

27th
Annual Report
2011-12



Quality & Commitment



STI India Limited

A Subsidiary of Bombay Rayon Fashions Limited

Manufacturers of quality Cotton Yarn & Cotton Knitted Fabrics

Corporate Information

Board of Directors

Dr. R. B. Baheti	Chairman
Mr. Aman Agrawal	Vice Chairman
Mr. Prashant Agrawal	Managing Director
Mr. A. R. Mundra	Director
Mr. K. N. Garg	Director
Mr. T. N. Anand Reddy	Director
Mr. A. Arumugham	Director
Mr. Upkar Singh Kohli	Nominee Director - BIFR
Mr. A. V. Narasimha Reddy	Director (Ceased w.e.f. 22.09.2011)
Mr. S. Sreedhar Reddy	Director (Ceased w.e.f. 19.10.2011)

Company Secretary

Mr. Deepesh Kumar Nayak

Auditors

V. K. Beswal & Associates,
Chartered Accountants
Mumbai

Bankers

Axis Bank Limited
State Bank of India
IndusInd Bank Limited

Regd. Office & Works

STI India Limited

Rau-Pithampur Link Road,
Tehsil - Mhow,
Dist. Indore - 453 332 (M.P.) India

Registrar & Share Transfer Agent

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai- 400 078
Tel : 022-25946970

Equity Shares Listed At

National Stock Exchange of India Ltd.
Bombay Stock Exchange Ltd.

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NOTICE

NOTICE is hereby given that the 27th Annual General Meeting of the Members of STI India Limited will be held on Tuesday, the 31st July, 2012, 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, 2012, Balance Sheet as at that date and the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Aman Agrawal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. R. Mundra, 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 to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Place: Indore
Date: 04th May, 2012

By Order of the Board of Directors
For STI INDIA LIMITED

Regd. Off.- Rau-Pithampur Link Road,
Tehsil-Mhow, Distt- Indore-453 332 (M.P.)

Deepesh Kumar Nayak
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 **Thursday, 26th July, 2012 to Tuesday, 31st July, 2012** (both days inclusive).
3. Corporate Members intending to send their authorized

representatives to attend the Meeting are requested to send to the Company a Certified True Copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.

4. Members desirous of getting any information about the accounts and operation of the Company are requested to address their queries 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.
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 number(s) to the Company. The Members

holding shares in Demat form are required to get updated change in their addresses through their Depositories.

6. The Ministry of Corporate Affairs ('MCA') has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by companies and has issued Circular No. 17/2011 dated April 21, 2011 and another Circular 188/2011 dated April 29, 2011. This will ensure prompt receipt of communication, avoid loss in postal transit and reduce paper consumption besides entailing other benefits. Hence, Members are requested to provide their email ID to the depositories who are holding their shares in demat form and the members who are holding their shares in physical form may send the duly filed form to our Registrar and Share Transfer Agent M/s Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai-400 078 for sending the document in electronic form.
7. Members who wish to dematerialize the share or seek any information regarding transfer of shares are requested to contact the Company's Registrar and Share Transfer Agent.
8. Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of the hall.
9. Information under clause 49 of the Listing Agreement with the Stock Exchange in respect of Directors seeking re-appointment at the Annual General Meeting are annexed herewith.

Information of the Directors seeking re-appointment at the forthcoming Annual General Meeting as per Clause 49 of the Listing Agreement

MR. AMAN AGRAWAL

Date of Birth	Date of Appointment	Directorship held in other Companies	No. of Shares held in Company
21.05.1972	25.11.2010	6 (Six)	NIL

Mr. Aman Agrawal pursued studies in Management from Alexander College, Perth, Australia & has over 17 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.

MR. A.R. MUNDRA

Date of Birth	Date of Appointment	Directorship held in other Companies	No. of Shares held in Company
21.07.1956	25.11.2010	2 (Two)	NIL

Mr. A.R. Mundra has an experience of over 31 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.

MR. T.N. ANAND REDDY

Date of Birth	Date of Appointment	Directorship held in other Companies	No. of Shares held in Company
21.07.1956	25.11.2010	1 (One)	NIL

Mr. T.N. Anand Reddy is an experienced Textile Technocrat with B. Tech Degree in Chemical Engineering from I.I.T. Chennai.

Place: Indore
Date: 04th May, 2012

By Order of the Board of Directors
For STI INDIA LIMITED

Deepesh Kumar Nayak
(Company Secretary)

Regd. Off.- Rau-Pithampur Link Road,
Tehsil-Mhow, Distt- Indore-453 332
(M.P.)

**DIRECTORS' REPORT**

To,

The Members,

The Directors have immense pleasure in presenting their 27th Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2012.

FINANCIAL RESULTS

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

PARTICULARS	(₹ in Lacs)	
	For the Year Ended 31.03.2012	For the Year Ended 31.03.2011
Sales / Revenue from Operations	10877.73	24997.82
Profit before Interest, Depreciation & Tax	1337.44	2341.45
Less: Interest	65.05	205.61
Profit before Depreciation & Tax	1272.39	2135.84
Less: Depreciation	1202.21	1156.69
Profit/(Loss) before Tax	70.18	979.15
Less - Provision for Taxes (including Deferred)	55.00	(711.51)
Profit/(Loss) After Tax	15.18	1690.66
Waiver of OCDs amount	-	2828.00
Paid Up Share Capital	2900.00	2900.00
Reserve and Surplus	(3126.21)	(3141.39)
Adjusted Net Worth of the Company	(226.21)	(241.39)
EPS (In ₹)		
- Basic & Diluted	0.05	5.83.

OPERATIONS:

During the financial year under review -

- the turnover of your company stood at ₹108.78 Crores as against ₹ 249.98 Crores in financial year ended on 31.03.2011 registering a decrease by 56.48%. The turnover of the Company as at 31.03.2012 is not comparable with last year as this financial year company has changed the style of operation from direct sales to 100% Job Work for Bombay Rayon Fashions Ltd. (BRFL).
- PBIDT decreased to ₹ 1337.44 Lacs from ₹ 2341.45 Lacs in the previous year.
- Interest cost reduced to ₹ 65.05 Lacs from ₹ 205.61 Lacs in the previous year.

DIVIDEND

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

BOARD OF DIRECTORS

The Board of Directors has approved the payment of remuneration to Dr. R.B. Baheti as non executive director

of ₹ 1 Crore per annum payable monthly with effect from November 1, 2010 for a period of 3 years as approved by the shareholders.

Mr. Aman Agrawal, Mr. A. R. Mundra 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.

Mr. A. V. Narasimha Reddy and Mr. S. Sreedhar Reddy, Directors resigned from the Board w. e. f. 22nd September, 2011 and 19th October, 2011 respectively. The Board places on record its deep appreciation for valuable contributions rendered by Mr. A. V. Narasimha Reddy and Mr. S. Sreedhar Reddy 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. During the year it recorded 9.54% growth in income at ₹114.44 Crores (provisional) in comparison to ₹ 104.47 Crores last year (Audited).

As a result of India's expected GDP Growth during the current year and targeted demand growth in automobiles and refrigeration industries in 2012-13, we expect the performance of the Joint Venture to be further better in the current year.

AUDITORS**Statutory Auditor**

M/s. V.K. Beswal & Associates, Chartered Accountants having Firm Registration Number 101083W the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Cost Auditor

As per the requirement of the Central Government and pursuant to the provisions of Section 233B of the Companies Act, 1956, the audit of the cost accounts relating to the Product "Textiles" was required to be carried out every year. The Company has appointed Cost Auditor Mr. R.G. Goel, Cost Auditor, New Delhi, having Membership No. 9876 to audit the cost accounts for the Financial year 2011-2012 i.e. from 01.04.2011 to 31.03.2012, pursuant to approval of Central Government vide their letter dated 17.06.2011. Cost Audit report for the year ended 31st March 2012 would be submitted to the Central Government within the prescribed time.

Pursuant to Cost Audit Report Rule, due date for filling of Cost Audit Report for the year ended March 31, 2011 was September 27, 2011, which was submitted to the Central Government on September 30, 2011.

The Company has re-appointed to Mr. R.G. Goel, Cost Auditor, New Delhi, to audit the cost accounts for the financial year 2012-2013 i.e. from 01.04.2012 to 31.03.2013.

AUDITORS' REPORT

There are no specific observation in the Auditors' Report requiring further comments under Section 217 (3) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has not accepted or renewed any deposit from public during the year under review.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

1. In the preparation of the Annual Accounts for 2011-12, the applicable accounting standards have been followed with proper explanations relating to material departures;
2. 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;
3. 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;
4. They have prepared the annual accounts on a going concern basis.

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-II 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.

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.

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.

COMPANY SECRETARY

During the year Mr. Rajkumar Bhavsar, Company Secretary has resigned from the Company on 09th January, 2012 in whose place Board of Directors appointed Mr. Deepesh Kumar Nayak, as Company Secretary of the Company who will also acts as Compliance Officer of the Company, w.e.f. 27th April, 2012.

APPRECIATION

Your Directors place on record their sincere appreciation to the Financial Institutions, Banks, Central and State Government authorities, clients and shareholders for their support and co-operation during the year.

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

Place: Indore
Date : 04th May, 2012

Dr. R.B. Baheti
Chairman

**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, 2012.

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. Installation and commissioning of 15 KW Inverter with control panel - 4 sets on pump motors of spinning humidification plants Mill B & C, total installation charges are ₹ 6.28 Lacs.
As per LUWA calculation the energy saving by this installation is 100524 units/year or ₹ 4.32 Lacs/Year.
2. One no. compressor 'Kaeser' make 481 CFM installed and commissioned together with air drier. Estimated energy saving is 100700 units/year or ₹ 4.33 lacs/year.

Technology Up Gradation:-

1. Old Technology Electronics is obsolete on Ring frame; we developed the latest technology from Mitsubishi Electric and completed installation and commissioning on Ring frame machine, added total 5 sets this year. Total 10 sets have been completed till date.
2. We replaced old type differential protection system of our 20 MVA transformer by latest technology with fast and more reliable E&R system.

Spare parts development:

1. We replaced Fouled Heat exchangers of Ingersoll-Rand Air Compressors by equivalent 'developed' heat exchangers, as OEM do not supply the heat exchangers as spare.
2. We replaced Motor pulley and compressor pulley set of 2 Ingersoll-Rand Air compressors by equivalent 'developed' pulleys and saved ₹ 19470/- per compressor in comparison to OEM product.
3. **Knitting:** Inspection table's tubular light box services are obsolete now, we developed indigenous lamp driver and light box, which has been installed on machine and working all right, this modification costs us ₹ 0.86 Lacs.
4. **Ring frame:** Original electronics system is obsolete now and it's services not available. Therefore we developed complete Mitsubishi electronic set for Ring frame machine and installed on machine no. 39 and 40 which cost us ₹ 5.12 Lacs for two sets. By this modification, two electronics sets are free with us that will be used as spare parts for rest of the Ring frame machines.
5. **Yarn conditioning:** Vacuum pump developed indigenously. Equivalent vacuum pump of Xorella yarn conditioning machine, which cost us ₹ 1.7 Lacs against imported spare of ₹ 8.4 Lacs gave potential saving of ₹ 6.7 Lacs.
6. **Transformer:** We installed 4 sets of exhaust air fans on transformer no. 1 & 2 to reduce oil & winding temperature

and achieved temperature reduction by 6 deg. cent. for better working.

Water Harvesting:

We made Rain water Harvesting structures on Factory vacant land through M/s Kedia Rain Water Harvesting Pvt. Ltd. By total 70 Structures we are expecting the water yield of 07 Lac Liters water per day as an average through out the year.

Future Planning for Energy conservation (2012-13)

1. To replace one pump for pump house.
2. To install VFD on h-plant pumps at remaining locations.

Power and Fuel consumption	Current year 2011-12	Previous year 2010-11
Electricity		
1. Purchased (Units in Lacs)	442.01400	467.77200
2. Generated (Units in Lacs)	0.04204	0.39898
Total Amount (₹ In Lacs)	2023.47666	1920.74987
Rate per unit	4.58	4.11
Consumption of Electrical Energy per Kg. of Yarn	3.94	3.89

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 (GOTS / OE / GRS);
- e) Checking regular replacement items, e.g. cots, aprons, ball & needle bearings, waxes and packing materials etc.
- f) Development of various samples of Slub yarn, Lycra Core yarn, Licot yarn, Viscose yarn, Excell yarn, Modal yarn & fabrics and making of Brochure / Album for marketing of these value added items.

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.
- d) The brochures add up to our capability to produce various value added products in our factory and their marketability in domestic as well as foreign markets.

3. Future Action Plan (2012-2013)

- a) To further improve the quality level and maintain it;
- b) To facilitate manufacturing sustainable products (Organic Cotton Yarn & Fabric) and other value added products;
- c) Introduction of value added samples of injected Slub and texturised filament/texturised core yarn with cotton.

4. Expenditure on R & D (2011-2012)

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. This year the plant received various attachments from Amstler, Switzerland for making slub yarn, Extreme short slub & lycra core yarn. Also two machines with injection slub device are expected in May' 2012.
2. The main target behind the above concept is reduction in operative cost and launch new products. The following steps were taken in the department:
 - a) We have converted 15 normal ring frame machines into Elitwist as per the market demand, to get further value addition and 15 more machines to super comb variety for marketing specific requirement. We also plan to go for 20 machines on Elitwist in future.
 - b) Received 20 sets of Amstler slub attachments for twenty ring frames. The production of slub yarn will give value addition. Also 3 attachments of core IV for lycra core have been received.
 - c) Received three new LR made carding machine, 2 Nos. Autolevelled Draw frame, 2 Nos. Zinser made 68i model speed frame & 7-V old Muratec Autoconer with Quantum 2 Electronic Yarn Clearer (EYC), for enhancing production capacity. Also received one Acx 5 Autoconer from Schlaforsts to process core yarn.
 - d) Received 15 new knitting machines in existing building to increase value addition. The new machines are having various facilities i.e. Lycra, Fleece, Rib & Single Jersey fabrics.
 - e) We have diverted one small line to viscose (staple fibre) working and the same has been set perfectly on 10 ring frame. Also the Blow Room C - Mill & B - Mill carding is made suitable for running 3 lots at a time i.e. Linen / Cotton, Viscose and Cotton 100% simultaneously.
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 2012-2013:**
 - a) We have dedicated one complete line for manufacturing "Organic" Cotton in the unit throughout the year, will give high value addition and a quality bench mark in the Industry.
 - b) We are planning to utilize the 100% knitting machines for further value addition.
 - c) Planning to introduce twelve new Ring Frames with

auto doffer (LR9AX) model in August' 2012, orders have already been placed.

5. Recent Achievements:

Developed a new shed for accommodating 10 Nos. Flat knitting machines to meet the requirement of collar & calf knitting for captive use.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars	Current year 2011-2012 (₹ in Lacs)	Previous Year 2010-2011 (₹ in Lacs)
Foreign Exchange earnings :		
- FOB value of goods exported	2256.65	4966.80
C.I.F. Value of Imports:		
- Stores, Spares & HSD	93.71	51.94
- Capital Goods	907.64	-
Foreign Exchange Expenditures:		
- Commission on Export Sales	6.03	52.62
- Foreign Traveling	2.33	3.69

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

Place : Indore
Date : 04th May, 2012

Dr. R.B. Baheti
Chairman

ANNEXURE-II TO THE DIRECTORS' REPORT
PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended upto date:

S.No.	Name of Employee(s)	Age	Designation	Gross Salary (₹)
01.	Mr. R.C. Gupta *	58 Yrs.	President	71.21 Lacs

* Mr. R.C. Gupta has retired from the service of company in March 2012.

Notes:

1. Above appointment was contractual and subject to the Rules and Regulations of the Company in force from time to time.
2. Remuneration as shown above included salary, allowances, bonus, Company's contributions to provident fund, gratuity and superannuation funds and perquisites value calculated as per Income Tax Rules wherever applicable.

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

Place : Indore
Date : 04th May, 2012

Dr. R.B. Baheti
Chairman

**REPORT ON CORPORATE GOVERNANCE****INTRODUCTION**

The Securities and Exchange Board of India (SEBI) 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 and forms a part of the Board of Directors' Report.

1. COMPANY'S 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 Board has strength of 8 Directors as on 31st March, 2012, out of which seven are Non-Executive Directors and four 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 Non Executive 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, 2012 is as under:

Name of the Directors	Category	No. of other Directorship	Board Committee(s) Memberships	
			Chairman	Member
Dr. R.B. Baheti	Non Executive	-	-	-
Mr. Aman Agrawal	Non Executive	6	-	-
Mr. Prashant Agrawal	Executive	7	-	1
Mr. A. R. Mundra	Non Executive	2	-	1
Mr. K.N. Garg	Non Executive, Independent	3	-	4
Mr. A. Arumugham	Non Executive, Independent	1	1	1
Mr. T. N. Anand Reddy	Non Executive, Independent	1	-	-
Mr. U. S. Kohli	Nominee - BIFR, Independent	8	-	-

Note: Private & Foreign Companies Directorship are excluded.

No Director is related to any other Director except Mr. Aman Agrawal & Mr. Prashant Agrawal who are brothers.

(b) Chief Financial Officer (CFO):

Mr. S. D. Naik is Chief Financial Officer (CFO) of the Company.

(c) Board Meetings and Annual General Meeting:

During the year 2011-12, four Board Meetings were held on:

04th June, 2011, 20th July, 2011, 20th October, 2011, & 01st February, 2012.

Name of the Directors	No. of Board Meeting attended	Last AGM Attended
Dr. R.B. Baheti - Non Executive Chairman	4	Yes
Mr. Aman Agrawal - Vice Chairman	1	No
Mr. Prashant Agrawal - Managing Director	3	No
Mr. A. R. Mundra	4	No
Mr. K.N. Garg	4	No
Mr. A. Arumugham	2	No
Mr. T. N. Anand Reddy	4	No
Mr. U. S. Kohli	2	No
Mr. S. Sreedhar Reddy (Ceased w.e.f. 19.10.2011)	NIL	No
Mr. A. V. Narasimha Reddy (Ceased w.e.f. 22.09.2011)	NIL	No

(d) Sitting Fees:

Details of payment of Sitting Fee during the year 2011-12

Name of the Directors	Sitting Fees Paid (₹)
Dr. R.B. Baheti - Non Executive Chairman	NIL
Mr. Aman Agrawal - Vice Chairman	5,000/-
Mr. Prashant Agrawal - Managing Director	NIL
Mr. A. R. Mundra	20,000/-
Mr. K.N. Garg	20,000/-
Mr. A. Arumugham	10,000/-
Mr. T. N. Anand Reddy	20,000/-
Mr. U. S. Kohli	10,000/-
Mr. S. Sreedhar Reddy (Ceased w.e.f. 19.10.2011)	NIL
Mr. A. V. Narasimha Reddy (Ceased w.e.f. 22.09.2011)	NIL

(e) Code of Conduct - for Board Members and Senior Management:

In terms of para 1(D) of clause 49 - Corporate Governance, the Board of Directors have laid a Code of Conduct for all the Board Members and senior management of the Company. The code of conduct is also posted on the website of the Company.

3. BOARD COMMITTEES

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

- * Audit Committee
- * Remuneration Committee
- * Shareholder's/Investors Grievances Committee

(A) AUDIT COMMITTEE:

The Audit Committee of the Board has such powers in terms of Clause 49 of the Listing Agreements and Section 292A of the Companies Act, 1956.

During the year 2011-12, four Audit Committee Meetings were held on:

04th June, 2011, 20th July, 2011, 20th October, 2011, & 01st February, 2012.

The Composition of the Audit Committee and number of Meetings attended :

Name of the Directors	Designation	No. of Meetings Attended
Mr. A. Arumugham	Chairman	2
Mr. K.N. Garg	Member	4
Mr. T. N. Anand Reddy	Member	4
Mr. U. S. Kohli	Member	2

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:

1. To ensure that the disclosure in the financial information stated in financial statements are correct, sufficient and credible.
2. To recommend regarding appointment & renewal of external Auditors, fixation of audit fees and approval for payment of other services.
3. To review with Management the annual financial statement before submission to the Board, 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.
4. To review the adequacy of internal control system, internal audit functions including discussions with internal Auditors on matters like internal investigation where there is suspected fraud or irregularity or failure of internal control systems

material nature.

5. Discussions with external Auditors before the audit commences nature and scope of audit as well as have post audit discussion.
6. To review the Company's financial and risk management policies; and
7. To look into the reasons for substantial defaults in the payment of depositors/ shareholders/ creditors.

(B) REMUNERATION COMMITTEE:

The Remuneration Committee comprises of four members as on 31st March, 2012, All of them possesses vast experience of Trade, Business and Industries.

Name of the Directors	Designation
Mr. A. Arumugham	Chairman
Mr. K.N. Garg	Member
Mr. T. N. Anand Reddy	Member
Mr. U. S. Kohli	Member

1. 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:

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

2. Appointment and Remuneration of Director:

1. The Managing Director:

Mr. Prashant Agrawal, was appointed as a Managing Director on the Board of the Company for a period of 3 year from 25th November, 2010 to 24th November, 2013 without remuneration, 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. Mr.