



STI PRODUCTS INDIA LIMITED

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27th ANNUAL REPORT
2000-2001

DIRECTORS

Dr. R.B. Baheti - Executive Chairman
Mr. K.N. Garg
Mr. Rajendra Prasad
Mr. Nirmal K. Gupta

AUDITORS


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

REGISTERED OFFICE

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

FACTORY

Whitefield Road,
Mahadevapura Post,
Bangalore-560 048.

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NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Shareholders of STI Products India Limited will be held on Saturday the 29th September, 2001 at 4.30 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 as at 31st March, 2001 and Profit and Loss Account for the year ended 31st March, 2001 and the reports of the Directors and Auditors' thereon.
2. To appoint a Director in place of Mr.K.N. Garg who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification, the following Resolution as Ordinary Resolution:

4. "Resolved that Mr. Rajendra Prasad be and is hereby appointed as Additional Director of the Company".
5. "Resolved that Mr. Nirmal K. Gupta be and is hereby appointed as Additional Director of the Company".

REGISTERED OFFICE:

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

For and on behalf of Board of Directors
of **STI PRODUCTS INDIA LIMITED**

Date : 30-06-2001

Place : Mumbai

(Dr. R.B. BAHETI)
Executive Chairman

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote at the meeting instead of himself and the proxy need not be a member of the Company.
Proxies to be effective must be lodged with the Company's Registered Office not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 22nd September, 2001 to 29th September, 2001 (both days inclusive)
3. Members are requested to inform the Company quoting their Registered Folio No. any change in their addresses immediately so as to enable the Company to despatch any future communications at their correct addresses.
4. Members are requested to send their queries, if any, so as to reach the registered office of the Company atleast seven days in advance of the meeting so that the information can be made available at the meeting.
5. The members are requested to bring in their copy of Annual Reports while attending the Twenty Seventh Annual General Meeting of the Company.

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS :

The Financial results of the Company for the year are as under :-

	Year Ended 31.03.2001 (Rs.in Lacs)	Year Ended 31.03.2000 (Rs.in Lacs)
Sales and other Income	<u>496.11</u>	<u>1098.21</u>
Gross : Operating Profit	209.46	145.45
Less: Interest & Finance charges	<u>243.24</u>	<u>71.32</u>
Profit : Before Depreciation & Taxation	(33.78)	74.13
Less: Depreciation	<u>22.47</u>	<u>37.15</u>
Profit/(Loss) before taxation	(56.25)	36.98
Less: Provision for Income Tax	Nil	21.89
Provision for Wealth Tax	<u>1.50</u>	<u>Nil</u>
Profit/(Loss) after Taxation	(57.75)	15.09
Prior Period Adjustment	3.35	-
Deferred payment expenditure	<u>11.74</u>	<u>11.74</u>
Balance of current year's Profit/(Loss)	(66.15)	3.35
Balance of Profit of earlier years	<u>136.99</u>	<u>133.64</u>
Amount available for appropriation	70.84	136.99
Transferred to General Reserve	-	-
Balance carried to Balance Sheet	70.84	136.99

OPERATIONS

The Sales and Other Income for the financial year under review is Rs.496.11 lacs as against Rs.1098.21 lacs for the previous year. The drop in sales is mainly on account of the strategic alliance with M/s Tube Investments of India Limited (TIIL) for the whole year as against 11 months of the previous year. As you are aware, the Company has entered into processing arrangements with M/s Tube Investments of India Limited (TIIL) and the arrangements has been working satisfactorily. The loss for the year has been Rs. 56.25 lacs (as compared to Profit of Rs.36.98 lacs of the previous year) mainly on account of Profit on sale of assets.

DIVIDEND

Your Directors do not recommend any dividend on Equity Shares on account of reduced profitability for the year.

PROSPECTS FOR THE CURRENT YEAR

The performance of the company in the current year, barring unforeseen circumstances is expected to be satisfactory.

DIRECTORS

Mr. P.N. Mehra resigned from the Board on account of his pre-occupation. Your Directors wish to place on record their appreciation for valuable guidance and advice rendered during his tenure.

Mr. K.N. Garg, Director of the company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Rajendra Prasad and Mr. Nirmal K. Gupta were appointed as Additional Directors on the Board w.e.f. 29th July, 2001. Your Board recommends for the approval of their appointment by the share holders at the ensuing Annual General Meeting.

AUDITORS

You are requested to appoint Auditors for the current year and authorise the Board to fix their remuneration.

M/s Brahmayya & Co., Auditors of your Company will retire at the conclusion of this 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.

CORPORATE GOVERNANCE

Your Company is committed to good Corporate Governance with objective of enhancing the long term value for share holders and at the same time protecting the interest of other stakeholders and adopting a methodology which enhance effectiveness, better utilisation of resources and harmonious relations between different interest groups. In compliance of SEBI directives the code of Corporate Governance shall be implemented by the Company within the financial year 2001-2002.

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies (Amendment) Act, 2000 requires that the Directors ensure that the financial statements of the Company are prepared in such manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2001 and of the loss of the Company for the year to that date. Your Directors confirm compliance in this regard.

Your Directors to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis in the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates. Your Directors also believe that all accounting standards, which are considered to be applicable have been followed and that these financial statements have been prepared on going concern basis.

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent irregularities.

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.

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

Information as per Section 217 (2A) of the Companies Act, 1956, read with (Particulars of Employees) Rules, 1975 as amended, is nil as no employee received remuneration in excess of the limits laid down.

ACKNOWLEDGEMENT

The Directors have pleasure in recording their appreciation of the continued assistance and co-operation extended to the Company by the State/Central Government, Financial Institutions and Banks.

The Directors also wish to 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

Date : June 30, 2001
Place : Mumbai

Dr. R.B. BAHETI
Executive Chairman

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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 continually.

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

	<u>2000-2001</u>	<u>1999-2000</u>
Power and Fuel consumption		
1. Electricity -		
a. Purchases		
i. Unit (KwH)	888,324	622,080
ii. Total Amount (Rs.)	3,863,708	3,218,526
iii. Rate per Unit (Rs.)	4.35	5.17
b. Own Generation through Diesel Generator		
i. Unit (KwH)	158,014	138,156
ii. Total Amount (Rs.)	804,556	543,667
iii. Cost/Unit of Diesel Oil (Rs.)	5.09	3.94
2. Consumption per unit of production		
1. Electricity/DG		
Tube (KwH/M.T.)	91.15	92.15

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 Nil (Previous Year Nil).

**AUDITORS' REPORT TO THE SHARE HOLDERS OF
STI PRODUCTS INDIA LIMITED**

We have audited the attached Balance Sheet of STI Products India Limited, Bangalore as at 31st March, 2001 and also the annexed Profit & Loss Account of the Company for the year ended on that date, and report that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from the examination of those books.
- iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv. Subject to Note No.1(e) of schedule 17, regarding non-provision towards future liability for leave encashment of employees, in our opinion the Balance Sheet and Profit and Loss account dealt with this report comply with the accounting standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956.
- v. As per the information and explanations given to us, none of the Directors of the Company is disqualified from being appointed as a Director of the Company under Section 274(1) (g) of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with notes thereon and statement of accounting policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - a. in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2001.
 - and
 - b. in the case of the Profit and Loss account, of the loss for the year ended on that date.

As required by the Manufacturing and other Companies (Auditors Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of Books and Records of the Company as were considered appropriate, and on the basis of the information and explanations given to us during the course of the audit, we further report that :

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of Fixed Assets. We are informed that the Fixed Assets except Goodwill have been physically verified by the management at reasonable intervals and that no material discrepancies were noticed on the verification with the aforesaid records.
2. None of the assets of the Company have been revalued during the year.
3. Physical verification has been conducted by the management at reasonable intervals during the year, in respect of Stores and Spare Parts.
4. The procedures of physical verification of stocks followed by the Management, are reasonable and adequate in relation to the size of the Company and nature of its business.
5. We are informed that no material discrepancies have been noticed on physical verification of stocks as compared to book records.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and/or from Companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.