

20th

Annual Report

2004-05



Quality & Commitment



STI India Limited

Manufacturers of quality Cotton Yarn & Cotton Knitted Fabrics

www.reportjunction.com



Twentieth Annual Report 2004-05

BOARD OF DIRECTORS

(As on 28th July, 2005)

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. N.M. SHARMA	<i>Director</i>
MR. K.N. GARG	<i>Director</i>

MUKESH KUMAR GARG *Company Secretary*

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FINANCIAL INSTITUTIONS & BANKERS

Industrial Development Bank of India Ltd.
State Bank of India
State Bank of Indore
IndusInd Bank Limited

REGD. OFFICE, WORKS & SHARES DEPARTMENT

Rau-Pithampur Link Road,
Tehsil-Mhow,
Distt. Indore - 453 332 (M.P.)
Tel.: +91-0731-5020000/05
Fax : +91-0731-5020011

AUDITORS

M/s Rastogi Narain & Co.
Chartered Accountants,
304-305, Lotus Chamber,
2079/38, Nalwa Street, Karol Bagh,
New Delhi - 110 005
Tel.: 011-25734688, 25752005

ADMINISTRATIVE OFFICE

Badgara House,
13/1, New Palasia,
Indore - 452 001 (M.P.)
Tel. : +91-0731-5065848
Fax : +91-0731- 2430221

TWENTIETH ANNUAL GENERAL MEETING

*of the Company to be held on
Friday, the 30th Sept. '2005
at 12.00 noon at the Regd. Office
of the Company.*

20th Annual Report 2004-05

NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of STI INDIA LIMITED will be held at its Registered Office at Rau-Pithampur Link Road, Tehsil:Mhow, Distt. Indore - 453 332 (M.P.) on Friday the 30th September, 2005, at 12.00 Noon to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date together with Directors' Report and the Report of Auditors 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 reappoint M/s. Rastogi Narain & Co. as Statutory Auditors of the Company and to fix their remuneration, and in this regard pass the following resolution as Ordinary Resolution:

"RESOLVED THAT M/s Rastogi Narain & Co., Chartered Accountants, New Delhi, be and are hereby re-appointed as the Auditors of the Company to hold office from conclusion of this Annual General Meeting till conclusion of the next Annual General Meeting as recommended by the Audit Committee of the Company at a remuneration of Rs.3,24,000/- Plus service tax and such travel and out of pocket expenses as may be incurred."

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and approvals from SEBI, Stock Exchanges where shares of the company are listed and such other approvals as may be necessary, and further subject to the Memorandum & Articles of association of the Company, consent of the Company be and is hereby accorded to the Board of Directors or any Committee thereof, duly constituted by the Board for the purpose, (hereinafter referred to as "the Committee") to issue 75,00,000 (Seventy Five Lacs) equity shares of Rs.10/- (Rupees Ten) each fully paid up for cash at par for an aggregate amount of Rs 750 Lacs (Rupees Seven

Hundred Fifty Lacs) out of the un-issued share capital of the Company, on conversion of a part of overdue simple interest on the outstanding principal amount, on preferential allotment basis, to Stressed Assets Stabilization Fund (SASF) or in favour of any other Institution as may be suggested by SASF in terms of the Restructuring of term liabilities sanctioned to the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take such action as may be required in regard to offer, issue and allotment of the equity shares to SASF as above and to do such acts, deeds and things as may be necessary to give effect the above resolution.

By Order of the Board of Directors
For **STI INDIA LIMITED**

(K.N. GARG)

Director

Place: Indore

Date: 1st September, 2005

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, however, be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd September, 2005 to 30th September, 2005 (both days inclusive).
3. Pursuant to the provision of Section 205C of the Companies Act, 1956 the application money remained unpaid for more than 7 years from the due date of refund has been transferred to the Investor Education and Protection Fund of the Central Government during the year.
4. Members desirous of getting any information about the accounts and operation of the Company are requested to address their query to the Shares Department at the Registered Office well in advance so that the same may reach atleast seven days before the date of the meeting to enable the management to keep the required information readily available at the meeting.



5. The members having physical shares are requested to notify immediately any change in their addresses with the postal identity number (Pin code) and quoting their folio numbers to the Company. The Members holding shares in demat form are required to get updated change in their address through their depository.
6. The shareholders may also note that considering inadequacy of profits the company had not declared any dividend for the financial year commencing from 1996-97. The Board of Directors has not recommended any dividend for the year 2004-2005.

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

For item No. 2.

Mr. K. N. Garg, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and he is available for re-appointment.

Mr. K. N. Garg, Promoter Director of the Company is an Industrialist. Mr. Garg born in 1945, having Masters' Degree in Commerce and a Bachelors' Degree in Law, is a new age entrepreneur. Mr. K. N. Garg, has rich experience in running business for more than three decades. Presently, he is Chairman and Managing Director of Steel Tubes of India Limited and also acting as Director on the Board of various other companies.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of members. Apart from Mr. K. N. Garg, no other Director is interested in the resolution.

For item No. 04.

Considering the business potentials and financial viability of the Company, the Stressed Assets Stabilization Fund

(SASF) has vide their letter No. HO / SASF(STIL) / 147 dated 10th August, 2005, sanctioned Restructuring of Term Liabilities of the Company. As per one of the condition of restructuring, over due simple interest to the extent of Rs.7.50 Crores will be converted into Company's Equity Share Capital at par. This will bring down the interest liability and improve net worth of the Company.

Under Section 81(1A) of the Companies Act, 1956, the Issue of further equity shares other than to the existing shareholders of the Company will require approval of members in general meetings by special resolution. Such preferential allotment of 75,00,000 Equity Shares for Rs 10/- cash at par in consideration of conversion of outstanding interest shall also be subject to the approval of SEBI and Stock Exchanges, where shares of the Company are listed.

Consequent upon the issue and allotment of shares as proposed, the paid up share capital of the Company shall go up to Rs.25 Crores. The present Authorised Share Capital of the Company is sufficient to accommodate the new issue of Equity shares as proposed.

Accordingly the Special Resolution is placed before meeting and recommended for approval of members. None of the Directors of the Company is interested in the above resolution.

By Order of the Board of Directors
For **STI INDIA LIMITED**

Place: Indore
Date: 1st September, 2005

(K.N. GARG)
Director

DIRECTORS' REPORT

to,
The Members,

The Directors have pleasure in presenting their Twentieth Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2005.

FINANCIAL RESULTS

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

	(Rs.in Lacs)	
PARTICULARS	2004-05	2003-04
Sales & Other Income	16426.34	16050.46
Expenditures	15938.83	15625.26
Gross Profit / (Loss) before Interest,	487.51	425.20
Depreciation and Tax (PBITD)		
Cash Profit	1568.30	1512.32
Less : Depreciation	1080.79	1087.12
Interest	14.39	3924.33
Net Profit/(Loss) for the year	(607.67)	(4586.25)
- Prior year adjustments	5076.50	(44.77)
- Provision for Tax	--	--
Adjusted Profit/(Loss) for the year	4468.83	(4631.02)
Balance brought forward	(18769.68)	(14138.66)
from previous year		
Net Profit/(Loss) carried forward	(14300.85)	(18769.68)
to the Balance Sheet		

PERFORMANCE

In 2004-05, your Company registered Sales of Rs.164.26 Crores, 2.34% higher than in the previous year. The growth in Sales of Cotton Yarn & Knitted Fabrics in volume terms was higher at 5% recording sales of 13691 MT (13097 MT).

This year your company, being a 100% EOU, major thrust was given to expand business in various export markets, strategically focusing our products in the premium markets of Europe, US, Canada and emerging Eastern European Countries. This has resulted in Export Sales spurring by 33% at 7475 MT from 5606 MT last year. In value term export at Rs. 8182 lacs were up by 32% from Rs.6200 Lacs in the previous year. The Sales in domestic market were down at Rs. 6933 lacs against Rs. 8632 Lacs last year.

Since beginning of the New Year the abolition of Quota regime for Europe and U.S. markets has given the Company new opportunities to export our Cotton Yarn to these markets. We see this policy being of great advantage. We envisage Europe to emerge as one of our largest markets for Cotton yarn, besides price realization in these markets are better as compared to Asian Countries.

DIVIDEND

The Directors do not recommend any dividend for the year in view of the loss.

MARKETING REVIEW

The current year has started on an optimistic note. The abolition of trade barriers in the export markets offer fine opportunities. Your Company is well positioned to encash on the booming domestic and

export markets with its established marketing / supply chain management. The skyrocketing of Petro-Product prices is severely impacting prices of Man Made fibers, thus offering competitive advantage to Cotton Yarn.

Based on the rising demand in export markets and better price realization, the Company has also shifted its focus to supplies to European and American Markets, where we continuously pursuing our efforts to develop new customers.

FUTURE OUTLOOK

Phasing out of Quota Regime under WTO has presented great potential for growth before China and India to gain additional market access, over and above their current market share.

It is expected that the Indian market share in textile and garments in both US and EU markets would double from the current level in next 2-3 years. With this major development in the global textile industry, the Indian textile sector is bound to have robust growth rate. We also anticipate good demand for cotton yarn in other markets like China, South Korea, Mauritius, Hong Kong, Egypt, Philippines, Indonesia where STI INDIA LTD has good presence and marketing channels.

Another welcome development is the growing sourcing of textile and garments from India by global chain stores like Wal-mart, K-Mart, JC Penny, H&M, Sara Lee, who have opened their offices in India as they see India as one of the best and competitive alternate source of supply to China. We at STI had foreseen this opportunity and have prepared ourselves to avail of this.

STI INDIA LTD has recently made a modest entry into Belgium, Italy, Spain, Portugal and Switzerland and more business is expected. As a result of these developments we expect to fare much better in the current year with additional thrust on exports.

RESTRUCTURING OF TERM LIABILITIES

Considering the future business potential and financial viability of the Company, the Stressed Assets Stabilization Fund (SASF) has sanctioned restructuring of term liabilities of the Company. The restructuring approved by SASF includes concessions in and waiver of outstanding and future Interest dues to Financial Institutions / Banks apart from rescheduling of repayment of loans. The terms of restructuring also include conversion of a part of dues amounting to Rs.750 Lacs into 75 Lacs Equity Shares of the Company to be issued at par to SASF. The Company has given effect to the sanction of restructuring; in drawing up its Annual Accounts for the year ended 31st March, 2005 and accordingly necessary resolutions have also been incorporated in the Notice of Annual General Meeting for issue of Shares in favour of SASF for approval of the Members.

BOARD OF DIRECTORS

Mr. K. N. Garg, Director, retires by rotation at the ensuing Annual General Meeting and is available for re-appointment.

During the year Mr. C. K. Mehrotra ceased to be the Director of the Company due to his untimely demise. The Board of Directors



records their deep appreciation for the contribution made by Mr. C. K. Mehrotra during his tenure as Director of the Company.

PERFORMANCE OF STI SANOH INDIA LIMITED - THE JOINT VENTURE COMPANY*

Your Directors are pleased to inform that growth in the Automobile sector has helped in improved performance of STI Sanoh India Limited. During the year it recorded 4% growth in sales & operating Income at Rs. 67.35 Crores in comparison to Rs. 64.84 Crores last year. However, margins were under pressure on account of increased raw material costs. Consequently the net profit declined to 12.80 Lacs from Rs. 38.49 Lacs in the previous year.

As a result of India's expected GDP Growth of 7% during the current year and targeted demand growth in automobiles and refrigeration industries in 2005-06, we expect the performance of the Joint Venture to be better in the current year.

AUDITORS

M/s Rastogi Narain & Co., Chartered Accountants, New Delhi, 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 fabrics, every year. Accordingly, M/s R.J. Goel & Co. New Delhi, Cost Accountants are proposed to be re-appointed to carry out audit of the cost accounts maintained by the Company, for the financial year 2005-06. Your Directors recommend their re-appointment as Cost Auditors of the Company under Section 233B of the Companies Act, 1956 subject to the approval of the Central Government.

DIRECTORS' COMMENTS ON AUDITORS QUALIFICATION

Your Directors have taken note of the observations/qualifications of the Company's Auditors in their report including its annexure. The fixed assets register of the Company is under compilation with all addition and deletions regularly recorded at due place. The company has further strengthened the internal control systems and procedures of the company by enlarging and upgrading the scope of work of Internal Auditors of the Company. The Company has also taken positive measures for removing the deficiencies pointed out from time to time.

As regards the arrears in payment to financial institutions/banks and Foreign Currency Bond holders the Company expect improvement in the position post sanctioning of restructuring of term liabilities.

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.

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 2004-05, 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.

CORPORATE GOVERNANCE

Your Directors are committed to good corporate governance as a policy. The Audit Committee, Shareholders'/Investors Grievance Committee and Remuneration Committee have been constituted, as required and these are functioning. A detailed report on Corporate Governance is attached with the Directors report and forming its part.

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 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.

INDUSTRIAL RELATIONS

Industrial Relations throughout the year were cordial. Your Company has always adopted a policy of creating a healthy working environment at its works and offices. Your Directors place on record their appreciation of the valuable contribution made by employees at all levels by their unstinted co-operation.

APPRECIATION

Your Directors thank Financial Institutions, Banks, Central and State Governments, Commonwealth Development Corporation, Clients and Shareholders for their unstinted support.

For and on behalf of the Board of Directors,

Place : Indore

Date : 1st September, 2005

Dr. R.B. Baheti

Chairman and 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, 2005.

Form A (Rule 2)

CONSERVATION OF ENERGY :

Management has great concern not only on energy conservation but also for the fuel conservation. During the financial year we got reconnected with State Electricity Board Power to bring down the fuel consumption.

Following steps have been taken for energy conservation :

1. Installed energy saving flat belt pulley system on auto winders.
2. Further optimization of speeds of machines with respect to the maximum output.
3. To maintain good power factor & load factor to reduce energy losses.

The recurring efforts made during the past and this year could lead us to reduce the consumption of electrical energy per kg. of production by approx. 3.50% over the last year.

The required data with regard to Conservation of Energy as applicable to our industry are furnished below:

	Current year 2004-05	Previous year 2003-04
Power & fuel consumption		
Electricity :		
i. Purchased (Units in Lacs)	193.98	97.93
ii. Own generated (Units in Lacs)	256.25	330.23
Total amount (Rs in Lacs)	2098.06	1749.99
Rate/Unit (in Rs)	4.66	4.09
Consumption of electrical energy Per Kg. of production	3.30	3.41

FORM-B (Rule-2)

(A) RESEARCH AND DEVELOPMENT (R & D)

1. Specific Areas in which R & D was carried out :

- (a) Effective bale management system in receiving stage of raw cotton and to enhance homogeneity in mixing, stacking & conditioning was followed strictly.
- (b) Further, to maintain better process control, optimized the settings & gauges through out the process i.e. Blow Room, Carding, Comber, Simplex, Ring Frame & Auto Coner with help of R&D facilities.
- (c) Trials taken in different stages of the process and changes were done accordingly, after getting positives results (like, from 3 passages to 2 passages in drawing for carded counts, from 6.5mm spacer to 5.4mm spacer in simplex & from local wax to imported wax in auto coger etc.).
- (d) Effectively implemented shop floor observations / studies through out the process in all three shifts by newly trained staffs.
- (e) Quality M.I.S. (Data base) of year 2003-2004 was prepared, to see the monthly quality aspects of our products.
- (f) Solving customer complaints by root cause analysis.
- (g) Sampling & New developments

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

- (a) Consistency in yarn quality and meet the performance specifications.
- (b) Controlled the re-occurrence of the problems by taking corrective & preventive actions.
- (c) Improvement in yarn as well as fabric quality.
- (d) Process control irregularities are controlled and attended immediately due to process control observations by quality team.
- (e) Quality consciousness in all level due to Quality M.I.S. (Data base), the monthly quality aspects of our products, just like "study of history improves the civics and also affects the future of the nation".
- (f) Minimized rejections.

3. Future Plan of Action :

- (a) Implementation of machinery maintenance audit.
- (b) Up-gradation & standardization in quality of products.
- (c) Planned & systematic actions to provide adequate confidence that, the product will satisfy given requirements for quality.
- (d) In-coming material Inspection & Testing.
- (e) Incorporation of projection microscope & sample dyeing machine.

4. Expenditure on Research & Development :

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

(B) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

1. Efforts, in brief, made towards technology Absorption, Adaptation 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, equipped with advanced form of information technology at all levels. As it is the demand of the time to reduce the cost of maintenance and at the same time maintaining the same level of quality, alternate substitute components were developed.

- (a) **Rings with Adaptor** : Indigenous Lakshmi make rings have been fitted on the Ring frame with the help of a modified adaptor, which was developed locally. This will help us to replace the costly imported rings.
- (b) **Super Cleaner** : Introduction of a super cleaner machine is planned, which will reduce the trash content as well as contamination of the mixing prior to sorting. This will improve the grade of cotton fed in Blow room. Also this will reduce man power to the tune of 100 hands per day in sorting department.
- (c) **Vision Shield** : Introduction of vision shield is planned in Blow room line to reduce the contamination level in the cotton. This electronic device is indigenous and is able to sort out the white polypropylene fibres as well as colour contaminations from the cotton. This is a indigenous product made by M/s. Vetal Engineers and it's cost is 50% lesser than the imported one.
- (d) **Package Density** : In Auto Coner the package density and the package weight have been increased by developing special springs & brackets indigenously. This has helped us in running cost saving in packing as well as in freight.
- (e) We have developed indigenously a double comb system on the suction mouth of Murata Auto Coner machine, which prevents the bunch formation during winding. The feed back from market is very positive since then.
- (f) We have added one more Rieter Comber, model E/62 in our combing section, to increase our combing capacity from 21.5 tons/day to 22.5 tons/day. This will help us to get more value addition.
- (g) We have introduced one fabric inspection machine from indigenous source, to ensure 100% checking of knitted fabrics.

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 up for procurement of superior quality cotton. By substituting the above-mentioned components, quality of the maintenance is at the same level, though we have reduced the cost of maintenance and also the lead-time procuring the components.

3. Future Plan of Action :

- (a) To reduce the hairiness in final yarn we are going to replace the old rings of R&F quality from Germany by Lakshmi make rings of still better quality.
- (b) Modified Top Combs: To reduce the comber waste by at least by 1% & maintaining the same quality level on 18 Toyota combers a modified top comb is planned to be introduced in place of conventional ones.
- (c) We have planned to introduce transfer of material from sorting to mixing bin by pneumatic suction system. This will help us to reduce the manpower, the wastages & the time.

4. 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 been 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)

	Current year 2004-05	Previous year 2003-04
- Foreign Exchange earnings, FOB value	7874.37	5997.37
- CIF value of imported Spare parts, components and HSD	867.95	985.30
- CIF value of machinery	--	--
- Others	84.86	32.74
- Traveling	14.61	3.62

For and on behalf of the Board of Directors,

Place : Indore
Date : 1st September, 2005

Dr. R.B. Baheti
Chairman and Managing Director



REPORT ON CORPORATE GOVERNANCE

(In terms of clause 49 of the listing agreement)

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 requirements of the Code.

1. PHILOSOPHY ON CODE OF 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.'

2. BOARD OF DIRECTORS

(a) Composition

As on 31st March, 2005, the Board consists of five Directors out of which four are non-executive Directors. None of the Directors of the Company is a member of more than 10 committees or Chairman of more than 5 committees (as specified in Clause 49 of the Listing Agreement). The Board is primarily responsible for the overall management of the Company's business. The composition of the Board as on 31st March, 2005 is as under :

No.	Name of the Directors	Category
1.	Dr. R.B. Baheti - CMD	Promoter Executive
2.	Mr. M.R. Shroff	Director
3.	Mr. R.C. Jain	Director
4.	Mr. N.M. Sharma	Director
5.	Mr. K.N. Garg	Director

Brief Resume of Directors to be re-appointed

(a) Mr. K. N. Garg, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and he is available for re-appointment.

Mr. K. N. Garg, Promoter Director of the Company is an Industrialist. Mr. Garg born in 1945, having Masters' Degree in Commerce and a Bachelors' Degree in Law is a new age entrepreneur. Mr. K. N. Garg, has rich experience in running business for more than three decades. Presently, he is Chairman and Managing Director of Steel Tubes of India Limited and also acting as Director on the Board of various other companies.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of members. Apart from Mr. K. N. Garg, no other Director is interested in the resolution.

(b) Meetings

Four meetings of the Board of Directors were held during the year from 1st April, 2004 to 31st March, 2005.

S. No.	Name of the Directors	No. of Board Meeting held	No. of Board Meeting attended	Last AGM Attended
1.	Dr R.B. Baheti,	4	4	Yes
2.	Mr. M. R. Shroff	4	3	No
3.	Mr. R.C.Jain	4	3	No
4.	Mr. K.N.Garg	4	4	No
5.	Mr N.M.Sharma	4	4	No
6.	Mr C. K. Mehrotra	4	-	-

(c) Attendance

The details of Board meetings wise attendance of Directors are as under :

No.	Name of the Directors	30. 06.04	29. 07.04	27. 10.04	28. 01.05
1.	Dr. R.B. Baheti,	P	P	P	P
2.	Mr. M.R. Shroff	LOA	P	P	P
3.	Mr. R.C.Jain	P	P	P	LOA
4.	Mr. K.N.Garg	P	P	P	P
5.	Mr. N.M.Sharma	P	P	P	P
6.	Mr. C. K. Mehrotra	A	A	--	--

(upto 29.07.05)

Note : P = Present. LOA = Leave of absence. A = Absent

(d) Sitting fees

Details of Payment of sitting fee during the period are as under :

Directors	Sitting Fees
Dr. R.B. Baheti,	--
Mr. M.R. Shroff	15000
Mr. R.C. Jain	15000
Mr. K.N. Garg	20000
Mr. N.M. Sharma	--

(e) General Meeting

During the year one General Meeting was held as per the following details:

Particulars	19th AGM for 2004
Date of Meeting	27th September, 2004
No. of Member Attended	11
No. of proxy Attended	06
Chairman of Meeting	Dr. R.B. Baheti

(f) Other Directorship

The details of present Directors holding Directorship in other Companies are as under :

No.	Name of Directors	Directorship in other Companies
1.	Dr. R.B. Baheti	1. STI Power India Private Limited 2. STI Sanoh India Limited 3. Global Stone India Limited
2.	Mr. K.N. Garg	1. Steel Tubes of India Limited 2. STI Products India Limited 3. STI International Limited 4. STI Power India Private Limited
3.	Mr. M.R. Shroff	1. Amzel Automotives Limited 2. Shrenuj & Co. Limited 3. AFL Pvt. Limited 4. Nagarjuna Oil Corporation Limited 5. M.P. Paschim Kshetra Vidyut Vitran Co. Limited
4.	Mr. R.C. Jain	1. Nova Petrochemicals Limited 2. Mumbai International Convention & Exhibition Centre
5.	Mr. N.M. Sharma	1. Gujarat State Co-operative Federation Ltd. 2. All India Co-operative Cotton Federation Ltd.

(g) Membership/Chairmanship/in Board Committees

The details of present Directors holding Membership in Board Sub-Committee are as under :

No.	Name of Director	Chairman/member in Committees	Chairmanship/ Membership
1.	Dr. R.B. Baheti	Global Stone India Limited	Chairman / Member
		STI India Limited	Member
2.	Mr. K.N. Garg	Steel Tubes of India Limited	Member
		STI Products India Limited	Member
		STI India Limited	Chairman / Member
3.	Mr. M.R. Shroff	Shrenuj & Co. Limited	Member
		Nagarjuna Oil Corporation Ltd.	Member
		STI India Limited	Member
4.	Mr. R.C.Jain	Nova Petrochemicals Limited	Member
		STI India Limited	Member
5.	Mr. N.M. Sharma	STI India Limited	Chairman / Member

3. BOARD COMMITTEES

For effective and efficient functioning of the Company the Board has formed the following committees:

- ✧ Audit Committee
- ✧ Remuneration Committee
- ✧ Shareholders' / Investors Grievance Committee

(a) AUDIT COMMITTEE

Date of Constitution :	22nd January, 2002
No. of Meetings	Four meetings held during the financial year 2004-05

Attendance in the Audit Committee Meeting

The details of meetings wise attendance of members are as under :

No.	Name of the Members	30.06.04	29.07.04	27.10.04	28.01.05
1.	Mr. N. M. Sharma-Chairman	P	P	P	P
2.	Mr. M.R. Shroff	LOA	P	P	P
3.	Mr. K. N. Garg	P	LOA	P	P

Note : P=Present , LOA=Leave of absence. A=Absent

Terms of Reference

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the stock Exchanges and this interalia include

- To ensure that the disclosure in the financial information stated in financial statements are correct, sufficient and credible.
- To recommend regarding appointment & renewal of external Auditors, fixation of audit fees and approval for payment of other services.
- To review with Management the annual financial statement before submission to the Board, focusing 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;

- 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 irregularity or failure of internal control systems material nature.
- Discussions with external Auditors before the audit commences, nature and scope of audit as well as have post audit discussion.
- To review the Company's financial and risk management policies; and
- To look into the reasons for substantial defaults in the payment of 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.

(b) REMUNERATION COMMITTEE

Date of Constitution	29th July, 2004
No. of meetings	One meeting held during the financial year 2004-05

Terms of Reference

Terms of reference of the Remuneration Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges and this interalia include:

The Remuneration policy of the Company for managerial personnel (excluding non-executive the remuneration of which shall be decided by the Board) shall be primarily based on the following :

- To address the policy on remuneration packages for executive Directors and their service contracts.
- To prepare performance linked remuneration package and retiral benefits.
- To track record, potentials and performance of individual managers and their periodic review.
- To prepare policy for training, development, job rotation and delegation as important tools for optimum utilization of available man-power resources, and
- To guideline for outsourcing skills and capabilities for new opportunities from the external competitive environment.

The Remuneration Committee comprises of 3 non-executive Directors with Mr. N. M. Sharma as Chairman with Mr. M. R. Shroff and Mr. R. C. Jain as members. All of them posses vast experience of Trade, Business and Industries.

Appointment and Remuneration of Chairman and Managing Director :

The appointment and the remuneration paid to Dr. R. B. Baheti, Chairman and Managing Director of the Company up to 31st October, 2004 are in accordance with Section 269 read Schedule XIII of the Companies Act, 1956 and have already been approved by members in 15th Annual General Meeting. He was entitled for remuneration as follows :

Name & Designation	Salary and Allowance *	Terms of contract
Dr. R. B. Baheti - Chairman and Managing Director	Rs. 18.00 Lacs	5 years w.e.f. 1st November, 1999
Total	Rs. 18.00 Lacs	