

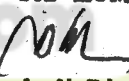
# **17th Annual Report 2001-2002**

**CERTIFIED TO BE TRUE COPY**

**For STI INDIA LIMITED,**

Report

junction.com



**Anil Bhaskaran**

**Company Secretary**



**STI India Limited**

*Manufacturers of quality Cotton Yarn & Cotton Knitted Fabric*



STI India Limited

## Seventeenth Annual Report 2001-2002

### BOARD OF DIRECTORS

(As on 29th October, 2002)

DR. R.B. BAHETI	<i>Chairman and Managing Director</i>
MR. M.R. SHROFF	<i>Director</i>
MR. R.C. JAIN	<i>Director</i>
MR. C.K. MEHROTRA	<i>Director (IDBI Nominee)</i>
MR. N.M. SHARMA	<i>Director</i>
MR. K.N. GARG	<i>Director</i>
MR. Y.C. GUPTA	<i>Joint Managing Director</i>

### COMPANY SECRETARY

MR. ANIL BHASKARAN

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### FINANCIAL INSTITUTIONS & BANKERS

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

### REGD. OFFICE, WORKS & SHARE DEPARTMENT

Plot No. 1, Sonray Industrial Area,  
Rau-Pithampur Link Road,  
Tehsil-Mhow,  
Dist. Indore (M.P.) - 453 331  
Tel. : +91-0731-220000/17  
Fax : +91-0731-220011  
e-mail : [cs@stindia.net](mailto:cs@stindia.net)

### AUDITORS

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

### ADMINISTRATIVE OFFICE

Radha House,  
13/1, New Palasia,  
Indore (M.P.) - 452 001  
Tel. : +91-0731-220045, 270848  
Fax : +91-0731-220021

## SEVENTEENTH ANNUAL GENERAL MEETING

of the Company to be held on  
Saturday, the 30th Nov. '2002 at  
the Regd. Off. of the Company  
at 11.00 a.m.

## NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Seventeenth 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 Saturday, the 30th November, 2002 at 11.00 A.M. to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 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 Mr. K.N.Garg, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Y.C.Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To reappoint M/s P.N.Nagar & Co., Indore as Statutory Auditors of the Company and to fix their remuneration.

### SPECIAL BUSINESS

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

"RESOLVED THAT Mr. N. M. Sharma, who was appointed as an additional Director of the Company with effect from 22nd January, 2002 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 Act, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company subject to retirement by rotation."

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

"RESOLVED THAT consent of the members be and is hereby accorded for reference made by the Board of Directors to Board of Industrial and Financial Reconstruction (BIFR) pursuant to Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA, 1985) on account of Company becoming Sick within the meaning of Section 3(1)(o) of the SICA, 1985."

"RESOLVED FURTHER THAT the Board of Directors including any Committee thereof be and are hereby authorized to decide and settle any matter and to do all such acts, deeds and things as may be necessary in this regard."

Regd. Office :  
Plot No.1, Sonvay Industrial Area,  
Rau-Pithampur Link Road,  
Tehsil Mhow, Distt. Indore(M.P.)

By Order of the Board of Directors  
For STI India Limited

Anil Bhaskaran  
Company Secretary

Place: Indore  
Date: 31st October, 2002

### NOTES:

1. A member entitled to attend and 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 instrument appointing proxy should, be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
2. The Explanatory Statements as required pursuant to the provisions of Section 173(2) of the Companies Act, 1956, in respect of item No. 5 and 6 included in the notice, are annexed hereto.
3. The Register of Members and Share Transfer Books of the Company were closed from 23rd September, 2002 to 26th September, 2002 (both days inclusive).
4. Pursuant to the provision of Section 205A of the Companies Act, 1956 as amended, the dividend which remains unpaid or unclaimed for a period of 7 years from the date of the declaration has to be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant for the financial year ended the 31st March, 1996 are requested to make their claim to the Company. After that, the unclaimed dividend will be transferred to Investor Education and Protection Fund of the Central Government and no claim shall be entertained by the Company.
5. Mr.K.N.Garg and Mr. Y.C.Gupta, Directors of the Company are retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. In terms of the Companies (Amendment) Act, 2000 read with Clause 49 of the Listing agreement, it is

mandatory for every Company to inform its members a brief resume, nature of experience and other details of the retiring Directors.

Mr. K.N. Garg holds a Masters Degree in Commerce and a Bachelors' Degree in Law. Mr. Garg has rich experience in running business for the last three decades. Presently, he is Chairman & Managing Director of Steel Tubes of India Limited and also acting as Director on the Board of various Group Companies.

Mr.Y.C.Gupta holds a Degree in Commerce; he is also a Fellow Member of Institute of Chartered Accountants of India. Mr. Gupta has wide experience of more than 25 years in senior management positions with varied exposure in textile industry. Earlier, he had worked with the Companies of repute like DCM Textiles, PT Indorama (Indonesia), LNJ Bhilwara Group (Maral Overseas), Ispat Group (Gontermann Pipers) and Vardhman Group, among others. Mr.Y. C.Gupta joined as Joint Managing Director of the Company on 2nd April, 2001 and is in-charge of the entire operations of the Company. He is also acting as Director on the Board of other Group Company.

### Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

#### For item No. 5.

Mr. N.M.Sharma holds a Degree in Commerce; he is a Fellow Member of Institute of Chartered Accountants of India. He has wide experience of more than 23 years in the Corporate sector having held senior management positions. Presently, he is the Managing Director of Gujarat State Co-Operative Federation Limited, Ahmedabad and other than this he is also associated with All India Co-Operative Cotton Federation Limited as Hon. Managing Director.

Mr. N.M.Sharma has appointed as an additional Director of the Company effective from 22nd January, 2002 and will hold office till the date of the ensuing Annual General Meeting. Notice have been received from a shareholder proposing his name of Mr. Sharma for appointment as Director of the Company subject to retirement by rotation in terms of Section 257 of the Companies Act, 1956. The resolution at item No. 5 placed before the members in this regard for his appointment as above is recommended for their approval. None of the Directors other than Mr. N. M.Sharma is interested in the above resolution.

#### For item No. 6.

The liberalisation process initiated in the early 1990s, has been good and encouraged the significant growth in many sectors of economy. However, it could not sustain for a longer period and Industries in every sector started facing trouble from mid/ later nineties and the same has not been exception to textile industry.

The textile project of the Company was conceived in the year 1995. There was significant delay in tie-up of long term funds required for the project. Due to debt equity gearing, the project was commissioned in phases resulting into delay in implementation of the project. Besides this the non-availability working capital funds coupled with aforesaid, resulted into losses since the start of commercial operations of the Company.

The factors like high debt burden, deterioration of markets drastically, high prices of raw materials, vis-à-vis tremendous fall in the market prices of the cotton yarns and knitted fabric during last 4-5 years, affected the operations of the Company very badly leading to continuous losses since its inception. Resultantly, the net worth of the Company as on 31st March, 2002 has been completely eroded i.e. the accumulated losses of the company have exceeded its Net Worth as on 31st March, 2002.

Pursuant to the provisions of Section 15 of SICA, the Company has to make a reference to BIFR within sixty days of finalisation of accounts and accordingly such reference is being made by your Directors. Members are requested to pass the proposed resolution to accord their consent for the action taken by the Board of Directors

Hence, the above resolution is recommended for your 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 : 31st October, 2002

Anil Bhaskaran  
Company Secretary





STI India Limited

## DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting the Seventeenth Annual Report along with the Audited Accounts of the Company for the financial year ended 31st March, 2002.

### PERFORMANCE

The year 2001-02 was another very difficult year for the Company. Due to depressed market conditions and shortage of working capital, your Company could achieve an overall capacity utilization of 68.63% only of the total installed capacity during the year.

Your Company has recorded a decrease in sales turnover due to factors referred to above as well as arising out of the brutal attack on the World Trade Center in US on September 11, 2001 which compelled even the most reputed and strongest textile companies to curtail their production and reduce prices to cope up with the depressed situation. Your Company was also badly affected in the second half on account of cancellation of orders from South East Asia and other European markets due to impact of the tragedy.

Prices of cotton yarn declined substantially in the international market in the third and fourth quarters of the year due to the reduced demand in the US and European markets. The continuous fall in demand of the cotton yarn and knitted fabric in the international market coupled with steep drop in prices in the second half of the year led to reduced margins and strained liquidity. During the period under review, sales turnover of the Company reported a steep fall from Rs.17170.98 lacs to Rs.10728.44 lacs and resulted in a net loss which was mainly due to lower sales volume, high interest cost and depreciation charges.

Export thrust continued to be maintained during the year. Your Company has also been accredited with the status of 'STAR PERFORMER' in July, 2001 by Govt. of India (Northern Export Processing Zone, Noida), Ministry of Commerce & Industry for better performance in exports made during the year 2000-01, timely returns submitted to NEPZ and exemplary track record with Customs and Central Excise Dept. as well as NEPZ.

Due to adverse market conditions and declining global yarn prices, the overall performance of your Company was not satisfactory. Effective measures have already been initiated for improving the performance and profitability and your Directors are confident of a turn around in the time ahead.

### FINANCIAL RESULTS

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

	(Rs.in Lacs)	
	2001-2002	2000-2001
Sales	10728.45	17170.91
Profit/ (Loss) before interest, depreciation and tax	(7746.67)	(2744.51)
Less : Depreciation	1066.58	1044.19
Interest	3034.37	2576.51
Profit/ (Loss) before tax for the year	(11847.63)	(876.19)
Loss brought forward from previous year	(2639.15)	(1762.96)
Net Profit / (Loss) carried forward to the Balance Sheet	(14486.77)	(2639.15)

The accumulated losses reported are Rs.144.87 Crores after adjustments for prior period expenses (Rs. 366.04 lacs), earlier year taxes (Rs. 25.47 lacs) and advances written off (Rs. 6124.92 lacs). After deducting free reserves of Rs. 2636.64 lacs, the losses carried forward stands at Rs. 118.50 crores. This has completely eroded your company's net worth.

### RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your directors hereby confirm that :

- In the preparation of the Annual Accounts for 2001-02, the applicable accounting standards have been followed with proper explanations relating to material departures;
- They have selected such accounting policies and applied them consistently and made judgments and estimates that 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 of the loss of the Company for the financial year.
- They have taken proper and sufficient care 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
- They have prepared the annual accounts on a going concern basis.

### REFERENCE UNDER SECTION 15 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

The net worth of your Company amounting to Rs. 5525.26 crores as on 31st March, 2002 has been completely eroded. Your Company has become a Sick Industrial undertaking within the meaning of Section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA, 1985) and accordingly, the provisions of SICA, 1985 are applicable to your Company. In

terms of provisions of Section 15 of SICA, 1985. Your Directors are making a reference for registration to the Board for Industrial and Financial Reconstruction (BIFR). An appropriate resolution is incorporated in the notice of 17th Annual General Meeting relating to reference made to the BIFR referred herein.

#### **DIVIDEND**

The Directors do not recommend any dividend for the year in the absence of profits.

#### **DIRECTORS' COMMENTS ON AUDITORS QUALIFICATION**

Yours Directors have taken note of the observations/qualifications of the Company's Auditors in their report including its annexure and have taken corrective measures necessary for removing the deficiencies pointed out by them.

As stated by the Auditors during the year under report the Company reinstated liabilities/advances totaling Rs.72.94 crores which in earlier years were netted off against each other. Out of these, advances amounting to Rs.61.25 crores have been written off as these were irrecoverable.

The Auditors have also qualified for non provision relating to diminution in the value of investments. As explained in the note there is no permanent diminution in the value as the performance of that Company in the current year has substantially improved.

#### **MARKETING REVIEW**

Your Company placed a considerable emphasis on marketing its products worldwide aiming at higher realizations. The Company has widened its product range by including Polyester / Cotton & Spun Polyester Yarn, which ultimately resulted in a wider export basket along with a strong presence in domestic market. Your Company penetrated in European, Canadian & American markets with its high quality products resulting in less dependence on the traditional markets of South East Asia. Similarly, your Company has created a name for itself in the domestic market. This has contributed in creating a large stable and long term customer base for its products. The Company presently has many end users in its fold who regularly consume STI brand name yarns and pay better prices than trading companies. In the domestic market, your Company has developed some of the largest corporate buyers in India for its products and commanding premium in prices along with creation of brand equity.

The Company has also started exploring trading activities in various products of open end yarns, dyed fabrics, garments etc. which will be a value addition without any investment in working capital. In order to achieve the value addition, your Company has plan to install lycra attachment on the ring frames to produce corespun lycra yarn which would fetch higher price than the normal yarn in the Domestic and International markets. The U.S. has become quota free for various Indian products including knitted fabrics and blended yarns since January, 02 and your Company is aggressively trying to make its presence into the U.S. market. Your Company has also developed new markets in Canada, Chile, Tunisia, Spain, Portugal, Greece, Netherlands etc

other than existing 34 countries spread in six continents and has also established its brand equity and developed excellent business relations with leading buyers of its product.

The cotton knitted fabric of your Company has been exported mainly to European market, Hong Kong and South Korea. Being a value added product, efforts are being made by your Company for conversion of the fabric into dyed fabric for export. Your Company is also planning to install Lycra attachment on existing machines to produce cotton lycra knitted fabric.

The Company has already started production of the polyester cotton from the previous financial year and the quality parameters have come out better than 5% of the best mills in the world as per Uster statistics. The company has already started exporting PC yarn and also captured the domestic market like Ludhiana, Delhi, Mumbai and Ahmedabad. The price fluctuation is less and profitability is better in PC yarn. Your Company also made different product mix based on the demand and customers requirement which helps in achieving better realizations.

#### **FUTURE OUTLOOK**

Your Directors have analyzed that the high cost of servicing the existing borrowings and shortage of working capital funds were largely responsible for adversely affecting the performance. Your directors are taking all possible steps for revival of the Company which include, approaching the financial institutions for restructuring the debts, cost reduction, capacity utilization and aggressive marketing of the product.

It is widely expected that the textile market will recover from recession soon. Recent consumer surveys in U.S. and other countries have indicated a revival of demand for Textiles. The consumers confidence is picking up and it is expected to reach to its optimum level.

Phasing out of multi fiber agreement presents a big opportunity for Indian suppliers including your Company. Countries like India, China, Pakistan, Indonesia have developed a core competence in textiles and are poised to acquire larger share of the global trade in textiles. In view of above, the outlook for the year 2002-2003 appears to be bright for this industry. Better availability of cotton due to more B.T. cotton seed is visualised. Your Directors are confident of better prospects for your Company and desired growth and profitability in the coming years.

#### **STI SANOI, THE JOINT VENTURE COMPANY**

The Company achieved a turnover of Rs.38.48 Crores during the financial 2001-2002 as against Rs.31.22 Crores in the previous year. The Company has earned cash profit of Rs.23.63 Laes against a cash loss of Rs. 280.90 lacs during 2000-2001 due to improvement and operations of the Company. The manufacturing units based at Chennai and Noida are performing well. A long term agreement has been entered with Whirlpool India Limited to cater to their 100% requirements by establishing a plant at Pune. Prospects look promising for the current year.


**STI India Limited**

## **MERGER OF STI INDIA VIDYUT LIMITED WITH STI INDIA LIMITED**

Members will be happy to know that the Scheme of Amalgamation of the STI India Vidyut Limited, a wholly owned subsidiary of the Company has been approved by the Honourable High Court of Madhya Pradesh, Indore bench vide their order dated 4th April, 2002. In terms of the amalgamation, no shares are required to be issued by the holding Company who will take over the assets and liabilities of the subsidiary company as at 4th April, 2002.

## **BOARD OF DIRECTORS**

Mr. K.N. Garg and Mr. Y.C. Gupta, Directors, retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for re-appointment.

Dr. K.B. Lall, Mr. A.N. Haksar, Mr. D.G. Piramal, and Mr. R.K. Saboo resigned from the Board. Mr. N. Srinivasan resigned from the Board consequent upon the withdrawal of his nomination by the Commonwealth Development Corporation, U.K. (CDC). Your Directors are deeply concerned to record the sad and untimely demise of Mr. Shashi Kant Bhatnagar, Director of the Company on 6th August, 2001. He was associated with the company for more than nine years.

The Industrial Development Bank of India has appointed Mr. C.K. Mehrotra as a nominee on the Board in place of existing nominee Mr. R.K. Gupta effective from 13th September, 2002. Your Directors place on record their appreciation of the valuable services rendered by Dr. K.B. Lall, Mr. A.N. Haksar, Mr. D.G. Piramal, Mr. R.K. Saboo, Mr. R.K. Gupta, Mr. N. Srinivasan and Mr. S.K. Bhatnagar during their tenure with the Company.

Mr. N.M. Sharma, Managing Director of Gujarat Co-Op. Cotton Federation Limited, Ahmedabad was appointed as an Additional Director of the Company effective from 22nd January, 2002 to hold the office up to the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, proposing the appointment of Mr. N.M. Sharma as a Director of the Company subject to retirement by rotation. The resolution placed to the members for this purpose is recommended for their approval.

## **AUDITORS**

M/s P.N. Nagar & Co., Chartered Accountants, Indore, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General meeting. The Company has received a letter from them to the effect that their appointment if made would be within the limits prescribed under 224(1B) of the Companies Act, 1956. Members may accord their approval for their re-appointment.

## **COST AUDITORS**

Central Government have made it mandatory for the Company to appoint Cost Auditors to conduct cost audit in respect of cotton yarn and cotton knitted fabric every year. Accordingly, M/s R.J. Goel & Co., Cost Accountants have been re-appointed to

carry out audit of the cost accounts maintained by the Company for the financial year 2002-2003. Your Directors have recommended their re-appointment as Cost Auditors of the Company under Section 233B of the Companies Act, 1956 subject to the approval of Central Government.

## **FIXED DEPOSITS**

The Company has neither accepted nor invited any deposits from public under the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

## **CORPORATE GOVERNANCE**

Your Directors appreciate the need for good corporate governance as a significant step for gaining investor confidence. Your Company has complied with all the provisions of clause 49 of the listing Agreement. The Audit Committee and sub Committee(s) have been constituted as required.

## **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 the maximum permitted ceiling given in Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended up to date.

## **EMPLOYER - EMPLOYEE RELATIONS**

Employer-employee relations remained extremely cordial during the year under review. Your Directors place on record their appreciation of the valuable contribution made by employees at all levels through their unstinted co-operation and efficient performance during the year.

## **APPRECIATION**

Your Directors place on record their sincere appreciation for the assistance and co-operation received from Financial Institutions, Banks, Central and State Governments authorities, Commonwealth Development Corporation, clients and shareholders during the period under review. Your Directors wish to place on record the devoted services of the Executives, staff and workers of the Company for its successful operations.

For and on behalf of the Board of Directors

Place : Mumbai

Date : 29th October, 2002

**Dr. R.B. Baheti**

*Chairman & Managing Director*



## 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, 2002.

**Form A (Rule 2)****(A) CONSERVATION OF ENERGY**

- By changing blade angles in humidification plant of Blow room of Mill-B and by optimization of humidification plant of Blow room of Mill-C, energy conservation was achieved.
- We improved the power factor and got the following advantages
  - reduction in line losses in 11 KVA line
  - Got higher rebate on power factor,
  - Maximum demand got reduced.
- Installation of Translucent acrylic fibre sheets in cotton sorting area to avoid Halogen lights in the day time.
- Various other precautions like optimization of street lightings, office lightings, removal of cooling fans in ring frame penals have been taken. The required data with regard to Conservation of Energy as applicable to our industry are furnished below :

	For the year 2001-2002	For the year 2000-2001
<b>Power &amp; fuel consumption</b>		
<b>Electricity :</b>		
i. Purchased (Unit in Lacs)	34.74	Nil
ii. Own generated (Units in Lacs)	328.71	492.82
Total amount (Rs in Lacs)	1562.97	2063.83
Rate/Unit (in Rs)	4.30	4.19
Consumption of electrical energy per Kg. of production	3.42	3.55

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

Besides on line checking and monitoring of the process material and finished product from quality point of view, major attentions were given to the following areas :

- # Developing and implementing a new and improved bale management system for proper, homogenous mix-up of cotton bales to avoid any kind of uneven dye uptake problem (Barre) in fabric stage.
- # Analyse the root causes of some critical seldom-occurring yarn faults to improve the fabric appearance.
- # Optimize the process and machine parameters from yarn hairiness point of view and ultimately to improve the knitted fabric appearance.
- # Analysis and removal of the contamination problem in Indian grade cotton, the property, size, impact on final yarn or fabric appearance of the contaminants, customers view & sensitivity in details. Then implement hand-sorting procedure, in addition also removing the contamination by electronic SIRO clearer at auto winding stage.
- # For each and every container, individual Container Approval System (from quality point of view according to customer specifications) has been adopted. In which all the yarn quality parameters, fabric appearance, knitting machine working performance (by preparing knitted fabric in our own knitting machine) are checked by picking random sample from the container before dispatching it to the party.

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

The success derived from the strict online quality monitoring and the

above R&D activities are resulting in achieving consistent and better yarn & fabric quality, control over rejections, and continuous improvement in quality for domestic and international markets to the total satisfaction of the customers.

**3. Future plan of action**

The company does not compromise the quality of its products to sustain its prime position in domestic and international market. The company will continue to promote all R&D activities for continuous up-gradation in the product quality, to undertake changing product mix based on the market demand, which in terms helps value addition in a big way. Ensuring maximum productivity and best quality by regulating, uses of latest testing equipments is an on going process.

**4. Expenditure on Research & Development**

No capital expenditure has been incurred on Research & Development activities.

**(B) TECHNOLOGY ABSORPTION, ADOPTION & 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 and skilled staff, equipped with advanced form of information technology at all levels. On line Computerisation of quality control for prompt feed back for better production control is already in place.

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

The basic strength of the Company is its quality and that matches in all respects with international standards. The quality parameters satisfy to the Uster norms that are accepted worldwide. Quality of our yarn is rendered possible not only because of the sophisticated imported machinery installed for all crucial operations including auto cone winding, but also due to backward integration through appropriate tie ups for procurement of superior quality cotton.

**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 | - Not Applicable |
| has not taken place, reason thereof and     |                  |
| future plan of action                       |                  |

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, FOB value and outgo	7274.01
- CIF value of imported raw material, components and spare parts	221.04
- CIF value of machinery	--
- Others	664.88
- Traveling	21.75

By Order of the Board of Directors

Place : Mumbai  
Date : 29th October, 2002

**Dr. R.B. Baheti**  
Chairman & Managing Director



STI India Limited

## REPORT ON CORPORATE GOVERNANCE

### INTRODUCTION

The Securities and Exchange Board of India has introduced a Code of Corporate Governance (Code) by way of amendment to the listing agreements with the Stock Exchanges. The Company has complied with the mandatory requirements of the Code.

### 1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE.

The fundamental objective of Company's Corporate Governance is "enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders and adopting a methodology which enhance effectiveness, better utilization of resources, transparency and harmonious relations between various interest groups."

### IMPLEMENTATION

The applicability of the code to STI India Limited is effective from financial year 2001-2002 and onwards, as per the requirement of the Listing Agreement with stock exchanges. STI India Limited had taken gradual steps to comply with the same from financial year 2000-2001 and full code has been implemented.

### 2. BOARD OF DIRECTORS

#### A. The Board of Directors of the Company

The Board consists of seven (07) Directors out of which five (05) are non executive Directors. They include eminent persons from civil service and industry and trade. None of the Directors has any pecuniary relationship or transaction with the Company other than the remuneration and fees received for the services rendered.

There were changes in the Board during the year. Dr. K.B. Lall, Mr. A.N.Haksar, Mr. D.G.Piramal and Mr. R.K.Saboo resigned from the Board, so also Mr. N.Srinivasan, consequent upon the withdrawal of his nomination by the Commonwealth Development Corporation of U.K.. Mr S.K.Bhatnagar ceased to be a Director due to death. Mr. N.M.Sharma joined the Board from the 22nd January, 2002. The IDBI has withdrawn their nominee Mr. R.K. Gupta and in his place of Mr. C.K. Mehrotra has been nominated with effect from 13th Sept., 2002.

Mr. N.M.Sharma holds a degree in Commerce and a Fellow member of Institute of Chartered Accountants of India. He has wide experience of more than 23 years in Corporate sector having held various senior management positions. Presently, he is a Managing Director in Gujarat State Co-Operative Federation Limited, Ahmedabad. Other than this, he is also associated with All India Co-Operative Cotton federation Limited as a Hon. Managing Director.

#### B. Attendance of each Director at the Board of Directors meetings and last AGM and details of memberships of Directors in other Boards and Board Committee.

Details of the Board meetings held during the year 2001-

2002 are as follows :

S. No.	Date of the meeting	Board strength	No. Directors present
1	29th June, 2001	12	09
2	28th July, 2001	12	06
3	29th October, 2001	09	07
4	22nd January, 2002	10	09

# The time gap between any two meetings did not exceed more than four months.

S. No.	Director(s)	Board meeting attended during the year	Whether attended last AGM	Memberships as on 29/10/2002 in Other Board (Excluding STI India Ltd.)	Other Board Committee (Nos.)
01	Dr. R.B. Baheti Chairman & Managing Director	4	Yes	09	03
02	Dr. K.B. Lall*	4	No	01	Nil
03	Mr. M. R. Shroff	3	No	12	10
04	Mr. R.C.Jain	3	No	06	02
05	Mr.R.K.Gupta** (Nominee IDBI)	4	No	05	01
06	Mr. K.N.Garg	4	Yes	08	05
07	Mr. Y.C.Gupta (Joint Managing Director)	4	Yes	01	01
08	Mr. N.M.Sharma (w.e.f. 22/01/2002)	1	No	02	01

\* Resigned on 29th October, 2002

\*\* Nomination changed by IDBI with new Director, Mr. C.K. Mehrotra effective from 13th September, 2002.

### 3. COMMITTEE(S) OF THE BOARD

The Board has constituted following committees to oversee operational issues as required under the Listing Agreement. The Committees are :

#### A. AUDIT COMMITTEE

The Committee has been constituted on 22nd January, 2002 to ensure that internal control and audit functions in the Company are carried out satisfactorily. The Committee provides directions and also oversees the operations of the entire audit functions in the Company. The terms of reference of the audit committee authorise that committee to exercise all the powers listed in sub paragraph (C) & (D) of paragraph (II) of clause 49 of the listing agreement. The Broad terms of reference includes as under :

1. To ensure that the disclosure in the financial information stated in financial statements are correct, sufficient and credible.
2. To recommend regarding appointment & renewal of external auditors, fixation of audit fees and approval for payment of other services.
3. To review with Management the annual financial statement before submission to the Board, primarily on:
  - any change in accounting policies and practices
  - major accounting entries based on exercise of judgment by management;



- qualification in draft report;
  - significant adjustments arising out of audit;
  - compliances with Stock Exchanges and legal requirements concerning financial statement;
  - related party transactions
4. To review the adequacy of internal control system, internal audit functions including discussions with internal auditors on matters like internal investigation where there is suspected fraud or irregularities or failure of internal control systems material nature.
  5. Discussions with external auditors before the audit commences, nature and scope of audit as well as have post audit discussion.
  6. To review the Company's financial and risk management policies; and
  7. To look into the reasons for substantial defaults in the payment to depositors/shareholders/creditors.

The Audit Committee Comprises of 3 non-executives Directors with Mr.N.M.Sharma as Chairman and Mr. K.N.Garg and Mr. M.R.Shroff, as members. All of them possess vast experience in Finance, Accounts and Management. Mr. Anil Bhaskaran, Company Secretary is the Secretary to the Committee.

#### B. REMUNERATION COMMITTEE

The Company has not constituted a remuneration Committee on a regular basis. The Committee will be appointed as and when required in connection with the appointment/ reappointment of Managerial personnel.

##### For Managing and Joint Managing Directors

The appointment of and the remuneration payable to Dr. R.B.Baheti, Chairman & Managing Director and Mr. Y.C.Gupta, Joint Managing Director of the Company are in accordance with Section 269 read with Schedule XIII of the Companies Act, 1956 and have been already approved by members in General meeting which are as follows :

S. No.	Name(s) & Designation	Salary, Perquisites & other Allowance	Terms of contract
1	Dr. R.B. Baheti Chairman & Managing Director	Rs. 17.49 Lacs	5 years w.e.f. 1st Nov., 1999
2	Mr. Y.C.Gupta Joint Managing Director	Rs. 16.26 Lacs	5 years w.e.f. 2nd April, 2001
<b>Total</b>		<b>Rs. 33.75 Lacs</b>	

Both the Executive Directors are not getting any Commission or shares by way of Stock option and also sitting fees for attending any Board meeting. The service contract is terminable at the option of either party by 3 months notice. The service contract does not carry any compensation for severance.

##### For Non-Executive Directors

Sitting fees as permitted according to the provisions of Articles of Association exclusive of actual travel and incidental expenses incurred for attending such meetings.

There is at present no other components of remuneration paid to Non-executive directors.

#### C. SHAREHOLDERS' GRIEVANCES AND SHARE TRANSFER COMMITTEE

An in-house existing committee called "Share Transfer Committee" has been re-named and reconstituted as "Shareholders Grievances and Share Transfer Committee", comprising of Mr.Y.C. Gupta as Chairman, Dr. R.B.Baheti and Mr. K.N.Garg, as members. The said Committee considers and approves the share transfer applications and also takes care of the redressal of shareholders and investors grievances.

The Committee meets at fortnightly intervals to consider share transfer requests. Mr. Anil Bhaskaran, Company Secretary has been designated as the Compliance Officer. Twenty three applications were received during the year, they were approved and documents were dispatched after necessary action within the time stipulated. No applications were pending as at 31st March, 2002. Six complaints were pending as at 31st March, 2002 relating to demat of shares which were attended to and replied within the stipulated time.

#### 4. GENERAL BODY MEETINGS

The particulars of the Annual General Meetings held during the last three years are given below :

Annual General Meeting	Location of AGM	Date & Time
14 <sup>th</sup> AGM	Regd. office : Plot No. 1, Sonvay Industrial Area, Rau-Pithampur Link Road, Post Rau, District, Indore (M.P.)	01/09/1999 at 4.00 p.m.
15 <sup>th</sup> AGM	- As above -	29/09/2000 at 3.00 p.m.
16 <sup>th</sup> AGM	- As above -	28/09/2001 at 11.00 p.m.

No special resolutions were adopted by postal ballot during the year. The Companies (Amendment) Act, 2000 has introduced Section 192A relating to passing of resolutions by postal ballot and the Secretarial Dept. of the Company will take care of it.

#### 5. DISCLOSURES

- a. Disclosed all the material/significant transactions entered during the year with related parties i.e. key management personnel or their relatives that may have potential conflict with the interest of the Company, in accordance with Accounting Standard 18 of ICAI.
- b. There were no instances of non-compliances in any matter related to the capital market during the last three years.

#### 6. MEANS OF COMMUNICATION

Quarterly Results : The Quarterly Results of the Company are being published in two national Newspapers (one in Hindi and other in English)

Annual Report sent to : Yes  
every shareholders

Any Website where : The Website www.stitextile.net is displayed under construction.

The Management Discussion and Analysis is forming part of this Annual Report.