

30th ANNUAL REPORT 2003 - 2004

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STI PRODUCTS INDIA LIMITED

DIRECTORS : Mr.K.N.Garg - Chairman - (wef 22.03.2004 to till date)
Mr.Rajendra Prasad - (wef 29.07.2001 to till date)
Mr.Nirmal K Gupta - (wef 29.07.2001 to till date)
Dr.R.B.Baheti - (wef 22.03.1994 to 15.03.2004)

AUDITORS : M/s. Brahmayya & Co.
Chartered Accountants
Khivraj Mansion,
10/2, Kasturba Road
BANGALORE – 560 001

BANKERS : State bank of India
The Federal Bank Ltd.

REGISTERED OFFICE : 11nd Floor, Vinayaka Complex,
44/45, Residency Road Cross,
BANGALORE – 560 025
Phone : 080 - 2558 0683
Email : stipl@jasbg01.vsnl.net.in

FACTORY : Whitefield Road, Mahadevapura Post,
BANGALORE – 560 048

**SHARE TRANSFER AGENT
AND REGISTRAR** : **Bangalore Office :**
(For Demat and Physical both) M/S. Intime Spectrum Registry Ltd.
40/3, 11nd Floor, Geetha Mansion,
K. G. Road, Bangalore - 560 009
Phone : ++91 - 080 - 235 0351
Email : bangalore@intimespectrum.com

Mumbai Office :
M/S. Intime Spectrum Registry Ltd
C-13, Pannalal Silk Mills Compound
Kantilal Maganlal Indl. Estate,
L.B.S. Road, Bhandup West
Mumbai - 400 080.
Phone : ++ 91 - 022 - 2592 3837
Email : isrl@vsnl.com



NOTICE

Notice is hereby given that the Thirtieth Annual General Meeting of the Members of STI Products India Limited will be held on Wednesday, the 29th day of September, 2004 at 4.30 PM at Greater Bangalore Industries Association, No.40-J, Opp. NGEF Ancillary Estate, Doddanakundi Industrial Area, II Phase, Mahadevapura Post, Bangalore - 560 048, to transact the following business:

A. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 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 Mr. Rajendra Prasad 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 Auditors of the Company to hold office from conclusion of this Annual General Meeting till conclusion of the next Annual General Meeting on a remuneration of Rs 40,000/- plus service tax and other out of pocket expenses as may be incurred."

B. SPECIAL BUSINESS :

4. To consider and if thought fit, pass the following resolution (s) with or without modification(s) as Special Resolution :

TO CONSIDER MAKING REFERENCE TO THE BIFR UNDER SECTION 15 OF THE SICA, 1985.

"RESOLVED THAT in terms of provisions of Section 15 and all other applicable provisions of the Sick Industrial Companies (Special Provision) Act, 1985 (SICA) the members of the Company do hereby consider and take note that the Accumulated losses of Rs. 10,99,00,100/- of the Company as on 31st March, 2004, have exceeded the Net Worth of the Company Rs. 8,71,07,594/- as on the date and accordingly the provision of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 are applicable on the Company, and therefore a reference for registration to the Board for Industrial and Financial Reconstruction on the basis of Audited Financial Result as on 31st March, 2004 is to be made to suggest, to the company, measure to be adopted for making the net worth exceed the accumulated losses and to take such other necessary steps as may be necessary for the Company."

"RESOLVED FURTHER THAT the Board of Directors (including any committee thereof) be and are hereby authorised to decide and settle any matter and to do all such acts, deeds and things as may be necessary in this regards."

5. To consider and if thought fit, pass the following resolution (s) with or without modification(s), as Ordinary Resolution :

TO CONSIDER DISPOSAL OF UNDERTAKING OF THE COMPANY.

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) with other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, and further subject to such other approvals as may be necessary, approval to the Board of Directors of the Company (which term shall include any committee constituted for the purpose) be and is hereby accorded to dispose off the whole or any part of manufacturing facility including its associate land, building, plants & machineries, fixtures & fittings and all other assets, in one or more tranches, to such person, body corporate or any other buyer as may be considered suitable to the Board, on such terms and conditions as may be deemed appropriate in their absolute desecration by the Board 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

Indore
30th June, 2004

(K.N.Garg)
Chairman

**NOTES:**

1. The information as required under listing Agreements and the relative Explanatory statement for Special Business pursuant to Section 173 (2) of the Companies Act, 1956 and all other applicable laws is annexed hereto.
2. **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.**

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 Register of Members and the Share Transfer Books of the Company will remain closed from 22.09.2004 to 29.09.2004 (both days inclusive).
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.
5. The National Security Depository limited (NSDL) has admitted Company's Equity shares into demat and the shares of the Company can be now held by the members in the electronic form with NSDL through their depository account. The equity shares of the Company are now tradable in compulsory dematerialized mode on the Stock Exchanges. The Company has also applied to Central Depository Services (India) Ltd (CDSL) for the admission of Equity Shares of the Company into Demat and application is under processing. The ISIN Code allotted by NSDL to the Equity Shares of the Company is INE205G01014.
6. The Company has appointed M/S. Intime Spectrum Registry Ltd., Mumbai and having a branch at Bangalore, as Registrar & Share Transfer Agent for Demat and Physical shares.
7. Any change of address of the Members may please be notified to the Registrar and Transfer Agent quoting their Registered Folio No.

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ANNEXURE TO THE NOTICE OF 30TH 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 Board of Directors of your Company in the Board Meeting, decided to make registration of Company to Board for Industrial and Financial Reconstruction (BIFR). As the accumulated losses as on 31st March 2004 exceed over the Net worth of the Company and the provision of Section 15 of the Sick Industrial Companies (Special provision) Act, 1985 become applicable.

After making reference, BIFR will provide measures to be adopted for making Net Worth exceed over accumulated losses and to take such other steps necessary to come out of the provision of Sick Industrial Companies (Special Provisions) Act, 1985.

At present the Company is carrying out no manufacturing process. The entire manufacturing facility, plant, machinery and fixtures remain idle. Company management is exploring alternative steps to restart functioning of the Company, and is hopeful for an early start of production work.

The member of the Company are therefore requested to take note of the above and pass the resolution proposed at item no. 4

The Directors recommended the resolution for the approval by the members. None of the Directors is concerned or interested in the resolution.

FOR ITEM NO. 5

The members are aware that the Company was working under a processing arrangement with M/s Tube Investments of India Limited (TIIL) since 1st 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 till 18.03.2003, when the processing arrangement was discontinued by TIIL. 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 then existing processing arrangement, which could not succeed. The Company has only one plant with manufacturing facilities at Bangalore and the entire facilities are in working condition. However due to severe liquidity crisis, absence of working capital, etc. and order from customers, the company is not in a position to run its plant from 19.03.2003. At present no manufacturing activities in the Company is going on since March, 2003 and the entire manufacturing facility, plant, machineries and fixtures and other assets remains unutilized.

Since the plant and manufacturing facility of the company is unutilised since March, 2003, the Company is facing financial difficulties in retiring its obligations towards statutory dues, lenders and employees 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., in one or more tranches.

As per section 293(1)(a), disposal of undertaking including its associate land, building, plants and machineries, fixtures and fittings and all other assets 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.

By order of the Board
For S T I PRODUCTS INDIA LIMITED

Indore
30th June, 2004

(K.N.Garg)
Chairman

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

Dear Shareholders,

The Directors have pleasure in presenting the Thirtieth Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 2004.

1. PERFORMANCE DURING THE YEAR:

The abrupt termination of processing arrangements with Tube Investments of India Limited (TII) resulted in temporary suspension of the manufacturing activities in your company from 18th March, 2003. The company explored various possibilities to continue manufacturing operations but due to financial, operations in the Company couldnot be recommenced.

This suspension of manufacturing operations adversely affected the profitability of the Company resulting in non utilisation of production capacity thereby leaving a large portion of fixed expenses unabsorbed. The Company received a total income of Rs. 28.75 lacs during the year in comparison to Rs. 420.97 lacs in the previous year. The Company exercised strict control over resource utilisation and reduction in employee cost and administrative expenses. The closure of plants affected company's operation adversely and after provision of a lower interest and finance charges at Rs.585 lacs (Previous year Rs.713 lacs) and depreciation Rs. 22 lacs (Previous year Rs. 21 lacs) recorded a loss of Rs. 665.72 lacs in comparison to Rs. 509.54 lacs in the previous year. The accumulated losses of the Company as at 31st March, 2004 were Rs.1099 lacs (Previous year Rs.418 lacs).

2. FINANCIAL RESULTS:

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

Particulars	2003-2004 (Rs. in lakhs)	2002-2003 (Rs. in lakhs)
Sales and other Income	28.75	420.97
Total Manufacturing and Administrative Expenditure	86.93	196.08
Interest and Finance charges	585.08	712.96
Depreciation	22.46	21.48
Gross Profit / Loss	(665.72)	(509.55)
Provision for taxation	—	—
Deferred revenue expenditure	15.04	11.74
Net Profit / (Loss)	(680.76)	(521.29)
Balance b/f from previous year	(418.24)	—
Transferred to General Reserve	—	103.05
Balance carried to Balance Sheet	(1,099.00)	(418.24)

3. CLOSURE OF THE COMPANY:

The abrupt termination of processing agreement from 18th March, 2003, has forced the Company to temporarily suspend manufacturing operations in the Company. Since then the plant, machinery and fixtures of the Company have remained idle. The Company, however, tried to have alternative arrangement, but, the operations in the plant could not be recommenced. With a view to conserve resources from further depletion and to save administrative cost, the Company has given a closure notice with effect from 1st June, 2004 to the Labour Secretary, Department of Labour, Government of Karnataka, Bangalore.

4. REFERENCE TO BIFR

The members are aware that the Company is incurring losses from past few years due to uneconomical scale of operation, substantial increase in interest costs, Higher Manpower and Cost of Production, Higher fixed expenses due to low capacity utilisation.

As the company's accumulated losses as on 31st March, 2004 have went up to Rs. 1099 lacs, the net worth of Rs. 871 lacs of the company got completely eroded and provisions of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985, (SICA) became applicable on the Company. Accordingly the Company is required to make a reference for registration to the Board for Industrial and Financial Reconstruction (BIFR).

5. FUTURE OUTLOOK:

The Company has not been successful in finalizing any processing arrangement and also to start operations on its own due to liquidity crisis in absence of working capital. During the year under review, automobile business of the country grow and recorded a growth of around 20% and is expected to grow further in the years to come. Once the Company is able to commence its operations, this market trend promises to the Company a good order load from its customers during the coming years. The Company's manufacturing facilities are also ready to cash in the opportunity in the market. The Company is therefore exploring alternative steps to re-start functioning of the Company and is hopeful for an early start of production work.

6. DIRECTORS:

Mr. Rajendra Prasad, Director of your Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

During the year, Dr. R. B. Baheti, Chairman resigned from the Board of Directors and consequently Mr. K. N. Garg was appointed as Chairman of the Board. Your Board of Directors place on record its deepest appreciation for the contributions made by Dr. R. B. Baheti during his tenor.

7. 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.

8. 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 Corporate Governance Report is annexed as Annexure to the report.

9. DEMATERIALISATION FACILITIES:

Your Company has applied to National Security Depository Ltd. (NSDL) and Central Depository Services (India) Ltd (CDSL) to facilitate its members to hold and trade their shares in electronic form. In this process, NSDL has approved our application and provide us ISIN No. INE205G01014 with effect from November 15, 2003. The application with CDSL is also at an advanced stage of approval. 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. SEPI 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.


STI PRODUCTS INDIA LIMITED
10. DIRECTORS' RESPONSIBILITY STATEMENT:
Your Directors confirm that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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;
- 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;
- the Directors have prepared the annual accounts on a going concern basis.

11. 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-I and forming part of this report.

12. PARTICULARS OF EMPLOYEES

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

13. FIXED DEPOSITS:

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

14. INDUSTRIAL RELATIONS:

Your company provides a conducive atmosphere to each employee and a clean and healthy working environment to its employees. However, due to liquidity crisis and absence of processing arrangement, the Company is not in a position to run its plant and therefore given lay off to some of the employees during the period from 16th August, 2003 to 14th February, 2004. Further a closure notice has been sent with the effect from 1st June, 2004. However, Industrial relations during the year under review were cordial.

15. ACKNOWLEDGEMENT:

The Directors have pleasure in recording their appreciation of the continued assistance and co-operation extended to the Company by all the stakeholders.

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

**By order of the Board of Directors
for STI Products India Limited**

Indore
30th June, 2004

(K.N.GARG)
Chairman

ANNEXURE I

TO DIRECTOR'S REPORT FOR THE FINANCIAL YEAR 2003-04

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

A. CONSERVATION OF ENERGY

Form for disclosure of particulars with respect to conservation of energy as a matter of policy continually.

Continuous thrust is laid by the Company on saving of electrical energy in the factory continuously. The figures for the current year 2003-04 are not comparable due to closure of plant since 18th March, 2003.

	2003-2004	2002-2003
Power and Fuel consumption:		
1. Electricity:		
a. Purchase		
i. Unit(KWH)	7,531	8,98,404
ii. Total Amount (Rs.)	4,63,693	40,91,184
iii. Rate per Unit (Rs.)	61.57	4.55
b. Own Generation through Diesel Generator		
i. Unit(KWH)	---	23,769
ii. Total Amount (Rs.)	---	1,84,571
iii. Cost/Unit of Diesel Oil (Rs.)	---	7.77
2. Consumption per unit of production:		
Electricity/DG	NA	83.95
Tube (KWH/M.T)		

B. TECHNOLOGY ABSORPTION:

Though the technology is indigenous, the Company has absorbed fully the state-of-art technology installed in all areas of operation.

C. RESERCH AND DEVELOPMENT:

As a policy, continuous thrust on Research and Development is being maintained and steadily developed.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign exchange earnings and outgo during the year under review are NIL.

REPORT ON CORPORATE GOVERNANCE YEAR 2003-04

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 requirements of the Code.

1. COMPANY'S PHILOSOPHY

The objective of the Company's Corporate Governance is enhancement of long-term value for shareholders and at the same time protecting the interest of other stakeholders.

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. a) Composition:

As on 31st March, 2004, the Board of STI Products India Limited comprises of three 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 2003-2004 was as under:

Name	Category	No. of meetings	No. of meetings attended	Last AGM attended
Dr. R.B.Baheti (Upto 15.03.2004)	Promoter & Director Chairman	4	4	No
Mr. K.N. Garg	Promoter & Director	4	4	Yes
Mr. Rajendra Prasad	Independent & Non Executive Director	4	Nil	No
Mr. Nirmal K Gupta	Independent & Non Executive Director	4	Nil	No

Brief Resume of MR. RAJENDRA PRASAD, Directors to be re-appointment.

Mr. Rajendra Prasad, is proposed to be re-appointed as a Director of the Company liable to retire by rotation. Mr. Prasad born in 1950 is having B.E. (Mech.) and DMM qualification to his credit. Mr. Prasad a corporate executive by nature, has been associated with Steel Tubes of India Ltd. since 1992. He posses experience of working for more than two decades with reputed organizations such as M/s Sandvik Asia Ltd., Pune and SRP Tools Ltd., Madras.

Mr. Rajendra Prasad took active part in the expansion and diversification projects of the Company. He has a wide range of experience and expertise in the marketing of Precision Steel Tubes, Copper Coated Automobile and Refrigeration Components, and other products. During his tenure, the Company achieved several milestone and the turn-over of the Company crossed leaps and bounds.