

# **29<sup>th</sup> ANNUAL REPORT 2002 - 2003**



**STI PRODUCTS INDIA LIMITED**

<b>DIRECTORS</b>	:	Dr.R.B.Baheti - Chairman Mr.K.N.Garg Mr.Rajendra Prasad Mr.Nirmal K Gupta
<b>AUDITORS</b>	:	M/s.Brahmayya & Co. Chartered Accountants Khivraj Mansion 10/2, Kasturba Road BANGALORE - 560 001
<b>BANKERS</b>	:	State Bank of India
<b>REGISTERED OFFICE</b>	:	IIInd Floor, Vinayaka Complex 44/45 Residency Road Cross <b>BANGALORE - 560 025</b> Phone : 080 - 5580683 Email : <a href="mailto:stipl@giasbg01.vsnl.net.in">stipl@giasbg01.vsnl.net.in</a>
<b>FACTORY</b>	:	Whitefield Road Mahadevapura Post <b>BANGALORE - 560 048</b> Phone : 080 8511085 / 8510024
<b>SHARE TRANSFER AGENT &amp; REGISTRAR</b> (For Demat and Physical both)	:	<b>Bangalore:</b> M/S. Intime Spectrum Registry Ltd. 40/3, IIInd Floor, Geetha Mansion, K. G. Road <b>BANGALORE - 560 009</b> Phone : ++91 - 080 - 235 0351 Email : <a href="mailto:bangalore@intimespectrum.com">bangalore@intimespectrum.com</a>  <b>Mumbai Office:</b> M/S. Intime Spectrum Registry Ltd C-13, Pannalal Silk Mills, Compound Kantilal Maganlal Indl. Estate L.B.S. Road, Bhandup West <b>MUMBAI - 400 080.</b> Phone : ++ 91 - 022 - 2592 3837 Email : <a href="mailto:isrl@vsnl.com">isrl@vsnl.com</a>



## NOTICE

Notice is hereby given that the Twenty Ninth Annual General Meeting of the Members of STI Products India Limited will be held on Tuesday, the 30th September, 2003 at 4.30 PM at Hotel Ajantha, M G Road, Bangalore - 560 001 to transact the following business:

### A ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2003 and Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and the Auditors' 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 Auditors and to fix their remuneration and in this connection to pass the following resolution with or without modification as an Ordinary Resolution.

**"RESOLVED THAT** M/s. Brahmayya & Co, Chartered Accountants, Bangalore be and are hereby re-appointed as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on a remuneration of Rs 50,000/- and out of pocket expenses as may be incurred."

### B. SPECIAL BUSINESS:

To consider and if thought fit, pass the following resolution (s) with or without modification(s), as **Ordinary Resolution by Postal Ballot:**

#### 4. TO CONSIDER DISPOSAL OF PART OF UNDERTAKING OF THE COMPANY.

**"RESOLVED THAT** pursuant to the provision of Section 293 (1) (a), and other applicable provisions of the Companies Act, 1956 and further subject to Articles of Association of the Company, and subject to necessary approvals of Company's Bankers and lending Institutions, approval to the Board of Directors of the Company be and is hereby accorded to dispose of the whole or any part of manufacturing facility including its associate land, Building, plants and machineries, fixtures and fittings to M/s Euro Multi Business Products Private Limited (EMB) on such terms and conditions as more specifically set out in the agreement executed or proposed to be executed (A draft copy of which duly initialed by the Chairman is placed before the members for the purpose of identification), which terms and conditions are specifically approved with authorities to the Board of Directors including any committee thereof to accept such modifications/alterations in the terms and conditions as the Board deem appropriate in their absolute desecration in this regard."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby further authorised to take such other necessary steps as are necessary for effecting the disposal of the undertaking as above to protect business interest of the Company and also to decide or settle any matter that may arise in this regard."

By order of the Board  
for STI PRODUCTS INDIA LIMITED

Place: Bangalore  
Date: 1st September, 2003

Dr.R.B.BAHETI  
Chairman



**STI PRODUCTS INDIA LIMITED**

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS 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.
2. The proxy form to be effective must be lodged duly completed and stamped at the registered office of the company at least 48 hours before the time for holding the meeting.
3. The information as required under listing Agreements and the relative Explanatory statement for Special Businesses pursuant to Section 173 (2) of the Companies Act, 1956 and all other applicable laws is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 23.09.2003 to 30.09.2003 (both days inclusive).
5. The Company has applied to Central Depository Services (India) Ltd (CDSL) and National Security Depository limited (NSDL) for the admission of Equity Shares of the Company into Demat and application is under processing. After the admission of equity shares into demat, the shares of the Company can be held in the electronic form with any Depository Participant (DP) and the members can have their depository account. The equity shares of the Company are now traded in compulsory dematerialized mode on the Stock Exchanges.
6. The Company has appointed M/S. Intime Spectrum Registry Ltd. as a share transfer agent & registrar for Demat and Physical work.
7. Any change of address of the Members may please be notified to the Registrar and Transfer Agent at the above address quoting their Registered Folio.
8. Item No. 4 is requires consent of shareholders through postal ballot. A form of the postal ballot is given in the Annual Report.
9. 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 NINTH  
ANNUAL GENERAL MEETING****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, AND ALL OTHER  
APPLICABLE LAWS :****FOR ITEM NO. 4**

The members are aware that the Company was working under a processing arrangement with M/s Tube Investments of India Limited (TIL) since 1<sup>st</sup> May, 1999. This processing arrangement was entered at a time when the competition was stiff and margins on sales were reducing. The processing arrangement continued for around four years successfully and during the period the Company processed 41191 MT steel tubes till 19.03.2003, when the processing arrangement was abruptly and unilaterally terminated by TIL. This pre-mature termination of the arrangement stopped the working of the plant and the production work is completely stalled since then.

Your Company management immediately took necessary steps to restart functioning of the Company via exploring alternative options including efforts to continue the existing processing arrangement, which could not succeed. At present no manufacturing activities in the Company is going on since 19<sup>th</sup> March, 2003 and the entire manufacturing facility, plant, machineries and fixtures remains unutilised.

Since the plant and manufacturing facility of the company is unutilised since March, 2003, the Company is facing financial difficulties and with a view to arrange some liquidity it is proposed to dispose off a part or whole of the idle manufacturing facility including land, building etc.

As per section 293(1)(a), disposal of undertaking including its associate land, Building, plants and machineries, fixtures and fittings of the Company in part or whole, requires approval of the shareholders by ordinary resolution. Therefore, an enabling resolution at Item No. 4 is proposed for approval of the shareholders.

The Board of directors recommends passing of the resolution. None of the Directors of the Company is deemed to be concerned or interested in the resolution


**STI PRODUCTS INDIA LIMITED**
**DIRECTORS' REPORT**

Dear Shareholders,

The Directors have pleasure in presenting the Twenty Ninth Annual Report of the Company with the Audited Statement of Accounts for the Year ended 31<sup>st</sup> March 2003.

**FINANCIAL RESULTS:**

The Financial Results of the Company for the year are as under:

Particulars	2002-2003	(Rs.in lakhs)
		2001-2002
Sales and other Income	420.97	386.00
Total Manufacturing & Administrative Expenditures	196.08	204.88
Profit/(Loss) before Interest, Depreciation & Tax	224.89	181.12
Interest and Finance Charges	712.96	295.09
Profit/(loss) Before Depreciation and Taxation	(488.07)	(113.97)
Depreciation	21.48	21.32
Provision for taxation	—	—
Profit/(Loss) after Taxation	(509.55)	(135.29)
Excess provision for taxation writtenback	—	1.23
Deferred revenue expenditure	11.74	11.74
Net Profit / (Loss)	(521.29)	(145.80)
Balance b/f from previous year	—	70.85
Transfer from General reserve	103.05	74.95
Balance carried to Balance Sheet	(418.24)	Nil

**PERFORMANCE DURING THE YEAR**

During the year under review, automobile business of the country came out of the recession and showed an impressive growth of around 20%. Despite this the Company recorded only a marginally higher processing income amounting to Rs.416.59 Lacs, which was 9.18% higher against Rs.381.55 lacs recorded in the previous year on processing of Steel Tubes as per the orders and specifications provided by Tube Investments of India Limited (TIIL). After better utilization of resources and strict control over operating cost this year, the Company recorded a higher operating Profit by 24.17% at Rs.224.89 Lacs in comparison to Rs.181.11 Lacs during the previous year.

However higher Interest cost of Rs. 712.96 Lacs (Previous year Rs. 295.09 Lacs) and Depreciation Rs.21.48 Lacs (Previous year Rs. 21.32 Lacs) resulted into higher Net Loss of Rs.509.55 Lacs during the year, in comparison to Net Loss of Rs. 135.29 Lacs in the previous year.

**FUTURE PROSPECTS:**

Your Directors, in order to combat the adverse factors that seriously affected the very survival of your Company, carried out a detailed analysis for rehabilitation and recovery. This analysis revealed that the high cost of servicing the borrowings was one of the largest deterrents together with the investments made by your Company having not yielded the desired fruits for unforeseen circumstances, which have adversely affected the Company.

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Since the processing arrangement entered into with TIL has prematurely ended on 19<sup>th</sup> March 2003, therefore the operations has affected badly. The Company Management is exploring other alternative options for keeping the manufacturing facility into operation.

The plant and manufacturing facility of the company is unutilised since March, 2003, the Company is facing financial difficulties and with a view to arrange some liquidity it is proposed to dispose off a part or whole of the idle manufacturing facility including land, building etc. Necessary resolution in this regard has been proposed in the Notice of this Annual General Meeting for the approval of shareholders as per Section 293 (1) (a) of the Companies Act, 1956.

**DIRECTORS:**

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

**AUDITORS:**

The Auditors, M/s. Brahmayya & Co., retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The present Auditors has furnished the necessary certificate as required under section 224(1B) of the companies Act, 1956.

**REPORT ON CORPORATE GOVERNANCE:**

The company has already complied with the requirement of Corporate Governance in terms of clause 49 of listing agreement. A detailed report on Corporate Governance is annexed as Annexure-IA forming part of this report.

**DEMATERIALISATION FACILITIES:**

Your Company has applied to Central Depository Services (India) Ltd (CDSL) and National Security Depository Ltd. (NSDL) to facilitate its members to hold and trade their shares in electronic form. The application is at an advanced stage. The company has appointed M/s Intime Spectrum Registry Ltd., Mumbai as Share Registrar and transfer agent of the company to facilitate physical as well as electronic transactions in shares and other services. SEBI has included Company's shares in the list of compulsory trading in electronic form. Therefore, the trading in the Company's equity shares through stock exchange in future will be in demat form only.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the company at the end of the financial year;


**STI PRODUCTS INDIA LIMITED**

- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

**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 report of the Board of Directors) Rules, 1988, is given in Annexure-1, forming part of this report.

**PARTICULARS OF EMPLOYEES:**

The Company had no employees of the category mentioned in Section 217 (2A) of the Companies Act, 1956.

**FIXED DEPOSITS:**

The Company has not accepted deposits from the public during the year.

**INDUSTRIAL RELATIONS:**

Your company follows highly progressive policies concerning its employees and provides a conducive atmosphere to each employee to excel their performance. The company provides a clean and healthy working environment to its employees. Industrial relations during the year under review were cordial.

**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, Banks, Financial Institutions and other agencies.

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

By order of the Board  
for STI PRODUCTS INDIA LIMITED

Place : Bangalore  
Date : 1st September, 2003

(Dr.R.B.BAHETI)  
Chairman



### ANNEXURE-1 TO THE TWENTY NINTH DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2002- 03

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

In accordance with the Companies (Disclosure 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.

<b>Power and Fuel Consumption</b>	<b>2002-2003</b>	<b>2001-2002</b>
<b>1. Electricity</b>		
a. Purchase		
i) Unit (KWH)	8,98,404	9,01,320
ii) Total Amount (Rs.)	40,91,184	39,94,926
iii) Rate per Unit (Rs.)	4.55	4.43
b. Own Generation through Diesel Generator		
i) Unit (KWH)	23,769	75,816
ii) Total Amount (Rs.)	1,84,571	4,55,447
iii) Cost/Unit of Diesel Oil (Rs.)	7.77	6.00
<b>2. Consumption per unit of production</b>		
Electricity/DG	83.95	88.95
Tube (KWH/M.T)		

#### B. TECHNOLOGY ABSORPTION :

1. The Company uses indigenous technology and this is being improved upon on a day to day basis using practical experience.
2. 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)



## STI PRODUCTS INDIA LIMITED

### ANNEXURE-1A TO THE TWENTY NINTH DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2002- 03

#### REPORT ON CORPORATE GOVERNANCE

#### INTRODUCTION

The Securities and Exchange Board of India has introduced a Code of Corporate Governance (Code) by way of amendment to the listing agreements with the Stock Exchanges. The Company has complied with the mandatory requirements of the Code.

#### 1. COMPANY'S PHILOSOPHY

The fundamental objective of the Company's Corporate Governance is "enhancement of long-term value for share holders and at the same time protecting the interest of other stakeholders and adopting a methodology which enhances effectiveness, better utilization of resources, transparent and harmonious relations between various interest groups", better working environment and workers participation in Management.

#### 2. IMPLEMENTATION

As per the requirement of Listing Agreement with the Stock Exchanges, the Company is taking necessary steps to comply with the mandatory provisions of the Corporate Governance gradually from Financial Year 2002-03.

#### 3. BOARD OF DIRECTORS

##### a) Composition:

The Board of STI Products India Limited comprises of Four Directors. None of the Directors of the Company is a Member on more than 10 committees or Chairman of more than 5 committees (as specified in the clause 49 of the Listing Agreement). The Board is primarily responsible for the overall management of the Company's business. The Composition of the Board during the financial year 2002-2003 was as under:

Name	Category	No. of meetings	No. of meetings attended	Last AGM attended
Dr.R.B.Baheti	Promoter & Director-Chairman	5	5	No
Mr. K.N. Garg	Promoter & Director	5	5	No
Mr.Rajendra Prasad	Independent & Non-Executive Director	5	5	No
Mr. Nirmal K Gupta	Independent & Non -Executive Director	5	3	No

##### Brief Resume of Dr. R. B. Baheti, Directors to be reappointment.

**Dr. R. B. Baheti (57)**, is a Chairman of the Company. He is M.Com. Gold Medallist and having experience of 36 years of industry and business. He joined as a Director- cum-Chairman since incorporation of the Company. He is also on the Board of STI India Ltd., STI Sanoh India Ltd., STI International Ltd., STI Granite India Ltd., STI Power India Pvt. Ltd. and Provident Investment Co. Ltd. Dr. Baheti is also a member of governing body of Indian Institute of Management, Indore (IIM-Indore). He is the Member of Share holder/Investors' Grievance cum Share Transfer Committee and Remuneration Committee of the Company.