

31st ANNUAL REPORT 2004 - 2005

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STI PRODUCTS INDIA LIMITED

DIRECTORS :

- Mr.K.N.Garg - (wef 22.03.1994)
- Mr.Rajendra Prasad - (wef 29.07.2001)
- Mr.Nirmal K Gupta - (wef 29.07.2001)
- Mr.Priyakanth Amin - (wef 30.08.2004 to 29.09.2004)

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.
IndusInd Bank Limited

REGISTERED OFFICE :

IIInd Floor, Vinayaka Complex,
44/45, Residency Road Cross,
BANGALORE – 560 025
Phone : 080 - 2558 0683
Email : stipl@giasbg01.vsnl.net.in

FACTORY :

Whitefield Road, Mahadevapura Post,
BANGALORE – 560 048

**SHARE TRANSFER AGENT
AND REGISTRAR** :

(For Demat and Physical both)

Bangalore Office :
M/S. Intime Spectrum Registry Ltd.
40/3, IIInd 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, Parnala 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

**STI PRODUCTS INDIA LIMITED**

NOTICE

Notice is hereby given that the Thirty First Annual General Meeting of the Members of STI Products India Limited will be held on Tuesday, the 27th day of September, 2005 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, 2005 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. Nirmal K. Gupta 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 as recommended by the Audit Committee of the Company on a remuneration of **Rs 40,000/-** plus service tax and other out of pocket expenses as may be incurred."

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

Indore
1st September, 2005

(K.N.Garg)
Chairman

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STI PRODUCTS INDIA LIMITED
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 20.09.2005 to 27.09.2005 (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, so that the information can be kept ready in the AGM.
5. The members are requested to bring in their copies of Annual report at the time of AGM, as no copies shall be provided separately.
6. 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.
7. 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.
8. Any change of address of the Members may please be notified to the Registrar and Transfer Agent quoting their Registered Folio No.

ANNEXURE TO THE NOTICE OF 31ST ANNUAL GENERAL MEETING
**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956,
AND ALL OTHER APPLICABLE LAWS.**
FOR ITEM NO.2

Mr. Nirmal Kumar Gupta is a Mechanical Graduate Engineer from SGITS, Indore. He possesses a very rich Industrial / Managerial experience of around 3 decades with major industrial group. Mr. Gupta also has a wide range of experience and expertise in the marketing of Precision Steel Tubes, Copper Coated Automobile and Refrigeration Components, and other products.

Mr. Gupta is retiring by rotation in the coming Annual General Meeting. As his continued association with the Company is beneficial to Company, the Board of directors recommends his reappointment as director liable to retire by rotation.

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

Indore
1st September, 2005

(K.N.Garg)
Chairman

31st ANNUAL REPORT 2004 - 2005**DIRECTORS' REPORT****Dear Shareholders,**

The Directors have pleasure in presenting the Thirty First Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 2005.

1. PERFORMANCE DURING THE YEAR:

The absence of order load for processing in absence of any processing arrangements after the end of the previous agreement resulted in suspension of the manufacturing activities in your company from 18th March, 2003. The company explored various possibilities to continue manufacturing operations but operations in the Company could not be recommenced.

This closure of manufacturing operations during the full year has resulted in heavy cash loss to the Company. The non-utilization of production capacity leaved the entire administrative expenditure unabsorbed. The Company received a total non operational income of Rs. 40.72 lacs during the year in comparison to Rs. 28.75 lacs in the previous year. The Company exercised strict control over resource utilization and reduction in administrative cost. In absence of any operational income the company could not service its debts, which resulted in a higher interest and finance charges at Rs.709.97 lacs in comparison to Rs.585.08 lacs in the previous year. Since the company's operations were closed, no depreciation has been charged in the current year in comparison to Rs. 22.46 lacs charged in the previous year. Thus, during the financial year, the company incurred a net loss of Rs.757.26 lacs in comparison to loss of Rs. 680.76 lacs in the previous year. The accumulated losses of the Company as at 31st March, 2005 were up at Rs. 1856.26 lacs (Previous year Rs.1099 lacs).

2. FINANCIAL RESULTS:

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

Particulars	2004-2005 (Rs. in lakhs)	2003-2004 (Rs. in lakhs)
Sales and other Income	40.72	28.75
Total Expenditure	88.00	86.93
Interest and Finance charges	709.98	585.08
Depreciation	—	22.46
Gross Profit / (Loss)	(757.26)	(665.72)
Provision for taxation	—	—
Deferred revenue expenditure	—	15.04
Net Profit / (Loss)	(757.26)	(680.76)
Balance b/f from previous year	(1099.00)	(418.24)
Balance carried to Balance Sheet	(1856.26)	(1099.00)


STI PRODUCTS INDIA LIMITED
3. CLOSURE OF THE COMPANY:

The abrupt termination of processing agreement from 18th March, 2003, has forced the Company to close the manufacturing operations of 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. Under the circumstances, the company has left with no option, but to give a closure notice to the Labour Secretary, Department of Labour, Government of Karnataka, Bangalore w.e.f. 01.06.2004.

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 had gone upto 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 made a reference for filing with BIFR and the same has been registered under Sl. No.305/2004 on 07.10.2004.

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. The company does not expect to recommence its operations and therefore the prospects of the company appears to be critical.

6. DIRECTORS:

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

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 fairly 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 pending for 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. 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.

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;

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- 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 considering the registration of reference with BIFR and the settlement agreement reached with workers in view of closure of operation of the Company.

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

In view of no manufacturing activity, the 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 not applicable on the Company.

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:

Industrial relations during the year under review were cordial. The Directors also wish to record their appreciation of the sincere and dedicated support by the employees of the Company at all levels.

15. ACKNOWLEDGEMENT:

The Directors record their appreciation for the co-operation received by the Company from all the sectors.

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

Indore
30th June, 2005

(K.N.GARG)
Chairman


STI PRODUCTS INDIA LIMITED
REPORT ON CORPORATE GOVERNANCE YEAR 2004-05
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 to explore all possible avenues to conserve its resources and protect the interest of all 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. BOARD OF DIRECTORS
a) Composition:

As on 31st March, 2005, 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 2004-2005 was as under:

Name	Category	No. of meetings	No. of meetings attended	Last AGM attended
Mr. K.N. Garg	Promoter & Director - Chairman	6	6	Yes
Mr. Rajendra Prasad	Independent & Non Executive Director	6	6	No
Mr. Nirmal K Gupta	Independent & Non Executive Director	6	Nil	No

Brief Resume of MR. NIRMAL K. GUPTHA, Directors to be re-appointment.

Mr. Nirmal Kumar Gupta is a Mechanical Graduate Engineer from SGSITS, Indore having Industrial Managerial experience of around 3 decades with major industrial group viz. M/s L & T and M/s Escorts.

Mr. Nirmal Kumar Gupta has a wide range of experience and expertise in the manufacturing and marketing of Copper Coated Automobile and Refrigeration Components, and other products. His continued association with the Company is of an immense value to the Company.

31st ANNUAL REPORT 2004 - 2005**b) Board Meetings and Attendance of Directors**

The details of meeting wise attendance of Directors are as under

Sl.No.	Name of the Directors	30.06.04	29.07.04	30.08.04	04.10.04	28.10.04	28.01.05
01.	Mr.K.N.Garg	P	P	P	P	P	p
02.	Mr.Rajendra Prasad	P	P	P	P	P	P
03.	Mr.Nirmal K Gupta	LOA	LOA	LOA	LOA	LOA	LOA
04.	Mr. Priyakanth Amin (w.e.f. 30.08.04 to 29.09.2004)	—	—	P	—	—	—

Note : P = Present, LOA = Leave of Absence

c) Sitting Fees

With a view to conserve its valuable resources, none of the Directors' were paid Sitting Fees during Financial year 2004-05.

d) Other Directorships

As per the information available with the Company, the details of Present Directors holding Directorship in other Companies are as under:

Sl.No.	Name of Directors	Directorship in other Companies
01.	Mr.K.N.Garg	1. Steel Tubes of India Ltd - Chairman & Managing Director 2. STI India Ltd - Director 3. STI International Ltd - Director 4. STI Power India Private Ltd - Director
02.	Mr.Rajendra Prasad	1. Global Stone India Ltd - Director 2. STI International Ltd - Director 3. Beta Infotech Ltd - Director
03.	Mr. Nirmal K Gupta	Mr.Nirmal K Gupta does not hold directorship in any other Company.


STI PRODUCTS INDIA LIMITED
e) Membership/Chairmanship in Board Committees

The details of Present Directors holding Membership/Chairmanship of Board Committees are as under :

Sl. No	Name of the Director	Chairman / Member in Committees	Chairmanship	Membership
01.	Mr. K.N.Garg	1. STI Products India Ltd Audit Comm. - Member Remu. Comm.-Chairman Sh. Tr. Comm. - Member 2. Steel Tubes of India Ltd Sh. Tr. Comm. - Member 3. STI Indai Ltd Audit Comm. - Member Remu. Comm. - Member Sh. Tr. Comm. - Chairman	2	5
02.	Mr.Rajendra Prasad	1. Global Stone India Ltd Audit Comm - Chairman Remu. Comm - Chairman Sh.Tr.Comm. - Member 2. STI Products India Ltd Audit Comm. - Chairman Remu. Comm. - Member Sh. Tr. Comm. - Chairman	4	2
03.	Nirmal K Gupta	1. STI Products India Ltd Audit Comm. -Member	—	1

4. BOARD COMMITTEES :

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

- Audit Committee
- Remuneration Committee
- Shareholders'/Investors' Grievance Cum Share Transfer Committee

However, except Audit Committee, other committees are not functioning because of closure of plant operations for around 2 years and also because of services related to Shareholders being handled by an independent outside agency.

a) AUDIT COMMITTEE
Terms of Reference

Terms of Reference of the Audit Committee are as per the guidelines set out in the listing agreement with the Stock Exchanges and this interalia, include -

- i) Oversee Company's financial reporting process and the disclosure of its financial information to ensure financial statements are correct, sufficient and viable.