



STI PRODUCTS INDIA LIMITED

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25th ANNUAL REPORT 1998-99

DIRECTORS

Dr. R.B. Baheti - Executive Chairman
Mr. K.N. Garg
Mr.P.S.Santhanakrishnan
Dr.S.M.Patil
Mr. C.S. Pani
Mr.Hasmukhray M Amin
Mr.P.N.Mehra

AUDITORS

M/s Brahmayya & Co.
Chartered Accountants
Khivraj Mansions
10/2, Kasturba Road
Bangalore-560 001

BANKERS

Canara Bank,
Industrial Finance Branch,
83, Richmond Road,
Bangalore-560 025.

REGISTERED OFFICE

II Floor, Vinayaka Complex,
44/45, Residency Road Cross,
Bangalore-560 025.

FACTORY

Whitefield Road,
Mahadevapura Post,
Bangalore-560 048.

NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Members of STI Products India Limited will be held on 29th September, 1999 at 4.00 P.M. at Hotel Ajantha, M.G.Road, Bangalore-560 001 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1999 and the reports of the 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 reappointment.
3. To appoint a Director in place of Mr.K.N.Garg who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr.Hasmukhray.M.Amin who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

6. Alteration in the Articles of Association :

To Consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:.

"Resolved that pursuant to the provisions of Section 31, 58A, 109A, 109B and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification (s) or re-enactment thereof) the Articles of Association of the Company be altered in the following manner

(A) Insert the following Article as Article 58A after Article 58

Nomination
of shares

- 58A. (1) Subject to the provision of Section 109 A every holder of shares in, or holder of debentures of, a company may, at any time, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the company shall vest in the event of his death.
- (2) Where the shares in, or debentures of, a company are held by more than one person jointly, the joint holders may together, nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of all the joint holders.
- (3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in, or debentures of, the company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in, or debentures of, the company, nominee shall, on the death of the shareholder or holder of debentures of, the company or, as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the company or, as the case may be, all the joint holders, in relation to such shares, in or debentures of the company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

- (4) Where the nominee is a minor, it shall be lawful for the holder of shares or holder of debentures, to make the nomination to appoint in the prescribed manner any person to become entitled to shares in or debentures of the company, in the event of his death, during the minority.

(B) Insert the following Article as Article 58B after Article 58A.

Transmission of shares under nomination

- 58B** (1) Any person who becomes a nominee by the virtue of the provisions of Section 109A, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect either.
- (a) to be registered himself as holder of share or debenture, as the case may be;
- or
- (b) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.
- (2) If the person being a nominee, so becoming entitled, elects to be registered as holder of the share or debenture, himself as the case may be, he shall deliver or send to the company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debentureholder, as the case may be.
- (3) All the limitation, restrictions, and provision of this Act relating to the right to transfer and the registration of transfer of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice of transfer were a transfer signed by that shareholder or debenture holder as the case may be.
- (4) A person, being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture except that he shall not, before being registered a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

(C) Insert the following Article as Article 58C after Article 58B.

Nomination under Public Deposit

- 58C.** A depositor may, at any time, make a nomination and the provisions of Article 58A and 58B shall, as far as may be apply to the nomination made under this sub-section.

"Resolved further that the Board of Directors be and is hereby authorised to do all such other acts, deeds and things as may be necessary to implement the resolution".

By order of the Board
For **STI PRODUCTS INDIA LIMITED**

(Dr. R.B. BAHETI)
Executive Chairman

Place : Bangalore
Date : 27-08-1999

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. The proxy form, in order to be effective, must be duly signed and should reach the Company at the Registered Office atleast 48 hours before the time fixed for the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 21-09-99 to 29-09-99 (both days inclusive).
3. Any change of address of the Members may please be notified to the Company quoting their Registered Folio.
4. Members are requested to send their queries, if any, relating to the Annual Accounts and Reports at least one week prior to the date of meeting.

ANNEXURE TO THE NOTICE OF TWENTY FIFTH ANNUAL GENERAL MEETING EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

FOR ITEM NO. 04

Alteration in the Articles of Association to provide for nomination facility to the shareholders, Debentureholders, Public Deposit Holders :

The Government of India has vide circular No. 3/1/99-CL-V; General Circular No. 3/99 dated 4th May, 1999 issued by the Ministry of Law, Justice & Company Affairs, Department of Company Affairs, amended the Companies Act, 1956 by insertion of new section 109A and 109B and also amended Section 58A with a view to provide facility for nomination to shareholders, debentureholders and public deposit holders to receive their entitlements in the event of death.

The Articles of Association of the Company do not provide for such facility and therefore it is propose to alter Articles of Association of the company in this regard. As per provisions of Section 31 of the Companies Act, 1956, alternation in the Articles of Association requires approval of shareholders by Special Resolution.

The Board of Directors recommend passing of the resolution. None of the Directors is concerned or interested in the Resolution.

INSTRUCTIONS

(Before filling up the form please read the instructions).

1. The Nomination can be made by individuals only holding shares on their own behalf, singly or jointly. Non-individuals including Trust, Society, Body Corporate, Partnership firms, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. If the shares are held jointly all joint holders will sign the nomination form.
2. A minor can be nominated by a holder of shares and in that event the name and address of the guardian shall be given by the holder.
3. The nominee shall not be a trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a power of attorney holder, A non-resident Indian can be a nominee on repatriable basis, subject to applicable laws.
4. Nomination stands rescinded upon transfer of share(s).
5. Transfer of shares in favour of nominee shall be a valid discharge by the Company against the legal heir.
6. Shareholders address given here will not be considered for change of address, if any change in the address desired to be recorded, please write a separate letter.

NOMINATION FACILITY

The Companies (Amendment) Ordinance, 1999 has provided for a facility of nomination in the Shares/Debentures of the Company. Your Company is making necessary amendment in the Articles of Association of the Company to provide this facility to its members. The facility would be made available, followwise. The Nomination facility can be enjoyed for all the Shares/Debentures registered in the folio. Members who desire to avail this facility may send their request for nomination in the prescribed form 2B duly filled in and signed. A specimen of the form has been provided in this Annual Report for the convenience of the Members. Alternatively Members having Shares/Debentures in their single name, could consider registering their share holdings in joint names upto three names to benefit from many advantages such joint holdings would offer.

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Fifth Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :

The Financial results are as follows :-

	Year Ended 31.03.99 (Rs.In Lacs)	Year Ended 31.03.98 (Rs.In Lacs)
Sales and other Income	<u>3052.30</u>	<u>3089.48</u>
Gross Operating Profit	<u>224.31</u>	<u>235.97</u>
Less: Interest & Finance charges	<u>158.38</u>	<u>187.98</u>
Profit Before Depreciation & Taxation	65.93	47.99
Less: Depreciation	<u>38.40</u>	<u>44.40</u>
	27.53	3.59
Loss on Sale of assets	-	56.15
Profit/(Loss) before taxation	27.53	(52.56)
Less: Provision for Income Tax	9.50	-
Profit after Taxation	18.03	(52.56)
Deferred payment expenditure	<u>11.74</u>	<u>11.74</u>
Balance of current year's Profit	6.29	(64.30)
Balance of Profit of earlier years	<u>127.35</u>	<u>191.65</u>
Amount available for appropriation	133.64	127.35
Transferred to General Reserve	-	-
Balance carried to Balance Sheet	133.64	127.35

OPERATIONS

During the year under review, the growth in the Industrial and Service sectors decelerated due to slow recovery in aggregate demand, both domestic and export. The Industrial sector continued to languish with the Index of Industrial Production (IIP) rising by a mere 3.8% during 1998-99 as against 6.6% in 1997-98. Inevitably, these adverse factors affected the market for your Company's products.

Despite the above, through aggressive and strategic marketing, your company could maintain the turnover in 1998-99, almost at the same level as that of the previous year. More importantly, your company could improve operating profit substantially from Rs.3 lacs. in 1997-98 to Rs.28 lacs. in 1998-99 through intensive cost control measures initiated during the year.

DIVIDEND

Yours Directors do not recommend a dividend on equity shares. They consider it prudent to plough back the cash accruals for the operations of your company and reduce the interest burden. Your Directors believe that this will ensure better returns to the share holders in the future.

PROSPECTS FOR THE CURRENT YEAR

The gloom over the industrial horizon appears to be lifting during the current year. The economy is showing signs of vigorous recovery with accelerated growth in industrial production, falling interest rates and a sharp decline in inflation. Your Company has managed the adversities of the last year very well and has placed itself in an advantageous position to derive the maximum benefits from the opportunities that are emerging from recovering economy, through a strategic alliance with M/s. Tube Investments of India Ltd. (TIIL), Chennai. Under this arrangement (designed to synergise the compatible strengths and resources of your Company and TIIL), your Company will focus on its core competence of production of quality products at very economical costs whilst TIIL will take care of raw-material supplies and marketing. Arising out of this strategic alliance, your Company's production facilities have been operating at full levels of utilisation over the last few months of the current year, a trend which will be maintained in the coming months also.

EXPORTS

The financial year 1998-99, witnessed one of the worst turmoils in the world market, arising mainly from the Asian financial crisis. India's exports declined by 1% in 1998-99 as against a growth of 2.6% in 1997-98. In the light of the above and mainly due to adverse conditions in the Sri Lankan market, which was a major consumer of your Company's products, export sales declined sharply to a level of Rs. 14 lacs. from Rs. 145 lacs. in the previous year.

DIRECTORS

Dr. R.B. Baheti, Mr. K.N. Garg and Mr. Hasmukhray M. Amin, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. P.N. Mehra Executive Director of the Company has retired from the position of wholetime Director on attaining superannuation. He shall however continue to be a Director on the Board. The Board places on record its appreciation for his valuable services during his tenure as a wholetime Director.

AUDITORS

You are requested to appoint Auditors for the current year. M/s Brahmayya & Co., Auditors of your Company will retire at the conclusion of the Annual General Meeting and are

eligible for re-appointment. As required under Section 224 of the Companies Act, 1956, the present Auditors have furnished the necessary certificate.

DEPOSITS

Your Company has not accepted any Deposits from the Public within the meaning of Section 58A of the Companies Act, 1956 and rules made thereunder.

YEAR 2000 - Y2K COMPLIANCE

Your Company has taken adequate steps to ensure that all relevant systems covering its operations are fully Y2K compliant by October, 1999.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of particulars in respect of the Board of Directors) Rules 1988, is given in Annexure-1, forming part of this report.

PARTICULARS OF EMPLOYEES

None of the Employees of the Company during the year are in receipt of remuneration of more than Rs. 6.00 lacs.

per annum or Rs. 50,000/- per month. Hence, the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, are not applicable to the Company.

INDUSTRIAL RELATIONS

The relations between Management and Employees at all levels were very cordial during the year.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the support, which your Company continues to receive from the Central Government, the Government of Karnataka, the Financial Institutions, the Company's Bankers, business associates, share-holders, suppliers and customers.

The Directors also wish to place on record their appreciation of the sincere and dedicated services rendered by the employees of the Company at all levels.

By Order of the Board of Directors

Place : Bangalore
Date : 27-08-1999

(Dr. R.B. BAHETI)
Chairman

ANNEXURE I**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION,
FOREIGN EXCHANGE EARNINGS AND OUTGO**

In accordance with the Companies (Disclosures of particulars in report of the Board of Directors) Rules 1988.

A. CONSERVATION OF ENERGY

The Company has taken measures for conservation of energy as a matter of policy continuously.

Form for disclosure of particulars with respect to conservation of energy.

	<u>1998-99</u>	<u>1997-98</u>
1. Power and Fuel consumption		
Electricity -		
a. Purchases		
i. Unit (KwH)	751056	730428
ii. Total Amount (Rs.)	3464805	3114902
iii. Rate per Unit (Rs.)	4.61	4.26
b. Own Generation through Diesel Generator		
i. Unit (KwH)	313740	336904
ii. Total Amount (Rs.)	1005742	688438
iii. Cost./ Unit of Diesel Oil (Rs.)	3.20	2.04
2. Consumption per unit of production		
1. Electricity / DG		
Tube (KwH/M.T.)	102.98	104.94
Tensioners (KwH/Pcs)	-	2.82

B. TECHNOLOGY ABSORPTION

- The Company uses indigenous technology and this is being improved upon on a day to day basis using practical experience.
- The Company does not spend large amounts on Research and Development, yet as a part of quality control and assurance measures, basic thrust on Research and Development continues to be maintained.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange earnings and outgo during the year under review are as under :

	<u>1998-99</u> (Rs. in lacs.)	<u>1997-98</u> (Rs.in lacs.)
a. Earnings		
FOB Value of exports	8.74	131.05
b. Outgo		
CIF Value of Imports of Raw		
Materials and Consumable Stores	77.49	46.86
Foreign Travel	-	-
Commission on Sales	0.73	1.78