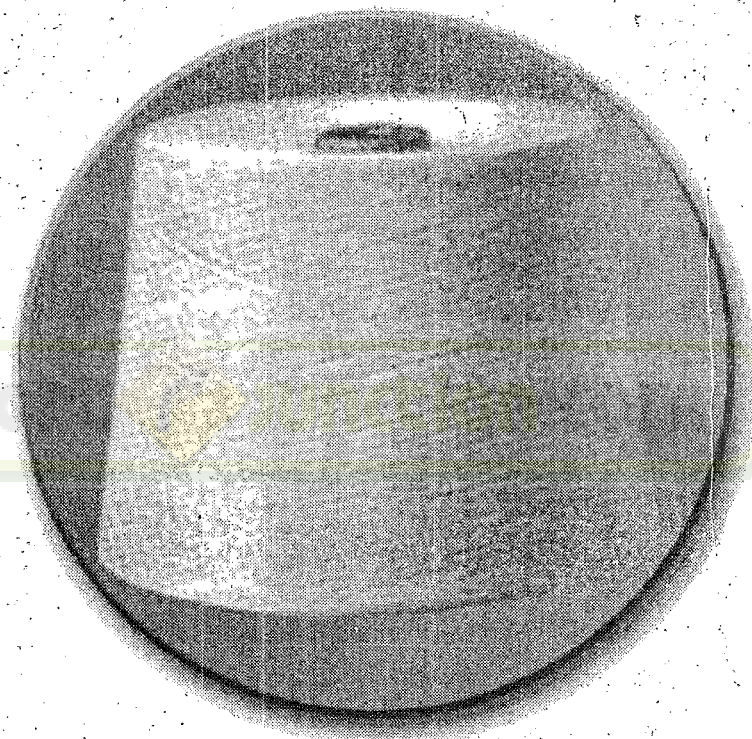


24th

Annual Report

2008-09



Quality & Commitment



STI India Limited

Manufacturers of quality Cotton Yarn & Cotton Knitted Fabrics

Twenty Fourth Annual Report 2008-09

BOARD OF DIRECTORS

Dr. R.B. Baheti	- Chairman and Managing Director
Mr. K. N. Garg	- Director
Dr. Shashank N. Desai	- Director
Mr. T. N. Anand Reddy	- Director
Mr. S. Sreedhar Reddy	- Director
Mr. A. V. Narasimha Reddy	- Director
Mr. P. Bhaskara Rao	- Director (upto 15.12.08)
Mr. M.R. Shroff	- Director (upto 08.06.09)

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BANKERS

IndusInd Bank Limited
State Bank of India
Axis Bank Limited

AUDITORS

M/s Rastogi Narain & Co.,
Chartered Accountants,
Flat No. 303, DDA HIG Multystory Building,
Block-1, Rani Jhansi Complex, Pahadganj,
NEW DELHI - 110 055
Tel.: 011-23557512,13

AND

M/s Vikas Kochhar & Associates
Chartered Accountants,
29, 2nd Floor, Defence Colony Market,
New Delhi - 110 024
Tel.: 011-2433 8111, 2433 8444

REGISTRAR & TRANSFER AGENT

M/s Link Intime India Private Limited,
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W), Mumbai-
400 078
Tel: 022-25963838, Fax: 022-25946969
E-mail: binod.raai@linkintime.co.in

REGD. OFFICE AND WORKS STI INDIA LTD.

Rau-Pithampur Link Road,
Tehsil-Mhow, Distt, Indore (M.P.) -
453 332 INDIA
Tel.: +91-0731-4014400
Fax: +91-0731-4020011

ADMINISTRATIVE OFFICE STI INDIA LTD.

Badgara House,
13/1, New Palasia,
Indore (M.P.) 452 001 INDIA
Tel.: +91-0731-2530950, 2530271
Fax: +91-0731-2531888

TWENTY FOURTH ANNUAL GENERAL MEETING

of the Company to be held on
Monday the 30th November, 2009
at 11.00 A. M., at
Regd. Office of the Company

**NOTICE OF THE TWENTY-FOURTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Twenty-Fourth 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 Monday the 30th November, 2009, 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, 2009 and the Profit and Loss Account for the year ended on said date together with Directors' Report and the Report of Auditors thereon.
2. To appoint a Director in place of Mr. S. Sreedhar Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. V. Narasimha Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Vikas Kochhar & Associates as Statutory Auditors of the Company and to fix their remuneration, and for that purpose pass the following resolution as Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions of the Companies Act, 1956 M/s. Vikas Kochhar & Associates, Chartered Accountants, New Delhi, be and are hereby appointed Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.5,00,000/- with reimbursement of such travel, service tax and out of pocket expenses as may be actually incurred by them in connection with the Audit.”

By Order of the Board of Directors
For STI INDIA LIMITED

Place: Mumbai
Date: 30th October, 2009

Raj Kumar Bhawsar
Company Secretary



STI India Limited

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 have been already remained closed from 25th September, 2009 to 30th September, 2009 (both days inclusive).
3. 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 at least seven days before the date of the meeting to enable the management to keep the required information readily available at the meeting.
4. 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 addresses through their depositories.
5. Companies Equity Shares are listed at National Stock Exchange of India Ltd. (NSE), Mumbai, and Bombay Stock Exchange Ltd. (BSE), Mumbai. The Company has already paid listing fee to both the Stock Exchanges upto the Financial Year 2009-10.
6. The shareholders may also note that considering inadequacy of profits the Board of Directors has not recommended any dividend for the year 2008-09.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 and details required as per Listing Agreement & other compliances.

FOR ITEM NO. 2

Mr. S. Sreedhar Reddy, Director of the Company, is retiring by rotation at the ensuing Annual general Meeting and being eligible offer himself for re-appointment.

Mr. S. Sreedhar Reddy, is an experienced industrialist having good exposure to production and marketing with B. Tech. Degree in Electronics and Communications. On the Board of Directors of the Company Mr. S. Sreedhar Reddy is proposed to be reappointed as an Independent Director. As member of the Board Mr. S. Sreedhar Reddy is likely to add immense value for the long-term growth of the Company.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of members. Apart from Mr. S. Sreedhar Reddy, no other Director is interested in the resolution. Mr. S. Sreedhar Reddy does not have relationship with any other member of the Board.

FOR ITEM NO. 3

Mr. A. V. Narasimha Reddy, Director of the Company, is retiring by rotation at the ensuing Annual general Meeting and being eligible offer himself for re-appointment.

Mr. A.V. Narasimha Reddy, is an experienced Corporate Executive with B. Tech. Degree in Electronics & Communications. On the Board of Directors of the Company Mr. A. V. Narasimha Reddy is proposed to be appointed as an Independent Director. As member of the Board Mr. A. V. Narasimha Reddy is likely to add immense value for the long term growth of the Company.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of members. Apart from Mr. A. V. Narasimha Reddy, no other Director is interested in the resolution. Mr. A. V. Narasimha Reddy does not have relationship with any other member of the Board.

FOR ITEM NO. 4

The one of the retiring Joint Auditors of the Company, M/s Rastogi Narain & Co., Chartered Accountants, New Delhi, due to preoccupation have conveyed their unwillingness to be re-appointed as Auditors of the Company at the conclusion of the ensuing Annual General Meeting of the Company.

The another retiring Joint Auditors M/s. Vikas Kochhar & Associates, Chartered Accountants, New Delhi, have expressed their willingness to act as Auditors of the Company, if appointed and have confirmed that the said appointment would be in conformity with the provisions of Section 224 (1) (b) of the Companies Act, 1956.

Therefore your Directors recommend appointment of M/s. Vikas Kochhar & Associates, Chartered Accountants, New Delhi, as the Statutory Auditors of the Company. As the proposed appointment requires the approval of members, the resolution including notice for Annual General Meeting is recommended for members' approval.

None of the Directors are concerned or interested in the above resolution.

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

Place: Mumbai
Date: 30th October, 2009

Raj Kumar Bhawsar
Company Secretary



DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting their Twenty-Fourth Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2009.

FINANCIAL RESULTS

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

PARTICULARS	2008 - 09	2007 - 08
Sales & Other Income	17864.48	16075.48
Expenditures	17887.93	16394.79
Earnings before Interest & Depreciation	(23.45)	(319.31)
Less - Interest	326.90	803.39
Less - Depreciation	1148.10	1147.93
Net Profit/(Loss) for the year	(1498.45)	(2270.63)
(Less) - Capital advance written off	-	216.98
(Less)- Provision for Tax (FBT)	11.00	11.00
(Less)- Preliminary Exp. Written Off	-	307.03
(Less)-Provision for Doubtful Advances	2450.75	-
Adjusted Profit/(Loss) for the year	(3960.20)	(2805.64)
Balance brought forward from previous year	(6833.40)	(4027.76)
Net Profit/(Loss) carried forward to the Balance Sheet	(10793.60)	(6833.40)
Less : Share Premium	3773.00	3773.00
Profit & Loss Account	(7020.60)	(3060.40)
Paidup Share Capital & Reserve & Surplus	2940.01	2940.01
Adjusted Net Worth of the Company	(4080.59)	(120.39)

PERFORMANCE

During the financial year under review, the turnover and other income of your company increased by 11.13% and in value term touched Rs.179 Crores (previous year Rs.161 Crores). However due to marginal fall in raw cotton prices in second half of year under review as well as the impact of Indian Rupee depreciation against US Dollar, Company's EBIDTA margin was improved. During the year the Company had a negative EBIDTA of Rs. 23 Lacs against negative EBIDTA of Rs. 319 Lacs in the previous year.

Interest cost in the current year, at Rs. 326.90 Lacs, is 59.29% lower than the previous year of Rs. 803 Lacs, before providing for interest to overseas private investors for the year amounting to Rs. 2504.61 Lacs (Previous Year Rs.1537.73 Lacs). The loss of the Company, to the extent of interest to overseas investors not provided for, be considered as understated.

However due to export sales of higher value added products, such as Organic Cotton Yarn and Elitwist Yarn, mainly to high-end European market helped in receiving comparatively better realization.

The turnover in quantity term at 14148 MT was lower by 259 MT in comparison to 14407 MT in the previous year. The average sales realization was higher at Rs. 109.97 per Kg. (Rs. 100.31). During the year the utilization of Company's knitted fabric capacity was higher by 9.28% at producing 13.90 Lacs KG knitted fabrics in comparison to the production of 12.72 Lacs Kg fabrics in the previous year. This was only due to higher orders from domestic and overseas markets by continued efforts.

DEBONDING

The Exports being lower by 5% at 10749 MT (11325 MT) in quantity term. Exports at Rs. 11681 lacs were better by 5% (Rs. 11140 Lacs) in value term. During the year your Company faced marketing compulsions to export, being a 100% EOU, even when the price realizations in domestic market were better by more than 5% on account of better demand and supply scenario.

The Company had therefore, considered it necessary to de-bond the unit by converting its EOU status into a DTA unit under the EPCG Scheme. According to Company's Application before The Asst. Development Commissioner - ISEZ, Indore has passed an order allowing the company for final Debonding of 100% EOU to DTA unit wef 24.04.2009. In this regard company has made arrangements for giving effect for same where ever it is necessary for further smooth operations of the Company.

WORKING CAPITAL CONSTRAINTS

The company continued to face working capital constraints during the year. The Company tried various options for securing working capital sanction from Banks including financial institutions and NBFC Companies, but due to lack of sufficient profit margin on its operation and sudden change in the out look for Textile and yarn industry, raising working capital became difficult, which had a direct impact on the profitability of the Company.

OVERSEAS PRIVATE INVESTMENT

The members are aware that Company already settled outstanding dues of its major term lenders and banks through One Time Settlement (OTS). The members of the company are also aware that necessary funding support for OTS was received from two Overseas Private Equity Investors (OPI's) i.e. Spinnaker Investment Group, United Kingdom and Eight Capital & Associates, United States who in total invested an amount of Rs.141,12,87,500/- in the company towards the subscription of Optionally Convertible Debentures and Convertible Warrants.

Due to sharp increase in the raw cotton prices and continuous depreciation in Indian currency against US Dollar in the year under review, the Company has been unable to generate

sufficient revenue to serve the cost of funds received from Overseas Private Investors. The Company has also not been able to redeem above referred OCD's in absence of a sanction of equivalent amount by any bank to the Company against working capital requirements for which the Company is continuing its efforts.

OPEN OFFER FOR ACQUISITION OF EQUITY SHARES BY OVERSEAS PRIVATE INVESTORS

The Members are aware that the Overseas Private Investors of the Company i.e. Eight Capital Master Fund Limited, Cayman Islands ("Eight Capital"), and Spinnaker Global Opportunity Fund Ltd, Spinnaker Global Emerging Markets Fund Ltd and Spinnaker Global Strategic Fund Ltd ("Spinnaker Funds") thereafter referred to as the "Acquirers" had entered into a Share Purchase Agreement dated May 24, 2007 with CDC Group plc (formerly known as Commonwealth Development Corporation) (CDC). After approval of the Open Offer from SEBI, the Overseas Private Investors (OPIs) of the Company acquired 40,52,742 (40,36,631 in Demat mode & 16,11,111 in Physical mode) equity shares from the public shareholders of the Company. Thus OPIs is holding a total 2,04,61,450 (70.56%) Nos. of Equity Shares includes 1,18,14,114 Shares held by IDBI Trusteeship Services Ltd. (ITSL) as Debenture Trustee on behalf of OPIs on invocation of pledged quantity and 86,47,336 Shares (45,94,594 through Share Purchase Agreement and 40,52,742 through Open Offer) acquired by OPIs respectively resulted the promoters of the company are now left with negligible holdings in the Company.

FUTURE

While the appreciating Rupee and hardening of raw cotton prices have hit price realization for all textile and garment industry in previous years, the impact is more severe for 100% export oriented units. This has also happened when the industry has expanded its capacities significantly in last three years. The South India, where 60% of country's total 35 mn spindle capacity exists, is already facing closure and consolidation. Your Company has been surviving in this turmoil because of its superior quality, prompt services and close relationship with clients & customers, cost cutting measures for controlling manpower and power cost and better HR practices. The Government of India has taken several measures to stimulate the Indian economy. The textile industry, the second largest employer in the country and foreign currency earner, also got due attention and support from Government of India and the Company also expects that the Government of India shall continue to provide fiscal support for textile industry. All the above measures will help placing the Company on a path of sustained growth with improved margins.

DIVIDEND Due to sharp increase in the raw cotton prices and in view of the losses, the Board of Directors does not recommend any dividend for the year under review.

2. FUTURE OUTLOOK AND MARKETING STRATEGY

Despite adverse financial parameters, India continues to be a preferred choice of American, European and other developed markets especially in the high-end segment and major global retailer/ outlets. India has also increased its acceptance in the world as an emerging economic power. The policy support being provided by the Indian Government to the entire yarn, textile and garment industry and the process of labour reforms initiated in India as well as enhanced government spending in the agriculture and farm sector is going to improve prospects for high value added products procurement from India and presents an excellent opportunity for the industry in the coming years. Therefore, we expect that government support to the yarn, textile and garment industry will continue. The Board of Directors of the company is confident that debonding will yield better realization to the Company on its sales due to freedom of marketing its products in the market where realization is higher.

With a view to keep pace with ever-increasing competition and expected strengthening of Indian Rupee in future, the Company plans to increase production of value added products such as Organic Yarn, Elitwist Yarn and TFO Yarn. However, these efforts be further supported due to DTA Unit under EPCG Scheme. The company will also make all efforts (that its) knitting capacity is also fully utilized in the current (year).

The cost cutting measures is being adopted by the Company in most of the operationalised area and focus on quality product will also help to improve the performance of the Company.

Expecting improved demand in export markets and better price realization in the domestic market, the Company will continue to focus in increasing its supplies to the market where price realization is better.

BOARD OF DIRECTORS

Mr. S. Sreedhar Reddy and Mr. A.V. Narasimha Reddy, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Their re-appointment as Directors liable to retire by rotation is submitted to the Shareholders for their approval in the ensuing Annual General Meeting.

Mr. P. Bhaskara Rao and Mr. M.R. Shroff, Directors resigned from the Board w.e.f. 15th December, 2008 and 8th June, 2009 respectively. The Board places on record its deep appreciation for valuable contributions made by the Mr. P. Bhaskara Rao and Mr. M.R. Shroff during their tenure as Directors 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 resulted in an improved performance by STI Sanoh India Limited, your Joint Venture Company with Sanoh Industrial Co. Limited. The growth of income for

the JVC during the year was 5.62% more than Rs. 126.24 Crores (Rs. 119.52 Crores). 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, one of the Joint Auditors due to preoccupation have conveyed their unwillingness to be re-appointed as Auditors of the Company in the conclusion of the ensuing Annual General Meeting of the Company. M/s Vikas Kochhar & Associates, Chartered Accountants, New Delhi, one of the Joint Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offers themselves to be re-appointed would be in conformity with the provisions of Section 224(1)(b) of the Companies Act, 1956.

Accordingly necessary resolution for appointment of M/s Vikas Kochhar & Associates, Chartered Accountants, New Delhi, as Statutory Auditors is proposed in the notice for approval of the Shareholders.

DIRECTORS' COMMENTS ON AUDITORS QUALIFICATION

Your Directors have taken note of the observations / suggestions of the Company's Auditors in their report including its annexure and positive measures have been taken to implement the same. All their points have been adequately covered and explained in the report of the Board of Directors as well as in notes to the accounts. The Company has further strengthened the internal control systems and procedures by enlarging and upgrading the scope of work of Internal Auditors.

INSURANCE AND DEVELOPMENT (A) RESEARCH

All the properties of the Company including buildings, plant and machinery and stock have been adequately insured.

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 during the year under review.

RESPONSIBILITY STATEMENT

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

In the preparation of the Annual Accounts for 2008-09, 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.

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, Investors Grievance cum Share Transfer Committee and Remuneration Committee have been constituted, as required. A detailed report on Corporate Governance is given in the annexure which form part of this report.

COST ACCOUNTING RECORDS

The Company has maintained cost accounting records in respect of manufacture of Cotton Yarn and Cotton Knitted Fabric as required for the year ended 31st March 2009.

CONSERVATION OF ENERGY, 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-1 which forms part of this Report.

PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the name of and other particulars of an employee is set out in the Annexure to the Directors' Report. However, as per provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all members of the Company. Any member, who is interested in obtaining such particulars about an employee, may write to the Company Secretary at Registered Office of the Company.

INDUSTRIAL RELATIONS

The Company provides a congenial and friendly atmosphere to its employees to maintain cordial relations and motivate them to develop to their full potential. Industrial Relations throughout the year were very peaceful.

APPRECIATION

Your Directors place on record their sincere appreciation to the Financial Institutions, Banks, Central and State Government authorities, Representatives of Overseas Private Investors, clients and shareholders for their support and co-operation during the year. The Directors convey their special thanks to the overseas financial partners and look forward for their unstinted support.

For and on behalf of the Board of Directors
For STI India Limited

Dr. R.B. Baheti
Chairman and Managing Director
Date: 30th October, 2009

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, 2009.

Form A (Rule 2)

CONSERVATION OF ENERGY

There is a constant thrust on energy saving in every sphere of activity as the company has conceptualized that "Energy saved is energy generated". In the process we have added the following measures to harness the energy consumption:

1. We optimized the running of supply air fans and pump in humidification plant maintaining the desired conditions in relevant department and we saved 86734 units and achieved a saving of Rs. 311753 without any investment.
2. Installation of Variable frequency drives on pump motors of humidification Plants for energy conservation, saving is under study.
3. We replaced one more Kirloskar make pump with Grundfos make pump in ring frame department humidification plant during the month and observed power saving approx. 3.69 units per hour and which is resulting a power saving of 2660 units per month and it will save Rs. 9,600/- per month. The pay back time is 159 days only. As on date we replaced six pumps.

Technical Up Gradation:-

4. Installation of Ring Rail over run protection sensor on 60nos. Suessen Ring frame machines to control the breakdown in case ring rail moves beyond limit to protect breaking of lifting belts, this modification for one machine cost approximately Rs. 2000/- and saves spares of Rs. 5000/- as well as minimum 7 hours breakdown time of ring frame.
5. Restart of ON line panoramill system of ring data and production monitoring.
6. We developed locally the LCD display of draw frame as alternative indigenous spare.
7. With different trial on ring frame we developed alternative source for supply of display and machine controller to fulfill the obsolete spare requirement.
8. We in house prepared 28 nos. the rollers for packing dept.'s conveyor.
9. We introduced one digital pressure switch in compressed air supply system in place of electric pressure switch. The setting of new digital pressure switch is so done that the auto mode compressor will

start only after a drop of 0.2 bar pressure, hence, this will avoid the stoppages of production machines because of pressure down.

Future Planning for Energy conservation (2009-10)

1. We intend to install activated carbon filter on compressed air system to minimize the oil vapors passing with compressed air, this started after commissioning lubricated compressor. This filter will improve the quality of compressed air. Approximate cost is Rs. 1.5 Lac.
2. We Intend to replace Energy efficient pump on some of remaining Humidification plants to save energy.
3. We intend to develop Industrial CPU of Vetal Contamination cleaning machines from other vendors as alternative spare.

Power and Fuel consumption	Current year	Previous year
	2008-09	2007-08
Electricity		
1. Purchased (Units in Lacs)	466.53600	467.40960
2. Generated (Units in Lacs)	0.15350	0.69600
Total Amount (Rs. In Lacs)	1733.92664	1768.23680
Rate per unit	3.715	3.777
Consumption of Electrical	3.27	3.290
Energy per Kg. Of Yarn		

FORM-B (Rule-2)

(A) RESEARCH AND DEVELOPMENT (R & D)

1. **Specific areas where the R & D department worked are:**
 - a) Inspection & testing of in-coming, in-process and final product
 - b) Bale management & process control observations
 - c) Machinery maintenance audit and sampling
 - d) Implementation of Control Union Certification for Organic Cotton Yarn & Fabric Production as well as FLO-Certification for Fair Trade Yarn & Fabric Production
 - e) Checking regular replacement items, e.g. cots, aprons, ball & needle bearings, waxes and packing materials etc
2. **Benefits derived as a result of the above activities.**
 - a) Maintaining consistency in Quality Parameters.
 - b) Process control helped us in reducing non-conformities in the process products.
 - c) The spares and bearings of right quality has helped production to minimize detentions due to early failure of these parts

**3. Future Action Plan (2009-2010)**

- a) To further improve the quality level and maintain it.
- b) To facilitate manufacturing sustainable products (Organic Cotton Yarn & Fabric) and Fair Trade Cotton Yarn & Fabric and other value added products.

4. Expenditure on R & D (2008-2009)

Nil

(B) TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

1. The entire plant and machinery is imported, save a few machines, and the company does not have any technical collaboration. Qualified and skilled staff equipped with the power of information Technology at all levels manages the company.
2. The main target behind the above concept is reduction in operative cost. The following steps were taken in the department.

3. Benefits derived as a result of the above efforts:

The company not only believes in sustaining the quality level but also drives forward for upgrading the total quality level. The secondary focus is on reduction in cost. The innovative ideas generated from inside the company is implemented in reality and with a very minimal investment, huge savings are accomplished.

The raw material procurement is also making tremendous efforts to procure the best of the lot at the best price.

4. Action Plan for 2009-2010:

- a) There is a proposal for increasing the capacity by 2000 kgs/day and to balance the process two Carding Machines, two Draw Frames with Auto Leveler, four Combers, one Unilap and one Simplex Machine along with two Autoconer machines are to be added. The daily production will become 42 tones (plus), 100% combed yarn.
- b) Running "Organic" Cotton and Fair Trade Cotton in the unit through out the year, will give high value addition and a quality bench mark in the Industry.
- c) Similar trials are on with Local Rings of smaller diameter and we expect similar results with half of the cost.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars	Current year 2008-2009 (Rs. in Lacs)	Previous year 2007-2008 (Rs. in Lacs)
Foreign Exchange earnings		
- FOB value of goods exported	3413.26	3314.55
Foreign Exchange Expenditures:		
- Interest	-	434.30
- Commission on Export Sales	9.23	24.34
- Foreign Traveling	10.94	12.72

For and on behalf of the Board of Directors
For **STI India Limited**

Dr. R.B. Baheti
Chairman and Managing Director

Place : Mumbai

Date : 30th October, 2009

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REPORT ON CORPORATE GOVERNANCE (As on 31st March, 2009 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. This report on corporate governance is pursuant to revised clause 49 of the listing agreement as amended by SEBI vide circular SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October, 2004 and as implemented by SEBI vide circular SEBI/CFD/DIL/CG/1/2006/129/3 Dated 29th March, 2006 and forms a part of the Board of Directors Report.

1. PHILOSOPHY ON CODE OF GOVERNANCE

The Company believes in adopting and adhering to the best corporate practice and continuously evaluate it against each of such practices. The Company understands and respects its fiduciary role and responsibility to all stakeholders and strives hard to meet their expectations. We believe that the corporate governance is an important tool for shareholders protection and maximizing their long-term values. The fundamental objective of Company's Corporate Governance is to adopt a methodology, which enhances effectiveness, better utilization of resources, transparency and harmonious relations between various interest groups. The Company has been regular in sending its quarterly compliance report on Corporate Governance to Stock Exchanges.

2. BOARD OF DIRECTORS.

(a) Composition and Size of the Board:

The Companies Act, 1956 and the listing agreements with Stock Exchanges govern the composition of the Board of Directors of the Company.

The Board has strength of 7 Directors as on 31st March, 2009, out of which six are Non-Executive Directors and five Directors are independent. 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 Chairman of the Board is Executive / Whole Time Director. Most of the Directors have made necessary disclosures regarding positions occupied by them in other companies. The Board is primarily responsible for the overall management of the Company's business. The composition of the Board as on 31st March, 2009 is as under:

S No.	Name of Directors	Category	Relationship with other Director of the Company
1.	Dr. R.B. Baheti-CMD	Promoter - Executive	NIL
2.	Mr. K.N. Garg	Promoter-Non Executive	NIL
3.	Mr. M.R. Shroff	Independent & Non Executive Director	NIL
4.	Dr. Shashank N. Desai	Independent & Non Executive Director	NIL
5.	Mr. T.N. Anand Reddy	Independent & Non Executive Director	NIL
6.	Mr. S. Sreedhar Reddy	Independent & Non Executive Director	NIL
7.	Mr. A.V. Narasimha Reddy	Independent & Non Executive Director	NIL

(b) CEO & CFO:

Dr. R.B. Baheti, Chairman & Managing Director, is designated as Chief Executive Officer (CEO) and Mr. S.D. Naik is appointed as Chief Financial Officer (CFO) of the Company.

(c) Board Meetings:

Meeting of Board of Directors 2008-09:
Total 5 Meetings Held

S. No.	Name of the Director	No. of Board Meeting attended	Last AGM Attended (Held on 30th Sep-2008)
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1.	Dr. R.B. Baheti.	5	Yes
2.	Mr. K.N. Garg	5	No
3.	Mr. M.R. Shroff	5	No
4.	Dr. Shashank N. Desai	5	No
5.	Mr. T. N. Anand Reddy	5	No
6.	Mr. S. Sreedhar Reddy	5	No
7.	Mr. A. V. Narasimha Reddy	5	No
8.	Mr. P. Bhaskara Rao	5	No

(d) Attendance:

Attendance details of Board of Directors Meetings

S. No.	Name of the Directors	30.06.08	31.07.08	29.08.08	30.09.08	30.10.08	30.11.08	30.12.08	30.01.09
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1. Dr. R.B. Baheti-CMD

2. Mr. K.N. Garg

3. Mr. M.R. Shroff

4. Dr. Shashank N. Desai

5. Mr. T. N. Anand Reddy

6. Mr. S. Sreedhar Reddy

7. Mr. A.V. Narasimha Reddy

8. Mr. P. Bhaskara Rao

(wef 30.06.08)

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