlier planned to be set up by the Company's wholly owned subsidiary, STI India Vidyut Limited (STIVL).

Proposal for merger of the Subsidiary Company with your Company is pending before Hon'ble Madhya Pradesh High Court. The merger will facilitates automatic transfer of the approvals,



allotments, sanctions etc. earlier received from various Government and local authorities for the Power project and presently in the name of the subsidiary, to the Company.

The necessary application for merger of subsidiary Company with your Company had been filed with Hon'ble Madhya Pradesh High Court, Bench at Indore as required under the Scheme of Amalgamation. As per the directions of Hon'ble High Court vide their order dated 3rd March, 2000, meetings of shareholders and creditors had been convened and held on 29th April, 2000 at the Registered Office of the Company for approving the Scheme of Amalgamation. The merger process is expected to be completed shortly.

BOARD OF DIRECTORS :

Pursuant to the provisions of Section 256 of the Companies Act 1956 and the Articles of Association of the Company, Dr. R.B. Baheti, Mr. B.M. Lal Munjal, Mr. R.K. Saboo and Mr. K.N. Garg, Directors of your Company retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, they offer themselves for reappointment.

During the year, Mr. P.N. Khandwalla, Mr. A.V. Chowgule, Mr. D.N. Ghosh and Mr. A.C. Chakraborti have resigned from the Board on account of their pre-occupations with other assignments. Your Directors place on record their appreciation of the valuable services rendered by them during the period they were on the Board.

Industrial Development Bank of India (IDBI) has nominated Mr. R.K. Gupta, Ex Managing Director of State Bank of Patiala, as their Nominee on the Board of Directors of the Company effective from 11th June, 1999.

Mr. M.R. Shroff was appointed as an Additional Director of the Company with effect from 30th July, 1999 to hold office till the date of ensuing Annual General Meeting. Notice have been received from some shareholders under Section 257 of the Companies Act, 1956 proposing the name of Mr. Shroff for appointment as Director subject to retirement by rotation. The appointment of a senior and highly experienced professional like Mr. Shroff will further strengthen the Board. The resolution placed before the members for this purpose is recommended for their approval.

AUDITORS :

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. 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.

FIXED DEPOSITS :

The Company has not yet started accepting fixed deposits.

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 :

Details of remuneration paid to employees as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, is annexed as Annexure II and forms part of this Report.

EMPLOYEE RELATIONS, DEVELOPMENT AND WELFARE :

Realising that the human capital is the Company's greatest asset, the upgradation of skills and attitude of its employees through well conceived periodic training programmes is continuously going on. Other measures are also being implemented for enhancing the motivation and commitment of the work force and building up a unique positive work culture. The Company has provided various facilities for them within the premises including sub-Post office services and medical facilities.

Industrial relations continued to be cordial and harmonious. Your Directors wish to place on record their appreciation of the devoted services rendered by the workers, staff and executives of the Company at all levels, which have significantly contributed to the efficient and successful management of the Company's affairs and administration.

Your Company has made a donation of Rs.1.00 Lac towards Kargill Relief Fund and another amount of Rs.1.00 Lac under Rural welfare scheme sponsored by Madhya Pradesh State Government. These donations are for a national cause and for social welfare through rural developmental programmes.

APPRECIATION :

Your Directors take this opportunity to offer sincere thanks to clients, shareholders, Commonwealth Development Corporation, Financial Institutions, Banks, State and Central Governments for the unstinted and continued support extended by them for Company's operation.

For and on behalf of the Board of Directors

Place: New Delhi
Date: 10th August, 2000

Dr. R.B. Baheti
Chairman & Managing Director

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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, 2000.

Form-A (See Rule 2)**CONSERVATION OF ENERGY :**

In spite of substantial increase in the price of diesel during the financial year under review, the cost of power per unit (kg) of production has actually come down. This has become possible because of better load management and efficient utilization. The load distribution was studied and modified so as to have the optimum plant load factor. Better maintenance practices in all areas of the plant have contributed to lower energy consumption.

The automation of air compressors was modified to avoid running of any compressor on 'no load' leading to considerable saving in electrical energy.

	Current year	Previous year
Power & fuel consumption		
Electricity :		
i. Purchased (KWH in Lacs)	Nil	Nil
ii. Own generated through D.G.		
(Units in Lacs)	489.43	344.10
Total amount (Rs in Lacs)	1769.51	1212.18
Rate/Unit (in Rs)	3.62	3.52
Consumption of electrical energy per Kg. of production	3.27	3.60

Form - B (See Rule 2)**RESEARCH AND DEVELOPMENT (R&D)****1. Specific areas in which R&D was carried out;**

No specific R & D activity was carried out by the Company. The Company however, has the most modern and sophisticated Quality Assurance Laboratory which has a wide range of testing equipment. A few machines were installed for strengthening the quality and reduction of contamination from the yarn.

- Elite spinning :** The main feature of this system is that it reduces hairiness in the yarn and increases quality and strength of the yarn. It gives better feel of the fabric made by this yarn. It helps in producing 8-10 cents more in per kilogram.
- Quantum Clearer :** This instrument cuts the contamination from the yarn at the time of winding.
- Rieter Comber :** With the help of this equipment, with a lesser noil percent extracted at Comber stage it can give same quality in comparison to other make of Comber. Approx. 1% of noil waste can be saved through this equipment.

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

Not applicable as no R&D efforts were conducted.

3. Future plan of action;

Incorporation of latest testing instruments, as and when they are developed to strengthen our Quality Assurance Laboratory.

4. Expenditure on Research & Development;

No expenditure has been incurred on Research & Development activities.

(B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION :**1. 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. The Company is managed by highly qualified and experienced skilled staff in all fields.

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

During the current year, the plant was in operation with its full capacity by which, and therefore the Company was in a position to increase its production. The Company has expanded its exports network to Thirty five countries in six continents of the world. The Company has attained of 100% E.O.U with various attendant benefits. As a result of higher export turnover during the previous year the Company has been awarded the status of 'Trading House', thus graduating from its earlier status of 'Export House'.

3. 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 there is no Technology Absorption and Adoption.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

	(Rs. in lacs)
- Foreign Exchange earnings	14664.32
- Foreign Exchange outgo;	
- CIF value of imported raw material, components and spare parts	2286.95
- CIF value of machinery	168.30
- Others	967.70
- Travelling	23.69

By Order of the Board of Directors

Place : New Delhi

Dr. R.B. Baheti

Date : 10th August, 2000

*Chairman & Managing Director

ANNEXURE - II TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2000.

Employed during the part of the financial year and in receipt of remuneration not less than Rs.50,000/- p.m. or Rs.6,00,000/- p.a.

S. No.	Name of the Employee	Age (Years)	Qualification	Experience (Years)	Date of Employment	Designation	Remuneration (Gross)	Last Employment held	% of Equity held
01	Dr. R.B. Baheti	54	M.Com (Gold Medalist) Ph.D.	32	1-11-1999	Chairman & Managing Director	Rs.4,80,000/-	M/s. Steel Tubes of India Limited, Dewas	2100

Notes : (i) Nature of employment is on the basis of contract. (ii) Remuneration include salary, contribution to Provident fund, House Rent, Expenditure incurred by the Company on accommodation, LTA, Medical benefits and other allowances as applicable under Schedule XIII of the Companies Act, 1956. (iii) The above employee is not a relative of any Director of the Company.

Place : New Delhi

Date : 10th August, 2000

By Order of the Board of Directors

Dr. R.B. Baheti

Chairman & Managing Director