

25th

Annual Report

2009-10



Quality & Commitment



STI India Limited

Manufacturers of quality Cotton Yarn & Cotton Knitted Fabrics



Twenty Fifth Annual Report 2009-10

BOARD OF DIRECTORS

Dr. R. B. Baheti	- CMD-Upto31.10.10 & Chairman- w.e.f. 01.11.10
Mr. Aman Agrawal	- Vice Chairman w.e.f. 25.11.10
Mr. Prashant Agrawal	- Managing Director w.e.f. 25.11.10
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. Upkar Singh Kohli	- Special Director - (BIFR) w.e.f. 26.05.10
Mr. A. R. Mundra	- Additional Director w.e.f. 25.11.10

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BANKERS

IndusInd Bank Limited
State Bank of India

AUDITORS

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 : 022-25946970
E-mail :rnt.helpdesk@linkintime.co.in

REGD. OFFICE AND WORKS STI INDIA LTD.

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

TWENTY FIFTH ANNUAL GENERAL MEETING

of the Company to be held on
Friday, the 24th December, 2010
at 11.00 a. m., at
the Registered office of the
Company at
Rau-Pithampur Link Road,
Tehsil-Mhow,
Dist. Indore - 453 332 (M.P.)
INDIA



NOTICE

NOTICE is hereby given that the 25th Annual General Meeting of the Members of STI India Limited will be held on Friday, the 24th December, 2010, at 11.00 a.m. at the Registered Office of the Company situated at Rau - Pithampur Link Road, Tehsil - Mhow, District Indore - 453 332 (M.P.) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Annual Accounts for the Financial year ended on 31st March, 2010, Balance Sheet as at that date and the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Dr. R.B. Baheti, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Shashank N. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. T.N. Anand Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s V.K. Beswal & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company and to fix their remuneration, and for that purpose, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s V.K. Beswal & Associates, Chartered Accountants, Mumbai be and are hereby appointed as Statutory Auditors of the Company in place of M/s Vikas Kochhar & Associates, Chartered Accountants, the retiring Statutory Auditors who have conveyed their un-willingness for being re-appointed as the Statutory Auditors of the Company, for the financial year 2010-11, and that M/s V.K. Beswal & Co., Chartered Accountants, the new Statutory Auditors of the Company shall hold office from the conclusion of this Annual General Meeting till conclusion of the next Annual General Meeting of the Company at such remuneration as may be fixed by the Board of Directors, plus service tax as applicable and other out of pocket expenses as may be incurred by them in connection with the Audit."

SPECIAL BUSINESS:

6. To Consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Aman Agrawal, who was appointed as an Additional Director, designated as Vice Chairman of the Company w. e. f. 25th November, 2010 and who holds the said office until the date of this Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
7. To Consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Prashant Agrawal, who was appointed as an Additional Director w. e. f. 25th November, 2010 of the Company and who holds the said office until the date of this Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act, proposing his Candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
8. To Consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. A.R. Mundra, who was appointed as an Additional Director w. e. f. 25th November, 2010 of the Company and who holds the said office until the date of this Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act, proposing his Candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
9. 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 198, 269, 309, 316 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, the Consent of the Company be and is hereby accorded to the appointment of Mr. Prashant Agrawal, (who is already appointed as Managing Director of Bombay Rayon Fashions Limited and drawing managerial remuneration), as Managing Director of the Company for a period of 3 years with effect from 25th November, 2010 to 24th November, 2013 without remuneration within the meaning of Section 2(26) of the said Act, subject to the approval of the Central Government and/or other concerned authorities, if any as may be required for the said purpose."
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to modify, vary and abrogate the terms and conditions of the aforesaid appointment of Mr. Prashant Agarwal as Managing Director of the Company, to the extent as may be considered appropriate and necessary by the Board of Directors in mutual consultation with Mr. Prashant Agrawal, Managing Director or otherwise and further authorized to take all such actions and do all such things as may be deemed necessary, desirable and expedient for giving effect to the above resolution."

By Order of the Board of Directors
For STI INDIA LIMITED

Place: Mumbai
Date: 25th November, 2010

Raj Kumar Bhawsar
Company Secretary

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 shall remain closed from Monday, the 20th December, 2010 to Friday, the 24th December, 2010 (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 Secretarial 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 number(s) to the Company. The Members holding shares in Demat form are required to get updated change in their addresses through their Depositories.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 and details required as per Listing Agreement and other Compliances.
ITEM NO. 2

Dr. R.B. Baheti, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Dr. R.B. Baheti was Chairman and Managing Director of the Company up to 31st October, 2010. Dr. R. B. Baheti has expressed his willingness to relinquish the office of the Managing Director on expiry of the term and indicated his willingness to continue as Non Executive Chairman of the Board w. e. f. 1st November, 2010.

Dr. R.B. Baheti, the Promoter Director of the Company a top level Corporate Executive, is a Post-graduate in Commerce and Ph.D. in Economics (Gold Medalist). He is a new age entrepreneur having rich experience of running businesses for around four decades and dealings in textile which is his family business. Dr. R.B. Baheti is an industrialist by nature. During his tenure, the Company achieved several milestones.

He is also Chairman in several other associate companies and associated with Prestigious Educational Institutions viz. Indian Institute of Management, Indore, Indian Institute of Management, Lucknow.

As Member of the Board, Dr. R.B. Baheti is expected to add immense value for the long-term growth of the Company. Accordingly, a resolution at Item No. 2 is placed before the Members for his re-appointment for approval of the Members.

Your Directors recommend his re-appointment as Director liable to retire by rotation, for the approval of Members. Apart from Dr. R.B. Baheti, no other Director is interested in the resolution. Dr. R.B. Baheti does not have relationship with any other Member of the Board.

ITEM NO. 3

Dr. Shashank N. Desai, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Dr. Shashank N. Desai is an experienced Practicing Chartered Accountant with Ph. D. in addition to Bachelor Degree in Commerce and Law. On the Board of Directors of the Company, Dr. Shashank N. Desai is proposed to be re appointed as an Independent Director.

As a Member of the Board, Dr. Shashank N. Desai is expected to add immense value for the long-term growth of the Company. Accordingly, a resolution at Item No. 3 is placed before the Members for his re-appointment for approval of the Members.

Your Directors recommend his re-appointment, as Director liable to retire by rotation, for the approval of Members. Apart from Dr. Shashank N. Desai, no other Director is interested in the resolution. Dr. Shashank N. Desai does not have relationship with any other Member of the Board.

ITEM NO. 4

Mr. T.N. Anand Reddy, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re appointment.

Mr. T.N. Anand Reddy, is an experienced Textile Technocrat with B. Tech Degree in Chemical Engineering from I.I.T. Chennai. On the Board of Directors of the Company, Mr. T.N. Anand Reddy is proposed to be re appointed as an Independent Director.

As Member of the Board Mr. T.N. Anand Reddy is expected to add immense value for the long-term growth of the Company. Accordingly, a resolution at Item No. 4 is placed before the Members for his re-appointment for approval of the Members.

Your Directors recommend his re appointment as Director liable to retire by rotation, for the approval of Members. Apart from Mr. T.N. Anand Reddy, no other Director is interested in the resolution. Mr. T.N. Anand Reddy does not have relationship with any other Member of the Board.

ITEM NO. 5

M/s Vikas Kochhar & Associates, Chartered Accountants, New Delhi, Auditors, due to their pre-occupations, 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.

M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai have conveyed their acceptance to act as the Statutory Auditors of the Company, if appointed and have furnished certificate that their appointment, if made, would be in conformity with the provisions of Section 224(1)(b) of the Companies Act, 1956. Your Directors recommend the appointment of M/s V.K. Beswal & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company from conclusion of the ensuing Annual General Meeting till conclusion of the next Annual General Meeting.

As the proposed appointment requires the approval of members, the resolution is recommended for members' approval.

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

ITEM NO. 6

Mr. Aman Agrawal, was appointed as an Additional Director, designated as a Vice Chairman on the Board of the Company with effect from 25th November, 2010 and as such he holds his office till



the date of the ensuing Annual General Meeting.

Mr. Aman Agrawal, pursued studies in Management from Alexander College, Perth, Australia, has over 16 years of experience in the textile industry. He is also a Promoter Director designated as Executive Vice Chairman of Bombay Rayon Fashions Limited (BRFL) having deep knowledge and good command over the manufacturing of textile & garment business activities. Mr. Aman Agrawal played key role for selection of technology and machineries, setting up new manufacturing facilities, expansion and successful implementation of SAP in the various locations of BRFL.

The Company has received a Notice from a shareholder proposing his name for appointment as Director of the Company liable to retire by rotation in terms of Section 257 of the Companies Act, 1956. Accordingly, a resolution at Item No. 6 is placed before the Members for his appointment for approval of the Members.

As Member of the Board Mr. Aman Agrawal is expected 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.

Mr. Aman Agrawal and Mr. Prashant Agrawal shall be deemed to be concerned or interested in the above Resolution.

ITEM NO. 7

Mr. Prashant Agrawal, was appointed as an Additional Director on the Board of the Company with effect from 25th November, 2010 and as such he holds his office till the date of the ensuing Annual General Meeting.

Mr. Prashant Agrawal, holds a Bachelor Degree in Chemical Engineering from University Institute of Chemical Technology, Bombay and MS in Chemical Engineering and Petroleum Refining, USA, has over 14 years of rich experience in the textile industry. He is also a Promoter Director designated as a Executive Managing Director of Bombay Rayon Fashions Limited (BRFL) having extensive knowledge and good command through his global vision contributed for new business opportunities and converting them into remunerative projects, consolidation of the business activities by way of acquisitions/ mergers and setting up of subsidiaries.

The Company has received a Notice from a shareholder proposing his name for appointment as Director of the Company liable to retire by rotation in terms of Section 257 of the Companies Act, 1956. Accordingly, a resolution at Item No. 7 is placed before the Members for his appointment for approval of the Members.

As Member of the Board Mr. Prashant Agrawal, is expected 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. Mr. Prashant Agrawal and Mr. Aman Agrawal shall be deemed to be concerned or interested in the resolution.

ITEM NO. 8

Mr. A.R. Mundra, was appointed as an Additional Director on the Board of the Company with effect from 25th November, 2010 and as such he holds his office till the date of the ensuing Annual General Meeting.

Mr. A.R. Mundra has an experience of over 30 years in finance, commercial and managerial related matters. He is also a Executive Director - Finance of Bombay Rayon Fashions Limited (BRFL) and his core strength lies in fund procurement, internal controls,

organizational systems and strategic planning. He holds a bachelor degree in Commerce and Law (Gold Medalist). He is an associate member of the Institute of Chartered Accountants of India (All India Ranker) and also of the Institute of Company Secretaries of India (Silver Medalist). He is also a Member of the International Institute of Business Management, London and Alumni of Asian Institute of Management, Manila. He was awarded 'Samaj Shri' for excellence in management by Indian Institute of Management Executives, Mumbai in 1994. Mr. Mundra has sound knowledge and experience on Mergers, Amalgamations, Restructuring, Funds Mobilization, Project Advisory & Financing and Working Capital Arrangements etc. Besides, he has deep understanding of Investment and Portfolio Management, Derivatives and Capital Market Operations, Corporate Governance and Compliance matters. Mr. Mundra played a lead role in issue of Global Depository Receipts and Listing of Securities of BRFL at Overseas Exchange.

The Company has received a Notice from a shareholder proposing his name for appointment as Director of the Company liable to retire by rotation in terms of Section 257 of the Companies Act, 1956. Accordingly, a resolution at Item No. 8 is placed before the Members for his appointment for approval of the Members.

As Member of the Board Mr. A. R. Mundra, is expected 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.R. Mundra, no other Director is interested in the resolution. Mr. A.R. Mundra does not have relationship with any other Member of the Board.

ITEM NO. 9

Mr. Prashant Agrawal, was appointed as a Managing Director on the Board of the Company for a period of 3 years with effect from 25th November, 2010 to 24th November, 2013 without remuneration subject to approval by the Shareholders in the ensuing Annual General Meeting. Mr. Prashant Agrawal is also Managing Director of Bombay Rayon Fashions Limited & is drawing remuneration from the said company.

As Managing Director of the Company Mr. Prashant Agrawal, is expected to add immense value for the long-term growth of the Company.

Mr. Prashant Agrawal will not be liable to retire by rotation.

Your Directors recommend his appointment as Managing Director for a period of three years for the approval of Members.

The above alongwith explanatory statement may also be treated as an abstract required to be circulated to the members under the provisions of Section 302 of the Companies Act, 1956.

Mr. Prashant Agrawal and Mr. Aman Agrawal shall be deemed to be concerned or interested in the above Resolution.

By Order of the Board of Directors
For STI INDIA LIMITED

Place: Mumbai
Date: 25th November, 2010

Raj Kumar Bhawsar
Company Secretary

DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting their 25th Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

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

PARTICULARS	2009 - 10	(Rs. in Lacs) 2008 - 09
Sales & Other Income	17991.09	17864.48
Expenditures	17155.93	17887.93
Earnings before Interest & Depreciation	835.16	(23.45)
Less - Interest	364.10	326.90
Less - Depreciation	1150.51	1148.10
Net Profit/(Loss) for the year	(679.45)	(1498.45)
(Less)- Provision for Tax (FBT)	-	11.00
(Less)-Provision for Doubtful Advances	-	2450.75
Adjusted Profit/(Loss) for the year	(679.45)	(3960.20)
Balance brought forward from previous year	(10793.60)	(6833.40)
Net Profit/(Loss) carried forward to the Balance Sheet	(11473.05)	(10793.60)
Less : Share Premium	3773.00	3773.00
Profit & Loss Account	(7700.05)	(7020.60)
Paidup Share Capital & Reserve & Surplus	2940.01	2940.01
Adjusted Net Worth of the Company	(4760.04)	(4080.59)

PERFORMANCE

During the financial year under review, the turnover and other income of your company increased by 0.71% and in value term touched Rs.180 Crores (previous year Rs.179 Crores). However due to stable raw cotton prices during mid of the year under review as well as the impact of Indian Rupee depreciation against US Dollar, Company's EBIDTA margin had improved. During the year the Company had a positive EBIDTA of Rs. 835.16 Lacs against negative EBIDTA of Rs. 23.45 Lacs in the previous year.

Interest cost in the current year, at Rs. 364.10 Lacs, is 11.62% higher than the previous year of Rs. 326.90 Lacs.

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

The turnover in quantitative term was also at 13031 MT in comparison to 14148 MT in the previous year. The average sales realization was higher at Rs. 120.45 per Kg. (Rs.

109.07). During the year the utilization of Company's knitted fabric capacity was lower producing 13.53 Lacs Kg knitted fabrics in comparison to the production of 13.90 Lacs Kg fabrics in the previous year.

Your Company has been De-bonded w.e.f. 24th April, 2009 from the status of 100% EOU. Now it has greater flexibility to sale its products either in domestic or international market wherever price realisation is better. In addition to working freedom company has also started getting export incentives like DEPB / Duty draw back etc. due to De-bonding.

DIVIDEND

In view of the losses, the Board of Directors does not recommend any dividend for the year under review.

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 the two Overseas Private Investors (OPI's) i.e. Spinnaker Investment Group, United Kingdom and Eight Capital & Associates, United States who in total had 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 and previous years, the Company has been unable to generate sufficient revenue to serve the cost of funds received from Overseas Private Investors. The Company had 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.

The OPI's by their communication dated 26th October, 2010 have waived total interest as was due and payable to them from the date of invocation of the pledge i.e. February 14, 2008 till date and also waived the principal due to the extent of Rs. 28,18,00,000/- against total dues of OCD Series 1 to 4. Thereafter the OPI's has on 27th October, 2010 transferred to M/s Bombay Rayon Fashions



Limited (BRFL) the 86,47,336 equity shares of the Company and 3,21,80,000 Optionally Convertible Debentures (OCDs) alongwith the underlying securities / properties including the invoked 1,18,14,114 equity shares of the Company held by IDBI Trusteeship Services Limited as debenture trustees. The BRFL would therefore hold share aggregating to 2,04,61,450 equity shares representing 70.56% of paid up equity share capital of the company. BRFL is a listed Company engaged in manufacturing and export of Readymade Garments.

BOARD OF DIRECTORS

Hon'ble BIFR SD Coordination Cell has appointed Mr. Upkar Singh Kohli, as "Special Director" on the Board of the Company by their order dated 26th May, 2010. The Board of Directors welcomes appointment of Mr. Upkar Singh Kohli, as his rich experience will be immensely useful in Company's turnaround.

The term of Dr. R. B. Baheti as Chairman & Managing Director of the Company was up to 31st October, 2010 and he has expressed his willingness to continue as Non Executive Chairman w.e.f. 1st November, 2010 and eligible for re-appointment. Their re-appointment as Director liable to retire by rotation is submitted to the Shareholders for their approval in the ensuing Annual General Meeting.

Dr. Shashank N. Desai and Mr. T. N. Anand 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.

The Board has appointed Mr. Prashant Agrawal as Managing Director of the Company w.e.f. 25th November, 2010 for 3 years subject to the approval of Shareholders after the nomination received from M/s Bombay Rayon Fashions Limited. Your Company expects to reap rich benefits under the management of Mr. Prashant Agrawal, Managing Director through his global vision and is expected to contribute significantly in identifying new business opportunities and converting them into remunerative projects. The necessary resolution is being included in the notice of Annual General Meeting for approval of the Shareholders of the Company. Your Board of Directors welcomes appointment of Mr. Prashant Agrawal as Managing Director.

Mr. Aman Agrawal and Mr. A.R. Mundra were appointed as Additional Directors with effect from 25th November, 2010. All the new Directors have wide range of experience and exposure of the field of finance & management of

trade, business and industry. It is expected that appointment of these new directors will add immense value to the Board.

Being additional Directors these new three directors would hold their office till the date of ensuing Annual General Meeting (AGM) of the Company. The Company has received notices from member of the Company proposing candidature of these two new Directors for appointment as Directors liable to retire by rotation. Accordingly appointment of Mr. Aman Agrawal and Mr. A.R. Mundra is being considered for approval of shareholders in the next AGM as Directors liable to retire by rotation. Your Board of Directors welcomes these appointments.

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. During the year it recorded 47.57% growth in income at Rs.186.29 Crores in comparison to Rs. 126.24 Crores last year. Consequently the net profit increased to Rs. 8.89 Crores from Rs. 4.87 Lacs in the previous year.

As a result of India's expected GDP Growth of 8.4% during the current year and targeted demand growth in automobiles and refrigeration industries in 2010-11, we expect the performance of the Joint Venture to be further better in the current year.

AUDITORS

M/s Vikas Kochhar & Associates, Chartered Accountants, New Delhi, Auditors 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.

M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai being eligible offers themselves to be appointed would be in conformity with the provisions of Section 224(1) (b) of the Companies Act, 1956. Your Directors recommend the appointment of M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company from conclusion of the ensuing Annual General Meeting till the conclusion of next Annual General Meeting.

Accordingly necessary resolution for appointment of M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai, as Statutory Auditors is being 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.

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(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

In the preparation of the Annual Accounts for 2009-10, 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.

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 I 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.

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

Dr. R.B. Baheti
Chairman

Place: Mumbai
Date : 25th November, 2010

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, 2010.

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:

- Details of steps taken during previous year for conserving Electrical Energy:-
 - Optimization of running of supply air fans of humidification plants; and
 - Replacement of non efficient pumps by energy efficient pumps
- Annual saving due to above steps in terms of KWh and Rs.:- KWh - 118620 and Rs. 427000/-

Technology Up Gradation:-

- In house development of HTT protection cage to safeguard unknowing loss of HTT unit, the cost is about Rs. 1000 per pc to save the cost of Rs. 48,000/- per set if damaged in full, or Rs. 23,000/- if the Cell part is damaged/missed, total 23 sets of the HTT units are in use in mill and the probability of damages were high without the protection cage.
- Fire alarm System installation for Mill - A, B & C, in Ring frame, Auto winding and Packing dept which is a safety need.
- Development of electronic spares for repairing of Input/output PCB and GM24SR motor of H-plant, by that purchase of spares of Rs. 53248 x 2 nos (I/O Boards) plus Rs.14650/-x1 set (GM24SR motor) , total Rs.121146/- avoided by spare expanses of Rs. 27225/-.
- Replacement of upgraded Gear boxes at Blow room and Card filters to avoid repeated break downs. The cost for such replacement is Rs. 63226/-x9 sets = Rs. 569034/-.

Future Planning for Energy conservation (2010-11)

- Proposed to replace two nos. pumps for energy conservation.

Power and Fuel consumption	Current year 2009-10	Previous year 2008-09
Electricity		
1. Purchased (Units in Lacs)	454.02600	466.53600
2. Generated (Units in Lacs)	0.02486	0.15350
Total Amount (Rs. In Lacs)	1668.78734	1733.92664
Rate per unit	3.675	3.715
Consumption of Electrical	3.47	3.27
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:

- Inspection & testing of in-coming, in-process and final product
- Bale management & process control observations
- Machinery maintenance audit and sampling
- Implementation of Control Union Certification for Organic Cotton Yarn & Fabric Production (GOTS / OE/ GRS)
- 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.

- Maintaining consistency in Quality Parameters.
- Process control helped us in reducing non-conformities in the process products.
- The spares and bearings of right quality has helped production to minimize detentions due to early failure of these parts

3. Future Action Plan (2010-2011)

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

4. Expenditure on R & D (2009-2010)

Nil

(B) TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

- 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.
- The main target behind the above concept is reduction in operative cost. The following steps were taken in the department.
 - By installation of 2 TFO machines, the diversification and value addition of the product has enhanced.
 - With addition one Auto Coner machine, approx. 1000kg of productivity increased.
 - Replaced 40 machines with 38 mm diameter ring and production increased by 5% without increasing of any power consumption.
 - We have gone finer, thus consuming less cotton and producing more value added yarn.
 - We have converted 7 normal ring frame machines into elitwist as per the market demand, to get

further value addition.

- f) The department workload has been further rationalized and we have reduced around 40 hands/day.
- g) We have also modified the work assignment in manual sorting (mixing & blow room section) and as a result, we have further reduced 36 hands/day in that zone.

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 2010-2011:

- a) Further, we are venturing to achieve higher productivity by reducing the ring diameter of another 14 machines.
- b) We have dedicated one complete line for manufacturing "Organic" Cotton in the unit through out the year, will give high value addition and a quality bench mark in the Industry.
- c) We are planning to utilize the 100% knitting machines for further value addition.

5. Recent Achievements:

The company has received certification of SA-8000 from SGS ITALIA S.p.A. - Systems & Services Certification, Via G. Gozzi, 1/A 20129, MILANO - Italy. This has ensured us to produce further value added products for Export Market and Organic business.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars	Current year 2009-2010 (Rs. in Lacs)	Previous year 2008-2009 (Rs. in Lacs)
Foreign Exchange earnings:		
- FOB value of goods exported	4644.21	3413.26
C.I.F. Value of Imports:		
- Stores, Spares & HSD	38.00	54.79
- Capital Goods	38.70	-
Foreign Exchange Expenditures:		
- Commission on Export Sales	30.34	9.23
- Foreign Traveling	5.30	10.94

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

Dr. R.B. Baheti
Chairman

Place : Mumbai
Date : 25th November, 2010