

32nd ANNUAL REPORT 2005 - 2006



STI PRODUCTS INDIA LIMITED

DIRECTORS : **BOARD OF DIRECTORS**
Mr.K.N.Garg Chairman (wef 22.03.04 to till date)
Mr.Rajendra Prasad (wef 29.07.01 to till date)
Mr.Nirmal K Gupta (wef 29.07.01 to till date)

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 : IInd Floor, "Vinayaka Complex"
44/45, Residency Road Cross
Bangalore 560 025
Phone : 080 25580683
Email : stipl@viasbg01.vsnl.net.in

FACTORY ADDRESS : Whitefield Road, Mahadevapura Post,
Bangalore 560 048

SHARE TRANSFER AGENT & : Bangalore Office:
REGISTRAR M/S. Intime Spectrum Registry Ltd.
(For Demat and Physical both)
No.8, 1st Floor,
Mahaveer Shopping Complex,
K G Road, Bangalore 560 009.
Ph.No.080-41242623
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 2596 3838
Email : isrl@vsnl.com

STI PRODUCTS INDIA LIMITED

NOTICE

Notice is hereby given that the Thirty Second Annual General Meeting of the Members of STI Products India Limited will be held on Saturday, the 30th day of December, 2006 at 4.00 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, 2006 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. K. N. Garg 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."

By order of the Board
For STI PRODUCTS INDIA LIMITED

(K. N. Garg)
Chairman

Place: Indore
Date: 27th October, 2006

32nd ANNUAL REPORT 2005-2006

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 22.12.2006 to 30.12.2006 (both days inclusive).
4. This Annual General Meeting is being held within the extended period of three months as approved by the Registrar of Companies, Bangalore.
5. 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.
6. The members are requested to bring in their copies of Annual Report at the time of AGM, as no copies shall be provided separately.
7. The National Security Depository limited (NSDL) has admitted Company's Equity shares into demat and the members can now hold the shares of the Company in the electronic form with NSDL through their depository account. The equity shares of the Company shall be traded only in dematerialized mode on the Stock Exchanges. However there is no trading in the shares of the Company for a long period. The Company had also applied to Central Depository Services (India) Ltd (CDSL) for the admission of Equity Shares of the Company into Demat but the application is pending. The ISIN Code allotted by NSDL to the Equity Shares of the Company is INE205G01014.
8. The Company has appointed M/S. Intime Spectrum Registry Ltd., Mumbai, having a branch at Bangalore, as Registrar & Share Transfer Agent for Demat and Physical shares. Their details are given elsewhere in this annual report.
9. 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 32ND ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

FOR ITEM No.2

Mr. K.N. Garg, Director of the company, is retiring by rotation at the ensuing Annual General Meeting and he is available for re-appointment.

Mr. K.N. Garg, Promoter Director of the Company is an Industrialist. Mr. K.N. Garg Born in 1945; having Masters Degree in Commerce and a Bachelors Degree in Law, is a new age entrepreneur. Mr. K.N. Garg, has rich experience in running business for more than three decades. Presently, he is Chairman of the Company and also acting as Director on the Board of various other Companies.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of members. Apart From Mr. K.N. Garg, no other Directors are interested in the resolution.

By order of the Board
For STI PRODUCTS INDIA LIMITED

(K. N. Garg)
Chairman

Place: Indore
Date: 27th October, 2006

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting the **Thirty Second Annual Report** of the Company with the Audited *Statement of Accounts for the year ended 31st March, 2006.*

PERFORMANCE DURING THE YEAR:

The continuance of closure of manufacturing operations during the full year has resulted in heavy losses to the Company as the absence of any manufacturing operation left the entire administrative and Interest expenditure unabsorbed. The Company received a total non-operational income of Rs. 226.14 lacs during the year in comparison to Rs.40.72 lacs in the previous year. Despite strict control exercised by the Company over the administrative cost, the company has not been able to serve its debts, which resulted in a higher interest and finance charges at Rs.854.86 lacs in comparison to Rs.709.97 lacs in the previous year. Thus, during the financial year, the company incurred a net loss of Rs.930.80 lacs, which was higher in comparison to loss of Rs. 757.26 lacs in the previous year. The accumulated losses of the Company as at 31st March, 2006 were up at Rs.2,822.12 lacs (Previous year Rs.1,856.26 lacs).

FINANCIAL RESULTS:

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

Particulars	(Rs.in lakhs)	
	2005-2006	2004-2005
Authorized Share Capital	400.00	400.00
Sales and other Income	226.14	40.72
Total Expenditures	302.08	88.00
Interest and Finance Charges	854.86	709.98
Gross Profit/(Loss)	(930.80)	(757.26)
Provision for taxation	0.06	---
Goodwill written off	(35.00)	---
Net Profit/(Loss)	(965.86)	(757.26)
Balance b/f from previous year	(1,856.26)	(1,099.00)
Balance carried to Balance Sheet	(2,822.12)	(1,856.26)

32nd ANNUAL REPORT 2005-2006**CLOSURE OF THE COMPANY**

After the termination of processing agreement with effect from 18th March, 2003, the Company was forced to suspend its manufacturing operations. Since then the plant, machinery and fixtures of the Company had remained idle. Due to financial difficulties the Company could not provide a proper maintenance to the plant, machinery and fixtures of the Company and therefore they have lost a substantial part of their value. The Company, however, tried to have alternative arrangement for processing after the closure to protect the life of the assets, but the operations in the plant could not be started and the manufacturing facility remained non-operative since 18.03.2003. 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. The dues of all the employees and workers of the Company have been settled and at the date of the report there is no employee working in the Company.

REFERENCE TO BIFR

The members are aware that as the accumulated losses as on 31st March, 2004 had went up to Rs. 1099 lacs, the net worth of Rs. 871 lacs of the company got completely eroded in the year 2003-04 and the provisions of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985, (SICA) became applicable on the Company. Accordingly the Company had made a reference for registration to the Board for Industrial and Financial Reconstruction (BIFR). The BIFR has in its hearing held on 12th July 2006 dismissed the reference filed by the company on the ground that the company does not own any industrial unit.

FUTURE OUTLOOK:

As already informed to all the members earlier the company does not expect to commence any operations in the company as the Plant & Machinery and other fixed assets of the company have already been disposed off and therefore the prospects of the company appears to be critical.

DIRECTORS:

Shri K.N.Garg, Chairman 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.

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.

DEMATERIALISATION FACILITIES:

Your Company is registered with National Security Depository Ltd. (NSDL) to facilitate its members to hold and trade their shares in electronic form. NSDL has provided us ISIN No. INE205G01014 with effect from November 15, 2003. 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 demat form only.

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.

STI PRODUCTS INDIA LIMITED

- * *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 disposal of its fixed assets, dismissal of reference with BIFR, settlement of workers and absence of any operations for last few years.*

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUT GO :

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 in view of no manufacturing operations in the company during the year.

PARTICULARS OF EMPLOYEES :

The provisions of Section 217 (2A) of the Companies Act, 1956 are not applicable on the company as there is no employee in the company.

FIXED DEPOSITS :

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

INDUSTRIAL RELATIONS :

Industrial relations during the year under review with the employees were cordial upto the date of settlement with them. Therefore the directors also wish to record their appreciation of the sincere and dedicated support by the employees of the company at all levels upto the date of settlement.

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 upto the date of settlement with them.

By order of the Board
For STI PRODUCTS INDIA LIMITED

(K.N. GARG)
Chairman

Place: Indore
Date: 27th October, 2006

32nd ANNUAL REPORT 2005-2006

REPORT ON CORPORATE GOVERNANCE
YEAR 2005-06

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. BOARD OF DIRECTORS

a) Composition:

As on 31st March, 2006, 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 2005-2006 was as under:

Name	Category	No. of meetings	No. of meetings attended	Last AGM attended
Mr. K.N. Garg	Promoter & Director -Chairman	4	4	Yes
Mr. Rajendra Prasad	Independent & Non-Executive Director	4	4	No
Mr. Nirmal K. Gupta	Independent & Non-Executive Director	4	NIL	No

Brief Resume of Shri K.N. Garg, Directors to be re-appointment.

Shri K.N. Garg, is proposed to be re-appointed as a Director of the Company liable to retire by rotation. Mr. K.N. Garg, promoter Director of the Company is an Industrialist. Mr. K.N. Garg born in 1945, having Masters' Degree in Commerce and a Bachelors' Degree in Law, is a new age entrepreneur. Mr. K.N. Garg, has rich experience in running business for more than three decades. Presently, he is Chairman of the Company and also acting as Director on the Board of various other companies.

b) Board meeting and Attendance of Directors

The details of meeting wise attendance of Directors are as under :

Sl.No.	Name of the Directors	30.06.05	28.07.05	28.10.05	30.01.06
1.	Mr. K.N. Garg	P	P	P	P
2.	Mr. Rajendra Prasad	P	P	P	P
3.	Mr. Nirmal K. Gupta	LOA	LOA	LOA	LOA

Note : P=Present, LOA=Leave of Absence

c) Sitting Fees

None of the Directors' Were paid Sitting Fees during Financial Year 2005-06.

d) Oter Directorships

The details of Present Directors holding Directorship in other Companies are as under :

No.	Name of Directors	Directorship in other Companies
1.	Mr. K.N. Garg	1. Steel Tubes of India Ltd., -Managing Director. 2. STI India Ltd.,- Director 3. STI International Ltd.,-Director 4. STI Power India Private Ltd.,-Director
2.	Mr. Rajendra Prasad	1. Global Stone India Ltd.,-Director 2. STI International Ltd.,- Director 3. Beta Infotech Ltd.,- Director
3.	Mr. Nirmal K. Gupta	Nil

Mr. Nirmal K. Gupta does not hold directorship in any other Company.

e) Membership/Chairmanship in board Committees

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

Sl No.	Name of Directors	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 India Ltd., : Audit Comm. - Member Remu. Domm. - Member Sh. Tr. Comm -Member	2	7
02.	Mr. Rajendra Prasad	1. Global Stone India Ltd., : Audit Comm. -Chairman	4	2