

14TH ANNUAL REPORT
2004-2005

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STARLITE COMPONENTS LIMITED



STARLITE COMPONENTS LIMITED

CHAIRPERSON

Smt. Rochana S. Bharati

MANAGING DIRECTOR

Shri Arvind S. Bharati

DIRECTOR

Shri S. K. Soni

BANKERS

UTI Bank Limited
The Nasik Peoples' Co-op. Bank Ltd.

AUDITORS

M/s. Godse Joshi & Associates
Chartered Accountants,
Pune.

REGISTERED & ADMIN OFFICE

7, MIDC, Satpur, Nasik 422 007.

FACTORY

7, MIDC, Satpur, Nasik 422 007.
64/B, MIDC, Satpur, Nasik 422 007

REGISTRARS & SHARE TRANSFER AGENTS

Mondkar Computers Private Limited
21, Shakil Niwas,
Mahakali Caves Road, Andheri(East),
Mumbai 400 093

EQUITY SHARES LISTED AT

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001

Pune Stock Exchange Ltd.
Shivleela Chambers, 752, Sadashiv Peth, R. B. Kumbekar Marg, Pune 411 030

The Stock Exchange - Ahmedabad
Kamdhenu Complex, Sahjanand College, Panjarapole, Ahmedabadf 380 015

Coimbatore Stock Exchange Ltd.
CSX Towers, 683-686, Trichy Road, Singanallur, Coimbatore 641 005



STARLITE COMPONENTS LIMITED**NOTICE**

NOTICE is hereby given that Fourteenth Annual General Meeting of the Members of STARLITE COMPONENTS LIMITED will be held at F -108, M.I.D.C., Satpur, Nasik - 422 007 on Saturday, December 31, 2005 at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account of the Company for the year ended June 30, 2005 and the Balance Sheet as at that date and the Reports of the Auditors and Directors thereon.
2. To appoint Director in place of Shri. S. K. Soni, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

By Order of the Board of Directors

Place: Nasik

Date: 24.11.2005

(ARVIND BHARATI)

Managing Director

Registered Office:

7, M.I.D.C. Area, Satpur, Nasik-422 007.

NOTES TO NOTICE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY (S) NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE AFORESAID MEETING.
2. The Register of Members and Share Transfer Book will remain closed from 28th December, 2005 to 31st December, 2005 (both days inclusive).
3. Members are requested to please bring their copies of the Annual Report to the meeting.
4. Members are requested to notify change in address, if any, to the Registrars and Share Transfer Agents quoting their folio numbers at an early date.
5. Mondkar Computers Pvt. Ltd. are Registrars and Share Transfer Agents of the Company. The Members are requested to address share transfers and other correspondence to them directly and not to the company.

By Order of the Board of Directors

Place: Nasik

Date: 24.11.2005

(ARVIND BHARATI)

Managing Director



STARLITE COMPONENTS LIMITED

DIRECTORS' REPORT

To,
The Members,
Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited statements of accounts for the year ended 30th June 2005.

FINANCIAL RESULTS

The financial results for the year ended 30th June 2005 are briefly stated below:

	(Rs. In lacs)	
	2004-05	2003-04
Sales and Other Income	327.66	265.09
Operating Profit (Before Interest, Depreciation and Tax)	(5.56)	(215.40)
Less: Interest and other financial charges	90.98	146.16
Depreciation	15.64	6.19
Profit before Tax	(112.18)	(367.75)
Provision for Tax (MAT)	0	0
Provision for Deferred Tax Asset (Liability)	0	0
Profit after Tax/(Loss)	(112.18)	(367.75)

OPERATIONS

During the year the company incurred a loss of Rs. 112.18 lacs after depreciation and interest. The company also undertook a construction contract and sub-contracted the same and earned profit on it. Thus it is seen from the above results that the company's operating loss is mainly attributable to the heavy interest charged by the term lenders. During the year UTI Bank Ltd. waived Rs. 71.83 lacs out of the dues owed by the company. The company had to write off Rs. 43.98 lacs as bad debts. These amounts are reflected in the Profit & Loss Account for the year below the line as extra ordinary items.

DIVIDEND

Your Directors do not recommend any dividend for the year under review.

FIXED DEPOSITS

The Company has not accepted any fixed deposit from the public during the year under review.

DIRECTORS

Mr. S. K. Soni, Director of the Company is retiring by rotation and, being eligible, has offered himself for reappointment. Members are requested to appoint the Director.

During the year Mr. G.K.Srikantan resigned with effect from 23rd December, 2004 due to his personal reasons and pre-occupation elsewhere. The Board places on record its appreciation for the services rendered by him during his tenure on the Board. The vacancy caused by the resignation could not be filled.

STATUTORY DISCLOSURES

Information as per Section 217(1) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure to this report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed that:

- In preparation of annual accounts, the applicable Accounting Standards have been followed and there was no material departure from the said standards.
- The accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give true and fair view of the state of affairs and of the profit/loss of the Company at the end of the year.
- Adequate accounting records as per the provisions of the Companies Act, 1956 have been maintained and proper and sufficient care has been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts are prepared on Going Concern Basis.



REFERENCE TO BIFR

During the year, the company filed the reference with the Board of Industrial and Financial Reconstruction (BIFR) under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 and it has been registered as Case No. 59/2005.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance alongwith certificate of Company's Statutory Auditors is annexed herewith.

LISTING FEES

The company's shares are listed at the Stock Exchanges at Mumbai, Pune, Ahmedabad and Coimbatore. The Stock Exchange – Mumbai has suspended trading in the shares of the company for failure to pay the listing fees in time. However, now the company has paid up-to-date listing fees to Mumbai Stock Exchange and is taking steps to restore the trading on the Exchange. In the previous Annual General Meeting, the company had resolved to de-list the shares from the Stock Exchanges at Pune, Ahmedabad and Coimbatore and the procedure of de-listing is being complied with. The company expects to get the said permission in due course.

AUDITORS

The Auditors of the Company, M/s. Godse Joshi and Associates, Chartered Accountants, Pune retire at the ensuing Annual General Meeting. They are eligible for reappointment. Members are requested to appoint the Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the continued support of Company's Bankers, Maharashtra State Financial Corporation, its suppliers and customers and all the members of staff and workers for their cooperation at all levels.

For and on behalf of the Board of Directors

Place: Nasik
Date: 24.11.2005

(ARVIND BHARATI)
Managing Director

Registered Office:
7, M.I.D.C. Area, Satpur, Nasik-422 007.

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(1) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th June 2005.

PARTICULARS OF ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION.

Particulars in respect of conservation of energy, technology absorption etc. as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are as given here below.

Particulars	Current Year	Previous Year
A. Power and Fuel Consumption		
Electricity		
Purchased Units	24373	86889
Total Amount (Rs.)	192442	454477
Rate/Unit (Rs.)	7.90	5.23
Own Generation	Nil	Nil
Others	Nil	Nil
B. Consumption per unit of production		
Electricity (Unit Per Kg.)	*	*
Electricity (Unit Per KPS.)	*	*

* - Since Plant and Machinery are now located at one place and manufacturing is done in different units of measurement, no separate consumption per unit of production is given.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year under review, there was no foreign exchange earning or outgo.

PARTICULARS OF EMPLOYEES

Information required pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is not given, as there was no employee in receipt of remuneration exceeding Rs. 24,00,000/- per annum, if employed throughout the year or Rs. 2,00,000/- per month if employed for a part of the year.

DUES OF SMALL SCALE INDUSTRIAL UNDERTAKINGS

Particulars of amount owed to small scale industrial undertakings in terms of Notification GSR 129(E) dated 22.02.1999 issued by the Department of Company Affairs is not given since information about the category of suppliers is not available.

For and on behalf of the Board of Directors

Place: Nasik

Date: 24.11.2005

(ARVIND BHARATI)

Managing Director

Registered Office:

7, M.I.D.C. Area, Satpur, Nasik-422 007.

MANAGEMENT DISCUSSION AND ANALYSIS**INDUSTRY STRUCTURE AND DEVELOPMENTS**

As you are aware that your company is associated with the lighting industry for last over 14 years and manufactures Tungsten filaments from its own drawn wires, Lamp base caps and Electronic Ballasts. Despite of taking various proactive steps to cope up with the severe competition and the radical changes in the industry the company could not do well basically due to the unhealthy competition from tiny manufactures who use unhealthy trade practices and various external factors beyond the control of the company.

However the additions of Electronic ballast which caters to the needs of the fast growing Energy saving compact fluorescent lamps industry and the fine wire drawing capabilities will give the company an edge over other players in the industry. Your company can regain a strong foothold in the market because of its long presence and contacts with the major players in the industry. Since GLS bulbs are being fast replaced with the CFL the forecast for the filaments and caps section may not seem to be very attractive. However the growth in the electronic ballast section should help recover the situation.

OPPORTUNITIES AND THREATS / RISKS AND CONCERNS

Fast replacement of GLS bulbs is a major risk and a concern but your management had already taken effective steps to overcome this. However due to lack of support from its bankers and various other external factors giving rise to the financial crunch your company could not en-cash the innumerable opportunities. There are more opportunities and your company is hopeful to regain its strength and position in the lighting industry. If the long - term debts of the company are restructured in consultation with the lenders, the company is hopeful for a fast recovery.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The segment wise and product wise performance is given in the schedule 23 containing Notes on Accounts to the annual accounts of the Company.

INDUSTRY OUTLOOK

The GLS industry in India with the new developments will remain stagnant. Therefore, we are now looking for overseas market besides diversifying into new products and have managed to get a good lead in this direction. Also the energy saving lamps will be the lamps of future, and the management of the company has already taken effective steps to cope with this threat.

The company had received good orders from its customers but due to the financial crunch it could not take the benefit of the opportunity. However in the coming year and barring unforeseen circumstances, there should be increase in profitability in the current financial year.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The adequacy of the internal control systems operating in the company is tested and monitored from time to time. These systems are also consistently re-engineered in line with the changing requirements.

DISCUSSION ON FINANCIAL PERFORMANCE W.R.T. OPERATIONAL PERFORMANCE

The company's financial performance has not been satisfactory in light of the changing scenario of the industry. Although the company had taken various proactive steps to nullify the effect but due to very bad debtor realization the operations and the performance of the company was very bad. The company is taking more corrective actions in terms of change in client base, backward integration to cut cost and diversification to beat the changing trend. Barring unforeseen circumstances, the management is confident that financial performance of the company will improve in the coming years.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

During the year under review, the industrial relations remained cordial and stable. The company always paid special attention to the development of its people. The company inculcates the culture of personal growth and organizational excellence based on performance.

As on 30th June 2005, the number of people employed by the company was 56.



CORPORATE GOVERNANCE REPORT

STARLITE COMPONENTS LIMITED (SCL) has always followed a tradition of fair and transparent corporate policies and practices while dealing with the Shareholders, Employees, Customers, Suppliers, Financial Institutions and others. Given below is the report on the implementation of the Corporate Governance code by the Company in accordance with the provisions of clause 49 of the Listing Agreement.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Company's philosophy on Corporate Governance is reflected in its approach to resolve various issues by adhering to and complying with the prevalent laws and rules and regulations and in achieving complete satisfaction of all the ingredients of the organization. The Company's philosophy also includes maintaining harmonious relationship with all its Employees, Suppliers, Customers, etc and strengthening the same by continuous interaction leading to overall corporate growth.

BOARD OF DIRECTORS

The Board of Directors of the Company presently consists of the following Directors :

Name of Director	Designation	Category	No. of other Directorships *	Membership of Board Committees (other than SCL)
Smt. Rochana Bharati	Chairperson	Non-Executive/ Non-Independent	1	-
Mr. Arvind Bharati	Managing Director	Executive	3	-
Mr. S.K. Soni	Director	Executive	1	-

* Excludes Directorships as contemplated under section 278 of the Companies Act, 1956.

BOARD PROCEDURE

The Board of the Company met nine times during the last financial year on 2nd July, 2004; 29th July, 2004; 30th August, 2004; 29th October, 2004; 30th November, 2004; 23rd December, 2004; 31st January, 2005; 25th March, 2005; and 30th April, 2005.

Details of attendance of Members at the Board Meeting and at the last Annual General Meeting are as under:

Name of Director	Attendance Board Meeting	Attendance Last A.G.M.
Smt. Rochana Bharati	9	Yes
Mr. Arvind Bharati	8	Yes
Mr. S.K. Soni	7	Yes
Mr. G.K. Srikantan *	4	-

* Mr. G.K. Srikantan resigned as Director of the Company from 23rd of December 2004.

AUDIT COMMITTEE ETC.

The Company has filed reference with the Board of Industrial and Financial Reconstruction (BIFR). The Company is unable to appoint Independent / Non-executive directors on its Board. Hence, the company could not form various committees as required.

REMUNERATION OF DIRECTORS

a) Remuneration of Managing Director and Whole Time Directors.

The terms of remuneration of Mr. Arvind Bharati – Managing Director and Mr. S.K. Soni - Whole Time Director were fixed by the Board of Directors and approved by the Shareholders. During the financial year 2004-2005, the particulars of remuneration paid to these Directors are as under.

Particulars of Remuneration	Mr. Arvind Bharati (Amount Rs.)	Mr. S.K. Soni (Amount Rs.)
Salary	1,02,000	90,000
Allowances	24,000	16,500
Others	NIL	NIL

b) Remuneration of Non-Executive Directors

During the Financial year 2004-2005 no sitting fees or commission were paid or payable to the Non-Executive Directors.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Shareholders' / Investors' Grievance committee consists of the following:

Name	Designation	Executive / Non-Executive / Independent
Smt. Rochana Bharati	Chairperson	Non-Executive
Mr. Arvind Bharati	Member	Executive

The committee headed by Smt. Rochana Bharati looks into the Shareholders' / Investors' complaints pertaining to non receipt of Share Certificates, annual reports, dividends etc. apart from improving the means of communication with the shareholders and better investor services and relations.